ASX ANNOUNCEMENT

21 August 2014

The Manager
Company Announcements Office
Australian Securities Exchange
Level 45, South Tower Rialto
525 Collins Street
MELBOURNE VIC 3000

ELECTRONIC LODGEMENT

Dear Sir or Madam

Appendix 4E

Please find attached an Appendix 4E – Full Year Report for the year ended 30 June 2014.

The Company will conduct an investor briefing commencing at 9.30am this morning. The briefing will be webcast and can be accessed through the Company's website at www.asciano.com.au. The investor briefing pack is also attached to this announcement.

Asciano Limited also confirms that it will hold its 2014 Annual General Meeting at the Wesley Centre, 220 Pitt Street, Sydney on Wednesday, 12 November 2014 at 10.00am.

Yours faithfully

Saul Cannon
Group General Counsel & Company Secretary

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Financial Year 2014

Full Year Financial Results

For the twelve months ended 30 June 2014

Incorporating the requirements of Appendix 4E

APPENDIX 4E

Asciano Limited
Results for announcement to the market
for the full year ended 30 June 2014

Twelve Months Ended June ($'m)	2013[7]	2014	% chg
Statutory Revenue and other income	3,744.8	3,994.6	6.7
Underlying EBITDA[1,2]	992.7	1,052.0	6.0
Statutory EBITDA[2]	977.8	991.4	1.4
Underlying EBIT [3,4,7]	686.0	720.3	5.0
Statutory EBIT[3,7]	667.0	584.0	(12.4)
Underlying NPAT[5,6,7] after minority interests	342.5	349.8	2.1
Statutory NPAT [6,7] after minority interests	334.4	254.4	(23.9)
Basic earnings per share – cents	34.3	26.1	(23.9)
Diluted earnings per share – cents	34.2	26.1	(23.7)
Underlying diluted earnings per share-cents[5]	35.0	35.8	2.3
Net tangible asset backing per share – dollars	0.85	0.93	9.3
Interim dividend per share - cents	5.25	5.75	9.5
Final dividend per share – cents	6.25	8.50	36.0

1. Pre material items of $60.6m pre tax ($14.9m in FY13)
2. EBITDA refers to earnings before net finance costs, tax, depreciation and amortisation
3. EBIT refers to earnings before interest and tax
4. Pre material items of $136.3m pre tax ($19m in FY13)
5. Pre material items of $95.4m post tax ($8.1m in FY13)
6. NPAT refers to net profit after tax
7. FY13 earnings have been restated to reflect the change in the Australian Accounting Standards Board (AASB) 119, accounting for employee benefits, as reported in the FY13 financial accounts. The impact of the change is to reduce FY13 EBITDA & EBIT by an amount of $7.9m and FY13 NPAT by $5.6m

Reconciliations between the statutory measures and underlying measures are provided on page 14, 16 and 18.

The Board of Directors determined on 21 August 2014 that a fully franked final dividend will be paid by Asciano Limited on 19 September 2014. The record date for entitlement to the dividend is 1 September 2014 and the stock will trade ex-entitlement on 28 August 2014. The dividend of $82.9m was not recognised as a liability at 30 June 2014. The dividend reinvestment plan will not be active for this dividend.

The final results commentary is unaudited. Notwithstanding this, the report includes certain financial data which is extracted or derived from the Full Year Financial report for the twelve months ended 30 June 2014 which has been audited by the Group's Independent Auditor

Full Year Report

For the twelve months ended 30 June 2014

Contents

Further Information:

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21 August 2014

Improved earnings in line with forecast, expect underlying EBIT growth in FY15 to be at a higher rate than in FY14

Highlights

- ✓ Underlying Revenue[1] (net of coal access fees) increased 6.7% to $3.8bn driven by 21.6% growth in coal NTKs, a 3.7% growth in container lifts (8.5% increase in 2H FY14) and 16.6% increase in revenue from Bulk & Automotive Port Services offset to an extent by a 2.3% decline in revenue from PN Rail (refer page 13 for further details)
- ✓ Underlying EBITDA[1] increased 6% to $1.1bn (refer page 14 for reconciliation)
- ✓ Underlying EBIT[1] increased 5% to $720.3m (refer page 16 for EBIT bridge)
- ✓ Cash net financing costs declined 10% on the pcp to $198m, statutory net financing costs increased 12.8% on the pcp to $225.3m reflecting the impact of non cash mark to market and accounting standard changes (refer page 17 for reconciliation)
- ✓ Underlying Net Profit after tax[1] increased 2.1% on the pcp in line with guidance
- ✓ Underlying EPS[1] growth of 2.3%
- ✓ A 36% increase in final dividend on pcp to 8.5 cps. Full year dividend 14.25cps up 23.9% on pcp (refer page 24 for further details)
- ✓ Capital expenditure for the period was $754m within the forecast range (refer page 20)
- ✓ $60.9m positive free cash flow after capital expenditure in 2H FY14. Expect strong growth in free cash flow in FY15 and FY16 from a combination of stronger operating cash flow and lower capital expenditure (refer page 20 for further details)
- ✓ Business improvement program delivered a further $33.6m in savings taking cumulative benefits to $115m. FY16 five year BIP target doubled to $300m (refer page 15 for further details)
- ✓ Material items of $95.4m post tax relate to restructuring costs associated with the integration of the two Pacific National rail haulage divisions and the redevelopment of Port Botany (compared to an $8.1m material item after tax in the pcp). $53m post tax relates to non cash asset write downs (refer page 19 for further details)
- ✓ Discussions with third parties in relation to strategic opportunities with the Terminals & Logistics Division, including the potential sale of a non-controlling interest, continue to progress
- ✓ Assuming no material change in the business environment, Asciano currently expects underlying EBIT growth in FY15 to be higher than the underlying EBIT growth of 5% in FY14 (refer Group Outlook on page 42 for further details)
- ✓ Expect to report a material item in the order of $20m representing the final costs associated with the Port Botany site commissioning and cut over to the automated facility
- ✓ Remain broadly on track with five year strategic plan and key target metrics

1. "Underlying" earnings (Revenue, EBITDA, EBIT, NPAT, EPS) which excludes certain items, as determined by the Board and management, that are either significant by virtue of their size and impact on earnings, or are deemed to be outside normal operating activities. It reflects an assessment of the result for the ongoing business of Asciano. "Underlying" earnings has been calculated in accordance with AICD/FINSIA principles for reporting underlying profit and ASIC's Regulatory guide 230 – Disclosing non-IFRS financial information. "Underlying" earnings have not been reviewed by the Group's external auditors however the adjustments have been extracted from the books and records that have been audited.

Result Summary

Twelve months ended 30 June ($'m)	2013[6]	2014	%chg
Underlying Revenue and other income[1]	3,727.7	3,994.6	7.2
Underlying Revenue and other income (net of coal access)[1]	3,552.9	3,790.6	6.7
Underlying EBITDA[2]	992.7	1,052.0	6.0
Underlying EBIT[3]	686.0	720.3	5.0
Underlying PBT	486.3	495.0	1.8
Underlying NPAT after minority interests[4]	342.5	349.8	2.1
Material Items after tax[5]	(8.1)	(95.4)	-
Statutory NPAT after minority interests	334.4	254.4	(23.9)
Diluted underlying EPS after minority interests (c)	35.0	35.8	2.3
Diluted statutory EPS after minority interests (c)	34.2	26.1	(23.7)
DPS (c)	11.5	14.25	23.9

1. FY13 underlying revenue and other income excludes the $17.1m accounting gain in relation to the revaluation of the Company's existing 50% shareholding in C3 following the acquisition of the outstanding 50% interest in November 2012
2. Underlying EBITDA excludes material items of $60.6m (FY13 $14.9m). Details of the adjustments and a reconciliation between underlying EBITDA and statutory EBITDA are on page 14
3. Underlying EBIT excludes material items of $136.3m (FY13 $19.0m). Details of the adjustments and a reconciliation between underlying EBIT and statutory EBIT is at page 16
4. Underlying NPAT excludes material items of $95.4m (FY13 $8.1m). A reconciliation between underlying NPAT and statutory NPAT is at page 18
5. A breakdown of material items is on page 19
6. FY13 earnings have been restated to reflect the change in the Australian Accounting Standards Board (AASB) 119, accounting for employee benefits, as reported in the FY13 financial accounts. The impact of the change is to reduce FY13 EBITDA & EBIT by an amount of $7.9m and FY13 NPAT by $5.6m

CEO Commentary

Commenting on the result CEO and Managing Director of Asciano, John Mullen said "Asciano's FY14 result reflects another year of strong growth in coal volumes, a pick-up in growth in container volumes in 2H FY14, assisted by new contract wins, and a higher contribution from Bulk & Automotive Port Services driven by a full year contribution from C3 and stronger car volumes in 1H FY14. These gains offset the impact of a soft domestic economy, the drought in North East Australia and lower resources related project activity on our national intermodal, grain haulage, bulk stevedoring and logistics volumes.

"During FY14 we have continued to expand our business foot print and critical logistics service offering across infrastructure based supply chains with the acquisition of Newcastle based integrated logistics business Mountain Industries, the expansion of the C3 forestry marshalling and port services business into new regions in Australia, the acquisition of strategic intermodal terminals in Queensland and the securing of a 12 ha site within the new pre car delivery inspection facility at Webb Dock in Melbourne.

"All business divisions have secured and commenced new contracts which expand our activities and scale including the commencement of the Hail Creek coal haulage contract for Rio Tinto Australia in Queensland, securing a coal haulage contract with Q-Coal from its Drake coal project in Queensland expected to commence in FY16, a contract with shipping line K-Line to service vessels in Fremantle, a new three year contract with VW/Audi for car processing and delivery and a new interstate line haul agreement with Toll Holdings until 2022 that has volume commitments of at least 90% of its intermodal rail freight requirements

"In FY14 we continued with our capital expenditure modernisation and upgrade program which, while slowing the improvement in our ROCE, we believe establishes a sustainable platform for the long term growth of the business and the safety of our employees. This program will be completed over the next two years with annual sustaining capital expenditure in FY16 expected to reach what we believe will be a steady state for the medium term of $300-400m. Free cash flow after capital expenditure in 2H FY14 was $60.9m reflecting a reduction in working capital versus the first half of FY14 and proceeds from the sale of non-strategic property holdings of $81.5m.

"Capital expenditure in FY14 was $753.7[1]m within the range forecast at the beginning of the year and includes the acquisition of strategic intermodal rail terminals in Queensland. The program in FY14 included a significant level of investment in the redevelopment and automation of Port Botany. Following the delay to the original launch date, caused by damage to the AutoStrad™ equipment in transit, the redevelopment is progressing in line with the revised plan for the cut over to the automated facility in 3Q FY15. The majority of the damaged AutoStrads™ have now been repaired and are being tested and commissioned in Brisbane with transport to Sydney for trialing on site, expected to commence in September 2014.

"Given the current unpredictable demand outlook in the Australian economy we have taken significant measures over the last twelve months to make quantum changes to the cost base of our business through the improvement in our business processes and overall productivity and we have a number of plans in place that should drive significant savings over FY15 and FY16. This resulted in us doubling our five year business improvement target to FY16 from the original $150m plan to $300m.

"This program includes the integration of our two rail businesses to create a combined Pacific National business. The integration is expected to deliver material business improvement savings both in the short and medium term as we look more closely at the way we deliver services and the platform that supports the service delivery.

"We have also implemented a review of the Corporate and Shared Services functions which will also deliver both short term gains and benefits over the medium term from focused programs that will deliver some sustainable improvements in the Asciano cost base.

"As part of the review of our business structure I am also pleased to announce a number of senior leadership changes as part of the overall strengthening of the Company's management which will be effective from 1 September 2014.

"The current Director of Ports & Stevedoring, Phillip Tonks will be moving into a group wide role to support Asciano's focus on growth opportunities. This move leverages Phil's skills and experience across many parts of the Asciano Group.

"As a result of this change, Murray Vitlich, who has been with the business since January 2012 in the role of Director Strategy and Business Development, will be appointed in the role of Director Bulk & Automotive Port Services. Murray brings with him a breadth of strategic and operational experience gained with various organisations including Wesfarmers.

"Saul Cannon who has been Asciano's Group General Counsel for over seven years and more recently Company Secretary will move into the role of Director Strategy and Business Development. In his role as Group General Counsel Saul has been heavily involved in the Group's strategic planning and business development processes and is ideally suited to take up this new responsibility.

"The Company will appoint Ms Lyndall Stoyles, who is currently the Senior Legal Counsel for the Terminals & Logistics division to the role of Group General Counsel and Company Secretary. Lyndall has been with Asciano for five years, joining the business from law firm Clayton Utz and is ideally placed to make a smooth transition into the role.

[1] Includes $10m of capitalised interest associated with the Port Botany redevelopment project

“In addition to these changes, we will be integrating the leadership of our Human Resources, Corporate Affairs and cross company customer initiatives under the leadership of our current Human Resources Director, Ms Alex Badenoch.

“I am very pleased to be in a position to leverage our internal management capability to make these changes and we are confident each of these appointments will be very positive for our business going forward.”

Dividends

The Board has resolved to pay a fully franked final dividend of 8.5 cents per share an increase of 36% over the pcp. This takes the full year dividend to a fully franked dividend of 14.25 cents per share, representing a payout ratio of 39.7% and an increase of 23.9% on the previous year. The Company intends to review its current payout ratio range of 20-40% in FY15.

Outlook

Assuming no material change in the business environment, Asciano currently expects underlying EBIT growth in FY15 to be higher than the underlying EBIT growth of 5% in FY14, driven by the increase in the business improvement program and accelerated cost out program and slightly improving market conditions in Intermodal Rail and Container Terminals.

Mr Mullen said “We expect the combined Pacific National combined rail division and Terminals & Logistics to report growth in EBIT in FY15 driven by new contracts, GDP linked market growth and the impact of improved productivity, business improvement savings and general cost out programs. We expect Bulk & Automotive Port Services to report flat earnings in FY15 year on year given the wind down of the contract with Agility in Western Australia, expected to complete in December, the residual costs associated with the Webb Dock relocation and the current lower levels of project activity at some regional bulk ports around Australia and New Zealand.

“At the current time we expect a FY15 material item in the order of $20m representing the final costs associated with the Port Botany site commissioning and cut over to the automated facility.

“As foreshadowed at our investor day in June, we expect FY15 capital expenditure to be in the range of $600-700m with the focus at the lower end of the range unless new growth opportunities are secured. “This is expected to drive materially higher free cash flow after capital expenditure in FY15. The focus of the senior management team will be on extracting the returns from the significant capital expenditure program over the last three years to drive the ongoing improvement in Group ROCE.

“The senior leadership team will also be focused on ensuring that the business improvement program, in particular the integration of the Pacific National rail divisions and the redevelopment of Port Botany are executed successfully, with no negative impact on customer service levels.

“The unfortunate consequence of the integration of our rail businesses and the implementation of our other business improvement programs, including the restructure of our Corporate and Shared Services platform, is the resulting redundancies. I would like to thank those people who have left us during the period for their contribution to the business and wish them well in the future. I would also like to thank the people remaining in the business, many of whom have taken on additional responsibilities during this transition phase. The senior leadership team appreciate the significant support that has been given by employees across the Company during a period where difficult decisions have had to be made to ensure we deliver what I believe is a strong future for the Asciano businesses” concluded Mr Mullen.

ENDS

Financial Year 2014

Operating & Financial Review

Operating & Financial Review - Table of Contents

This Operating and Financial Review includes information required as part of the Operating and Financial Review and forms part of the Directors Report.

"Underlying" Earnings Classification

The Management Discussion & Analysis includes references to "Underlying" earnings (Revenue, EBITDA, EBIT, NPAT, EPS) which excludes certain items, as determined by the Board and management, that are either significant by virtue of their size and impact on earnings, or are deemed to be outside normal operating activities. It reflects an assessment of the result for the ongoing business of Asciano. "Underlying" earnings has been calculated in accordance with AICD/FINSIA principles for reporting underlying profit and ASIC's Regulatory guide 230 – Disclosing non-IFRS financial information. "Underlying" earnings have not been audited by the Group's external auditors however the adjustments have been extracted from the books and records that have been audited.

Operating & Financial Review

1 Group Operating Performance

1.1 Business Overview

Asciano is Australia's largest national rail freight and cargo port operator. Asciano aims to be Australia's leading provider of critical logistics services within essential infrastructure based supply chains.

Asciano occupies all major segments of the import/export and domestic supply chains to offer a diverse freight mix service offering. Asciano continues to pursue opportunities to provide integrated supply chain infrastructure solutions, leveraging the port and rail capabilities of the Group. The Group also seeks to develop integrated service offerings such as the migration of port volumes from road to rail.

Earnings Overview

Twelve Months Ended June ($'m)	2013[4]	2014	% chg
Statutory Revenue and other income	3,744.8	3,994.6	6.7
Underlying EBITDA[1]	992.7	1,052.0	6.0
Statutory EBITDA	977.8	991.4	1.4
Underlying EBIT[2]	686.0	720.3	5.0
Statutory EBIT	667.0	584.0	(12.4)
Underlying NPAT[3] after minority interests	342.5	349.8	2.1
Statutory NPAT after minority interests	334.4	254.4	(23.9)

1. Underlying EBITDA excludes material items of $60.6m (FY13 $14.9m). Details of the adjustments and a reconciliation are on page 14
2. Underlying EBIT excludes material items of $136.3m (FY13 $19.0m). Details of the adjustments and a reconciliation between underlying EBIT and statutory EBIT is at page 16
3. Underlying NPAT excludes material items of $95.4m (FY13 $8.1m). A reconciliation between underlying NPAT and statutory NPAT is at page 18
4. FY13 earnings have been restated to reflect the change in the Australian Accounting Standards Board (AASB) 119, accounting for employee benefits, as reported in the FY13 financial accounts. The impact of the change is to reduce FY13 EBITDA & EBIT by $7.9m and FY13 NPAT by $5.6m

For the FY14 reporting period Asciano's activities were divided into four reportable segments:

Pacific National Coal (PN Coal) – is the second largest coal rail haulage provider in Australia moving export coal from mine to port and domestic coal from mine to power stations and steelworks primarily in New South Wales and Queensland. Pacific National Coal also hauls coal by rail in South Australia servicing the local power industry. *Detailed overview and review of operating performance at page 25*

Pacific National Rail (PN Rail) – provides intermodal rail services and bulk haulage rail services (excluding coal) throughout Australia. The intermodal business includes interstate container freight, interstate break bulk freight (steel), regional freight rail services in Queensland and hook and pull services for passenger trains. *Detailed overview and review of operating performance at page 25*

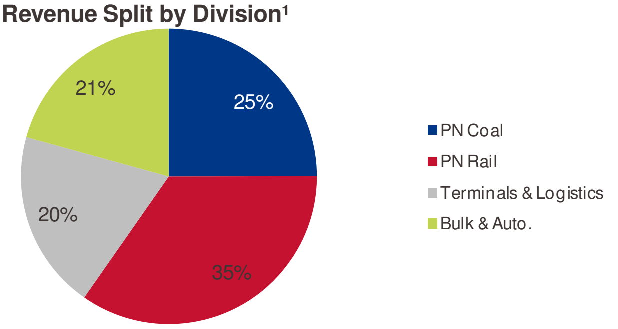
Terminals & Logistics – is one of two major competitors in the Australian market providing container stevedoring services in the four largest container ports in Australia; East Swanson Dock in Melbourne, Port Botany in Sydney, Fisherman Islands in Brisbane and Fremantle in Western Australia. The division also provides an integrated logistics service establishing the interface between the shipping lines and the beneficial freight owner. *Detailed overview and review of operating performance at page 33*

Bulk & Automotive Port Services (BAPS) – specialises in the management of bulk ports and supporting infrastructure and the provision of port related logistics at over 40 sites across Australia and New Zealand. It also operates an integrated service for the transportation, processing and storage of motor vehicles from the port to the beneficial freight owner. *Detailed overview and review of operating performance at page 37*

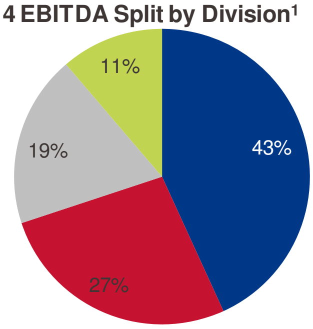
As announced in February 2014[2], Asciano has moved to integrate its two rail divisions Pacific National Rail and Pacific National Coal into one rail division Pacific National.

Asciano's head office functions have been established to provide an efficient organisation structure to extract synergies across Group wide activities such as IT, shared services, procurement and fuel.

FY14 Revenue Split by Division[1]



FY14 EBITDA Split by Division[1]



1. Does not include corporate head office costs/eliminations

1.2 Strategic Objective

Asciano's strategic objective is to be Australia's leading provider of critical logistics services within essential infrastructure based supply chains. The Company intends to maintain its position in the market by delivering measurably superior outcomes for customers, thereby generating consistently attractive returns for shareholders.

Specifically Asciano will achieve its strategic objective through:

- Being the most innovative and customer centric intermodal and bulk haulage rail operator in Australia;
- Being the leading container terminal operator and general stevedore in Australia with a clear service distinction compared to our competitors; and
- Developing integrated strategies and service offering to leverage group assets across ports and rail.

Asciano's operations are generally capital intensive. It delivers value to shareholders through effective asset utilisation and allocating capital across its portfolio of businesses to generate returns in excess of its cost of capital. The company's objective is to generate a return on capital employed (ROCE) that exceeds the Group's weighted average cost of capital (WACC) by FY16/17.

In delivering the strategic objective Asciano's core values are:

- Safety – We are committed to getting our people home safely everyday;

[2] FY14 Interim Profit Release dated 18 February 2014

- Customer – Supporting our customers to succeed is at the heart of all we do;
- People & Teamwork – Working together in partnership is how we achieve our goals; and
- Financial Success – Our decisions and actions focus on delivering superior performance outcomes

1.3 Key Business Risks

Asciano's four reporting divisions are exposed to specific business risks. These specific risks are detailed in Section 2. There are also a number of risks and challenges that Asciano as a whole faces in achieving its overall business objective. Asciano's overarching key business risks include:

- **People and Safety**
    - Injury to employees, contractors and other third parties
    - Industrial relations activity that impacts the Company's ability to meet its contractual and customer expectations
    - Attraction and retention of key senior management and operational staff
- **Customer**
    - Increased competition that results in the loss of major customers, including government legislated changes to competition levels
    - Counterparty risk
- **Global Markets**
    - Exposure to volatility in commodity flows and domestic and global economic cycles
    - Ability to access financial markets when required at a competitive cost of capital
- **Changes in government policy, investment decisions and regulation**
    - Infrastructure capacity constraints and disruptions caused by the failure to invest in critical infrastructure to meet the requirements of the market place
    - Changes in the Australian Accounting Standards and the Income Tax Assessment Act that could have a material impact on the Company's financial statements in future periods
- **Operational Risk**
    - Infrastructure capacity constraints and disruptions caused by the failure of critical IT platforms and support
    - Performance and reputation issues
    - Disruption or loss of critical supply inputs including security breaches of IT platforms
    - Integration risks associated with acquisitions and business restructures including the impact on customer service levels
- **Environment**
    - Climate change risk
    - Environmental regulation compliance risk. The Company's approach to environmental regulation is set out in Corporate Governance Statement in the Directors' Report and is available on our website

Asciano seeks to mitigate its risks through the effective management of and engagement with its key stakeholder base; an ongoing focus on its cost base and productivity improvements; and ensuring that it has effective systems and procedures in place to manage the business on a day-to-day basis and address the strategic issues and challenges that may impact the business over the medium term.

These risks are identified to assist investors in understanding the nature of the risks faced by Asciano and the industries in which it operates.

The Company's risk management approach is set out in detail in the Corporate Governance Statement in the Directors' Report.

1.4 FY14 Earnings Overview

1.4.1 Earnings Summary

Twelve Months Ended 30 June $('m)	2013[6]	2014	% chg
Underlying Revenue and other income[1]	3,727.7	3,994.6	7.2
Pacific National Coal	1,017.2	1,159.9	14.0
- *Pacific National Coal (net of access)*	842.4	956.0	13.5
Pacific National Rail	1,360.9	1,329.1	(2.3)
Terminals & Logistics	731.5	748.6	2.3
Bulk & Automotive Port Services	680.5	793.4	16.6
Eliminations / unallocated	(62.4)	(36.4)	(41.7)
Underlying EBITDA[2]	992.7	1,052.0	6.0
Underlying Depreciation	261.9	285.1	8.9
Amortisation	44.8	46.6	4.0
Pacific National Coal	287.9	332.3	15.4
Pacific National Rail	216.8	179.6	(17.2)
Terminals & Logistics	150.1	150.3	0.1
Bulk & Automotive Port Services	89.0	89.5	0.6
Corporate	(57.8)	(31.4)	(45.7)
Underlying EBIT[3]	686.0	720.3	5.0
Net interest and associated costs	(199.7)	(225.3)	12.8
Underlying Profit[2] before tax	486.3	495.0	1.8
Underlying Tax expense	(141.4)	(142.6)	0.8
Outside equity interests	(2.4)	(2.6)	8.3
Underlying Net Profit[4] after tax and minority interests	342.5	349.8	2.1
Material items before tax[5]	(19.0)	(136.3)	
Material items after tax	(8.1)	(95.4)	
Profit attributable to owners of Asciano Limited	334.4	254.4	(23.9)
Full time employees at year end	8,891	8,827	(0.7)
EBITDA Margin net of coal access (%)	27.9	27.8	(0.1)
EBIT margin net of coal access (%)	19.3	19.0	(0.3)
Underlying fully diluted EPS (¢)	35.0	35.8	2.3
Basic Earnings per share (¢)	34.3	26.1	(23.9)
Diluted Earnings per share (¢)	34.2	26.1	(23.7)
Diluted weighted average shares (m)	977.6	976.4	(0.1)

1. FY13 underlying revenue and other income excludes the $17.1m accounting gain in relation to the revaluation of the Company's existing 50% shareholding in C3 following the acquisition of the outstanding 50% interest in November 2012
2. Underlying EBITDA excludes material items of $60.6m (FY13 $14.9m). Details of the adjustments and a reconciliation between underlying EBITDA and statutory EBITDA are on page 14
3. Underlying EBIT excludes material items of $136.3m (FY13 $19.0m). Details of the adjustments and a reconciliation between underlying EBIT and statutory EBIT is at page 16
4. Underlying NPAT excludes material items of $95.4m (FY13 $8.1m). A reconciliation between underlying NPAT and statutory NPAT is at page 18
5. A breakdown of material items is on page 19
6. FY13 earnings have been restated to reflect the change in the Australian Accounting Standards Board (AASB) 119, accounting for employee benefits, as reported in the FY13 financial accounts. The impact of the change is to reduce FY13 EBITDA & EBIT by an amount of $7.9m and FY13 NPAT by $5.6m

Underlying Revenue and other income increased 7.2% on the pcp to $3.99bn over the twelve month period to 30 June 2014 (underlying revenue net of coal access increased 6.7% to $3.8bn) driven by:

- A 13.5% increase in revenue generated by PN Coal to $956m, driven by new contracts and a higher percentage of coal hauled versus contracted compared to the pcp;
- A 2.3% increase in revenue generated by the Terminals & Logistics division to $748.6m, driven by 3.9% increase in revenue generated from the Container Terminals business over the 12 month period, a function of new contracts and market growth. Revenue growth was impacted by a lower contribution from the Logistics business driven by soft economic conditions;
- A 2.3% decline in revenue generated by PN Rail to $1.3bn, reflecting a 5.1% decline in intermodal volumes (NTKs) and a 35.8% decline in export grain volumes; and
- A 16.6% increase in revenue generated by Bulk & Automotive Port Services to $793.4m, driven by a full period contribution from New Zealand based forestry marshalling and port services business C3 Limited (C3), an initial 8 month contribution from recently acquired integrated logistics solutions supplier Mountain Industries, organic growth at some bulk ports around Australia and the inclusion of a settlement with the Port of Melbourne Corporation (PoMC). The net settlement of $25m was reached to cover the costs associated with transition arrangements and the loss of future profits associated with the early termination of lease agreements associated with the redevelopment of Webb Dock in Melbourne. The settlement has been largely offset by related cash outlays in FY14. (refer EBIT bridge on page 40 for more information on net contribution).

For further detail on the factors driving revenue please refer to the Divisional Performance in Section 2

Asciano's EBITDA margin (net of coal access) was flat on the pcp at approximately 28%, a good result in light of the soft top line growth in some areas of the business and external pressures on some costs. Operating expenses increased 7.5% over the 12 month period driven by:

- The acquisition of Mountain Industries on 31 October 2013 and a full twelve month period of the consolidated C3 business acquired on 28 November 2012. Excluding the impact of these acquisitions, operating expenses increased 4.3%;
- Wage rises mandated by enterprise agreements of between 4 and 5% across the four Divisions;
- A 5.3% increase in rail access charges reflecting new contracts in PN Coal and the increase in the tonnes under contract hauled. This cost is passed through to customers;
- An increase in lease costs of 8% associated with both underlying increases in lease costs on existing sites and the acquisition of Mountain Industries and C3; and
- A 10.7% increase in fuel and oil costs reflecting on average 7% increase in fuel prices and a 21.6% increase in NTKs in the Coal division

1.4.2 Reconciliation of Statutory EBITDA to Underlying EBITDA

Year Ended 30 June 2014 ($'m)	Group	PN Coal	PN Rail	Terminals & Logistics	Bulk & Auto.	Corporate
Statutory EBITDA	991.4	448.0	268.6	180.7	115.6	(21.5)
Port Botany redevelopment	16.4			16.4		
Restructuring charges associated with Pacific National integration	29.4	12.7	16.7			
Restructuring charges- other	14.8			3.9	4.4	6.5
Total Material Items before tax	60.6	12.7	16.7	20.3	4.4	6.5
Underlying EBITDA	1,052.0	460.7	285.3	201.0	120.0	(15.0)

1.4.3 *Depreciation and Amortisation*

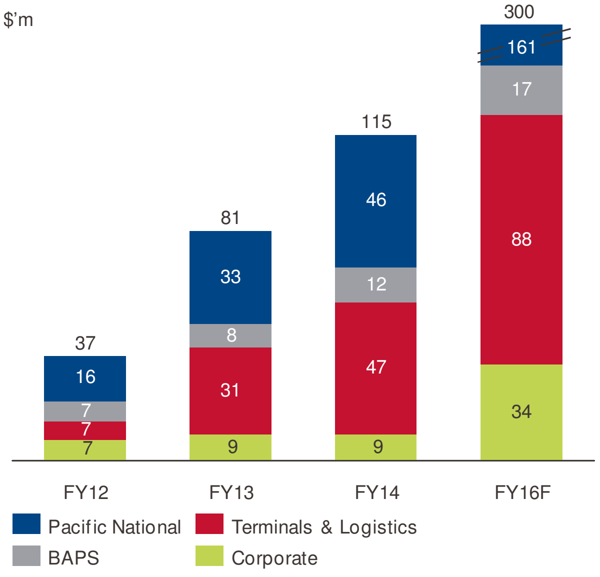
Depreciation and Amortisation pre material items increased 8.1% over the pcp to $331.7m driven by:

- The significant capital expenditure program over the last three years; and
- The impact of the recently acquired Mountain Industries and the consolidation of C3 following the acquisition of the outstanding 50% interest in November 2012.

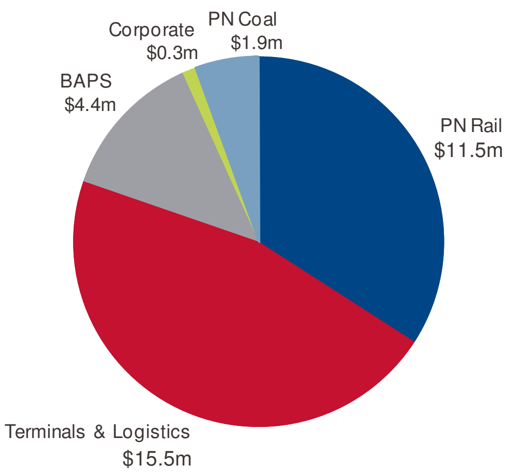
Depreciation and Amortisation is expected to increase in FY15 to a range of $380-390m.

1.4.4 *Business Improvement Program*

Cumulative BIP Savings Under 5 Year Plan



FY14 BIP divisional split



BIP initiatives contributed $33.6m in benefits in FY14 above the original target of $32m for the year. The cumulative benefits derived following the introduction of the BIP five year plan stood at $115m at 30 June 2014 compared to $98m forecast in the original 5 year plan. The five year FY16 target was increased in FY14 from $150m to $300m.

For further detail on the factors driving EBITDA please refer to the Divisional Performance in Section 2

1.4.5 Group Underlying EBIT Bridge

($'m)	Bridge to FY14 EBIT	FY14 actual	FY13 actual
FY13 Underlying EBIT Reported	**693.8**		
Impact of AASB 119	(7.9)		
FY13 Underlying EBIT Restated	**686.0**		
Price/ Mix/ Volume	73.9		
Costs	(75.3)		
Depreciation & Amortisation	(24.9)	(331.7)	(306.8)
BIP	33.6		
Industrial Disputes	4.8	(1.4)	(6.2)
Incidents	12.2	(5.0)	(17.2)
Asset Sales	(0.1)	26.0	26.1
Business Restructure and other	3.8	2.3	(1.5)
Actuarial valuations	6.3	3.0	(3.3)
FY14 Underlying EBIT	**720.3**	**(306.8)**	**(308.9)**

The key items driving EBIT in FY14 compared to FY13 include:

- Volume growth in coal haulage, container lifts and car processing;
- A full 12 month contribution from C3;
- A turnaround in the impact of actuarial valuations of $6.3m;
- "Business restructuring and other" includes the impact of the redevelopment of Webb Dock and the redundancies and costs associated with the winding down of the Agility contract; and
- A significant decline in the impact of rail incidents during the year.

Underlying net corporate costs at the EBIT level were $31.4m, the result included:

- A $15.5m contribution from the divestment of properties no longer considered strategic;
- A positive impact from the movement in actuarial valuations of $3m.

The FY15 full year net corporate cost impact on EBIT is expected to be approximately $50-55m, prior to the impact of any actuarial valuations.

1.4.6 Reconciliation of Divisional Statutory EBIT to Divisional Underlying EBIT

Year Ended 30 June 2014 ($'m)	Group	PN Coal	PN Rail	Terminals & Logistics	Bulk & Auto.	Corporate
Statutory EBIT	**584.0**	**307.1**	**123.0**	**107.5**	**85.1**	**(38.7)**
Port Botany redevelopment	38.5			38.5		
Restructuring charges associated with Pacific National integration	81.8	25.2	56.6			
Restructuring charges- other	16.0			4.3	4.4	7.3
Total Material Items before tax	136.3	25.2	56.6	42.8	4.4	7.3
Underlying EBIT	**720.3**	**332.3**	**179.6**	**150.3**	**89.5**	**(31.4)**

The difference between the statutory reported EBIT and Asciano's underlying EBIT relate to the items listed in the table above which have been treated as material items for the purposes of this report. *Further details on these items are included in the disclosure on Material Items on page 19.*

1.4.7 Reconciliation of Statutory EBIT to Underlying EBIT

Twelve months ended 30 June ($'m)	2013[1]	2014
Statutory EBIT	**667.0**	**584.0**
Port Botany restructuring charges		38.5
Restructuring charges associated with Pacific National integration		81.8
Restructuring charges - other	24.1	16.0
Settlement of legacy issues associated with demerger	12.0	
C3 fair value revaluation	(17.1)	
Underlying EBIT	**686.0**	**720.3**

1. FY13 earnings have been restated to reflect the change in the Australian Accounting Standards Board (AASB) 119, accounting for employee benefits, as reported in the FY13 financial accounts. The impact of the change is to reduce FY13 EBIT by an amount of $7.9m

1.4.8 Reconciliation of Statutory Net Financing Costs to Cash Net Financing Costs

Twelve months ended 30 June $('m)	2013	2014
Statutory net[1] financing costs	**199.7**	**225.3**
Net accrued interest and borrowing costs	4.0	(13.1)
Capitalised interest	10.7	10.2
CVA[2] adjustment on derivatives	-	(8.0)
Fair value of derivatives	11.8	(13.5)
Other non-cash	(6.2)	(2.9)
Cash net[1] financing costs	**220.0**	**198.0**

1. Net of interest income
2. CVA – credit value adjustment as per introduction of AASB 13

Cash net financing costs decreased 10% over the pcp however net statutory financing costs increased 12.8% over the pcp to $225.3m driven by:

- The introduction of the new accounting standard AASB13[3] effective from 1 January 2013 impacting derivative fair values by $8.0m;
- Increased borrowings; and
- The turnaround in the impact of mark to market valuation on interest rate swaps which do not qualify for the hedge accounting impacting FY14 by $13.5m.

FY15 net financing costs before the impact of mark to market movements are forecast to be in the range of $210-$215m.

[3] AASB13 was introduced to provide a standard framework for determining the fair value of both financial (i.e. derivatives) and non financial items. Under AASB13 the concept of fair value has changed to include an adjustment for the impact of credit risk. The new standard requires fair value to be measured as a transfer price, which requires adjustment for credit risk of both Asciano and its counterparties to derivative instruments and other financial instruments measured at fair value. The changes apply prospectively from 1 July 2013 for Asciano. The changes bring Australian standards into line with FASB 157 and IAS 13 in this area.

1.4.9 Tax

Twelve Months Ended 30 June $('m)	2013[4]	2014
Reconciliation of income tax expense to prima facie tax payable		
Profit before tax	467.3	358.7
Income tax at 30% (2013: 30%)	140.2	107.6
Recognition of capital losses	(1.1)	-
Non-assessable income	(5.1)	-
Franking credits on taxable dividends	(3.7)	(3.5)
Other	0.2	(2.4)
Income tax expense recognised in the profit or loss	**130.5**	**101.7**

Tax expense declined 22% to $101.7m. The effective tax rate (before material items) was 28.8% (29.1% in the pcp) broadly in line with the corporate tax rate of 30%.

1.4.10 Reconciliation of Statutory NPAT to Underlying NPAT

Twelve months ended 30 June ($'m)	2013[4]	2014
Statutory NPAT after minority interests	**334.4**	**254.4**
Port Botany restructuring charges	14.7	27.0
Restructuring charges associated with Pacific National integration	-	57.2
Restructuring charges - other	2.2	11.2
Settlement of legacy issues associated with demerger	8.3	-
C3 fair value revaluation	(17.1)	-
Total Material items after tax	**8.1**	**95.4**
Underlying NPAT after minority interests	**342.5**	**349.8**

The difference between the FY14 statutory NPAT and Asciano's underlying NPAT relate to the items listed in the table above which have been treated as material items for the purposes of this report. Further details on these items are included in the disclosure on Material Items in section 1.4.11 below along with a description of the material items reported in FY13.

[4] FY13 earnings were restated for a change in Australian Accounting Standards Board (AASB) 119, accounting for employee benefits, as reported in the FY13 financial accounts. The impact is to reduce reported FY13 tax expense by $2.4m and FY13 statutory NPAT by $5.6m

1.4.11 *Material Items*

Material items totalled to a pre tax loss of $136.3m ($95.4m after tax) compared to $8.1m after tax in FY13. Material items reported in the FY14 result are detailed in the table below.

Twelve months ended 30 June 2014 ($'m)	Cash Costs	Non Cash Costs	Total
Port Botany restructuring charges			
• Redundancies	10.5	-	10.5
• Write down of equipment		22.1	22.1
• Other	5.9	-	5.9
Pacific National integration			
• Redundancies	26.2	-	26.2
• Write down of equipment		52.4	52.4
• Other	3.2		3.2
Other restructure			
• Redundancies	11.9		11.9
• Write down of equipment		1.2	1.2
• Other	2.9	-	2.9
Total	**60.6**	**75.7**	**136.3**
Tax attributed to material items	(18.2)	(22.7)	(40.9)
Material items after Tax	**42.4**	**53.0**	**95.4**

Cash costs incurred in FY14 related to material items disclosed in FY14 and FY13 were $33.7m pre tax. Material costs provided for in FY13 and FY14 that will impact cash flow in FY15 amount to $41.1m pre tax. These costs primarily relate to the redundancies and other costs that will be incurred following the completion of the redevelopment of Port Botany and the migration to a fully automated container terminal.

Material items reported in the FY13 result was a loss of $8.1m and included:

- An accounting gain of $17.1m on the fair value revaluation of the 50% of C3 already owned by Asciano prior to the acquisition of the outstanding 50% in November 2012.
- Asciano restructuring charges of $24.1m pre tax including:
  - $21.7m pre tax ($15.2m after tax) provision for redundancies and other costs associated with the Port Botany redevelopment. Of this amount $3.5m relates to redundancies taken in the FY13 period
  - Redundancy costs in PN Rail and the information technology division related to business restructure pre tax $2.4m ($1.7m after tax)
- Charges relating to legacy issues that occurred prior to or around the time of the demerger from Toll in 2007 of $12.0m pre tax ($8.3m post tax)

1.4.12 Cash flow

Twelve months ended 30 June ($'m)	2013	2014	% chg
Underlying EBITDA	992.7	1,052.0	6.0
Material Items EBITDA	(15.0)	(60.6)	304.0
Net operating working capital	12.7	13.1	3.1
Other non cash items	(2.6)	(42.7)	-
Operating cash flow before interest and tax	987.8	961.8	**(2.6)**
Net interest and other costs of finance paid	(219.9)	(198.0)	(10.0)
Tax paid	(170.4)	(157.0)	(7.9)
Net operating cash flows	597.5	606.8	**1.6**
Net spend on PP&E and IT[2]	(586.0)	(619.7)	5.8
Other investing cash flows [1]	(51.0)	(84.3)	65.3
Financing cash flows	(80.2)	234.8	(392.8)
Net movement in cash	(119.7)	137.6	**(215.0)**
Cash conversion % (OCF before net finance costs and tax / EBITDA)	101	97	(4.0)

1. Includes C3 acquisition of net A$52.4m in FY13 and the acquisition of Mountain Industries of net A$83.6m in FY14
2. Includes proceeds from asset sales of $27.2m in FY13 and proceeds from asset sales of $81.5m in FY14

Net operating cash flow after tax and net financing costs increased 1.5% versus pcp to $606.8m. Cash conversion declined to 97% due primarily to accruals and provisions related to the Port Botany redevelopment and redundancies provided for but not paid in Pacific National and Bulk Ports.

Free cash flow after capital expenditure for the full year was negative $12.9m. Free cash flow after capital expenditure in the 2H FY14 was $60.9m reflecting an improvement in net working capital compared to 1H FY14 and proceeds from the sale of a number of non-strategic property holdings in the order of $81.5m. Free cash flow after capital expenditure and acquisitions was negative $97.2m in FY14; this includes the acquisition of Mountain Industries in October 2013.

1.4.13 Capital Expenditure

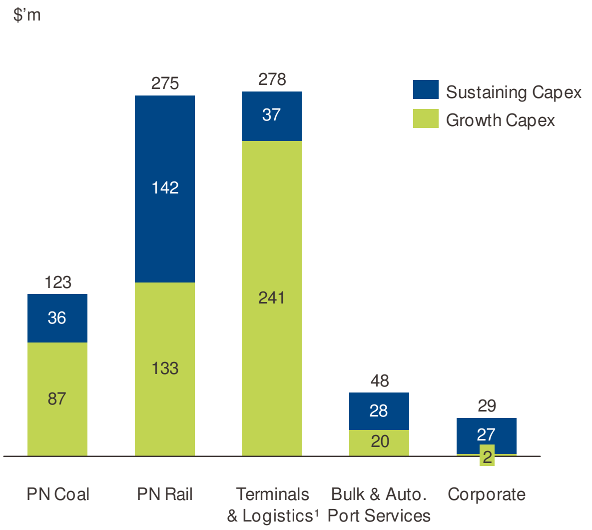
Twelve months ended June $'m	2013	2014	% chg
Total Capital Expenditure	**601.3**	**753.7**	**25.3**
Growth Capital Expenditure	363.4	483.4	33.0
Sustaining Capital Expenditure	237.9	270.3	13.6

Refer Section 2 for further information about divisional capital expenditure

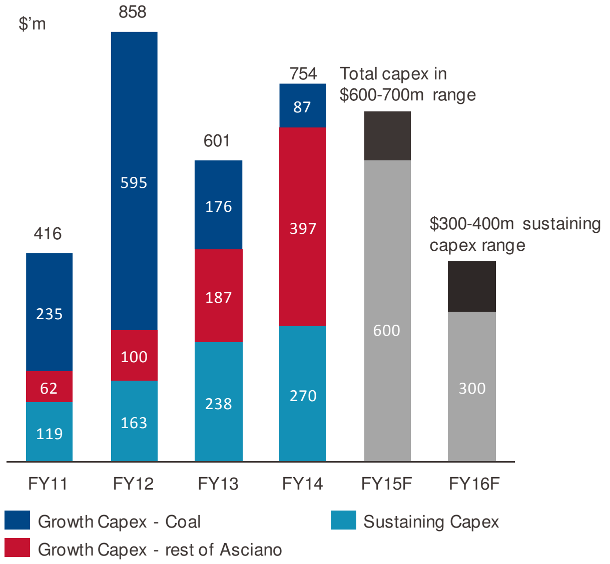
Key capital expenditure projects in FY14 included:

- The redevelopment of Port Botany;
- The acquisition of 4 strategic rail terminal properties in Queensland;
- The repowering of the NR class locomotives;
- Rolling stock for new bulk contracts secured by Pacific National; and
- Upgrade of Asciano's IT platforms.

FY14 Capital Expenditure by Division¹



Capital Expenditure Outlook



FY15 capital expenditure is expected to be in the range of $600-700m. Capital expenditure projects in FY15 include:

- The completion of the upgrade of Port Botany;
- The Webb Dock PDI facility;
- The ongoing program related to the repowering of the NR class locomotives; and
- Rolling stock for coal haulage contracts.

1.4.14 Balance Sheet

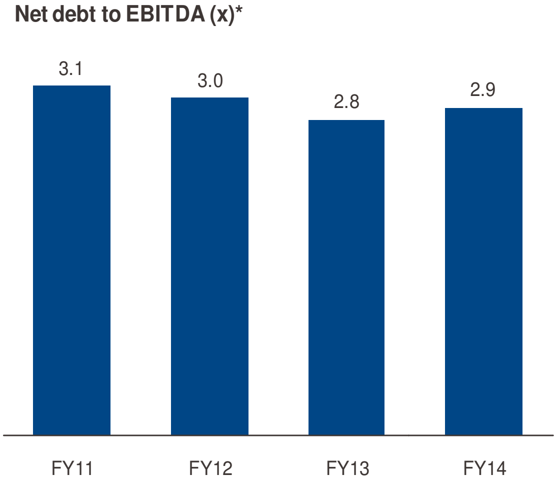
Net Debt and Net Interest Cover

$m	June 13	Dec 13	June 14
Gross borrowings at hedged values	**2,854.4**	**3,118.2**	**3,208.0**
Debt Issuance costs	(18.7)	(20.3)	(22.5)
FX and Fair value adjustments to bonds	235.2	313.9	185.1
Borrowings per balance sheet	**3,070.9**	**3,411.8**	**3,370.6**
Cash	(29.7)	(73.4)	(167.3)
Net Debt	**3,041.2**	**3,338.4**	**3,203.3**
Leverage (Net Debt to EBITDA) (times)¹	2.8	3.0	2.9
Interest cover (times)²	4.8	5.2	5.3

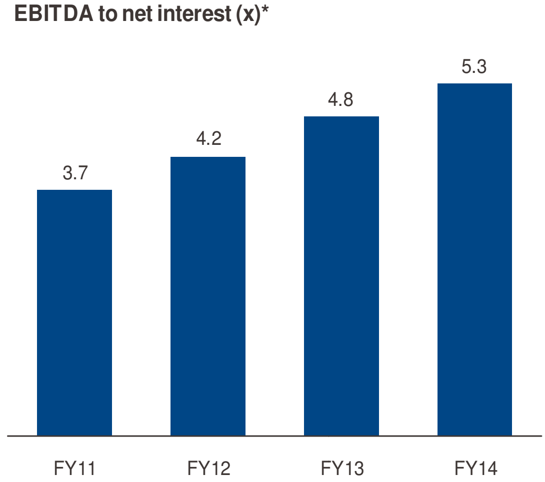
1. Net interest and EBITDA based on a rolling 12 month period Net debt is net of hedges
2. Includes capitalised interest, excludes non-cash items and mark to market

At 30 June 2014 Asciano's rolling 12 month net debt to EBITDA was 2.9x within the Company's target range of 2.5-3.0x. Gross debt net of cash at hedged values increased 5.3% over the twelve month period. The rolling 12 month interest cover was 5.3x compared to 4.8x at 30 June 2013 comfortably above the Company's target of greater than 3.5x.

Balance Sheet Leverage



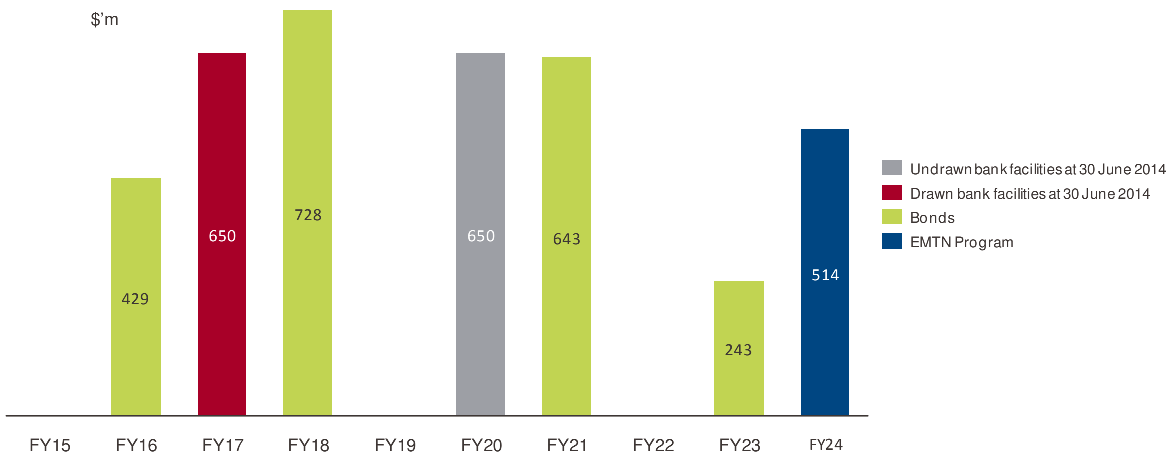
Interest Cover



*Net interest and EBITDA based on rolling 12 month period and includes capitalised interest. Excludes mark to market and other non cash items

At 30 June 2014 the interest rate on approximately 71% of the Company's debt was fixed.

Debt Maturity Profile



Asciano has no debt due until September 2015 and a weighted average maturity of 4.9 years.

At 30 June 2014 the company had a diversified mix of funding sources with approximately two-thirds of total available funding raised in international debt capital markets and the remaining capacity from a syndicate of 11 banks.

Asciano currently has a split credit rating, Moody's rating is Baa2 (Stable) and Standard & Poor's (S&P) rating is BBB- (Positive Outlook). S&P have determined that for AIO to move to BBB rating it must be sustainably reporting the following key financial metrics:

- Funds from operation (FFO) / Debt comfortably above 17.5%;
- Gross EBITDA / Interest >3.0x; and
- Positive free cash flow after capital expenditure.

Asciano has already met two of these three criteria for a ratings upgrade and moved into positive free cash flow after capital expenditure position in 2H FY14 in line with projections at the beginning of the year. Asciano expects to improve its free cash flow position further in FY15 and FY16.

Reconciliation of Loans and Borrowings

Facility	Type	Maturity	Drawn A$'m	Undrawn A$'m
Syndicated bank facility	Revolving cash advance	Oct-16	650.0	-
Syndicated bank facility	Revolving cash advance	Oct-19	-	650.0
US$ bonds [1]	144a/ Reg S	Sep-15	428.8	
US$ bonds [1]	144a/ Reg S	Apr-18	727.6	
US$ bonds [1]	144a/ Reg S	Sep-20	643.2	
US$ bonds [1]	144a/ Reg S	Apr-23	242.6	
GBP bonds [1]	EMTN	Sep-23	514.0	
Total hedged A$ equivalent balance			3,206.2	**650.0**
Less: Unamortised Discount on US$ bonds & GBP notes			(5.9)	
Less: Unamortised Debt issuance costs			(16.6)	
Add: Unrealized foreign exchange loss on US$ bond and GBP notes			108.3	
Add: Fair Value adjustments to US$ bonds			76.8	
Add : C3 Finance Lease			1.8	
Loans & Borrowings as per statutory balance sheet at 30 June 14			**3,370.6**	
Cash and liquid assets as at 30 June 14			(167.3)	167.3
Net Debt/available liquidity as at 30 June 14			**3,203.3**	**817.3**

1. Outstanding amounts for international issues are shown at the hedged A$ balances

Available liquidity at 30 June 2014 was $817.3m consisting of $167.3m in cash and $650m in undrawn bank facilities.

Reconciliation of drawn bank debt and the statutory balance sheet

$'m	June 2013	Dec 2013	June 2014
Drawn bank debt (excluding bank guarantees)	810.0	560.0	650.0
US$ bonds (at hedged values)	2,042.2	2,042.2	2,042.2
GBP notes (at hedged values)		514.0	514.0
Less: unamortised discount on US$ bonds	(5.1)	(6.4)	(5.9)
Less: unamortised debt issuance costs	(13.6)	(14.0)	(16.6)
Add (Less): unrealised foreign exchange movement on US$ bonds & GBP notes	146.7	243.5	108.4
Add: fair value adjustments to US$ bonds	88.5	70.5	76.8
Add: C3 Finance Lease	2.2	2.0	1.8
Loans and borrowings as per statutory balance sheet	**3,070.9**	**3,411.8**	**3,370.6**

Impact of the Mountain Industries Acquisition

The acquisition of Newcastle based logistics solution provider, Mountain Industries was completed on 31 October 2013. The FY14 Bulk & Automotive Port Services result includes an eight month EBIT contribution from Mountain Industries of $0.3m. The contribution in FY14 was impacted by the drought in Northern NSW and Queensland on export grain volumes and the provision for a doubtful debt of $1.9m. The net cash consideration for the business was $83.6m. The consolidation of the business on the balance sheet included:

- Land & property, plant and equipment of $60.5m
- Goodwill of $21.7m

Refer paragraph 2.3.1 Bulk & Automotive Port Services Business Overview and Note 5 of Statutory accounts for further information on the Mountain Industries

1.4.15 Shareholder Returns

Year Ended June (%)	FY13	FY14	bps chg
ROCE	10.9	10.7	(23bps)
ROCE (excluding WIP)	12.2	11.7	(55bps)
ROCE (excluding Goodwill)	18.5	17.5	(102bps)
ROE (pre material items)	9.9	9.5	(45bps)
Divisional ROCE			
Pacific National Coal *	10.9	13.1	220bps
Pacific National Coal (excluding WIP) *	13.2	14.1	82bps
Pacific National Rail	15.2	11.6	(358bps)
Terminals & Logistics	7.2	6.8	(37bps)
Terminals & Logistics (excluding goodwill)	25.8	21.4	(436bps)
Terminals & Logistics (excluding WIP)	7.7	7.5	(18bps)
Bulk & Automotive Port Services	20.8	15.5	(528bps)

*FY13 ROCE calculated before the gain on the sale of Kooragang Island of $21.5m

Group ROCE has been impacted by the significant asset refresh program that has been carried out over the last few years combined with soft top line growth in some areas of the business. Work in progress (PP&E and IT) over the 12 month period increased from $499.8m to $699.0m driven primarily by the capital invested in the Port Botany redevelopment.

The focus of the Group will be on ensuring that the investment over the last few years is leveraged to drive further growth and improve returns. Asciano is targeting ROCE above its cost of capital in FY16/17.

Dividends

Year Ended June (cps)	FY13	FY14	% chg
Interim dividend	5.25	5.75	9.5
Final dividend	6.25	8.50	36.0
Full year dividend	11.5	14.25	23.9
Payout ratio (%)	32.7	39.7	700bps

The Board has resolved to pay a fully franked final dividend of 8.50 cents per share an increase of 36% over the pcp representing a payout ratio of 51%. This takes the full year dividend to a fully franked dividend of 14.25 cents per share an increase of 23.9% on the pcp and represents a full year payout ratio of 39.7%.

2 Divisional Performance

2.1 Pacific National

In February 2014 Asciano announced the decision to integrate its two rail divisions, Pacific National Rail and Pacific National Coal. For the purposes of external reporting in FY14 the Company has maintained two separate reporting entities.

2.1.1 Business Overview

Pacific National is one of the largest providers of rail freight services in Australia. Services are provided in the containerised, break bulk and bulk markets.

Pacific National has two broad business activities, National Intermodal freight haulage and Bulk Haulage.

National Intermodal

Pacific National provides interstate containerised freight services, interstate break bulk freight (steel), regional freight rail services in Queensland and hook and pull services for passenger trains. Pacific National has approximately 70% market share of the long haul intermodal market in Australia.

Pacific National's intermodal customers include the largest freight forwarding companies in Australia including Linfox, Toll, K&S, Rand, Sadleirs and the steel manufacturers, BlueScope Steel and Arrium. Contracts vary in length but are generally 5-10 years. The terms of the intermodal contracts vary, some have take or pay elements while others do not have volume commitments.

Bulk Haulage

Pacific National hauls a range of bulk goods by rail including coal, grain for domestic and export markets, minerals, concentrate and construction materials for customers around Australia. Pacific National is the second largest coal rail haulage provider in Australia performing over 41% export coal haulage activities from mine to port and in addition hauls coal for domestic use from mine to power stations and steelworks primarily in New South Wales and Queensland. Pacific National also hauls coal by rail in South Australia servicing the local electricity industry.

The Bulk Haulage business is divided into two geographically focused regions:

- Queensland – Pacific National entered the bulk haulage market in Queensland in 2009, securing coal haulage contracts with a number of customers in the coal chains of Central Queensland. The Division currently services mines in the Bowen Basin through the Goonyella, Blackwater and Newlands coal chain systems. In FY14 Pacific National Coal hauled an estimated 30% (NTKs) of the Queensland coal haulage market up from an estimated 21% in FY13. The Division also has a contract to haul concentrates from Mt Isa and will continue to look for opportunities to expand its activities in the bulk sector in Queensland.

  In Queensland Pacific National's major customers include Anglo American, BHP Mitsui Coal Glencore and Rio Tinto.

- South East Australia – Pacific National has had a long term presence in the bulk haulage market in South East Australia. In NSW, Pacific National Coal is the largest coal hauler with an estimated 72% market share (NTKs). The company services the mines of the NSW Hunter Valley, Illawarra, Lithgow, Mudgee and Gunnedah regions hauling export coal into the ports of Newcastle and Port Kembla as well as domestic coal to power stations and steelworks located in NSW. An estimated 80% of the NSW coal market is thermal coal.

  In South Australia Pacific National hauls coal from the Leigh Creek coal mine to the power stations in Port Augusta for the supply of base load power to the state of South Australia.

  The business operates short and medium distance intrastate services in NSW and Victoria hauling bulk freight including grain for domestic and export markets, minerals and construction materials. Pacific National hauls an estimated 75% of grain hauled by rail on the east coast of Australia.

Bulk Haulage customers include Rio Tinto, Whitehaven, Idemitsu, Graincorp, Manildra, Cargill, Emerald, Boral, Glencore and Holcim.

Contracts in Bulk Haulage vary in length from 2-10 years and generally have take or pay or volume commitments.

2.1.2 Strategic Objective

Pacific National's strategy is to be the recognised market leader for bulk and intermodal rail freight in Australia, characterized by superior customer service and a focus on innovative solutions. Pursuing this strategy involves actively managing and utilising its locomotive and wagon fleet to ensure operating costs are optimised and our customers receive innovative and competitive services to fulfill their specific requirements. Focusing on customer needs and delivering innovative outcomes, combined with the scale of its operations and effective asset utilization underpin the Division's sustainable competitive advantage.

2.1.3 Key Business Risks

The key business risks impacting Pacific National's business are covered in the overarching business risks listed in paragraph 1.3. Specific examples of these risks as they pertain to Pacific National's business include:

- **Global demand for coal and other bulk resources and agricultural products**
  - Global economic activity and in particular growth in emerging markets, including India and China and the impact on demand for Australian coal exports
  - The focus globally on the expansion of renewable and lower emission energy alternatives which could reduce the demand for thermal coal over time
  - Demand and global supply of bulk resources and agricultural products including grain and timber
- **Customer demand for above rail haulage services**
  - Sustained low thermal and metallurgical coal prices and the impact lower prices may have on the viability of existing mines and small miners and the expansion plans of the coal miners
  - The impact of seasonal weather patterns, in particular the wet season in Northern Australia
  - The impact of a strong Australian dollar on coal mine viability and competitiveness

- Impact of weather on agricultural cycles and therefore volumes
- Movements in the competitive effectiveness of competing freight transport modes

- **Impact of competition on access to labour and infrastructure resources**
    - Skills shortages driven by the ongoing demand for labour from the mining related sectors of the Australian economy and its impact on wage inflation
    - Coal chain infrastructure capacity, productivity and reliability including rail and coal port infrastructure
- **Impact of competition from other above rail operators and alternative transport modes**
    - The expiry risk attached to major contracts and the associated risk of stranded assets if contracts are not renewed
- **Australian GDP growth**
    - Domestic economic growth and the impact on demand for the movement of consumer goods across Australia
    - Domestic construction cycle and the impact on the demand and movement of a range of building materials (including steel products) around the country
    - Population growth and its impact on demand for goods
- **Ongoing below rail infrastructure investment to support growth in demand**

Pacific National mitigates these risks through the use of performance based take or pay contracts where significant capital investment is required, the effective management of its people and the rolling stock fleet across the Asciano Group and a focus on continually seeking ways to improve performance and customer satisfaction. It should be noted that not all of the above risks are within the direct control of Pacific National.

2.1.4 Key Business Statistics as at 30 June 2014

Total annualised contracted coal tonnage in FY15[1] (m)	182.5
Estimated Market Share **Coal (%)[2]** - NSW total domestic and export - Queensland **National Intermodal**	 72.4% 30.0% ~70%
Number of Locomotives	578
Number of Wagons	11,666
Total Insured Value of Fleet ($)	3.93b
Full Time Employees[3]	3,771
Strategic rail facilities	Nebo, Cairns, Townsville, Mackay, Rockhampton, Brisbane (Queensland), Greta (Hunter Valley, NSW), Adelaide, Kewdale (Perth), Chullora (Sydney), and Melbourne.
Average weighted coal contract maturity (years)	7.96

1. Does not include 4mtpa contract with Bandanna Energy contract originally scheduled to commence 1 July 2014 now delayed
2. Based on FY14 total domestic and export rolling 12 months NTK haulage against estimated total NTKs
3. As at 30 June. Following the end of the period a further 157 employees have or will be made redundant. The cost of these redundancies is provided for in this result

2.1.5 *Pacific National Coal FY14 Earnings and Volume Overview*

Twelve months ended 30 June	2013	2014	% chg
Volume - Total NTK (m)	**24,038.8**	**29,227.1**	**21.6**
Queensland (m)	9,248.0	12,810.2	38.5
South East Australia (m)	14,790.8	16,416.9	11.0
Volume - Total Tonnes (m)	**138.5**	**159.0**	**14.8**
Queensland (m)	37.5	51.5	37.3
South East Australia (m)	101.0	107.5	6.4
Revenue and other income ($'m)	1,017.2	1,159.9	14.0
Access revenue ($'m)	174.8	203.9	16.6
Revenue net of access ($'m)	842.4	956.0	13.5
Underlying EBITDA ($'m)	407.5	460.7	13.1
Underlying EBIT ($'m)	**287.9**	**332.3**	**15.4**
Operating EBITDA margin (%) (net of access) [1]	47.0	48.2	1.2
Operating EBIT margin (%) (net of access) [1]	32.5	34.8	2.3
ROCE (%) [1]	10.9	13.1	
ROCE excl WIP (%)[1]	13.2	14.1	
Cash Conversion (%) (Operating cash flow / EBITDA)	90.5	90	(0.6)
Total capex ($'m)	209.5	123.0	(41.3)
Growth capex ($'m)	176.2	87.4	(50.4)
Sustaining capex ($'m)	33.3	35.6	6.9
Gain on asset sale ($'m)	21.5	-	-

1. Calculated before the gain on the Kooragang Island land sale of $21.5m

PN Coal reported an increase in total revenue (net of access) of 13.5% over the pcp to $956m. Operating revenue[5] net of access grew 16.5% over the pcp driven by a 14.8% increase in tonnes and 21.6% increase in NTKs. Tonnage hauled over the twelve month period versus contracted was approximately 88.8% compared to 82% in the pcp.

Tonnage hauled in South Eastern Australia (SEA) increased 6.4% and NTKs hauled increased 11% over the period. The increase was driven by strong growth in the northern SEA region with a lower rate of growth in the southern SEA regions. The performance of the SEA business was impacted by a range of factors including:

- An increase in the percentage of coal hauled versus contracted from 82.3% in the pcp to 88.8% reflecting an increase in production and export of thermal coal;
- Good organic growth in the Hunter Valley coal chain volumes, in particular growth in volumes from the Gunnedah Basin region;
- Improvement in the performance of the Hunter Valley coal chain, including a reduction in cycle times has contributed a positive impact on tonnage moving through the system; and
- Volumes moved into Port Kembla were stronger than the pcp;

Tonnage hauled in Queensland increased 37.3% on the pcp and NTKs increased 38.5% on pcp. The result was driven by a number of factors including:

[5] Increase calculated before the contribution from the proceeds of the Kooragang Island land sale in FY13

- A full year contribution from the 4.2mtpa contract with BHP Mitsui Coal (BMC) which commenced on 1 January 2013;
- A seven month contribution from the new 8.5mtpa contract with Rio Tinto Coal Australia which commenced in November 2013 for its Hail Creek and Kestral mines; and
- An increase in the percentage of coal hauled versus contracted from 77.3% in the pcp to 88.6% which reflected an increase in export demand.

Underlying EBITDA increased 13.1% to $460.7m, Operating EBITDA[6] increased 19.4% to $460.7m.

2.1.6 Pacific National Coal EBIT Bridge

($'m)	Bridge to FY14 EBIT	FY14 actual	FY13 actual
FY13 EBIT	**287.9**		
Price/ Mix/ Volume	96.3		
Costs	(38.6)		
BIP	1.9		
Depreciation & Amortisation	(8.7)	(128.3)	(119.6)
Incidents	13.0	(1.5)	(14.5)
Sale of Kooragang Island land	(21.5)		21.5
Industrial Disputes	2.0		(2.0)
FY14 Underlying EBIT	**332.3**	**(129.8)**	**(114.6)**

Underlying EBIT increased 15.4% to $332.3m. Operating[6] EBIT increased 24.7% on the pcp. The result was impacted by:

- Significant growth in volumes over the period and an increase in the distances hauled;
- An increase in the percentage of tonnes hauled versus contracted over the pcp;
- Depreciation and amortisation over the period increased 7.3% to $128.3m reflecting the completion of Greta and Nebo train support facilities in FY13 and the commencement of the depreciation of rolling stock utilised on new contracts commenced during the 12 month period; and
- Business improvement initiatives associated with the Hunter Valley Coal Chain cycle time trials had a positive impact on earnings directly as well as indirectly by driving a significant increase in the throughput of the coal chain system as a whole.

Capital expenditure over the period declined 41.3% to $123m. Capital expenditure over the 12 month period included investment in new rolling stock for contracts commencing in FY14/15.

ROCE[6] improved from 10.9% in the pcp to 13.1%.

The division reported a pre tax material item of $25.2m for the full year related to the costs associated with the merger of the two Pacific National divisions. Of this item $12.7m represents cash costs primarily associated with redundancies the majority of which were made in FY14. The residual $12.5m represents the non cash related write down of rolling stock following the integration of the two rolling stock fleets.

[6] Calculated before the contribution from the Kooragang Island sale in FY13

2.1.7 Pacific National Rail FY14 Earnings and Volume Overview

Twelve months ended 30 June	2013	2014	% chg
Intermodal - NTK (m)	22,657.3	21,492.1	(5.1)
Intermodal - TEU ('000)	674.1	652.8	(3.2)
Bulk - NTK (m)	6,009.6	5,114.8	(14.9)
Bulk - tonnes ('000)	16,760.2	14,775.8	(11.8)
Steel tonnes ('000)	2,821.5	2,923.8	3.6
Revenue and other income ($'m)	1,360.9	1,329.1	(2.3)
Underlying EBITDA ($'m) [1]	316.2	285.3	(9.8)
Underlying EBIT ($'m)[1]	216.8	179.6	(17.2)
Underlying EBITDA margin[1] (%)	23.2	21.5	(1.7)
Underlying EBIT margin[1] (%)	15.9	13.5	(2.4)
ROCE (%)	15.2	11.6	
Cash Conversion (%) (Operating cash flow / EBITDA)	100.3	103.5	3.2
Total Capex ($'m)	174.1	275.0	58.0
Growth Capex ($'m)	75.5	132.7	75.8
Sustaining Capex ($'m)	98.6	142.4	44.4
Gain on asset sales ($'m)	6.1	10.6	73.8

1. Pre material items

Pacific National Rail reported a 2.3% decline in revenue over the pcp to $1.3bn. The result reflects a 5.1% decline in Intermodal NTKs and a 14.9% decline in Bulk Rail NTKs.

Total intermodal revenue was flat on the pcp driven by:

- A 5.1% decrease in total NTKs driven primarily by a 6.1% decline in east-west volumes. This was predominately due to lower Forwarder volumes resulting in the consolidation of freight on a reduced number of Forwarder services. Volume heading back East was also down due to a decline in empty containers. The volume decline primarily reflects a very short peak season and the absence of a ramp up in volumes leading into the peak season compared to the pcp. Long haul north-south volumes were also weak however short haul volume north south was up reflecting a shift in modal use in the face of weak industry volumes overall;
- Express volumes were down 3.4% over the period. Despite the decline in the contribution, demand for express services continues to be stronger than for standard forwarder services reflecting ongoing above market demand by the customer base for ‘just in time’ freight services and new Express service offerings on the east coast corridors;
- Automotive volumes increased 23.7% following the release of the new Holden reversing some of the sharp declines in recent years and customer repositioning of stock; and
- Steel volumes increased 3.6% over the pcp.

Bulk revenue declined 7.7% driven by:

- A 35.8% decline in export grain volumes driven by the timing of harvest and shipping intentions and materially lower harvests in northern NSW and southern Queensland due to drought affected crops. Though partly protected by the take or pay arrangements with export grain customers, the capacity utilisation and variation of contracted trains was significantly lower in FY14 than the pcp; and
- Increases in minerals and construction volumes due to the commencement of new contracts.

EBITDA declined 9.8% over the pcp to $285.3m. Operating expenses were flat over the 12 month period driven by:

- A 6.1% decline in maintenance costs resulting from the re-negotiation of its maintenance contract to a variable contract linked to usage and the initial impacts from investment in new equipment across the division;
- A 3.3% increase in labour cost which was achieved despite the base line increase in wages of approximately 4% embedded in enterprise agreements across the Division; and
- A 1.3% decline in fuel costs over the period despite an average 7% increase in prices, which is recovered via a higher fuel surcharge, reflecting reduced services in response to lower volumes and improved fuel consumption.

BIP initiatives delivered sustainable cost savings of $11.5m. Programs that contributed to this include savings on asset management through a new contract with the maintenance provider, improved fuel consumption and crew optimisation. PN Rail has now exceeded its five year plan to FY16 to deliver $40m with cumulative total sustainable savings of $44.5m.

BIP initiatives within the integrated Pacific National division will continue to focus on the six sigma programs developed in PN Rail as well as ensuring that the benefits of the integration of the two divisions are delivered. The combined Pacific National division is forecast to deliver $161m in cumulative benefits by the end of FY16.

2.1.8 Pacific National Rail Underlying EBIT Bridge

($'m)	Bridge to FY14 Underlying EBIT	FY14 actual	FY13 actual
FY13 Underlying EBIT	**216.8**		
Price/ Mix/ Volume	(40.5)		
Costs	(7.2)		
BIP	11.5		
Depreciation & Amortisation	(6.2)	(105.6)	(99.4)
Asset Sales	6.0	10.6	4.6
Incidents	(0.8)	(3.5)	(2.7)
FY14 Underlying EBIT	**179.6**	**(98.5)**	**(97.5)**

Underlying EBIT declined 17.2% to $179.6m driven by:

- Lower volumes reported in both Intermodal and Export grain offset to an extent by higher volumes in steel and construction materials;
- Depreciation and amortisation charges increased 6.2% over the period; and
- Asset sales in the period reflect the sale of one parcel of property in Adelaide no longer required for the business

Capital expenditure increased 58% over pcp to $275.1m. Sustaining capital expenditure increased 44.4% on pcp to $142.4m reflecting the scheduled maintenance program currently underway on the locomotive fleet and spend on the upgrade of the freight terminal network. Growth capital expenditure increased 75.8% to $132.7m and reflects spend on rolling stock required for new export grain services for Emerald, new Express services and the Hot Rolled Coil steel services.

ROCE declined from 15.2% to 11.6% over the 12 month period reflecting the weak top line growth combined with additional investment in the Pacific National Rail fleet and facilities to cement its competitive position and ensure customer service is improved including the acquisition of the Toll intermodal terminals in Queensland. WIP at the end of the period was $174.8m, ROCE excluding WIP was 12.9%.

The division reported a pre tax material item of $56.6m related to the costs of the merger of the two rail divisions. Cash costs, primarily related to redundancies, were $16.7m, the majority of these costs were made in the FY14 period. The $39.9m non cash impact of the integration relates to the write down in the value of older rolling stock following the integration of the two rail fleets.

In total across the merged Pacific National division 106 locomotives and 1,874 wagons will be scrapped following the integration of the two fleets.

Following the end of the 12 month period a further 157 employees across the two rail divisions have or will be made redundant. The cost of these redundancies was provided for in this result.

2.1.9 Pacific National Outlook

Pacific National is expected to report higher earnings across both Intermodal and Bulk in FY15. The Division's performance and strategic focus will be driven by:

- The business improvement benefits and other cost savings associated with the integration of the two divisions. The ultimate aim is to sustainably reduce the cost base of the combined Division by 10%;
- Capital expenditure for Pacific National in FY15 is expected to be in the range of $320-340m;
- Intermodal volumes will reflect activity levels in the Australian economy and a normalisation of demand following a number of years of very strong growth in Western Australia. Asciano is not forecasting a significant lift in the intermodal market in FY15;
- Intermodal volumes will also be impacted by activity levels under the new agreement entered into in July 2012 with BlueScope Steel and Arrium for the continued provision of line haul services to both companies. Existing arrangements expire on 31 December 2014 and the new agreement commences 1 January 2015 for a minimum period of seven years;
- Activity levels will also be impacted by the ability to grow the Queensland intermodal business in FY15 following the signing of a new rail services agreement with Toll Group, which commenced 1 February 2014[7];
- Export grain volumes will be dependent on grain harvest levels and customer decisions around the timing of shipping grain. In FY15 the Division is contracted to run a minimum of 12 trains however the number of trains and the utilisation may be impacted by lower rainfall in Queensland and Northern NSW which may divert export grain from southern NSW / Victoria to the domestic markets in the north;
- Bulk volumes will benefit from a contract for haulage from Boral's new Peppertree quarry that commenced in 4Q FY14, a full year benefit from a new iron ore haulage contract with Mineral Resources in Western Australia and a contract to haul aggregate for Holcim from the Linwood quarry commencing in Q4 FY15;

[7] Refer ASX announcement released 23 December 2013 "Pacific National Rail extends and expands relationship with Toll Group"

- Coal volumes hauled will be impacted by the proportion of coal hauled versus contracted. This rate can be impacted by factors including export coal demand, weather and production levels at the mine;
- The full year contribution from a 10 year performance based contract with Rio Tinto Coal Australia that commenced in November 2013 for its Hail Creek and Kestral mines;
- The ongoing impact of the Hunter Valley planning and operational improvements and the improvement in the efficiency of the coal chain;
- The recently secured 12 year coal haulage agreement with the QCoal Group (QCoal). The new contract will see PN Coal haul up to 4mtpa from QCoal's Drake coal project to the Abbot Point coal terminal near Bowen Queensland. Haulage is expected to commence in FY16 and will be provided on a take or pay basis in line with production ramp up at the mine; and
- The start up of Bandanna Energy's Springsure Creek mine in Central Queensland, and the 4mtpa take or pay contract for coal haulage from the mine currently expected to now commence in FY17.

Pacific National's longer term outlook will be influenced by the level of GDP growth in Australia and the global demand for Australian thermal and metallurgical coal and other bulk commodities.

2.2 Patrick Terminals & Logistics

2.2.1 Business Overview

The Terminals & Logistics Division operates in the market under the Patrick brand name. Patrick is one of two major competitors in the Australian market providing container stevedoring services in the four largest container ports in Australia; East Swanson Dock in Melbourne, Port Botany in Sydney, Fisherman Islands in Brisbane and Fremantle in Western Australia. A third entrant has recently commenced competing services in Brisbane and Sydney. A further entrant is expected to commence activities in the Melbourne market in 2017. Patrick's market share for the 12 month period across the four terminals was 48.5% (based on contracted lifts does not include subcontracted volume).

Patrick's key customers in the Terminals business are global shipping lines. Contracts are generally 3-5 years in length. Most contracts have pro forma volume estimates however they do not have specific volume commitments. Patrick is compensated on a per lift basis.

The division has built an integrated port related logistics service offering, establishing the connection between the shipping lines, freight forwarders and the beneficial freight owner.

2.2.2 Strategic Objective

Terminals & Logistics key business objective is to be the market leader in Australian container terminals and port related supply chain services. The Division is investing significant capital to sustain its competitive advantage. This will deliver a superior customer service footprint and an operating model that is the lowest cost in the industry operating at productivity levels that provide a superior and reliable service to customers.

2.2.3 *Key Business Risks*

The key business risks impacting the Terminals & Logistics business are covered in the overarching *Business Risks* listed in paragraph 1.3. Specific examples of these risks as they pertain to the Terminals & Logistics business include:

- **Australian GDP growth**
  - GDP and population growth and the flow on impact to domestic demand and thus container volume growth
  - The impact of the Australian dollar on the outsourcing of the Australian manufacturing sector and the general growth rate in the levels of imported product into Australia
- **The impact of commodity cycles on the growth in containerised exports**
- **Increased competition**
  - The impact on both volumes and margins of new competition into the container ports Patrick operates in Australia
  - Successful negotiation of long term access, on acceptable terms, at Fremantle Port following the end of the current lease term in 2017
- **Customer consolidation**
  - Ongoing consolidation of the global container shipping line market and potential changes to shipping consortia
- **Customer service**
  - The execution of the Port Botany automation and redevelopment project within the specified timeline and budget while minimising the impact on customers
  - Loss of a major customer due to poor service standards or pricing
- **Industrial relations**
  - The industrial relations environment in Australia and specifically the activities of the Maritime Union of Australia and its impact on our customer service performance

Terminals & Logistics mitigates these risks through the effective management of its cost base; investment in capital equipment and technology to improve productivity and customer service; employing a robust project management framework; and an increased focus on employee engagement. It should be noted that not all of these risks are within the direct control of Terminals & Logistics.

2.2.4 *Key Business Statistics as at 30 June 2014*

Container Terminal Presence	Lease Term	Footprint	Equipment
Port Botany	2043	1,000 mtrs quay line, following completion of the knuckle 1,400mtrs 3 berths (4 berths post knuckle)	8 cranes, 48 straddle carriers and other cargo handling equipment
East Swanson Dock	2034	885 mtrs quay line 3 berths	8 cranes, 49 straddle carriers and other cargo handling equipment
Fisherman Islands	2045	922 mtrs quay line 3 berths	4 cranes, 30 straddle carriers and other cargo handling equipment
Fremantle	2017	766 mtrs quay line 2 berths	4 cranes, 41 cargo handling pieces of equipment
Key Customers	AAA consortium, COSCO, Maersk, MSC		

2.2.5 FY14 Earnings and Volume Overview

Twelve months ended 30 June	2013	2014	% chg
Container Volumes			
Terminal Volumes - Lifts ('000)	1,938.8	2,011.0	3.7
Terminal Volumes - TEU ('000) [1]	2,908.7	2,977.5	2.4
Revenue and other income ($'m)	**731.5**	748.6	2.3
Underlying EBITDA[2] ($'m)	197.7	201.0	1.7
Underlying EBIT[2] ($'m)	**150.1**	**150.3**	**0.1**
Underlying EBITDA margin (%)	27.0	26.9	(0.1)
Underlying EBIT margin (%)	20.5	20.1	(0.4)
ROCE (%)	7.2	6.8	(37bps)
ROCE excl WIP (%)	7.7	7.5	(18bps)
ROCE excluding goodwill (%)	25.8	21.4	-
Cash Conversion (%) (Operating cash flow / EBITDA)	107.5	105.0	(2.5)
Total capex ($'m)	152.1	278.1	82.8
Growth capex ($'m)	81.0	240.7	197.2
Sustaining capex ($'m)	71.1	37.4	(47.4)
Number of Employees (FTEs)	1,831	1,894	3.4

1. TEU-twenty foot equivalent unit
2. Pre material items

Terminals & Logistics reported a 2.3% increase in revenue to $748.6m on the pcp. Revenue was driven by:

- A 3.9% increase in revenue from the Container Terminals business over the pcp driven by a 3.7% increase in container lifts over the period. Lifts increased in Port Botany, East Swanson Dock and Fremantle compared to the pcp however lifts were down on the pcp in Fisherman Islands;
- A six month contribution from the commencement of a new service at Fremantle with K-Line and the contribution from expanded and upsized services run by existing customers;
- Initial contributions from three new services into East Swanson Dock in Melbourne that commenced in 4Q FY14
- The increase in lifts in 2H FY14 was 8.5% reflecting the impact of the above new contract wins, offset to an extent by the closure of the CAX service in April 2013 and volume lost to new competing services. Lifts in 1H FY14 were down 0.5% reflecting the loss of CAX and a lower peak season in Q2;
- Market share over the twelve months (excludes subcontracted volume) was 48.5% compared to 47.5% in the pcp. Market share over the period was volatile impacted by consortia changes and the different growth rates of the shipping lines;
- Patrick recorded a material increase in subcontracted lifts in FY14 which are over and above the market share data listed above; and
- Revenue in the Logistics business declined 1.8% driven primarily by soft rail volumes into Adelaide and out of the Riverina region.

EBITDA margins were flat over the period, a strong result in light of the extent of fixed cost in the business. Key movements in expenses during the period included:

- Employee benefits over the period increased 4.1% reflecting built in wage rises of 4-5% and an increase in labour at Fremantle following the K-Line contract win;

- Insurance related costs declined 12% reflecting the significant improvement in safety statistics and absenteeism reported over the last eighteen months by the Terminals business, in particular at Port Botany in Sydney; and
- Operating lease costs increased 2.9% over the period driven by a full period impact of increases in lease costs at Port Botany and East Swanson Dock and a triennial market review at Fremantle in late FY13.

2.2.6 Terminals & Logistics Underlying EBIT Bridge

($'m)	Bridge to FY14 EBIT	FY14 actual	FY13 actual
FY13 Underlying EBIT	**150.1**		
Price/ Mix/ Volume	17.2		
Costs / Other	(32.9)		
BIP	15.5		
Depreciation & Amortisation	(3.2)	(50.8)	(47.6)
Business Restructure	0.8	-	(0.8)
Industrial Disputes	2.8	(1.4)	(4.2)
FY14 Underlying EBIT	**150.3**	**(52.2)**	**(52.6)**

Underlying EBIT was flat on the prior year at $150.3m. Key factors impacting the result included:

- A 5.4% increase in EBIT from the Terminals business;
- A lower contribution from the Logistics business resulting from weaker volumes;
- The cost of industrial disputes at Fremantle and in the Logistics business was $1.4m compared to the $4.2m in costs incurred in the pcp at Port Botany; and
- A 6.3% increase in depreciation reflecting the capital expenditure program over the last two years, in particular the addition of new cranes at all terminals.

The BIP contributed $15.5m across the Division. Programs that contributed to these savings included efficiencies and maintenance savings from new operating equipment and labour savings from rostering changes and annual leave management.

Capital expenditure for the period increased 82.8% on the pcp to $278.1m primarily reflecting expenditure on the redevelopment of Port Botany. Capital expenditure in FY15 is expected to be in the range of $220-240m.

ROCE declined to 6.8% reflecting the significant level of capital investment in the Division at the current time combined with the lower volumes in Logistics. WIP increased 85% to $327.3m at the end of the period and was primarily associated with the Port Botany redevelopment project. ROCE excluding WIP was 7.5%. ROCE excluding goodwill remains high at 21.4%.

Customer KPIs for the twelve month period continued to improve, with coastal window performance now consistently above 95% and the national average gross crane rate increasing from 25 in the pcp to 28 lifts per hour. The LTIFR across the four terminals for the full year was down 65.2%.

The Division reported a net material cost before tax of $42.8m related to the redevelopment of Port Botany and restructuring of the Logistics business. The FY14 cash impact of the material items was $7.3m. Of the total expense $22.1m pre tax related to the non cash write down of obsolete equipment as part of the Port Botany redevelopment. The FY15 cash flow impact of redundancies and other costs that were provided for in FY13 and FY14 is expected to be approximately $24.2m.

2.2.7 Outlook

Terminals & Logistics is expected to report an improved performance in FY15. The factors that will impact its results include:

- The growth in the market for container volumes will be impacted primarily by domestic economic activity. Patrick continues to forecast FY15 market growth aligned with projected Australian GDP growth which is supported by our shipping line customers' expectations;
- The successful completion and launch of the automation project at Port Botany in 3Q FY15 while minimising disruption to our customer base;
- The full year contribution from a new contract secured in Fremantle with K-line. The contract commenced on 1 January 2014;
- The full year contribution from recent contract wins calling at East Swanson Dock in Melbourne;
- Patrick retaining its share of consortia volumes following any further changes in shipping line capacity sharing arrangements;
- The potential impact in the reduction of transhipment volumes between Australia and New Zealand due to the introduction of larger vessels;
- The ability to secure further market share through new contracts; and
- The Logistics business will continue to drive for new business with volumes also remaining sensitive to domestic economic growth.

The Division expects to renew its lease at Fremantle (which expires in 2017) over the next twelve months.

Terminals & Logistics longer term outlook will be influenced by factors such as the level of GDP growth in Australia and any further outsourcing of the Australian manufacturing sector offshore.

2.3 Patrick Bulk & Automotive Port Services

2.3.1 Business Overview

The Division comprises two operations Patrick Ports & Stevedoring and Patrick Autocare.

Patrick Ports & Stevedoring

Ports & Stevedoring specialises in the management of ports and supporting infrastructure and the provision of port related logistics at more than 40 sites across Australia and New Zealand. Activities across these sites include:

- Port ownership and management
- Bulk stevedoring and cargo handling
- Forestry services
- Transport and Logistics

In October 2013 Asciano acquired Newcastle based logistic solutions company Mountain Industries. Mountain Industries specialises in:

- Pit to port services complementing AIO's existing supply chain
- Bulk and general freight
- Intermodal – road, rail and wharf
- Containers – packing and handling
- Storage - warehousing, grain and bulk

Ports & Stevedoring has joint venture interests in:

- Port of Geelong Unit Trust – Asciano owns 50% of the Port of Geelong Unit Trust with Deutsche RREEF owning the remaining 50%. Ports & Stevedoring operates the port as well as carrying out stevedoring activities at the port.
- Australian Amalgamated Terminals (AAT) - Asciano owns 50% of AAT with Qube owning the remaining 50% interest. AAT focuses on the development and operation of multi user facilities in port areas, such as providing specialist cargo handling facilities for stevedores and other waterfront service providers.
- Albany Bulk Handling – Asciano owns 50% of a joint venture with Itochu owning the remaining 50%. The joint venture is a woodchip export facility in Albany, Western Australia.

Patrick Autocare

Autocare is Australia's leading integrated service for the transportation, processing and storage of motor vehicles. Its key customers are the car companies and increasingly the beneficial freight owners (primarily the car dealers). Autocare is a joint venture between Asciano (80%) and NYK Line (20%) and is the manager of the Car Compounds of Australia joint venture with Mitsui O.S.K Lines (50% ownership by Asciano). The business operates out of wharf facilities in Queensland, New South Wales, Victoria, South Australia and Western Australia. Patrick handles approximately 50% of new automobile imports into Australia.

Autocare's principal activities involve:

- Distribution – providing local, country and interstate road and interstate rail transportation of cars and light trucks for local manufacturers, auto-importers and dealerships with logistics facilities in all states and the Northern Territory. Revenue is driven by the number of local, country and interstate vehicle movements.
- Vehicle processing – provides comprehensive services including the installation of high value accessories, completion of vehicle build to Australian standards, major fleet servicing and refurbishment. Revenue is driven by the number of vehicles processed and build complexity.
- Vehicle storage – for automotive manufacturers, importers and dealerships on a short term basis including facilities to accommodate vehicle washing, minor repairs and protection from the elements. Revenue is driven by storage days.

2.3.2 Strategic Objective

Bulk Ports strategy is to be the innovators in port services and integrated supply chain solutions that add value to customers. The Division seeks to rapidly deploy capital and labour to exceed customer expectations. Its competitive advantage is underpinned by its scale and ability to manage complex customer requirements.

Autocare's key objective is to provide a fully integrated service across processing, transport and storage domestically and abroad for own equipment manufacturers, dealers and other associated industries.

The Autocare strategy is not capital intensive and its competitive advantage is based around a very efficient operating model that delivers an effective low cost service.

2.3.3 Key Business Risks

The key business risks impacting the Division are covered in the overarching business risks listed in paragraph 1.3. Specific examples of these risks as they pertain to the businesses include:

- **Competition**
  - The bulk ports and stevedoring sector is a fragmented, highly competitive market with generally low barriers creating an environment for potential price discounting and disruption to the market
  - Market share losses by key automotive customers
  - Transition risk for the Autocare facilities during the transition phase at Webb Dock
- **Activity levels in the resources, shipping, steel, agriculture, chemical and imported car industries which are linked with general economic activity both in Australia and globally**
- **Rising land and rental costs**

The Division seeks to mitigate these risks through an ongoing focus on customer service, innovation, a focus on the management of the cost base, productivity improvements and proactive and effective engagement with key external stakeholders. It should be noted that not all of these risks are within the direct control of the Division.

2.3.4 FY14 Earnings and Volume Summary

Twelve months ended 30 June	2013	2014	% chg
Vehicles processed[1] ('000)	556.8	526.1	(5.5)
Vehicle storage days ('000)	18,641.5	22,715.3	21.9
Vehicle movements ('000)	1,056.3	1,037.3	(1.8)
Underlying Revenue and other income ($'m)	**680.5**	**793.4**	**16.6**
Underlying EBITDA ($'m)	112.2	120.0	7.0
Underlying EBIT ($'m)	**89.0**	**89.5**	**0.6**
EBITDA margin (%)	16.5	15.1	(1.4)
EBIT margin (%)	13.1	11.3	(1.8)
ROCE (%)	20.8	15.5	-
Cash Conversion (%) (Operating cash flow / EBITDA)	103.1	107.1	4.0
Total capex ($'m)	42.0	48.3	15.0
Growth capex ($'m)	19.9	20.1	1.0
Sustaining capex ($'m)	22.1	28.2	27.6
Full Time Employees	2,991	2,901	(3.0)

1. Now includes imported and exported vehicles handled

Underlying revenue increased 16.6% on the pcp to $793.4m. The result was driven by:

- Bulk Ports reported a 22.6% increase in revenue which included a full twelve months of the consolidated C3 business and 8 month contribution from Mountain Industries acquired on 31 October 2014;
- Autocare reported a 5.5% increase in revenue includes a 21.9% increase in vehicle storage days. Vehicles moved were down due to lower long haul movements. Storage days declined 32% from the peak in January to the end of the 12 month period as customers ran down inventory levels. This trend is expected to continue in the first few months of FY15. The 5.5% decline in vehicles processed reflects a drop off in volume in 2H FY14 after 18 months of strong growth in volumes; and
- Revenue growth includes a net settlement reached with the PoMC of $25m to cover the costs associated with transition arrangements and the early termination of lease agreements associated with the redevelopment of Webb Dock in Melbourne. This settlement was reached to offset identified cash outlays and loss of future profits over the remaining life of the lease. Revenue before the inclusion of the settlement payment increased 12.9% on the pcp.

Underlying EBITDA increased 7% on pcp to $120m. The after tax contribution from equity accounted profits declined 13.8% to $13.6m. The contribution was impacted by:

- In FY14 the results of C3 were consolidated for the 12 month period. The FY13 result included five months of equity accounted profits from a 50% interest in C3 and 7 months of 100% ownership. The outstanding 50% interest was acquired on 28 November 2012;
- The pre tax contribution from the AAT joint venture was 28.6% below the pcp due to lower general cargo volumes in Brisbane and Port Kembla; and
- An 83% increase in the equity accounted contribution from the Port of Geelong Unit Trust reflecting the strong performance of the underlying activity at the port.

2.3.5 Bulk & Automotive Port Services Underlying EBIT Bridge

(‘m)	Bridge to FY14 EBIT	FY14 actual	FY13 actual
FY13 Underlying EBIT	**89.0**		
Price/ Mix/ Volume	0.9		
Costs	0.4		
Depreciation & Amortisation	(7.3)	(30.5)	(23.2)
BIP	4.4		
Business Restructure and other	2.1	1.4	(0.7)
FY14 Underlying EBIT	**89.5**	**(29.1)**	**(23.9)**

Underlying EBIT increased 0.6% to $89.5m driven by:

- The Bulk Ports result was impacted by lower volumes under the Agility contract in Western Australia as the contract winds down, lower project volumes in Gladstone and Fremantle as resource development projects move into the production phase and lower volumes at Port Kembla impacted by lower steel export volumes;
- The result includes redundancy costs associated with the expected wind down of the contract with Agility in Western Australia servicing the Gorgon contract;
- The Autocare result benefitted from strong storage volumes over the year although storage days have declined from the peak in January 2014;

- Underlying EBIT in FY14 benefitted from a full 12 month contribution from the consolidation of 100% of forestry marshalling and port services company C3. The outstanding 50% interest in C3 was acquired on 28 November 2012; and
- The result includes a settlement with the PoMC to cover the cash outlays associated with the transition arrangements and the early termination of lease agreements, including redundancies, associated with the redevelopment of Webb Dock in Melbourne. The majority of these costs were incurred in FY14 however there will be further costs incurred in FY15.

EBIT margins were impacted by the increased costs associated with the significant expansion in storage volumes in Autocare resulting in more expensive temporary facilities being utilised; and the 31.5% increase in depreciation and amortisation associated with the acquisition of the remaining shares in C3 and the acquisition of Mountain Industries.

ROCE was lower in FY14 reflecting the costs associated with the wind down of the Agility contract and the Webb Dock redevelopment and the impact of the acquisition of Mountain Industries. ROCE at 15.5% remains above the Group's WACC.

Capital expenditure over the period increased 15% to $48.3m and related to new equipment in Bulk Ports primarily related to new contracts and new equipment and maintenance projects in Autocare. Capital expenditure in FY15 is expected to be in the range of $40-50m.

The BIP contributed $4.4m in savings over the 12 month period representing operational labour and efficiency improvements as well as procurement savings and other initiatives across the division.

The Division reported a material item pre tax of $4.4m associated with the costs of restructuring and rationalisation of overheads.

2.3.6 Outlook

Bulk & Automotive Port Services is expected to report a flat underlying result in FY15. The performance and strategic direction of the division in FY15 will be impacted by a number of factors including:

- The contract with Agility in Western Australia is expected to finish in December 2014;
- Following very strong imported car volumes over the last eighteen months, volumes are expected to be flat in FY15. Higher transport volumes are expected to offset the impact of lower storage and processing volumes;
- There will be residual costs associated with the redevelopment of Webb Dock in Melbourne incurred in FY15 and the closure of Webb Dock East in June 2014. Car stevedoring activities in Melbourne will continue at Appleton Dock and Webb Dock West;
- The result will benefit from a full 12 month contribution from Mountain Industries and growth in C3's Australian activities;
- C3 volumes in New Zealand are currently being impacted by the slowdown in demand for timber in China; and
- Autocare's FY15 earnings will include an initial contribution from Adelaide based customs broker Smith Channon acquired as at 30 June 2014.

The Division's longer term outlook will be influenced by factors such as the level of GDP growth in Australia and global demand for Australian mineral services.

3 Group Outlook

- Assuming no material change in the business environment, Asciano currently expects underlying EBIT growth in FY15 to be higher than the underlying EBIT growth of 5% in FY14
  - In FY15 Asciano expects to report a material item in the order of $20m associated with the final costs associated with the Port Botany site commissioning and cut over to the automated facility
- Key factors driving the earnings outlook include:
  - The business improvement benefits and other cost savings associated with the integration of the two rail divisions. Benefits derived from the integration are expected to be in the order of $100m by the end of FY16;
  - Rail volumes will be impacted by macro factors including Australian domestic activity, demand for Australian coal exports and weather impacts on agricultural and coal volumes;
  - The growth in the market for container volumes will be impacted primarily by Australian domestic economic activity. Patrick continues to forecast FY15 market growth aligned with projected Australian GDP growth which is supported by shipping line customer expectations;
  - The full year impact of new shipping line contracts secured during FY14 netted against the impact of the closure of services in FY14 and the ongoing impact of any further changes in shipping line capacity sharing arrangements;
  - The successful completion and launch of the automation project at Port Botany in 3Q FY15; and
  - Activity levels at regional bulk ports will be impacted by resource project volumes and agricultural volumes. In particular the wind down of the Agility contract in Western Australia by December 2014 will impact volume levels.
- The Company remains focused on delivering its key target metrics under the five year FY16 business plan and in particular:
  - Completion of the capital expenditure upgrade program by FY16
  - Strong free-cash flow positive position from FY15 allowing leverage to reduce over time and an increase in the payout ratio
  - Maintained commitment to 10%-15% EBIT CAGR over the five year period to FY16
  - Maintained commitment to internal return objectives of Group ROCE above Group WACC by FY16/17
- Capital expenditure in FY15 is forecast to be in a range of $600-700m. The forecast range for FY16 for ongoing sustaining capital expenditure is $300-400m. Sustaining capital expenditure is expected to remain in this range for the foreseeable future
- Expected that free cash flow in FY15 will deliver the ability to increase the full year dividend at a materially faster rate than earnings growth to boost TSR
- Free cash flow in FY15 is also expected to be sufficient to fully fund dividend payments in FY15

- Asciano will continue to focus on its BIP. The FY16 five year target for the program was doubled in FY14 from $150m to $300m

- The Company will continue to pursue opportunities to generate value through strategic acquisitions, partnerships and joint ventures. However this will not be at the expense of free cash flow, reduced leverage, or capital management objectives:

    - Bolt on opportunities in Bulk Ports and Port Logistics are being explored;
    - Larger inorganic growth opportunities will not be considered unless the above objectives are met; and
    - Consistent with ASX announcement of 18 July 2014[8], discussions with third parties in relation to strategic opportunities with the Terminals & Logistics Division, including a potential sale of a non-controlling interest, continue to progress. These discussions are preliminary and incomplete and no agreement has been reached with any parties at this stage.

- Despite the difficult macro environment Asciano remains committed to driving the programs introduced over the last few years around safety and stakeholder relationships, both internal and external. These programs contribute to establishing and shaping the cultural transformation required within the organisation to create a long term sustainable and successful business platform

ENDS

[8] ASX Release : "Response to recent media speculation" 18 July 2014

4 Definitions

- **Revenue -** Revenue and other income
- **Material items -** Material items include continuing material items, discontinued material items and gains or losses on sale of discontinued operations
- **EBITDA -** Profit before interest, tax, depreciation and amortisation
- **EBIT -** Profit before interest and tax
- **NPAT -** Net profit after tax
- **OCFPIT -** Operating cash flow pre interest and tax
- **PCP -** Prior corresponding period
- **ROCE** - Return on capital employed (EBIT / average capital employed) 12 months rolling
- **ROE** – Return on equity (NPAT and material items/ Average Total Equity)
- **EPS** - Earnings per share (NPAT / weighted average number of shares outstanding)
- **Capital employed** - Net assets less cash, debt, other financial assets/liabilities, tax, and intercompany accounts (for divisional ROCE), 12 months rolling
- **Cash conversion (group) -** OCFPIT / EBITDA
- **Cash conversion (divisional) -** Operating cash flow / EBITDA
- **Operating cash flow** - EBITDA plus change in net working capital plus interest paid plus tax paid
- **BAPS** – Bulk & Automotive Port Services
- **WIP**- Work in Progress
- **BIP** – Business Improvement Program
- **DPS** – Dividend per share
- **TSR** – total shareholder return
- **TEU** – twenty foot equivalent unit
- **FY-** financial year
- **1H** – first half
- **2H** – second half
- **PoMC** – Port of Melbourne Corporation

Asciano Limited
ABN 26 123 652 862

Full year financial report
For the year ended 30 June 2014

Asciano comprises Asciano Limited (ABN 26 123 652 862) and its controlled entities.

Contents

Asciano Limited
ABN 26 123 652 862

Directors' report
For the year ended 30 June 2014

Asciano comprises Asciano Limited (ABN 26 123 652 862) and its controlled entities.

The Directors present their report, together with the financial report of Asciano Limited ("Company" or "Parent") and its controlled entities (collectively referred to as "Asciano") and the auditor's report thereon, for the year ended 30 June 2014.

1. Directors

The Directors of Asciano Limited at any time during or since the end of the financial year were as follows:

Name, qualifications and independence status	Age	Experience, special responsibilities and other directorships
Malcolm Broomhead BE, MBA Chairman and Independent Non-Executive Director	62	Mr Malcolm Broomhead was appointed as a Non-Executive Director of Asciano Limited on 22 September 2009 and was appointed Chairman of the Board in October 2009. Mr Broomhead is Chairman of the Nomination and Succession Planning Committee. Mr Broomhead was Managing Director ("MD") and Chief Executive Officer ("CEO") of Orica Limited ("Orica") from 2001 until September 2005. Prior to joining Orica, Mr Broomhead held a number of senior positions at North Limited including as MD and CEO. Mr Broomhead is also a Non-Executive Director of BHP Billiton Ltd and BHP Billiton Plc (appointed March 2010) and was a Non-Executive Director of Coates Hire Limited until his resignation on 29 July 2013. He is a Director of the Walter and Eliza Hall Institute, Chairman of Kilfinan Australia and a member of the Advisory Board of Opportunity International (Australia). Mr Broomhead holds a Bachelor of Engineering and an MBA from the University of Queensland.
John Mullen BSc CEO	59	Mr John Mullen was appointed CEO of Asciano Limited on 14 February 2011 and as MD on 1 April 2011. Mr Mullen has extensive experience within the transport and logistics arena, most recently as the Global CEO of DHL Express from 2006 to 2009 and Joint CEO in 2005. Prior to this, he was CEO of DHL Express Asia Pacific and held senior positions within the TNT Group for 10 years. Previously Mr Mullen held various general management positions in TNT Limited, Compagnie Internationale de Restauration and NACAP BV, Delft, Holland. Mr Mullen is a Non-Executive Director of Telstra Corporation Limited ("Telstra") (appointed July 2008) and prior to joining Asciano was also a Non-Executive Director of Brambles Ltd and MAp Airports Ltd. Mr Mullen holds a Bachelor of Science from The University of Surrey, UK.
Chris Barlow BSc (Hons), CE Independent Non-Executive Director	68	Mr Chris Barlow joined Asciano Limited as a Non-Executive Director on 15 June 2007. Mr Barlow is Chairman of the Remuneration Committee and is a member of the Nomination and Succession Planning Committee and the Sustainability Committee. Mr Barlow has held a range of senior roles in the transport infrastructure industry for many years. He was the MD and CEO of Australia Pacific Airports Corporation, the operator of Melbourne and Launceston Airports. Mr Barlow has over 30 years' experience in the infrastructure industry, having joined BAA Limited (formerly British Airports Authority) as an Engineering Project Manager. He held a number of senior management positions within BAA managing airports and as Development Director was responsible for the A$1.5 billion business development program of the BAA Group. Mr Barlow is currently Chairman of Northern Territory Airports Pty Limited and Melbourne Convention and Visitors Bureau Limited. He is also a senior advisor on airports worldwide to IFM investors. Mr Barlow is a Chartered Engineer and holds a Bachelor of Science with Honours in Engineering from The University of London, UK.
Dr. Robert Edgar BEc (Hons), PhD Independent Non-Executive Director	68	Dr. Robert Edgar was appointed by the Board of Directors of Asciano Limited as a Non-Executive Director on 22 September 2009. Dr. Edgar is a member of the Audit and Risk Committee, the Remuneration Committee and the Nomination and Succession Planning Committee. Dr. Edgar retired from a successful career at the ANZ Banking Group ("ANZ") spanning more than 25 years where his most recent role was as Deputy CEO. Before joining ANZ, Dr. Edgar held senior positions with the Australian Bankers' Association and prior to that he worked at the Reserve Bank of Australia. Dr. Edgar is a Director of Transurban Group Limited (appointed October 2009) and Linfox Armaguard. Dr. Edgar is also Chairman of Federation Limited (formerly Centro Retail Limited) (appointed December 2011) and the Prince Henry's Institute of Medical Research. Dr. Edgar holds a Bachelor of Economics with Honours from the University of Adelaide and a PhD from Ohio State University, USA.

1. Directors (continued)

Name, qualifications and independence status	Age	Experience, special responsibilities and other directorships
Peter George BCom, LLB Independent Non-Executive Director	61	Mr Peter George was appointed as a Non-Executive Director of Asciano Limited on 5 March 2007. He is a member of the Audit and Risk Committee, the Nomination and Succession Planning Committee and the Sustainability Committee. Mr George is currently MD of PMP Limited, having been a Non-Executive Director with PMP Limited from 2002 until his appointment as MD in 2012. He is an experienced Executive and Non-Executive Director specialising in corporate strategy and finance including acquisitions, divestments, company refinancing and turnarounds. Mr George was a Non-Executive Director of Optus Communications from 1994 to 1998. He was the former MD of B Digital Limited from 2004 to 2006 and Executive Director of Strategy and Policy for Cable and Wireless Optus Limited from 1998 to 2002. Mr George holds a Bachelor of Commerce and a Bachelor of Laws from the University of New South Wales.
Shirley In't Veld BCom, LLB (Hons) Independent Non-Executive Director	59	Ms Shirley In't Veld was appointed as a Non-Executive Director of Asciano Limited on 1 November 2010. She is the Chair of the Sustainability Committee and a member of the Nomination and Succession Planning Committee. Ms In't Veld was the MD of Verve Energy, Western Australia's biggest electricity generator, from 2007 to April 2012. Prior to this, Ms In't Veld was Vice President Primary Business Development with Alcoa, and from 2001-2004 she was the MD of Alcoa Australia Rolled Products, based in Geelong, Victoria. Ms In't Veld commenced her career as a commercial lawyer with Mallesons in Melbourne and has also held senior legal, commercial and marketing positions with WMC Resources Ltd, Bond Corporation and BankWest. She has been a board member of Alcoa of Australia and a number of industry representative groups. In June 2012, Ms In't Veld was appointed to the board of the Commonwealth Scientific and Industrial Research Organisation (CSIRO), Australia's national science agency. She also serves as a member of the SMART Infrastructure Advisory Council (University of Wollongong) and is a council member of the AICD in Western Australia. Ms In't Veld received her Bachelor of Laws (Hons) and Bachelor of Commerce from The University of Melbourne.
Geoff Kleemann CA Independent Non-Executive Director	65	Mr Geoff Kleemann was appointed by the Board of Directors of Asciano Limited as a Non-Executive Director on 22 September 2009. Mr Kleemann is Chairman of the Audit and Risk Committee and a member of the Remuneration Committee and the Nomination and Succession Planning Committee. Mr Kleemann had a long career as a senior executive in a listed company environment as Chief Financial Officer ("CFO") at Crown Limited, Publishing & Broadcasting Limited and Woolworths Limited. Mr Kleemann has a Chartered Accounting background, commencing his career with Deloitte and working there for a number of years before becoming Chief Accountant at Industrial Equity Limited and Finance Director at Pioneer International.
Ralph Waters M Bus, CPEng (Hons), FIE Aust Independent Non-Executive Director	65	Mr Ralph Waters was appointed by the Board of Directors of Asciano Limited as a Non-Executive Director on 23 August 2012. Mr Waters is a member of the Nomination and Succession Planning Committee and the Sustainability Committee. Mr Waters has been a Director of Woolworths Limited since January 2011 and was appointed as Chairman in November 2012. Mr Waters is also Chairman of Fletcher Building Limited (appointed 2001). In the past, Mr Waters was Chairman and Director of Fisher and Paykel Appliances Holdings Limited from 2001 to 2011, a Director of Fonterra Co-operative Group Limited from 2006 to 2013 and a Director of Westpac New Zealand Limited from 2006 to 2012. Mr Waters has had extensive experience in the Australasian building products industry, including as MD of Email Limited and as CEO of Fletcher Building Limited, as well as engineering and management experience in London and the Middle East. Mr Waters has a Master of Business from Curtin University of Technology, is a Chartered Professional Engineer and an Honorary Fellow of the Institution of Engineers Australia.

2. Legal framework

Asciano shares are listed on the Australian Securities Exchange ("ASX").

3. Group General Counsel and Company Secretary

Saul Cannon, LLB (Hons)/B.Com

Mr Saul Cannon joined Asciano in July 2007 as Group General Counsel and was appointed Company Secretary in June 2014 in addition to his existing responsibilities.

Prior to joining Asciano, Mr Cannon held the position of General Counsel for Mergers & Acquisitions and Telstra Asia at Telstra. Mr Cannon was the lead Telstra lawyer on T3, the A$15.5 billion sale by the Commonwealth of its remaining shareholding in Telstra. During his nine years at Telstra, Mr Cannon also worked in a number of different business areas, including three years as General Counsel and Company Secretary of TelstraClear Limited, Telstra's New Zealand business. Prior to joining Telstra, Mr Cannon worked for the Australian law firm Mallesons Stephen Jaques.

Mr Cannon received his Bachelor of Laws (Hons) and Bachelor of Commerce from The University of Melbourne. In 2014, Mr Cannon also completed the Advanced Management Program (AMP) at Harvard Business School in Boston.

4. Directors' meetings

The number of Directors' meetings (including meetings of Committees of Directors) and number of meetings attended by each of the Directors during the 2014 financial year were as follows:

	Board		Audit and Risk Committee		Remuneration Committee		Nomination and Succession Planning Committee		Sustainability Committee	
Director	A	B	A	B	A	B	A	B	A	B
Malcolm Broomhead	8	8	–	–	–	–	4	4	–	–
John Mullen	8	8	–	–	–	–	–	–	–	–
Chris Barlow	8	8	–	–	6	6	4	4	4	4
Robert Edgar	8	8	4	4	6	6	4	4	–	–
Peter George	8	8	4	4	–	–	4	4	4	4
Shirley In't Veld	8	8	–	–	–	–	4	4	4	4
Geoff Kleemann	8	8	4	4	6	6	4	4	–	–
Ralph Waters*	8	7	–	–	–	–	4	4	2	2

A – Number of meetings eligible to attend.

B – Number of meetings attended.

* Appointment to Sustainability Committee effective 19 December 2013.

5. Corporate governance statement

Asciano believes that good corporate governance is an essential ingredient for a successful company. Asciano is committed to continue to work to meet stakeholder and community expectations of robust and best practice corporate governance. The Board of Directors is responsible for ensuring that Asciano has an appropriate corporate governance framework in place to add value for its stakeholders through effective oversight, strong risk management and well defined processes. This requires that appropriate accountability and control systems are in place.

This corporate governance statement outlines Asciano's main corporate governance practices in place for the 2014 financial year and at the date of this report. Copies or summaries of the corporate governance documents mentioned in this statement are available on Asciano's website at www.asciano.com.

The Board believes that Asciano's corporate governance framework and policies comply with corporate governance best practice in Australia, including the ASX Governance Council's Corporate Governance Principles and Recommendations ("ASX Principles"). The following table indicates where specific ASX Principles are dealt with in this statement:

ASX Principle		Reference in statement
Principle 1	Lay solid foundation for management and oversight	5.1, 5.2 and 5.3
Principle 2	Structure the board to add value	5.1 and 5.2
Principle 3	Promote ethical and responsible decision-making	5.4
Principle 4	Safeguard integrity in financial reporting	5.2 and 5.3
Principle 5	Make timely and balanced disclosure	5.4
Principle 6	Respect the rights of shareholders	5.4
Principle 7	Recognise and manage risk	5.3
Principle 8	Remunerate fairly and responsibly	5.2 and 5.5

Overview of Corporate Governance Framework

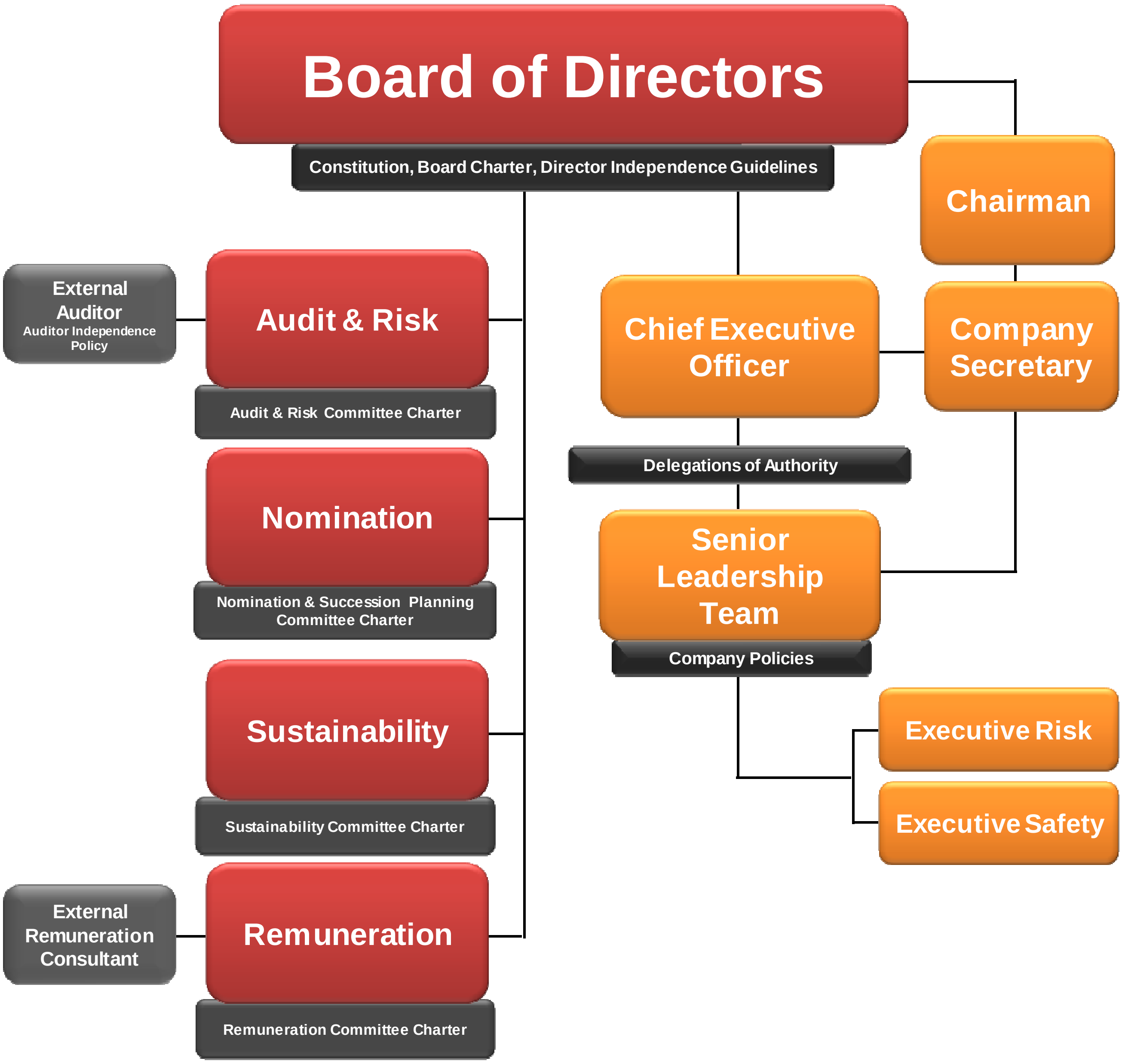
Asciano continues to be proactive in respect of its corporate governance framework and continues to evaluate, change and implement arrangements that it believes will maximise its effectiveness.

The Board regularly reviews Asciano's corporate governance framework to ensure the responsibilities and reporting lines between the Board, the Board Committees and management are effective and comply with the Corporations Act 2001 and the ASX Principles. The Asciano corporate governance framework is detailed in the diagram on the next page.

5.1 Board of Directors

Relevant governance documents (see www.asciano.com)	• Asciano Limited Constitution ("Constitution") • Board Charter • Independence of Directors Guidelines • Board Performance Evaluation Process

5. Corporate governance statement (continued)



5. Corporate governance statement (continued)

Board role and responsibilities

The role of the Board is to oversee and guide the management of Asciano and its businesses while protecting and enhancing the interests of its shareholders and taking into account the interests of other stakeholders, including employees, customers, suppliers and the wider community.

The Constitution provides that the business and affairs of the Company are to be managed by or under the direction of the Board. The Board has adopted a formal Board Charter which details the Board's role, powers, duties and functions, the matters it has reserved for its own consideration and decision-making and the authority it has delegated to the CEO. The Board Charter and the delegations of authority are reviewed regularly.

The Board's reserved powers and responsibilities are set out in the Board Charter and include:

- overseeing the composition of the Board, including consideration of the skills and competency of the Directors;
- overseeing and appraising the strategies, policies and performance of Asciano;
- approving annual budgets and major expenditure items;
- overseeing Asciano's risk management compliance and corporate governance policies;
- approving and monitoring internal and external reporting;
- approving dividends;
- appointing (and if appropriate, removing) the CEO;
- reviewing senior executive succession planning; and
- approving Asciano's remuneration arrangements including for the CEO and other senior executives.

Delegation to CEO and management

The Board has delegated responsibility for the day to day management of the Company to the CEO pursuant to a formal delegation structure. This is complemented by a formal delegation of authority from the CEO to the management team.

Board composition and membership

The Board (through the Nomination and Succession Planning Committee) actively seeks to ensure that the Board and its committees continue to have the right balance of skills, knowledge, qualifications, diversity and business experience necessary to direct the Company in accordance with high standards of corporate governance. The skills, experience and expertise which the Board considers to be particularly relevant include those in the areas of transport and transport infrastructure, finance, capital management and external relations.

The table below sets out some of the key skills the Directors are looking to achieve on the Board and the extent to which they are represented on the Board and its committees.

Skills & Experience	Board	Audit and Risk Committee	Remuneration Committee	Nomination and Succession Planning Committee	Sustainability Committee
Financial/ Commercial Skills	8 Directors	3 Directors	3 Directors	7 Directors	4 Directors
Heavy or Related Industry Experience	6 Directors	2 Directors	2 Directors	6 Directors	4 Directors
Other Public Company Board	8 Directors	3 Directors	3 Directors	7 Directors	4 Directors
Board Chair Experience	4 Directors	2 Directors	1 Director	4 Directors	2 Directors
Government Relations	5 Directors	2 Directors	2 Directors	4 Directors	3 Directors
Regulatory	3 Directors	2 Directors	2 Directors	3 Directors	2 Directors
Public Company CEO	4 Directors	1 Director	–	3 Directors	2 Directors
International	7 Directors	2 Directors	2 Directors	6 Directors	4 Directors

In respect of diversity on the Board, the Directors strongly believe that differences in gender, age, ethnicity and cultural background in Board membership encourages diversity of thought and decision-making which will, in turn, drive and improve business efficiency and results for the Company and shareholders. Additional information in relation to diversity is detailed in section 5.4 of this Directors' report.

5. Corporate governance statement (continued)

Director retirement and re-election

The Board is currently comprised of seven Non-Executive Directors and the CEO. At this year's AGM, Mr Chris Barlow and Ms Shirley In't Veld will be standing for re-election as Non-Executive Directors, in accordance with the Constitution which requires the Directors to retire at the third AGM following their election or most recent re-election.

Profiles of the Directors, including their qualifications, experience and date of appointment can be found in section 1 of this Directors' report.

Director independence

The Board's guidelines on director independence are that there should be a majority of independent Non-Executive Directors on the Board. This requirement is embodied in the Board Charter, ensuring that all Board discussions and decisions have the benefit of independent judgement. The criteria for assessing independence are set out in the Independence of Directors Guidelines adopted by the Board and available on Asciano's website at (www.asciano.com) and comply with Box 2.1 of the ASX Recommendations.

The Board reviews the independence of the Directors before they are appointed, on an annual basis and at any other time where the circumstances of a Director changes such as to require reassessment. The Board assesses the materiality of any contractual relationship that may affect independence on a case-by-case basis, such assessment being undertaken from both the perspective of the Company and the Director. The Corporations Act 2001 requires Directors to advise the Board of any interest they have that has the potential to conflict with the interests of the Company, including any matter that may impact on perceived or actual independence. Procedures are in place for Asciano's Directors to disclose actual or potential conflicts of interest and to ensure that a Director with an actual or potential conflict of interest does not receive Board papers or participate in decisions relevant to the matter.

During the reporting period, the Board considered the circumstances of each Director, including whether they:

- have a substantial holding of Asciano shares;
- have been employed by the Company;
- have association with any advisers to the Company;
- are associated with a material supplier to the Company; and
- have any material contractual relationship with the Company.

Following this evaluation, the Board determined that all Non-Executive Directors, including the Chairman, were independent.

Conflicts of interest

Directors are requested, upon their appointment, to disclose to the Company any interests or directorships which they hold with other organisations and to update this information if it changes during the course of the directorship. Directors and senior management are also required to identify any conflicts of interest they may have in dealing with Asciano's affairs and refrain, where required, from participating in any discussion or voting on these matters.

Chairman

The Chairman of the Board, Mr Malcolm Broomhead, is considered by the Board to be an independent Non-Executive Director and is a resident Australian citizen. The Chairman is responsible for leadership and effective performance of the Board and for maintenance of productive relations between the Directors and the management team. The Chairman's responsibilities are set out in more detail in the Board Charter. Mr Broomhead is also a Non-Executive Director of BHP Billiton Limited and BHP Billiton Plc and sits on the advisory board of Opportunity International (Australia).

Director appointment, training and continuing education

The Nomination and Succession Planning Committee reviews, and where appropriate, makes recommendations to the Board on Director appointments and re-election, having regard to the size, composition and necessary competencies of the Board. Each independent Non-Executive Director has signed a letter of appointment detailing the terms of their appointment, which sets out the key terms and conditions of their appointment, including duties, rights and responsibilities and the matters recommended in the ASX Principles.

Induction training is provided to all new Directors. It includes a comprehensive induction manual with information on the Company's corporate strategy, financial position, culture and values, company policies, rights and responsibilities of Directors, meeting arrangements and the role of the Board and management. The Board has regular discussions with the CEO and management and is invited to attend regular site tours of Asciano's operational sites.

All Directors are expected to maintain the skills required to discharge their obligations to the Company. Asciano undertakes an ongoing program to keep Directors abreast of the nature of its business, current issues and corporate strategy. Directors also have access to, and are encouraged to undertake, continuing education opportunities to update and enhance their skills and knowledge and have a strong working relationship with operational management.

5. Corporate governance statement (continued)

Board and senior executive performance evaluation

The Board has adopted a policy setting out a performance evaluation process for the Board and Board Committees. This policy is available on Asciano's website (www.asciano.com) and provides that the performance of the Board, each of its Committees and each Director will be reviewed annually. Such review may be conducted by an external consultant. The Board Performance Evaluation Process also sets out matters that will be considered relevant in assessing their performance. Board, Committee and individual Director performance evaluations took place during the reporting period.

As in previous years, an independent external consultant was engaged during the reporting period to carry out a review of the Board's performance. This performance review involved:

- the consultant preparing a confidential questionnaire for each Director and select members of the executive senior leadership team to complete;
- the consultant meeting with each Director, the CEO and select members of the executive senior leadership team to discuss the Board's performance and its relationship with management;
- a report being prepared by the consultant setting out their findings and recommendations for any changes or improvements;
- the Board meeting to discuss the report and its findings; and
- the Chairman and the Company Secretary working with the Board and management to implement the recommendations as agreed with the Board.

A comprehensive process for the evaluation of the performance of senior executives is conducted on an annual basis. The results of this review are used by the Company in determining future remuneration. All senior executives undertook a performance evaluation during the reporting period using this process. A more detailed summary of senior executive performance evaluations completed during the reporting period is set out in the remuneration report in section 7 of this Directors' report. The remuneration report also sets out how remuneration is structured for executives and for Non-Executive Directors.

Board access to information and independent advice

Subject to identification of any conflict of interest, Directors have direct access to senior executives as required and to any Company information in the possession of management it considers necessary to make informed decisions and to discharge its responsibilities.

All Directors have access to the Company Secretary who is accountable to the Board, through the Chairman, on all matters to do with the proper functioning of the Board and corporate governance. The Board must approve the appointment and removal of the Company Secretary.

Any Director can seek independent professional advice in the discharge of their duties and responsibilities to Asciano, such entitlement being detailed in the Nomination and Succession Planning Committee Charter. Asciano will reimburse reasonable expenses incurred in obtaining this advice. Unless the Chairman determines otherwise, the advice will generally be circulated to the Board.

Board meetings

The Board and the Committees meet on a regular basis and additional meetings are called when required to address specific issues. The Chairman, in conjunction with the CEO and the Company Secretary, sets the agenda for each meeting. Any Director may request matters be included on the agenda.

Directors receive Board papers in advance of Board meetings and these papers provide them with sufficient information to enable them to participate in informed discussion at each meeting. It is the Board's practice that Non-Executive Directors meet regularly without the presence of management.

Details of Board meetings held during the 2014 financial year and attendance at those meetings are set out in section 4 of this Directors' report.

5. Corporate governance statement (continued)

5.2 Board Committees

Relevant governance documents (see www.asciano.com)	• Audit and Risk Committee Charter • Remuneration Committee Charter • Nomination and Succession Planning Committee Charter • Sustainability Committee Charter

Role, membership and charters

The Board has the ability under the Constitution to delegate its powers and responsibilities to Committees of the Board. This allows the Directors to spend additional and more focused time on specific issues.

The Board has established four standing Committees to assist with the effective discharge of its duties, as follows:

- Audit and Risk Committee;
- Remuneration Committee;
- Nomination and Succession Planning Committee; and
- Sustainability Committee.

Membership of the four Committees is based on the Directors' qualifications, skills and experience. Each standing Committee is comprised of:

- only independent Non-Executive Directors;
- at least three members, whom are independent; and
- a chairman appointed by the Board who is one of the independent Non-Executive Directors.

Non-Committee members, including the CEO, attend committee meetings by invitation.

The composition of each standing Committee, details of the members and areas of responsibility are set out in the table on the following page.

Each Committee operates under a specific charter approved by the Board, detailing its role, duties and membership requirements. The Board regularly reviews the appropriateness of the existing Committee structure, as well as the membership and charter of each Committee. All Committee charters were reviewed during the 2014 financial year and as required, revisions were adopted.

Details of Committee meetings held during the 2014 financial year and attendance at those meetings are set out in section 4 of this Directors' report.

5. Corporate governance statement (continued)

	Audit and Risk	Remuneration	Nomination and Succession Planning	Sustainability
Members	Geoff Kleemann (Chair) Robert Edgar Peter George	Chris Barlow (Chair) Robert Edgar Geoff Kleemann	Malcolm Broomhead (Chair) Chris Barlow Robert Edgar Peter George Shirley In't Veld Geoff Kleemann Ralph Waters	Shirley In't Veld (Chair) Chris Barlow Peter George Ralph Waters
Composition	The Committee must comprise: • only Non-Executive Directors (the majority being independent); • at least three members; • members who are all financially literate; • at least one member who is a qualified accountant or other finance professional; and • some members with an understanding of the transport infrastructure industry.	The Committee will have a minimum of three Non-Executive Directors, the majority being independent Directors.	The Committee will have a minimum of three Non-Executive Directors, the majority being independent Directors.	The Committee will have a minimum of three Non-Executive Directors, the majority being independent Directors.
Main Areas of Responsibility	The primary responsibility of the Committee is to review the integrity of Asciano's financial reporting process and to report the results of its activities to the Board. The Committee is responsible for making recommendations to the Board on: • approval of financial statements; • appointment and independence of the external auditor; and • Asciano's group risk management strategy, policy and key risk parameters. The Committee is also responsible for approval and oversight of: • terms of engagement of external and internal audit (including audit plans); • rotation of the external auditor; • implementation of Asciano's risk management systems/enterprise risk plan; • Asciano's risk management framework/internal control systems; • Asciano's group insurance policies; and • Asciano's finance policies. The Committee meets with both the internal and external auditors on a regular basis.	The Committee is responsible for making recommendations to the Board on: • Group remuneration policy; • remuneration for Non-Executive Directors; • diversity measurable objectives; • remuneration arrangements for the CEO and executive senior leadership team; • service agreement for the CEO; and • new executive incentive plans. The Committee is also responsible for approval and oversight of: • Asciano's superannuation arrangements; • amendment and testing under executive incentive plans; • employee incentive plans; and • Asciano's Remuneration Report.	The Committee is responsible for making recommendations to the Board on: • reviewing the size, composition and necessary competencies including diversity of the Board; • the appointment and removal of Directors; • annual re-election of Directors; and • Committee composition. The Committee is also responsible for approval and oversight of: • establishing guidelines for the selection and appointment of new Directors; • training and education programs; • Non-Executive Director performance reviews; • succession plans for Directors; and • senior executive succession planning.	The Committee is responsible for making recommendations to the Board on: • Asciano safety, health, environment and sustainability (SHES) strategy; and • new SHES policies. The Committee is also responsible for approval and oversight of: • Asciano's sustainability initiatives, response to carbon related issues, and energy efficiency systems and initiatives; • safety, health and wellbeing of Asciano's employees and the Company's health and safety compliance and risk management systems, policies and procedures as they relate to health and safety matters; and • the impact of Asciano's business operations on the environment and SHES incident reporting.

5. Corporate governance statement (continued)

5.3 Risk Management

Relevant governance documents (see www.asciano.com)	• Board Charter • Audit and Risk Committee Charter • Sustainability Committee Charter • Risk Management Policy

Asciano believes that shareholder value is driven by taking considered risks, and that effective risk management is fundamental to achieving the strategic, operational and compliance objectives of Asciano.

The Board is responsible for overseeing the implementation of an effective system of risk management and internal control. The responsibility for designing, implementing and maintaining a sound system of risk management and internal control has been delegated to management through the CEO.

The Audit and Risk Committee assists the Board with its oversight responsibility by reviewing, assessing and making recommendations to the Board in relation to the risk management framework and internal control structures put in place by management. The Sustainability Committee assists the board with its oversight responsibility in making recommendations to the Board in relation to health, safety and environment compliance and risk management systems, policies and procedures as they relate to health, safety and environmental matters.

In order to assist the CEO oversee the implementation and effective operation of the systems of internal controls and risk management, the Senior Leadership Team meets at least quarterly and formally reviews the material strategic, operational and compliance risks, the risk treatment plans and internal audit reports.

Details of the division of responsibilities between the Board, the Audit and Risk Committee and management are set out in the table on the following page.

5. Corporate governance statement (continued)

Board

In relation to risk management, the Board is responsible for:

- Reviewing and approving the Group's risk management strategy, policy and key risk parameters; and
- Overseeing management's implementation of an effective system of risk management and internal control.

Audit and Risk Committee

Responsible for:

- Overseeing the establishment and implementation of Asciano's risk management systems;
- Making recommendations to the Board on the Group's risk profile;
- Reviewing and assessing internal controls;
- Approving the Internal Audit plans;
- Overseeing the independence of the external auditor;
- Group insurance policies; and
- Group risk management framework.

Executive Risk Oversight

The Senior Leadership Team is responsible for:

- Assisting the CEO and CFO and executive management oversee the effective operation of the systems of internal controls and risk management; and
- Assisting the CEO and CFO to assess and manage the Group's risk profile.

CEO and CFO

Responsible for:

- Designing, implementing and maintaining a sound system of risk management and internal control; and
- Assessing and providing assurance to the Board that the risk management and internal control systems are operating effectively.

Management

Responsible for:

- Implementing a sound system of risk management and internal control;
- Formally assessing risk in accordance with the Risk Management Policy on at least a quarterly basis;
- Completing, on a six monthly basis, the internal control questionnaires supporting the s.295A compliance statements; and
- Attending Audit and Risk Committee meetings, as required, to assist the Committee in its oversight of risk.

5. Corporate governance statement (continued)

Risk Management Policy

Asciano's Risk Management Policy applies an integrated, enterprise-wide framework approach to managing risk across all aspects of its business operations and provides a consistent and systematic view of the risks. The risk management framework is reviewed and updated on an annual basis.

The risk identification, analysis, treatment and monitoring procedures implemented by Asciano are in accordance with Standards Australia AS/NZS ISO 31000: Risk management - Principles and Guidelines.

The risk management framework incorporates input from a range of existing systems, programs and policies including:

- a comprehensive occupational health and safety program and the Company's sustainability, climate change and energy plans, overseen by the Sustainability Committee;
- a delegation of authority policy, including guidelines and approval limits for operational and capital expenditure and investments;
- a comprehensive annual insurance program;
- a Board approved finance policy to manage exposure to credit, liquidity and market risks. Further details of Asciano's policies relating to the management of these risks are included in note 3 to and forming part of the financial statements;
- annual budgeting and monthly reporting systems for all divisions to monitor performance against budget targets;
- the identification and assessment of strategic risks during the annual strategic planning cycle; and
- an environmental regulation compliance policy and improvement strategies.

Management assurance

As noted above, the Board has delegated responsibility to management to design and implement effective risk management and internal control systems to manage Asciano's material business risks. Management has reported to the Board's Audit and Risk Committee on the effectiveness of the risk management and internal control systems over the reporting period.

The Board has further delegated responsibility to the Audit and Risk Committee to review the integrity of Asciano's financial reporting processes and to review the effectiveness of the Company's risk management and internal control systems. The Audit and Risk Committee provides a report to the Board addressing the results of those reviews.

The CEO and CFO have provided the Board with a declaration under s295A(2) of the Corporations Act 2001 that the financial statements are founded on a sound system of risk management and internal control and that the system is operating efficiently and effectively in all material respects. The declaration made by the CEO and CFO is that, in their opinion:

- the financial records of the consolidated entity for the financial year have been properly maintained in accordance with s286 of the Corporations Act 2001;
- the financial statements, are in accordance with the Corporations Act, give a true and fair view of the financial position and performance of the consolidated entity and comply with the accounting standards; and
- there are reasonable grounds to believe that the consolidated entity will be able to pay its debts when they become due and payable.

In accordance with the Recommendation 7.3 of the ASX Principles, the CEO and CFO have provided assurance to the Board that the declaration provided under s295A is founded on a sound system of risk management and internal control in relation to financial reporting risks and that the risk management and internal control system for the year ended 30 June 2014 were operating effectively in all material respects regarding financial reporting risks.

In providing that assurance declaration, the CEO and CFO require that management of the business divisions and corporate functions complete a detailed and comprehensive questionnaire on a six monthly basis. The questionnaire addresses the effectiveness of the risk management and internal control systems for the reporting period. These assurances form part of the process by which the Board determines the effectiveness of its risk management and internal control systems.

Internal audit

The Asciano risk management and internal audit function reports to the Chairman of the Audit and Risk Committee and to the CFO. Internal audit conducts a series of risk-based audits based on a plan reviewed and approved by the Audit and Risk Committee. As the Group General Manager Risk and Internal Audit is responsible for developing the risk management framework and for undertaking the internal audit program, the Audit and Risk Committee undertakes a periodic independent assessment of the effectiveness of Asciano's risk management framework.

5. Corporate governance statement (continued)

Security

The Company has taken a risk-based approach to security management and resilience planning. It continues to develop, review and refine its general and anti-terrorist security management and response plans. This process includes engaging with key government agencies on strategies to:

- identify potential security threats;
- implement appropriate counter measures; and
- deliver full compliance with federal, state and territory security legislation.

Within this broad security context, Asciano both attends and conducts simulated security exercises, involving key internal and external stakeholders, to test and improve preparedness and emergency and crisis response arrangements.

Inherent operational risks

Asciano believes there are a number of overarching key business risks which are inherent to the industries in which it operates. The challenges and risks that Asciano and its operations may face in achieving its business strategy are set out in the Group Operating Performance section on page 11 of the Management Discussion and Analysis ("MD&A") which forms part of the Directors' report.

These risks are identified to assist investors in understanding the nature of the risks faced by Asciano and the industries in which it operates. They are not intended to be an exhaustive list of risks.

Workplace health and safety regulation

Sadly we report on the death of a truck driver in our wholly owned subsidiary C3 Limited in New Zealand in August 2013. Mr Ian Romley died as a result of injuries sustained when he fell through the roof of a structure protecting a void over a conveyor at a customer site. This tragic event serves to remind us of the need for constant vigilance in relation to hazard identification both at our sites and at the very many different locations where our staff work.

The safety performance of Asciano as measured by the lag indicators of Recordable Injury Frequency Rate ("RIFR") and Lost Time Injury Frequency Rate ("LTIFR") has been extremely strong. Overall Asciano has improved RIFR by 36.5% during the 2014 financial year. The average RIFR for the final quarter was 12.9, the best quarterly result for the Group on record. There have been year on year improvements across all divisions.

LTIFR improved by 47.7% with a final year result of 4.6. Our June 2014 LTIFR of 2.9 is again the best monthly result for the Group on record and is significantly better than our previous best month of 3.4. Importantly, this LTIFR result was driven by very low lost time injury numbers not simply an excess of working hours.

These results have been realised on the back of significant proactive work by each of the business units, as evidenced by the completion of 22,000 more safety observations during the 2014 financial year compared to the previous year and a slight improvement in the absolute number of hazards reported.

In 2014 we continued to implement our key corporate safety initiatives including:

- Critical Safety Essentials – common high risk standards applicable to all divisions; and
- the SHED – the database of safety, health and environmental data.

The Asciano divisions have implemented OHS Strategic Plans around a common framework. These plans are associated with tracked action plans, which are regularly reviewed by divisional leadership teams and the Asciano executive Senior Leadership Team. The executive Senior Leadership Team meets monthly in the guise of the Executive Safety Committee, these meetings are held on site, they involve safety engagements on site and have a defined agenda focusing on cross business issues.

5. Corporate governance statement (continued)

5.4 Governance Policies

Relevant governance documents (see www.asciano.com)	• Code of Conduct • Whistleblower Policy • Fraud and Corruption Prevention Policy • Share Trading Policy • Disclosure Policy • Auditor Independence Policy • Diversity Policy

Code of Conduct

Asciano has a Code of Conduct which outlines Asciano's commitment to appropriate and ethical corporate practices.

The Code of Conduct describes the corporate values of safety, customer service, teamwork and financial success approved by the Board. It sets out the principles, practices and standards of personal and corporate behaviour Asciano expects in daily business activities. The Code of Conduct covers matters such as compliance with applicable laws and regulations, standards of behaviour in relation to health and safety, communicating with and respecting the interests of all stakeholders, conflicts of interest, proper use of Asciano's assets, appropriate employment practices, confidentiality, and complying with Asciano's policies and procedures.

All Directors, officers and employees are required to comply with the Code of Conduct. Senior managers are expected to ensure that employees, contractors, consultants, agents and partners under their supervision are aware of the Code of Conduct and foster an environment that encourages compliance with the Code of Conduct. Employees are required to complete online Code of Conduct training upon appointment and thereafter, annually.

Asciano also has a very strict policy governing political donations. Failure to comply with the Code of Conduct is a serious breach of Asciano policy and will be investigated. The Code of Conduct requires reporting, in good faith, of any suspected violations of the Code of Conduct. Breaches may result in disciplinary action ranging from a verbal warning through to termination of employment.

Whistleblower Policy and Fraud and Corruption Prevention Policy

Asciano's Whistleblower Policy and Fraud and Corruption Prevention Policy document Asciano's commitment to maintaining an open working environment which encourages employees and contractors to report concerns in relation to illegal, unethical and improper conduct without fear of intimidation or reprisal. Asciano is committed to supporting and protecting those who report suspected violations in good faith. The purpose of the Whistleblower Policy is to:

- help detect and address unacceptable conduct;
- help provide employees and contractors with a supportive working environment in which they feel able to raise issues of legitimate concern;
- provide an external confidential hotline which can be used for reporting unacceptable conduct; and
- help protect people who report unacceptable conduct in good faith.

5. Corporate governance statement (continued)

Trading in Asciano shares

The Board has adopted and implemented a Share Trading Policy that sets out the circumstances in which Directors and employees may deal in the Company's shares. The policy is aligned with the ASX Listing Rules on trading policies and associated ASX guidelines.

In accordance with the prohibition in the Corporations Act 2001, the Share Trading Policy states that Directors, senior executives and other nominated employees may not trade in the Company's shares at any time if they are in possession of inside information. The policy prohibits Directors, senior executives, nominated employees and their 'associates', being spouses and direct family, from trading, procuring trading or hedging their interest in the Company's shares during "blackout periods" (which are the four weeks leading up to the release of the annual/half year report, as well as any other periods that the Board or CEO may determine from time to time) or at any time when they may possess 'inside information' about the Company. Directors and the CEO, are required to seek the approval of the Chairman (and in the case of the Chairman, the Board, in the case of the senior executives, the CEO, and in the case of nominated employees, their manager) before dealing in the Company's shares and must also seek clearance from the Company Secretary before proceeding to trade or otherwise deal.

Under the Share Trading Policy, Directors and employees are also prohibited from dealing in the shares of other companies with which Asciano may have a close commercial relationship where they are in possession of inside information.

Continuous disclosure and market communications

Asciano is committed to providing timely, open and accurate information to all of its stakeholders including shareholders, regulators and the investment community.

The Board has adopted a Disclosure Policy that sets out the Company's approach to continuous disclosure and to external announcements generally. The policy and the Company's approach to managing continuous disclosure are consistent with the ASX's revised Guidance Note 8. The policy provides an outline of the Company's continuous disclosure obligations and sets out the measures it has implemented to ensure compliance with these obligations, including listing the kind of matters that would generally require disclosure. The policy also provides guidelines for the management of external announcements and specifies the Company's authorised spokespeople.

A Continuous Disclosure Committee manages compliance with market disclosure obligations and is responsible for implementing reporting processes and controls and setting the guidelines for release of information. The Committee is comprised of senior executives.

Training continued to be rolled out in 2014 for Directors and senior executives regarding the Company's continuous disclosure obligations. Training focuses on ensuring those executives who may be likely to come in possession of confidential information have a full understanding of the legal requirement to disclose market sensitive information to the ASX and the Company's internal processes for escalation and assessment of information prior to release to the ASX.

Shareholder communications

Asciano is committed to the delivery of timely and relevant information to its shareholders and to the broader investment community. The Company's approach to investor relations is to promote effective communication with shareholders of the Company and ensure all information relevant to a shareholder about their shareholding is accessible. The Company's investor relations program including the Annual General Meeting ("AGM") and other interactions with institutional investors, analysts and the financial media are detailed on the Asciano website (www.asciano.com).

The Asciano website (www.asciano.com) forms a key part of the Company's communication to shareholders and the wider investor community. The Asciano website also provides a broad range of information about Asciano and is updated regularly. All Asciano media releases, ASX announcements, investor presentations and half and full year financial reports are made available on the website immediately after they have been released to the market.

Annual General Meeting

The AGM is the primary opportunity for shareholders to meet face-to-face with the Board and senior executives. The Board encourages participation by shareholders at the AGM to ensure accountability and transparency. Shareholders are invited to submit questions ahead of, and during, the AGM. Directors also make themselves available after the formal part of the AGM to meet with shareholders. The external auditor attends the AGM to answer shareholder queries about the auditor's report.

For shareholders who are unable to attend in person, the AGM is webcast live on the Asciano website (www.asciano.com).

Auditor independence

The Board has adopted an Auditor Independence Policy that sets out the Company's policy in relation to the engagement of the external auditor for audit and non-audit services. It outlines the process for the approval of certain non-audit services that are not prohibited but which are considered material. Details of the amounts paid to the external auditor are set out in note 36 to and forming part of the financial statements.

The Audit and Risk Committee is highly cognisant of the need for the Company to maintain an independent auditor.

5. Corporate governance statement (continued)

Diversity

The Board has a Diversity Policy, which sets out the principles guiding the Company's commitment to diversity and inclusion at Board, executive and employee level, being:

- meritocracy;
- fairness and equity; and
- commercial success.

Asciano is committed to workplace diversity, with a particular focus on supporting the representation of all range of ages and women at all levels of the Company. The Company believes that developing a workforce which reflects the diversity of the community that it works in, in all levels of its business, is a commercial imperative.

For Asciano, diversity includes, but is not limited to, gender, age, ethnicity and cultural background. Building an inclusive workforce enables diversity of thought, decision-making and ultimately better business outcomes. In turn, this will assist Asciano to build sustainable and valuable relationships with its customers, employees, suppliers, shareholders, governments and the community.

The Company is committed to improving diversity in the workplace and ensuring alignment with the ASX Principles on diversity.

The Company established measurable objectives for the 2014 financial year ("FY14") for achieving diversity. Those measurable objectives and progress to date in achieving them, and the measurable objectives set for the 2015 financial year ("FY15"), are set out in the table below.

Measureable Objectives and Progress to Date

FY14 Measurable Objectives	Progress/Performance	FY15 Objectives
Recruitment and Selection Asciano is committed to attracting and securing the best candidates from a broad talent pool, with a strong focus on competency and organisational fit. To support achievement of this goal we will conduct a review of our recruitment and selection process to ensure we provide a level playing field where selection, reward and advancement are based on merit.	**Performance** In 2014 we deployed a number of strategies to proactively source and attract female candidates for vacant roles. We increased female applications for salaried roles to 31% and achieved disproportionate placements at 40%. Despite considerable effort we were less successful in blue collar roles with female applicants 8% and placements 6%. By identifying unintended barriers to female applications and ensuring we appeal to a more diverse candidate pool we have delivered tangible results in salaried roles. Longer term solutions are required to increase the number of qualified female candidates for our traditionally male blue collar roles.	• Increase female application rates for salaried roles from 31% to 35% and for blue collar roles from 8% to 10% (overall target 23%) by June 2015. • Increase female placements for salaried roles from 40% to 45% and for blue collar roles from 6% to 10% (overall target 23%) by June 2015.
Talent and Succession Management Asciano is committed to developing a diverse pool of talented employees to ensure we have the talent pipeline to fill critical roles now and into the future.	**Performance** We have improved our annual talent review and development planning across the group. A key step forward has been the running of thirteen group wide leadership programs over the past year. 25% of participants in our Executive Development Program were women. Our talent pipeline for executive roles is now 38% female and our development programs continue to be a key support mechanism to accelerate women's development to be ready for leadership roles.	• Increase female succession representation for executive roles to 40% by 30 June 2015. • Minimum 25% female attendance at Emerging and Executive leadership development programs by 30 June 2015.
Reporting & Monitoring Progress Asciano will develop a consistent Diversity scorecard at both the Asciano Group and divisional level to ensure the review and management of Diversity is a standard part of our Senior Leadership Team agenda.	**Performance** A scorecard of key metrics has been developed and will form the baseline for measuring future performance and progress. Progress against our key diversity goals and initiatives is formally included in our monthly Human Capital reporting to ensure regular Senior Leadership Team focus and engagement in this area.	• We will continue our monthly reporting process and seek to enhance the quality of insights to support taking appropriate action to achieve our goals.

5. Corporate governance statement (continued)

During FY14 our female placement rates were much higher than our female attrition rate which has assisted in the improvement in our overall female representation. The focus in FY15 will be to further improve overall representation by increasing the number of women applying to work with us especially for blue collar roles, improving our percentage of female new hires and supporting accelerated development for talented women in our business through our investment in leadership development.

The table set out below shows the proportion of female representation across Asciano and at Board and senior executive level.

Job level/Classification	Male	Female
Non-Executive Directors	86%	14%
Senior executives	79%	21%
All employees	90%	10%

Sustainability and Environmental Regulation

The Board is committed to sustainable business practices by proactively managing the economic, environmental and social developments that influence long-term value to stakeholders. We report on our annual performance in our Sustainability Report. The management and reporting of our sustainability performance seeks to address those issues that we believe are the most material to our business and stakeholders. Our sustainability report follows the Global Reporting Initiative G4 Framework and some of the data in our report is independently verified.

Asciano's operations are subject to significant environmental regulation under federal, state and territory legislation. The Company is required to comply with the National Greenhouse and Energy Reporting Act 2007 ("NGER Act"), and this year met all of our reporting obligations under this Act. In addition, during the year we commenced the second five year term of the Federal Government's Energy Efficiency Opportunities ("EEO") scheme, however this legislation and our requirements under this were repealed by the Federal Government in May 2014. Further information on our environmental performance is available in our Sustainability Report accessible via the Asciano website (www.asciano.com).

6. Introduction to executive remuneration – unaudited

The 'Introduction to executive remuneration – unaudited' outlines Asciano's remuneration framework, how it relates to the Company's performance and the actual remuneration derived by executives in the 2014 financial year. This section is unaudited and provides information additional to requirements under the Corporations Act 2001. It should therefore be read together with the full Remuneration report on pages 25 to 40 which provides audited disclosure of the remuneration structure of the Company in accordance with statutory obligations.

6.1 Chairman's letter – update

Dear Shareholder

I am pleased to introduce our Remuneration Report for the 2014 financial year. My aim is to give you a concise and transparent view of the past year so you have the best possible information to consider our remuneration policy.

There have been no fundamental changes to our remuneration structures this year. We feel consistency and stability are important as, after some significant changes over the last few years, the framework is now well understood and working effectively.

This year we experienced business challenges with a sluggish domestic economy depressing the amount of goods being moved around the country. Despite this we are pleased to have delivered strong underlying performance. The linkage between business performance and remuneration outcomes in this report is clear. In particular, you will see how the great work by the PN Coal management team has delivered strong performance which is reflected in the good payout for them from our incentive plan. Across the rest of the group we largely achieved the goals we set for the year and the incentive payments reflect an on-target performance against our balance scorecard.

We continue to link the pay of our key managers directly to our core strategy and the performance of the company in order to drive shareholder value. In our Short Term Incentive Plan ("STI") we measure earnings, safety and customer service, as well as specific success factors relevant to that manager's part of the business. We now have a company wide customer satisfaction survey process in place and have included this as a hard measure in our STI for the first time in the 2014 financial year. We further align our executives to shareholder interest through the deferral plan within our executive STI plan which means 25% of the incentive is delivered in share rights.

In our Long Term Incentive Plan ("LTI"), Return on Capital Employed ("ROCE"), and relative total shareholder return ("TSR") are equally weighted measures. The first is essential for our continuing success as a capital intensive company as we need to ensure that we create value for every dollar of capital spent. TSR directly aligns the rewards to managers with the returns that you, our shareholders seek.

In line with our commitment to continuously challenge the way we work, this year we brought together two divisions into one Pacific National division. Combining the two businesses will improve customer focus, leverage our market scale, deliver cost and productivity efficiency, and accelerate and improvement in our systems and processes. While this change represents opportunity, regretfully it has meant Angus McKay has left our business. The termination payments to Mr McKay are detailed in this report.

For the second year in a row we have made the decision that, apart from where there is a substantive change in role and any statutory increase in superannuation, there will be no fixed remuneration increase for our CEO, Non-Executive Directors or Key Management Personnel ("KMP") in the 2015 financial year. Instead, to improve our market relativity on total target remuneration, in the coming year we will be increasing the variable pay opportunity for our KMP (excluding the CEO).

On behalf of the Board I invite you to view the full report in the following pages. I trust the detail will demonstrate how we continue to link our business strategies to our remuneration plans and reinforce the direct link between management remuneration and shareholder value.

Yours faithfully

Chris Barlow
Chairman, Asciano Remuneration Committee

6. Introduction to executive remuneration – unaudited (continued)

6.2 Remuneration framework and link to performance for the 2014 financial year

In the 2012 financial year, Asciano implemented a new remuneration framework to strengthen alignment between Asciano's recognised 'key drivers' of business success and executive remuneration. The framework has been further embedded in the 2014 financial year.

Each year we review both our strategy and the ongoing alignment of our STI and LTI measures to support the achievement of our goals. This year we delivered strong results against a number of our key measures and as a result, there have been some strong payment results for our executive team.

The connection between business and remuneration outcomes for the 2014 financial year is demonstrated in the table below and will continue in the 2015 financial year:

Driver of success	How this driver is recognised in the Asciano remuneration program
Strong financial success	STI - Inclusion of EBIT measure as 50% of potential STI
Ensuring our employees get home safely everyday	STI - Inclusion of safety improvement measure as 15% of potential STI
Delivering outstanding service to our customers	STI - Inclusion of customer satisfaction measure as 15% of potential STI
Ensuring that our employees achieve their full potential and the goals that are set for them	STI - Individual performance goals constitute 20% of potential STI
Ensuring our employees' interests are aligned with those of our shareholders	STI - A mandatory deferral component in the STI Plan that requires up to 25% of the STI opportunity to be deferred into rights to the Company's shares
Running our assets as efficiently and profitably as possible	LTI - Inclusion of return on capital employed ("ROCE") as a performance hurdle in the LTI Plan
Increasing shareholder wealth	LTI - Inclusion of relative total shareholder return ("TSR") as a performance hurdle in the LTI Plan

6.3 Take home pay of the Chief Executive Officer and other executives for the year ended 30 June 2014

The following table sets out details of the take home pay of Asciano's Chief Executive Officer ("CEO") and other continuing KMP i.e. the gross salary package and actual incentives earned in the 2014 financial year. In line with last year, this table has been included to give shareholders a better understanding of the amounts the CEO and other KMP actually received (or were entitled to receive) for each component of remuneration during the 2014 financial year. This information is not compliant with International Financial Reporting Standards ("IFRS") and is unaudited. The full statutory remuneration table (which is prepared in accordance with the accounting standards) can be found on page 35.

As noted in the Chairman's letter to the 2014 Remuneration report there was no increase to the CEO's remuneration in the 2014 financial year. The Board will continue to review the CEO's remuneration each year to ensure appropriate relativities to market and forecast economic conditions, an accurate reflection of individual performance, and alignment to how well we are performing against our company goals.

Accounting standards require that the expense relating to equity instruments granted in relation to remuneration arrangements be reflected over the 'performance period', notwithstanding that the CEO and other executives may never receive any actual value from such a grant. For example, under Asciano's LTI arrangements, the value ultimately received will depend on the share price at the time the performance right vests or the option is exercised. This disclosure, which shows only the total value of incentives that vested in the year, is in addition to that contained on page 35 in the Remuneration report (audited) in section 7 of the Directors' report, which shows the full accounting expense for the year in accordance with the accounting standards.

6. Introduction to executive remuneration – unaudited (continued)

2014 Total remuneration components $	Fixed annual remuneration[1]	Short-term incentive[2]	Vested long-term options[3]	Vested long-term rights[4]	Vested short-term rights[5]	Total	Take home pay – Cash component	Performance related remuneration[6]
Executive Director								
John Mullen CEO	1,914,556	1,807,750	144,945	–	175,041	4,042,292	3,722,306	53%
Executives								
Roger Burrows CFO	806,558	343,350	–	–	–	1,149,908	1,149,908	30%
Alistair Field Director Terminals & Logistics	672,933	281,264	34,667	–	25,741	1,014,605	954,197	34%
David Irwin[7] Director Pacific National	793,201	614,444	81,758	–	39,297	1,528,700	1,407,645	48%
Philip Tonks Director Ports & General Stevedoring	543,024	248,339	49,017	–	56,104	896,984	791,863	39%

1. Fixed annual remuneration ("FAR") is based on current gross salary package, which includes base salary, superannuation contributions and the value of non-salary benefits provided to the executive (inclusive of all applicable taxes). This amount differs from the sum of the salary and fees, non-monetary benefits and superannuation in section 7.6 of this Directors' report because it does not include the value of accrued leave.
2. STI amount represents the actual STI to be paid in October 2014 (75% cash component for the 2014 financial year), the remaining 12.5% deferred STI for the 2012 financial year and the initial 12.5% deferred STI tranche for the 2013 financial year that ceased to be restricted in September 2014. The remaining 12.5% deferred STI for the 2013 financial year and 25% for the 2014 financial year will remain restricted until future financial years.
3. Options granted in 2010 and subject to a TSR performance hurdle were retested on 1 July 2013 when 60% vested. Options granted in 2011 and subject to a TSR performance hurdle were initially tested on 1 July 2013 when 52% vested, the remaining unvested options were retested on 1 July 2014 and an additional 10% vested.
4. Rights granted in 2012 and subject to a ROCE performance hurdle were tested on 1 July 2014 and lapsed. Rights granted in 2012 and subject to a TSR performance hurdle were tested on 1 July 2014 and none vested. These rights are subject to retesting on 1 July 2015.
5. Tranche A of the STI rights granted during the 2013 financial year vested on 2 September 2013.
6. Excludes non-monetary benefits to show actual cash earnings of each executive for the 2014 financial year.
7. Mr David Irwin was eligible for a retention payment of 45% of FAR under a retention plan established 1 December 2011. This was in addition to his STI (50% of FAR) and was in recognition of the importance of retaining Mr Irwin within one of the fastest growing areas of our business (see section 7.4 for further detail). With the merger of the PN Coal and PN Rail businesses to form a single Pacific National business, Mr Irwin's role changed on 18 February 2014 from Director PN Coal to Director Pacific National. His remuneration was revised on this promotion and the retention payment was removed.

7. Remuneration report – audited

The information provided in the Remuneration report has been audited as required by section 308 (3C) of the Corporations Act 2001.

An overview of the elements of remuneration is set out in the table below. A more detailed discussion of each element is contained in this Remuneration report.

		Directors		Executives
Elements of remuneration		Non-Executive	Executive	
Fixed annual remuneration	Fees	✓ (page 33)	×	×
	Salary	×	✓ (page 27)	✓ (page 27)
At-risk remuneration	STI	×	✓ (page 27)	✓ (page 28)
	LTI	×	✓ (page 27)	✓ (page 30)
Post-employment	Superannuation	✓ (page 33)	✓ (page 27)	✓ (page 27)
	Notice periods and termination benefits	×	✓ (page 27)	✓ (page 32)

7.1 Key Management Personnel

This Remuneration report outlines the remuneration arrangements in place for the KMP of Asciano, which comprises all Directors (Executive and Non-Executive) as well as those executives who have authority and responsibility for planning, directing and controlling the activities of Asciano. In this Remuneration report, "executives" refers to the KMP including the CEO but excluding Non-Executive Directors.

The following were KMP of Asciano during the 2014 financial year and unless otherwise indicated were KMP for the entire year:

Executive Director		**Non-Executive Directors**	
John Mullen	CEO	Malcolm Broomhead	Chairman (Non-Executive)
Other Executives		Chris Barlow	Non-Executive Director
Roger Burrows	CFO	Robert Edgar	Non-Executive Director
Alistair Field	Director Terminals & Logistics	Peter George	Non-Executive Director
David Irwin[1]	Director Pacific National	Shirley In't Veld	Non-Executive Director
Philip Tonks	Director Ports & General Stevedoring	Geoff Kleemann	Non-Executive Director
		Ralph Waters	Non-Executive Director
Former Executive			
Angus McKay[2]	Director PN Rail		

1. Ceased as Director PN Coal and commenced as Director Pacific National on 18 February 2014.
2. Ceased employment on 28 February 2014.

7.2 Executive remuneration policy and framework

Remuneration philosophy and principles

Asciano consistently applies its remuneration philosophy to ensure an executive's remuneration package properly reflects the executive's duties, responsibilities and level of performance and is aligned with the drivers of Company success. It also aims to ensure that remuneration is market competitive to attract, motivate and retain people of the highest quality.

Asciano's Remuneration Committee is committed to continually reviewing and improving the remuneration framework to ensure that robust links exist between executive reward and Company performance, and that employee reward drives desired behaviours. To assist in exercising its responsibilities, the Remuneration Committee may seek independent advice on matters such as remuneration strategies, mix and structure.

Asciano has rigorous processes in place to ensure that its remuneration structure and its risk management framework are aligned.

7. Remuneration report – audited (continued)

Governance framework

Asciano's corporate governance frameworks ensure processes are in place to prevent any undue influence by management on remuneration consultants making recommendations to the Remuneration Committee. In previous years, the Chair of the Remuneration Committee has engaged Ernst & Young ("EY") to provide advice on specific remuneration matters (which included the provision of 'remuneration recommendations' as defined in section 9B of the Corporations Act 2001). No remuneration recommendations were sought in the 2014 financial year.

EY were however engaged during the year to provide information on the following:

- Monitoring of LTI Plan performance; and
- A review of executive and non executive director remuneration in comparison to market to ensure executive remuneration levels remain competitive and in line with current market trends.

Overview of remuneration framework and components as a proportion of total remuneration

Components of Total Employment Remuneration for the 2014 financial year were as follows:

Fixed annual remuneration ("FAR")	Short-term incentive ("STI")	Long-term incentive ("LTI")
• **Fixed salary** • **Superannuation** • **Salary-sacrificed non-monetary benefits**	• **12 month performance period** • **Targets linked to company, divisional and individual performance** • **Annual opportunity made up of 75% annual cash incentive and 25% deferred into time-based rights**	• **Grant of performance rights** • **3 year period** • **Performance hurdles linked to TSR and Asciano ROCE** • **Optional deferral period for shares allocated on vesting**

The table below outlines executive FAR and target performance-based remuneration as a proportion of total remuneration in the 2014 financial year:

	FAR %	STI %	LTI %
CEO	33	33	34
CFO	53	26	21
Director Terminals & Logistics	53	26	21
Director Pacific National (formerly Director PN Coal)	53	26	21
Director Ports & General Stevedoring	53	26	21
Director PN Rail[1]	46	31	23

1. Ceased employment on 28 February 2014.

7. Remuneration report – audited (continued)

7.3 CEO remuneration arrangements for the 2014 financial year

Details of Mr Mullen's remuneration arrangements are summarised below:

Fixed annual remuneration	The CEO was entitled to FAR of $1,909,500 inclusive of superannuation contributions, effective from 1 July 2013. This was a nil% increase on his 2013 financial year FAR.
Short-term incentive	The CEO was eligible to participate in the Company's STI Plan in the 2014 financial year and his target STI opportunity was equivalent to 100% of FAR. The CEO's KPIs for the 2014 financial year were based on the measures used for all senior managers. His individual performance goals (see table on page 29) included: • strategic plan and delivery; • people and culture; and • relationships and communication. Further details of the STI Plan, including actual STI payable for the 2014 financial year, are set out in section 7.4 of this report.
Long-term incentive	The CEO received a grant of performance rights under the 2014 LTI Plan as approved by shareholders. The terms of these grants are the same as for other participants (see section 7.4 of this report). Further detail of the rights granted to the CEO during the 2014 financial year is set out in the tables in section 7.6 of this report. Subject to shareholder approval at this year's AGM the CEO is eligible to receive performance rights under the Company's LTI Plan for the 2015 financial year.
Service agreement - key terms	The CEO's service agreement is of unlimited duration. The Company may terminate the CEO's employment at any time for cause and, otherwise, by giving six months' notice and with a severance payment equivalent to six months' fixed remuneration. Mr Mullen must provide six months' notice of resignation.

7.4 Executive remuneration arrangements for the 2014 financial year

Key developments: 2015 financial year

- Apart from where there is a substantive change in role and any statutory increase in superannuation, there will be no fixed remuneration increase for either our CEO, Non-Executive Directors or KMP in the coming year. Any increases for KMP will be in variable rather than fixed remuneration.

Fixed annual remuneration (FAR)

FAR consists of base compensation (calculated on a total basis and includes fringe benefits tax charges related to employee benefits including motor vehicles), as well as contributions to superannuation plans. The level of FAR for KMP has been determined with reference to executive pay in S&P/ASX 100 Index companies, taking into account the individual's performance, responsibilities, and their level of knowledge, skills and experience. The Company considers the ASX 100 to be the appropriate benchmark so that we are well positioned to attract the best talent, inside or outside of our direct industry.

Remuneration levels for executives are reviewed annually through a process which considers individual performance and overall performance of Asciano. When required, external consultants also provide analysis and guidance both to the Company and independently to the Board and Remuneration Committee, to ensure executive remuneration levels remain competitive and in line with current market trends.

7. Remuneration report – audited (continued)

Short-term incentive (STI)

Key developments: 2015 financial year

- An improved method of capturing direct customer feedback was established in 2013. This data was gathered regularly throughout the 2014 year and improvement targets will again be included in all STI scorecards in the 2015 financial year.
- To improve our market relativity on total target remuneration, target STI opportunity for KMP (excluding the CEO) will be increased from 50% to 60% of fixed remuneration in the 2015 financial year.

STI performance: 2014 financial year

Asciano's STI is subject to three company measures (EBIT, Safety Performance and Customer Satisfaction) and each executive's individual performance goals.

The financial component of Asciano's STI is subject to a threshold level of performance before there is eligibility for any payment. Asciano's overall financial performance in the 2014 financial year met the threshold level set by the Board although it did not fully meet the target level. This performance is reflected in STI reward payments to the Company's executive team.

This result was due to Asciano's underlying EBIT being $720.3 million before material items for the year ended 30 June 2014 (2013: $686.0 million before material items). While this represented a year-on-year improvement of $34.3 million, it did not completely meet the internal targets set by the Company. While we have used the group's EBIT before material items as a base, for the purposes of STI we have taken a conservative approach to what will be included as the basis for executive reward. We operate on overarching principles to exclude exceptional items (both positive and negative) and that unless both the cost and benefit of any action is realised within the same year, we will exclude these items for the purposes of calculating our incentive outcomes. This ensures there is no unintended inappropriate uplift to our incentive payments in any single year. This year, these adjustments resulted in a reduction of the EBIT outcome used as the basis for determining the payment against the EBIT component of the plan.

Asciano's safety performance is measured by RIFR (reportable injury frequency rate) which is MTIFR (medical treatment injury frequency rate) plus LTIFR (lost time injury frequency rate) per one million hours worked. A positive improvement of 36.5% in RIFR was achieved in the 2014 financial year achieving the target set by the Board. Accordingly, the 15% of the STI measured against this target was paid.

Asciano's customer satisfaction metrics vary slightly by Division to reflect the metrics important to each division's customers and aggregate to a Group result. They include measures of performance to key contractual customer KPIs as well as direct feedback from customers including customer satisfaction survey results. For the 2014 financial year, the 15% of the STI measured against this target was partially achieved reflecting strong customer performance in some divisions and opportunities for improvement in others.

Specific information relating to the actual STI payable, as well as the percentage forfeited by executives is set out in the table on page 30.

Mr David Irwin was eligible for a retention payment of 45% of FAR under a retention plan established 1 December 2011. This was in addition to his STI (50% of FAR) and was in recognition of the importance of retaining Mr Irwin within one of the fastest growing areas of our business (see section 7.4 for further detail). With the merger of the PN Coal and PN Rail businesses to form a single Pacific National business, Mr Irwin's role changed on 18 February 2014 from Director PN Coal to Director Pacific National. His remuneration was revised on this promotion and the retention payment was removed.

Detail of STI arrangements for the 2014 financial year

What is the STI and who participates?	The STI Plan is a cash-based (75%) and rights to shares (25%) plan that rewards executives for achievement of Asciano, divisional and individual performance goals over the 12 month annual performance review period. Participation is for eligible employees whose performance is of strategic and operational importance to the Asciano Group.
What is the maximum amount that executives can earn?	The target STI opportunity for executives (excluding the CEO) is between 50% and 69% of FAR. The CEO has a target STI opportunity equivalent to 100% of FAR. The Director PN Coal had an additional opportunity of 45% of FAR. The retention component was in addition to Mr Irwin's STI (50% of FAR). The metrics that underpinned the retention component are not the usual STI measures. They were based on year-on-year growth of the PN Coal Division. Mr Irwin's role changed on 18 February 2014 from Director PN Coal to Director Pacific National. His remuneration was revised on this promotion and the retention payment was removed. Executives are advised of their target STI at the start of the financial year. This is a percentage of their FAR and is based upon their measured job grade, utilising job grading methodology and general contribution to the profitability of Asciano. Payment is dependent on achievement against the STI performance measures (outlined above). Where the EBIT and safety targets are exceeded there is the potential for executives to receive 'above target' awards for exceptional performance. The executive will be allocated a performance review score based upon achievement against their pre-agreed personal goals. Executives who do not achieve the threshold annual performance rating are not eligible to receive an STI payment.

7. Remuneration report – audited (continued)

Detail of STI arrangements for the 2014 financial year (continued)

What are the performance measures for the 2014 financial year?	For the 2014 financial year, the KPIs have been categorised into the performance clusters set out below. The financial performance measures are set at group level for corporate executives and at a balance of group and divisional level for the divisional executives:

Performance cluster	Comment	Allocation
EBIT	This target measures achievement against a set target EBIT at divisional and/or Asciano level. It is subject to a threshold level of performance before there is eligibility for any payment. The EBIT KPI is leveraged up or down by a financial performance multiplier. The multiplier is uncapped, commencing at 0.7, provided a threshold of 90% of the target EBIT KPI is achieved.	50%
Safety	This target measures absolute year-on-year improvement in RIFR at divisional and/or Asciano level. It is subject to a threshold level of performance before there is eligibility for any payment. Payment is capped at achievement of stretch performance.	15%
Customer Satisfaction	This target measures achievement against key customer satisfaction targets at divisional and/or Asciano level. Payment is only made if target performance is achieved. Threshold and stretch do not apply.	15%
Personal Goals	This target measures achievement of key individual performance goals as part of the balanced scorecard approach. It is subject to a threshold level of performance before there is eligibility for any payment. Payment is capped at achievement of target performance.	20%

How and when is performance assessed?	The STI payable is determined after the preparation of the financial statements each year (in respect of the financial measures) and after the executive's performance review score is determined by the CEO (or in the case of the CEO, by the Board). STI payments are generally made to executives in October.
Will the STI arrangements detailed above apply next year?	The STI arrangements outlined above will continue in the 2015 financial year. Executive benchmarking conducted since 2011 has consistently indicated variable remuneration for Asciano executives is lower than ASX100 benchmarks. The only change to STI in the 2015 financial year is KMP (excluding the CEO) will have a target STI opportunity of 60% of fixed remuneration.
Why were these performance measures chosen again for the 2015 financial year?	The Board believes the above performance measures appropriately reflect Asciano's current strategic priorities and value creating activities. Our strategy remains consistent with that implemented last year, so little will need to change.
Why aren't the specific performance targets and their outcomes for each measure disclosed?	The Board believes that it would not be in the interests of shareholders to make specific disclosure of the actual targets set for executives in relation to EBIT, safety and customer satisfaction. Such disclosure would make commercially sensitive information available publicly.
Are there any arrangements to defer the STI into shares?	The STI is paid in cash (75%) and rights to shares (25%) (STI Rights) to reward short-term performance whilst still incentivising longer term Company performance. Of the portion of the STI deferred into STI Rights, half will vest after one year and half will vest after two years. No dividends are payable on unvested rights to shares. Vesting of the STI Rights is subject to the executive's ongoing employment with Asciano. The obligation for STI Rights that do vest will be satisfied by market purchase in accordance with the Company policy.
What happens to the STI award on cessation of employment?	In general, where an executive's employment is terminated by the Company 'without cause' during the course of a performance year, the executive is entitled to a pro-rata STI for that proportion of the current financial year elapsed on the termination date. In general, where an executive's employment ceases by reason of resignation or is terminated by the Company 'for cause', any STI opportunity lapses.

7. Remuneration report – audited (continued)

Detail of STI arrangements for the 2014 financial year (continued)

What are the minimum and maximum values of the STI opportunity?	The amount of STI payable in the 2014 financial year to KMP is set out as the short-term incentive payment in the table at 6.3. The STI Deferred Rights (number and value) are shown in table "Short-term incentive (STI) rights allocated under the STI Plan".
Why is the STI opportunity in relation to EBIT uncapped?	The Board believes it is appropriate and in the interest of shareholders to encourage executives to overachieve as much as possible in relation to its EBIT targets.

The actual STI payable, the percentage of the total target STI payable and the percentage of the STI forfeited by executives for the 2014 financial year were as follows:

2014 Executives	Actual STI payable $	% of target STI payable	% of target STI forfeited
John Mullen	1,909,500	100%	0%
Roger Burrows	400,000	100%	0%
Alistair Field	340,000	100%	0%
David Irwin[1]	434,538	111%	0%
Philip Tonks	241,650	89.5%	10.5%
Angus McKay[2]	412,300	66.4%	33.6%

1. Mr David Irwin was eligible for an additional 45% of FAR (total 100%) as an STI under a retention plan established 1 December 2011. This eligibility ceased on his appointment as Director Pacific National on 18 February 2014. No retention payment will be made for the 2014 financial year.
2. Mr Angus McKay ceased to be a KMP on 28 February 2014 and the STI paid relates to this period only.

Long-term incentive (LTI)

Key developments: 2015 financial year

- Our LTI design was comprehensively reviewed against other LTI designs in the 2013 financial year and further options were considered in the 2014 financial year. The current LTI design continues to give the strongest alignment between long-term performance of the business and executive reward. For this reason the LTI design is unchanged for the 2015 financial year.
- To improve our market relativity on total target remuneration, target LTI opportunity for KMP (excluding the CEO) will be increased from 40% to 50% of fixed remuneration in the 2015 financial year.

LTI performance: 2014 financial year

Two prior year LTI plans were due for testing on 30 June 2014 – the 2011 financial year plan and the 2012 financial year plan.

2011 financial year plan

LTI options were granted to executives in 2011 with an exercise price of $5.01 and a performance period from 1 July 2010 to 30 June 2013 (with a retest hurdle of the total shareholder return (TSR) hurdle at 30 June 2014). The performance measure for this plan was TSR. These options were tested on 1 July 2013 and 52% vested. This plan was subject to a retest on 1 July 2014. On retesting an additional 10% of these options vested and the remainder of these options lapsed.

2012 financial year plan

LTI rights were granted to executives in 2012 with a performance period from 1 July 2011 to 30 June 2014 (with a retest hurdle of the TSR hurdle at 30 June 2015). The LTI Rights granted for the 2012 financial year are divided into two equal tranches, one with a ROCE hurdle and the other with a TSR hurdle. The portion related to ROCE were tested on 1 July 2014 and lapsed. The portion related to TSR did not vest and are subject to retesting on 1 July 2015.

2013 financial year plan

LTI rights granted to executives in 2013 were not due for testing in the 2014 financial year. The test date is 1 July 2015.

LTI rights were granted to executives in 2013 with a performance period from 1 July 2012 to 30 June 2015 (with a retest hurdle of the TSR hurdle at 30 June 2016). The LTI Rights granted for the 2013 financial year are divided into two equal tranches, one with a ROCE hurdle and the other with a TSR hurdle as disclosed in the 2013 Annual Report.

7. Remuneration report – audited (continued)

Detail of LTI arrangements for the 2014 financial year

What is the 2014 LTI Plan and who participates?	The LTI component of remuneration is designed for selected executives with responsibility for significant Asciano outcomes. Under the current plan, executives are granted performance rights to a security in the future, subject to achievement of certain time-based and performance-based vesting conditions (LTI Rights). The LTI Plan is designed to align the interests of executives with those of Asciano's shareholders, allow the executives to share in the growth in value of Asciano, and assist Asciano in building a performance-oriented culture over the long-term.
How is the number of performance rights to be granted determined?	The LTI opportunity offered to each executive is determined using a Board approved internal framework which refers to relevant market benchmarks to establish the appropriate remuneration mix for executive roles. The number of LTI Rights issued to each executive is calculated by dividing the value of their LTI opportunity (calculated as a percentage of their FAR) by the valuation per right.
What are the performance hurdles and why were they chosen?	The LTI Rights granted for the 2014 financial year are divided into two equal tranches, one with a ROCE hurdle and the other with a TSR hurdle.

ROCE is calculated using the formula, "EBIT divided by Capital Employed", where:

- EBIT is Earnings before Interest and Tax, adjusted for material items; and
- Capital Employed is the net operating assets of the group.

The vesting schedule for ROCE is as follows:

Level of performance	Percentage of rights that vest
Less than Threshold ROCE	0% vesting
Threshold ROCE	50% vesting
Between the Threshold and Target ROCE	75% vesting at midpoint between threshold and target
ROCE Target	100% vesting

The level of ROCE required to attract full or partial vesting under this component of the LTI Plan is highly commercially sensitive and therefore will only be disclosed on a retrospective basis following the end of the performance period.

Asciano's TSR performance is calculated relative to companies in the S&P/ASX 100 Index (excluding resources and financial companies) over a three (or, where retesting occurs, four) year period.

This peer group is used because the Board believes it represents the most appropriate comparator group, being broad-based and appropriate to Asciano's market positioning.

The vesting schedule for TSR performance is shown below and was chosen to ensure that executives are only rewarded when Asciano's TSR is at least at the median against the comparator group of companies:

Percentile ranking	Percentage of rights that vest*
Less than the 50^{th} percentile	0% vesting
Equal to the 50^{th} percentile	50% vesting
Between the 50^{th} and 75^{th} percentile	An additional 2% of rights will vest for each 1 percentile increase above the 50^{th} percentile
Equal to the 75^{th} percentile or above	100% vesting

*Awards vest progressively on a straight line basis, such that an additional 2% of Rights vest for each 1 percentage increase above the 50^{th} percentile, capped at 100%.

The Board believes that TSR as a performance measure is both transparent and robust (i.e. it is not subject to the exercise of judgement or interpretation) and is generally well understood by both shareholders and management, thereby providing a 'real' incentive to participants. It also ensures there is alignment between comparative shareholder return and executive rewards.

7. Remuneration report – audited (continued)

Detail of LTI arrangements for the 2014 financial year (continued)

What is the performance period for the 2014 financial year LTI and when do performance rights vest?	LTI Rights in the ROCE tranche vest over a three year period. LTI Rights in the TSR tranche vest over a three year period with an extra year for retesting. Asciano believes including this retest is appropriate given the long-term nature of many of the business decisions being made by its executives. Both tranches are subject to achieving the time-based and performance-based vesting conditions described above. No dividends are payable on unvested LTI Rights. For the grant of LTI Rights made during the 2014 financial year, the performance period commenced on 1 July 2013, with a test date of 1 July 2016. If required, the TSR tranche will have a retest on 1 July 2017. Any LTI Rights which do not vest at the end of the applicable performance period will lapse. The obligation for LTI Rights that do vest will be satisfied by market purchase in accordance with Company policy.
What are the minimum and maximum values of the grants?	The minimum value of the LTI grants is $nil. The maximum value is disclosed in the table headed "Rights allocated under the Asciano LTI Plan" on page 37.
Are there any restrictions on the trading of the shares once vested?	Shares allocated on vesting of LTI Rights are not subject to a holding lock unless requested by the executive. Executives offered the opportunity to participate in the LTI Rights offer have the option of requesting a five or seven year holding lock. If so requested, any shares acquired upon vesting LTI Rights will be subject to a holding lock (which means the relevant executive cannot transfer or otherwise dispose of the shares) for five or seven years from the date the LTI Rights are granted. If a holding lock is not requested the shares are available on vesting. The Board may lift a holding lock upon application by an executive in exceptional circumstances. In accordance with the Corporations Act 2001, KMP or their related parties are prohibited from entering into any transaction that has the effect of limiting their exposure to fluctuations in the value of awards granted to them under the LTI or STI Plan. The ban is for the period in which the awards have not yet vested and for any subsequent period that the awards are subject to a holding lock. All trading is governed by the Company's Share Trading Policy.
Is any amount payable on grant of the rights?	No amount is payable in respect of the grant of the LTI Rights.
What happens on a change of control of the Company?	In accordance with the plan rules, the Board has discretion to waive any vesting conditions attached to the STI or LTI Rights.
What happens if the executive ceases employment?	Where an executive ceases employment with Asciano, any unvested LTI Rights or any vested Options that have not been exercised within the required period will lapse, except in specified circumstances in accordance with the plan rules.

Service agreements – Executives

Details of the service agreement for the CEO are set out in section 7.3 of this Remuneration report. All service agreements for the executives are for unlimited duration. The Company may terminate an executive's employment by providing six months' notice (or by making payment in lieu), and may terminate immediately for misconduct or where there is a material breach of contract.

Each of the executives may terminate by giving three or six months' notice to the Company depending on the individual's service agreement.

Executives are not entitled to any additional termination payments under their contracts of employment.

Former Executive Remuneration Arrangements

Mr Angus McKay ceased as Director Pacific National Rail on 28 February 2014. Details of Mr McKay's remuneration for the year are set out in the remuneration table on page 35.

On cessation Mr McKay was paid in accordance with contractual entitlements. His contract was drafted on the commencement of his employment to comply with the key principles of the termination payment regulations contained in the Corporations Act. Under the terms of his contract Mr McKay was entitled to six months payment in lieu of notice $448,519 and severance payment of three weeks per year of service $167,746. His annual leave was also paid out $9,442. No additional termination payments were made.

7. Remuneration report – audited (continued)

Mr McKay was eligible to participate in the STI Plan for the 2014 financial year. As he was a good leaver, in accordance with plan rules, he received STI payment for the 2014 financial year prorated for his service to 28 February 2014. As detailed in the table on page 35, Mr McKay received an STI payment of $412,300 and forfeited the remainder of $208,700.

In the 2012 and 2013 financial year STI Deferral Plans, Mr McKay earned Rights which were under a time restriction. On cessation of employment, and in accordance with the plan rules for good leavers, this restriction was lifted and Mr McKay's Rights were converted to fully paid shares in Asciano. Further detail is in the remuneration tables and data in section 7.6 of this report.

Mr McKay was a participant in the 2011, 2012, 2013 and 2014 financial year LTI Plans. His entitlements under these incentive arrangements were prorated for the period of his employment and any remaining entitlement was forfeited. The prorated entitlements will stay on foot and any future vesting or forfeiture will be based on performance of the plan against the applicable performance conditions at the end of the relevant period. Further detail is in the remuneration tables and data in section 7.6 of this report.

7.5 Non-Executive Director Remuneration

Remuneration policy

Policy objective	Comment
Aggregate fees approved by shareholders	The current aggregate fee pool for Non-Executive Directors of $3 million per annum was approved by shareholders at the 2010 AGM. Board and committee fees, as well as statutory superannuation contributions made on behalf of the Non-Executive Directors, are included in the aggregate fee pool.
Promote independence and objectivity	Non-Executive Directors receive a cash fee for service. To preserve independence and impartiality, Non-Executive Directors do not receive any performance related remuneration or any retirement benefits other than statutory superannuation.
Regular reviews of remuneration	Non-Executive Director fees are determined by the Board by reference to Non-Executive Director fees paid by S&P/ASX 100 Index companies, whilst also considering the responsibilities, skills and workload of the Non-Executive Directors. The Board also seeks independent advice in benchmarking the level of fees paid.

Structure and level of fees

Key developments: 2015 financial year

- As we anticipate challenging market conditions in the coming year, we will not be increasing Non-Executive Director fees in the 2015 financial year.

The table below shows the structure and level of Non-Executive Director fees as at the end of the 2014 and 2013 financial years:

Board/Committee	Role	2014 $	2013 $
Board	Chairman	525,000	525,000
	Member	170,000	170,000
Audit and Risk Committee	Chairman	40,000	40,000
	Member	20,000	20,000
Remuneration Committee	Chairman	35,000	35,000
	Member	15,000	15,000
Nomination and Succession Planning Committee	Chairman[1]	–	–
	Member	12,000	12,000
Sustainability Committee	Chair	25,000	25,000
	Member	12,000	12,000

1. The Chairman of the Board is currently Chairman of the Nomination and Succession Planning Committee and no additional fee is payable for this role.

7. Remuneration report – audited (continued)

Remuneration of Non-Executive Directors for the year ended 30 June 2014

		Short-term benefits			Post-employment benefits	
Non-Executive Directors	Year	Fees	Non-monetary benefits	Sub-total	Superannuation	Total
Malcolm Broomhead	2014	507,225	–	507,225	17,775	525,000
Independent Chairman	2013	508,530	–	508,530	16,470	525,000
Chris Barlow	2014	211,225	–	211,225	17,775	229,000
Independent Director	2013	212,530	–	212,530	16,470	229,000
Robert Edgar	2014	199,225	–	199,225	17,775	217,000
Independent Director	2013	200,530	–	200,530	16,470	217,000
Peter George	2014	196,225	–	196,225	17,775	214,000
Independent Director	2013	207,530	–	207,530	16,470	224,000
Shirley In't Veld	2014	189,474	–	189,474	17,526	207,000
Independent Director	2013	190,530	–	190,530	16,470	207,000
Geoff Kleemann	2014	219,225	–	219,225	17,775	237,000
Independent Director	2013	210,530	–	210,530	16,470	227,000
Ralph Waters[1,2]	2014	172,082	–	172,082	15,918	188,000
Independent Director	2013	143,379	–	143,379	12,904	156,283
Total	**2014**	**1,694,681**	**–**	**1,694,681**	**122,319**	**1,817,000**
	2013	1,673,559	–	1,673,559	111,724	1,785,283

1. Mr Ralph Waters was appointed to the Sustainability Committee on 19 December 2013.
2. Mr Ralph Waters was appointed a Non-Executive Director of Asciano Limited effective from 23 August 2012, therefore remuneration disclosed for the comparative period is from this date onwards.

7. Remuneration report – audited (continued)

7.6 Remuneration tables and data

Remuneration of the Executive Director and KMP for the year ended 30 June 2014

		Short-term benefits				Post-employment benefits	Other long-term benefits	Termination benefits	Share-based payments			
$	Year	Salary and fees[1]	Cash incentive[2]	Non-monetary benefit	Sub-total	Super-annuation	Long service accrual	Termination payments	Equity settled[3]	Value of awards as % of total Remune-ration	% performance related	Total
Executive Director												
John Mullen	2014	1,979,797	1,432,125	1,825	3,413,747	17,775	24,495	–	1,298,687	27	57	4,754,704
CEO	2013	2,023,550	1,404,915	1,252	3,429,717	16,470	27,539	–	1,443,540	29	58	4,917,266
Executives												
Roger Burrows[4]	2014	815,841	300,000	1,825	1,117,666	17,775	8,009	–	304,183	21	42	1,447,633
CFO	2013	320,021	294,300	479	614,800	8,235	2,736	–	84,155	12	53	709,926
Alistair Field	2014	629,312	255,000	2,635	886,947	25,837	9,114	–	203,535	18	41	1,125,433
Director Terminals & Logistics	2013	624,672	223,493	1,252	849,417	16,470	14,933	–	179,510	17	38	1,060,330
David Irwin[5]	2014	773,483	325,904	30,056	1,129,443	19,488	104,393	–	204,903	14	36	1,458,227
Director Pacific National	2013	655,340	571,428	34,250	1,261,018	18,184	46,996	–	344,424	21	55	1,670,622
Philip Tonks[6]	2014	524,182	181,238	2,278	707,698	26,305	6,698	–	224,247	23	42	964,948
Director Ports & General Stevedoring	2013	282,837	166,950	638	450,425	16,765	33,552	–	124,889	20	47	625,631
Former executive												
Angus McKay[7]	2014	525,662	412,300	1,840	939,802	13,331	–	625,707	313,379	17	38	1,892,219
Director PN Rail	2013	915,011	358,162	1,312	1,274,485	16,470	14,817	–	620,476	32	51	1,926,248
Total	**2014**	**5,248,277**	**2,906,567**	**40,459**	**8,195,303**	**120,511**	**152,709**	**625,707**	**2,548,934**	**22**	**47**	**11,643,164**
	2013	4,821,431	3,019,248	39,183	7,879,862	92,594	140,573	–	2,796,994	26	53	10,910,023

1. Salary and fees includes cash salary and accrued annual leave.
2. The cash incentive amount represents the actual STI to be paid in October 2014 (75% cash component of the STI for the 2014 financial year).
3. Equity settled component of remuneration is comprised of the STI and LTI rights expense.
4. Mr Roger Burrows joined Asciano as CFO on 18 February 2013. Remuneration disclosed for the comparative period is from this date onwards.
5. Mr David Irwin was Director PN Coal up to 18 February 2014 when he commenced as Director Pacific National.
6. Mr Philip Tonks became a KMP on 1 January 2013. Remuneration disclosed for the comparative period is only for the period Mr Tonks was a KMP.
7. Mr Angus McKay ceased employment on 28 February 2014.

7. Remuneration report – audited (continued)

Options allocated under the Asciano Options and Rights Plan

The Option Plan was established to provide LTIs for executives and selected employees. Under the Option Plan, participants were granted options that only vest if certain time-based and performance-based vesting conditions are met. Participation in the Option Plan was at the Board's discretion and no individual had a contractual right to participate in the Option Plan or to receive any guaranteed benefits.

The number of options granted to executives and selected employees was based upon their target LTI. This target LTI was determined based upon the executive's or employee's level of seniority and contribution to the profitability of Asciano.

The options vest over a three to four year period and are subject to Asciano's relative TSR performance against companies in the S&P/ASX 100 Index (excluding resources and financial companies). The options also have an additional, inherent, performance hurdle, being that the share price at vesting date must be above the exercise price. The options are equity-settled.

Vested options can be exercised to acquire shares in the Company, subject to paying an exercise price. No options were granted during the 2014 financial year as the Company now uses a Rights plan for its LTI plan. The acquired shares are subject to a holding lock for a maximum period of seven years from the date the options were granted. Once the holding lock has lifted, the shares can be sold at any time subject to compliance with the Asciano Share Trading Policy. Options granted under the Option Plan are for no consideration and carry no dividend or voting rights.

The table below sets out details of options held by and granted to executives during the 2014 financial year.

2014	Grant date	Tranche[1]	Held at 1 July 2013	Granted during the year	Fair value of options granted during the year ($)	Exercised during the year	Lapsed during the year	Held at 30 June 2014
Executives								
John Mullen[3]	10 November 2011	A	516,186	–	–	–	–	516,186
Alistair Field[3]	17 December 2010	A	69,445	–	–	–	–	69,445
David Irwin[2,3]	15 July 2010	A	123,457	–	–	–	–	123,457
	8 October 2009	A	17,730	–	–	10,638	7,092	–
	8 October 2009	B	53,192	–	–	53,192	–	–
Philip Tonks[2,3]	17 December 2010	A	61,729	–	–	–	–	61,729
	8 October 2009	A	17,730	–	–	10,638	7,092	–
	8 October 2009	B	53,192	–	–	53,192	–	–
Former executive								
Angus McKay[3,4]	17 December 2010	A	343,750	–	–	178,750	–	165,000

1. Options allocated to executives in Tranche A are subject to the relative TSR performance hurdle, while options allocated in Tranche B are subject to the EBIT performance hurdle.
2. Options granted on 8 October 2009 and subject to an EBIT hurdle vested during the 2013 financial year and were exercised during the current year. Options granted on 8 October 2009 and subject to the TSR hurdle were retested on 1 July 2013 and 60% vested. These vested options were also exercised during the current year with the unvested balance lapsing.
3. Options granted on 15 July 2010, 17 December 2010 and 10 November 2011 are subject to a TSR hurdle. These options were tested on 1 July 2013 and 52% vested. The remaining unvested options under this plan were retested on 1 July 2014 and an additional 10% vested. Of the 1,114,567 options granted on 15 July 2010, 17 December 2010 and 10 November 2011 and held at 30 June 2014, 691,031 were vested options.
4. Mr Angus McKay ceased to be a KMP on 28 February 2014.

There were no vested options held by KMP that were not exercisable at 30 June 2014 or at 30 June 2013.

The Non-Executive Directors did not hold any options during the reporting period.

7. Remuneration report – audited (continued)

Rights allocated under the Asciano LTI Plan

The table below sets out details of the rights allocated to the executives during the 2014 financial year under the Asciano LTI Plan (as outlined in section 7.4).

2013	Grant date	Tranche[1]	Held at 1 July 2013	Granted during the year	Fair value of rights granted during the year ($)[2]	Vested during the year	Lapsed during the year	Held at 30 June 2014
Executives								
John Mullen	12 November 2013	A	–	236,674	939,596	–	–	236,674
	12 November 2013	B	–	236,674	1,282,773	–	–	236,674
	15 November 2012	A	257,768	–	–	–	–	257,768
	15 November 2012	B	257,767	–	–	–	–	257,767
	10 November 2011[3]	A	224,072	–	–	–	–	224,072
	10 November 2011[3]	B	224,072	–	–	–	–	224,072
Roger Burrows	20 August 2013	A	–	37,126	124,743	–	–	37,126
	20 August 2013	B	–	37,125	181,912	–	–	37,125
	3 November 2012	A	40,434	–	–	–	–	40,434
	3 November 2012	B	40,434	–	–	–	–	40,434
Alistair Field	20 August 2013	A	–	31,557	106,031	–	–	31,557
	20 August 2013	B	–	31,556	154,624	–	–	31,556
	3 October 2012	A	31,842	–	–	–	–	31,842
	3 October 2012	B	31,842	–	–	–	–	31,842
	18 April 2012[3]	A	13,181	–	–	–	–	13,181
	18 April 2012[3]	B	13,180	–	–	–	–	13,180
David Irwin	18 February 2014	A	–	4,351	14,619	–	–	4,351
	18 February 2014	B	–	4,351	21,320	–	–	4,351
	20 August 2013	A	–	32,484	109,146	–	–	32,484
	20 August 2013	B	–	32,484	159,171	–	–	32,484
	3 October 2012	A	34,693	–	–	–	–	34,693
	3 October 2012	B	34,692	–	–	–	–	34,692
	16 January 2012[3]	A	28,998	–	–	–	–	28,998
	16 January 2012[3]	B	28,997	–	–	–	–	28,997
Philip Tonks	20 August 2013	A	–	25,060	84,201	–	–	25,060
	20 August 2013	B	–	25,059	122,789	–	–	25,059
	9 January 2013	A	13,394	–	–	–	–	13,394
	9 January 2013	B	13,394	–	–	–	–	13,394
Former executive								
Angus McKay[4]	20 August 2013	A	–	53,252	178,926	–	–	53,252
	20 August 2013	B	–	53,251	260,930	–	–	53,251
	3 October 2012	A	57,998	–	–	–	–	57,998
	3 October 2012	B	57,997	–	–	–	–	57,997
	16 January 2012[3]	A	50,526	–	–	–	–	50,526
	16 January 2012[3]	B	50,526	–	–	–	–	50,526

1. Rights allocated to executives in Tranche A are subject to the relative TSR performance hurdle, while rights allocated in Tranche B are subject to the ROCE performance hurdle.
2. The rights subject to the TSR hurdle have a fair value per right of $2.50, $2.87, $2.08, $3.01, $3.36, $3.97 and $3.90 on grant dates 3 October 2012, 3 November 2012, 14 November 2012, 9 January 2013, 20 August 2013, 12 November 2013 and 18 February 2014 respectively, and have been valued at grant date using a Monte Carlo simulation. The rights subject to the ROCE performance hurdle have a fair value per right of $4.19, $4.25, $3.95, $4.47, $4.90, $5.42 and $5.39 on grant dates 3 October 2012, 3 November 2012, 14 November 2012, 9 January 2013, 20 August 2013, 12 November 2013 and 18 February 2014 respectively, and have been valued using the Binomial methodology.
3. Rights allocated to executives during the 2012 financial year (10 November 2011, 16 January 2012 and 18 April 2012) were tested on 1 July 2014. The rights subject to the ROCE performance hurdle lapsed, while the rights subject to the TSR performance hurdle did not vest and are subject to retesting on 1 July 2015.
4. Mr Angus McKay ceased to be a KMP on 28 February 2014.

No rights allocated under the LTI Plan vested during the 2014 financial year and there were no vested rights held by KMP that were exercisable at 30 June 2014.

7. Remuneration report – audited (continued)

Short-term incentive (STI) rights allocated under the STI Plan

The table below sets out details of the STI rights allocated to the executives during the 2014 financial year under the STI Plan (as outlined in section 7.4).

2014	Grant date[1]	Tranche	Held at 1 July 2013	Granted during the year	Fair value of rights granted ($)[2]	Exercised during the year	Lapsed during the year	Held at 30 June 2014
Executives								
John Mullen	20 August 2013	A	–	50,002	255,510	–	–	50,002
	20 August 2013	B	–	50,002	249,510	–	–	50,002
	3 October 2012	A	40,147	–	–	40,147	–	–
	3 October 2012	B	40,147	–	–	–	–	40,147
Roger Burrows	20 August 2013	A	–	10,475	53,527	–	–	10,475
	20 August 2013	B	–	10,474	52,265	–	–	10,474
Alistair Field	20 August 2013	A	–	7,954	40,645	–	–	7,954
	20 August 2013	B	–	7,954	39,690	–	–	7,954
	3 October 2012	A	5,904	–	–	5,904	–	–
	3 October 2012	B	5,904	–	–	–	–	5,904
David Irwin	20 August 2013	A	–	9,345	47,753	–	–	9,345
	20 August 2013	B	–	9,344	46,627	–	–	9,344
	3 October 2012	A	9,013	–	–	9,013	–	–
	3 October 2012	B	9,012	–	–	–	–	9,012
Philip Tonks	20 August 2013	A	–	11,884	60,727	–	–	11,884
	20 August 2013	B	–	11,884	60,727	–	–	11,884
	3 October 2012	A	12,868	–	–	12,868	–	–
	3 October 2012	B	12,867	–	–	–	–	12,867
Former executive								
Angus McKay[3]	20 August 2013	A	–	12,747	65,137	12,747	–	–
	20 August 2013	B		12,747	63,608	12,747	–	–
	3 October 2012	A	13,579	–	–	13,579	–	–
	3 October 2012	B	13,579	–	–	13,579	–	–

1. STI rights allocated to executives on 20 August 2013 are subject to a service condition whereby the executive is required to remain employed by the Asciano Group on 1 September 2014 (Tranche A) and 1 September 2015 (Tranche B).

   STI rights allocated to executives on 3 October 2012 are subject to a service condition whereby the executive is required to remain employed by the Asciano Group on 1 September 2013 (Tranche A) and 1 September 2014 (Tranche B).
2. The STI rights subject to a service condition to 1 September 2014 have a fair value per right of $5.11 and the STI rights subject to a service condition to 1 September 2015 have a fair value per right of $4.99. Both tranches have a grant date of 20 August 2013 and have been valued at grant date using the Binomial methodology.

   The STI rights subject to a service condition to 1 September 2013 have a fair value per right of $4.36 and the STI rights subject to a service condition to 1 September 2014 have a fair value per right of $4.27. Both tranches have a grant date of 3 October 2012 and have been valued at grant date using the Binomial methodology.
3. Mr Angus McKay ceased to be a KMP on 28 February 2014. As a result of Mr McKay being a 'good leaver' all of his STI rights vested at that date.

For the year ended 30 June 2014 management have included an estimated expense for STI rights in respect of the 2014 financial year which will be granted during the 2015 financial year. 120,584 STI rights vested during the 2014 financial year.

7. Remuneration report – audited (continued)

Equity holdings and transactions

The movement during the financial year in the number of Asciano's shares held directly, indirectly or beneficially by KMP including their related parties, is set out in the following table:

2014	Opening balance	Acquired	Sold	Exercised options during the year	Other[1]	Closing balance
Non-Executive Directors[2]						
Malcolm Broomhead	110,000	–	–	–	–	110,000
Chris Barlow	8,759	–	–	–	–	8,759
Robert Edgar	38,296	–	–	–	–	38,296
Peter George	46	–	–	–	–	46
Shirley In't Veld	–	–	–	–	–	–
Geoff Kleemann	16,667	–	–	–	–	16,667
Ralph Waters	25,000	–	–	–	–	25,000
Executive Director						
John Mullen	–	–	–	–	40,147	40,147
Executives						
Roger Burrows	–	–	–	–	–	–
Alistair Field	–	–	–	–	5,904	5,904
David Irwin	47,413	–	–	63,830	9,013	120,256
Philip Tonks	1,107	–	–	63,830	12,868	77,805
Former executive						
Angus McKay[3]	149,669	–	(178,750)	178,750	52,652	202,321

1. The movement in Other includes the vesting of 81,511 and 13,579 of 2012 STI rights on 3 September 2013 and 28 February 2014 respectively, and 25,494 of 2013 STI rights on 28 February 2014.
2. A number of the Non-Executive Directors had intended to increase their shareholdings in Asciano during the 2014 financial year however were not able to do so due to the requirements of Asciano's Share Trading Policy. These Non-Executive Directors intend to increase their shareholdings in Asciano in the 2015 fianancial year if able to do so.
3. Mr McKay ceased to be a KMP on 28 February 2014.

Purchase of securities to satisfy employee entitlements

Asciano's policy is to satisfy all employee equity entitlements through on market purchase. During the 2014 financial year the Asciano Employee Share Plan Trust purchased 855,000 Asciano shares at an average price of $5.54 per share.

Loans with KMP

No loans were made to KMP during the current or prior financial year.

Other transactions with KMP

A number of KMP, or their related parties, hold positions in other entities that may from time to time transact with Asciano. The terms and conditions of any such transactions with KMP and their related parties are no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-KMP related entities on an arm's length basis.

7.7 Additional information – Company performance

The table below summarises key indicators of Asciano's performance and the effect on shareholder value for the past five financial years. The EBIT – before material items and ROCE measures were used as measures in relation to the STI and LTI respectively for the 2014 financial year. EBIT growth per share was used as a performance measure for the tranche of the 2010 LTI grant retested in the 2014 financial year.

7. Remuneration report – audited (continued)

Year ended 30 June	2014	RESTATED[1] 2013	2012	2011	2010
EBIT - before material items ($M)	720.3	686.0	616.7	539.1	442.8
EBIT - before material items per share (cents)	73.8	70.3	63.1	55.2	45.3
Net profit/(loss) after tax attributable to owners of Asciano ($M)	254.4	334.5	240.8	201.6	(788.6)
Parent diluted earnings per share (cents)	26.1	34.2	24.7	20.7	(84.9)
Dividends per share (cents)	8.5	11.5	7.5	6.0	–
Closing share price ($ as at 30 June)	5.63	5.02	4.35	4.92	4.86[3]
ROCE (%)[2]	10.69	11.00	10.50	9.64	7.39

1. The restatement relates to the adoption of the amended accounting standard AASB 119 Employee Benefits (2011), as outlined in note 1(f) to the financial statements.
2. ROCE is calculated on the formula "EBIT divided by Capital Employed" where EBIT is Earnings before Interest and Tax, (adjusted for material items); and Capital Employed is the net operating assets of the business.
3. The opening share price at 1 July 2009 was $3.93 (post consolidation).

8. Principal activities

The principal activities of Asciano during the course of the financial year were the ownership and management of ports and rail assets and associated operations and services. There has been no significant change in the nature of these activities of Asciano during the financial year.

9. Operating and financial review

Asciano reported a net profit after tax attributable to the owners of Asciano Limited ("NPAT") of $254.4 million representing a 23.9% decrease on the profit of $334.4 million in the 2013 financial year. The current year reported NPAT included material items (loss) of $95.4 million (2013: material items (loss) of $8.1 million).

A reconciliation of the reported NPAT and the underlying NPAT for the various components of the after tax material loss is provided in the table below:

	2014 $M	RESTATED[1] 2013 $M
NPAT attributable to the owners of Asciano Limited	**254.4**	**334.4**
Pacific National integration	57.2	–
Port Botany redevelopment	27.0	14.7
Other restructuring expenses	11.2	2.2
Revaluation of the original investment in C3 to fair value	–	(17.1)
Legacy charges related to items arising on or before demerger	–	8.3
Underlying NPAT	**349.8**	**342.5**

1. The restatement relates to the adoption of the amended accounting standard AASB 119 Employee Benefits (2011), as outlined in note 1(f).

The Company reported a 2.1% increase in underlying NPAT to $349.8 million. The result was driven by strong growth in coal volumes driven by new contracts and a higher percentage of coal hauled versus contracted, good growth in container volumes in the second half of FY14 assisted by new contract wins, significant growth in car processing and storage volumes and a stronger growth in the contribution from Bulk Ports driven primarily by a full year contribution from C3 Limited and an initial contribution from the Mountain Industries entities.

Reported NPAT declined 23.9% due to a significant increase in material costs from $8.1 million in the 2013 financial year to $95.4 million in the current year. Costs relate to the redevelopment of Port Botany, the costs of the integration of the two Pacific National divisions and the restructure of corporate and shared services. Of this cost $71.8 million was non cash and related primarily to the write down of rolling stock following the announced integration of the two Pacific National divisions.

A review of, and information about, the Asciano Group's operations, including the results of those operations and changes in the state of affairs of the Asciano Group during the year together with information about the Group's financial position, business strategies and prospects for future financial years appear on pages 11 to 44 of the MD&A which constitutes the operating and financial review and forms part of the Directors' report.

10. Dividends

The Board of Directors determined on 21 August 2014 that a fully franked final dividend of 8.50 cents per share is payable by Asciano Limited on 19 September 2014. The record date for entitlement to the dividend is 1 September 2014. The dividend of $82.9 million was not recognised as a liability at 30 June 2014.

A fully franked interim dividend of 5.75 cents per share was paid on 20 March 2014, with a record date for entitlement to the dividend of 6 March 2014.

11. Business strategies, prospects and likely developments

The operating and financial review sets out information on the business strategies and prospects for future financial years, and refers to likely developments in Asciano's operations and the expected results of those operations in future financial years (see pages 11 to 44 of the MD&A accompanying this Directors' report). Information in the MD&A is provided to enable shareholders to make an informed assessment about the business strategies and prospects for future financial years of the Asciano Group. Information that could give rise to likely material detriment to Asciano, for example, information that is commercially sensitive, confidential or could give a third party a commercial advantage has not been included. Other than the information set out in the MD&A, information about other likely developments in Asciano's operations and the expected results of these operations in future financial years has not been included.

12. Directors' interests

The relevant interests of each Director (and their related parties) in the shares and options issued by the Company and other related bodies corporate, as notified by the Directors to the ASX in accordance with section 205G (1) of the Corporations Act 2001, are as set out below:

	Shares	Options
Executive Director		
John Mullen[1]	2,133,511	516,186
Non-Executive Directors[2]		
Malcolm Broomhead	110,000	–
Chris Barlow	8,759	–
Robert Edgar	38,296	–
Peter George	46	–
Shirley In't Veld	–	–
Geoff Kleemann	16,667	–
Ralph Waters	25,000	–

1. Amount disclosed includes share rights granted for the 2012, 2013 and 2014 financial years.
2. A number of the Non-Executive Directors had intended to increase their shareholdings in Asciano during the 2014 financial year however were not able to do so due to the requirements of Asciano's Share Trading Policy. These Non-Executive Directors intend to increase their shareholdings in Asciano in the 2015 fianancial year if able to do so.

13. Options over shares

Options granted to Directors and executives of Asciano

During the 2014 financial year, there were no options granted over Asciano shares to Directors or executives of Asciano as part of their remuneration.

For options issued in prior years, in accordance with the Asciano Limited Executive Incentive Plan, Asciano has the discretion in deciding whether options will be satisfied upon exercise by purchase of ordinary shares on-market or by new issue.

Unissued shares under option

All options expire on the earlier of their expiry date or termination of the executives' employment (other than in exceptional circumstances where approved by the Board in accordance with the relevant LTI plan rules). In addition, the ability to exercise the options is conditional on Asciano achieving a relative TSR performance hurdle. Further details are included in the Remuneration report in section 7 of this Directors' report.

Shares issued on exercise of options

127,660 options were converted to ordinary shares during the 2014 financial year at an exercise price of $4.56 per option. No amounts remain unpaid on these options. No options have been converted to shares since the end of the 2014 financial year.

14. Indemnities and insurance for Directors and Officers

Asciano has entered into insurance contracts that indemnify current and former Directors and Officers of the Parent and its controlled entities against liabilities. In accordance with normal commercial practices, under the terms of the insurance contracts, the nature of the liabilities insured against and the amount of the premium paid are confidential.

Indemnity agreements have been entered into between the Parent and each of the Directors and certain Officers (current and former). Under the agreement, the Parent has agreed to indemnify the Directors/Officers against any claim or for any expenses or costs, which may arise as a result of the performance of their duties as Directors/Officers. There are no monetary limits to the extent of these indemnities.

The insurance contracts and indemnity agreements extend to former Directors and Officers but do not apply to the Company's auditors. No amounts have been paid under either the insurance contracts or the indemnity agreements and no action has been taken to enforce them during the 2014 financial year.

15. Legal matters

From time to time, Asciano is subject to claims and litigation during the normal course of business. The Directors have given consideration to such matters, which are or may be subject to litigation at year end, and are of the opinion that, other than for specific provisions already raised, no material liability exists.

16. Rounding of amounts

Asciano is an entity of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission ("ASIC"), relating to the rounding off of amounts in the Directors' report and the financial statements. Amounts in the Directors' report have been rounded off in accordance with that class order to the nearest one hundred thousand dollars, or in certain cases, to the nearest one dollar.

17. Non-audit services of the external auditor

During the year, KPMG, Asciano's auditor, performed certain services in addition to their statutory duties as external auditor. Details of the amounts paid to KPMG and its related practices for statutory audit and non-audit services are set out in note 36 to and forming part of the financial statements. The Board is satisfied, based on advice from the Audit and Risk Committee, that the non-audit services provided are compatible with the general standard of independence for auditors imposed by the Corporations Act 2001 and do not undermine the general principles relating to auditor independence as 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 Asciano, acting as an advocate for Asciano or jointly sharing risks and rewards.

18. Events subsequent to the reporting date

On 21 August 2014, Asciano announced a number of changes to its executive team.

The current Director of the group's Ports and Stevedoring business, Philip Tonks, will be moving into a group wide role to support the group's focus on growth opportunities. As a result, Murray Vitlich who has been with the business since January 2012 in the role of Director Strategy and Business Development, will be appointed to the role of Director Bulk Automotive and Ports Services. Saul Cannon who has been with the group for over 7 years and currently holds the role of Group General Counsel and Company Secretary will move into the role of Director Strategy and Business Development. Ms Lyndall Stoyles who is currently the Senior Legal Counsel for the group's Patrick Terminals and Logistics business will replace Mr Cannon in the role of Group General Counsel and Company Secretary. In addition to these changes, we will be integrating the leadership of our Human Resources, Corporate Affairs and cross company customer initiatives under the leadership of our current Human Resources Director, Ms Alex Badenoch.

Other than for the items noted above and the resolution to pay a final dividend of 8.50 cents per share (refer to section 10), there has not arisen in the interval between the end of the 2014 financial year and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the Board, to significantly affect the operations of Asciano, the results of those operations, or the state of affairs of Asciano in future financial years.

19. Outlook

A summary of the outlook for Asciano is included on pages 43 and 44 of the MD&A.

20. Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 44 and forms part of the Directors' report.

In line with previous years and in accordance with the Corporations Act 2001, the Directors' report, with the exception of the Remuneration report detailed in section 7, including the Operating and financial review is unaudited. Notwithstanding this, the Directors' report including the Operating and financial review contain disclosures which are extracted or derived from the Consolidated Financial Report for the year ended 30 June 2014 which has been audited by the Group's Independent Auditor.

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

Malcolm Broomhead
Chairman

Sydney
21 August 2014

KPMG

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Asciano Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2014 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

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

KPMG

KPMG

Steven Gatt
Partner

Sydney

21 August 2014

Asciano Limited
ABN 26 123 652 862

Financial report
For the year ended 30 June 2014

Asciano comprises Asciano Limited (ABN 26 123 652 862) and its controlled entities.

Contents

Notes to and forming part of the financial statements

Consolidated Statement of Profit or Loss

For the year ended 30 June 2014

	Note	2014 $M	RESTATED[1] 2013 $M
Revenue from services rendered	8	3,926.1	3,688.2
Other income	8	68.5	56.6
Share of net profit of joint ventures	19	14.9	17.3
Operating expenses excluding depreciation and amortisation	10	(3,018.1)	(2,784.4)
Profit before depreciation, amortisation, net finance costs and tax		**991.4**	**977.7**
Depreciation	10	(360.8)	(265.9)
Amortisation	10	(46.6)	(44.8)
Profit before net finance costs and tax		**584.0**	**667.0**
Finance income	9	2.4	17.5
Finance expense	9	(227.7)	(217.2)
Profit before tax		**358.7**	**467.3**
Tax expense	11	(101.7)	(130.5)
Profit after tax		**257.0**	**336.8**
Attributable to:			
Owners of Asciano Limited	28	254.4	334.4
Non-controlling interests		2.6	2.4
		257.0	336.8
Earnings per Parent share			
Basic – cents	7	26.1	34.3
Diluted – cents	7	26.1	34.2

1. The restatement relates to the adoption of the amended accounting standard AASB 119 Employee Benefits (2011), as outlined in note 1(f).

The above Consolidated Statement of Profit or Loss should be read in conjunction with the accompanying notes.

Consolidated Statement of Comprehensive Income
For the year ended 30 June 2014

	Note	2014 $M	RESTATED[1] 2013 $M
Profit after tax		**257.0**	**336.8**
Other comprehensive (loss)/income			
Items that will not be reclassified to profit or loss:			
Defined benefit superannuation funds actuarial (losses)/gains	29	(6.3)	6.0
Income tax on items that will not be reclassified to profit or loss		1.9	(2.0)
Total items that will not be reclassified to profit or loss net of tax		(4.4)	4.0
Items that may be reclassified subsequently to profit or loss:			
Effective portion of changes in fair value of cash flow hedge		(72.9)	46.1
Net loss on change in fair value of cash flow hedge reclassified to profit or loss		–	(1.1)
Foreign currency translation differences for foreign operations		0.6	2.1
Income tax benefit/(expense) on items that may be reclassified subsequently to profit or loss		22.5	(13.3)
Total items that may be reclassified subsequently to profit or loss net of tax		(49.8)	33.8
Other comprehensive (loss)/income net of tax		**(54.2)**	**37.8**
Total comprehensive income		**202.8**	**374.6**
Total comprehensive income attributable to:			
Owners of Asciano Limited		200.2	372.2
Non-controlling interests		2.6	2.4
		202.8	374.6

1. The restatement relates to the adoption of the amended accounting standard AASB 119 Employee Benefits (2011), as outlined in note 1(f).

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 30 June 2014

	Note	2014 $M	RESTATED[1] 2013 $M
Current assets			
Cash and cash equivalents	12	167.3	29.7
Trade and other receivables	14	429.2	392.4
Prepayments	15	25.7	30.9
Inventories	16	33.3	29.3
Derivative financial assets	17	4.1	12.5
Total current assets		**659.6**	**494.8**
Non-current assets			
Trade and other receivables	14	58.1	55.4
Prepayments	15	2.2	4.3
Inventories	16	31.6	40.5
Derivative financial assets	17	165.9	231.0
Net deferred tax assets	18	109.2	72.0
Equity accounted investments	19	30.9	28.4
Property, plant and equipment	20	4,306.7	3,926.4
Intangible assets	21	2,810.3	2,793.8
Other assets		1.7	1.9
Total non-current assets		**7,516.6**	**7,153.7**
Total assets		**8,176.2**	**7,648.5**
Current liabilities			
Trade and other payables	22	464.4	393.6
Loans and borrowings	23	0.6	0.6
Derivative financial liabilities	24	61.4	29.1
Current tax liabilities	18	10.4	52.1
Provisions and employee benefits	25	276.2	235.8
Total current liabilities		**813.0**	**711.2**
Non-current liabilities			
Trade and other payables	22	136.1	132.3
Loans and borrowings	23	3,370.0	3,070.3
Derivative financial liabilities	24	57.8	19.3
Provisions and employee benefits	25	83.1	93.1
Total non-current liabilities		**3,647.0**	**3,315.0**
Total liabilities		**4,460.0**	**4,026.2**
Net assets		**3,716.2**	**3,622.3**
Equity			
Contributed equity	26	8,609.3	8,606.1
Reserves	27	(4,721.2)	(4,703.5)
Accumulated losses	28	(189.3)	(295.1)
Equity attributable to owners of Asciano Limited		**3,698.8**	**3,607.5**
Non-controlling interests		17.4	14.8
Total equity		**3,716.2**	**3,622.3**

1. The restatement relates to the adoption of the amended accounting standard AASB 119 Employee Benefits (2011), as outlined in note 1(f).

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2014

2014 $M	Contributed equity	Reserves	Retained earnings	Total	Non-controlling interests	Total
Restated balance at 1 July 2013[1]	**8,606.1**	**(4,703.5)**	**(295.1)**	**3,607.5**	**14.8**	**3,622.3**
Profit after tax	–	–	254.4	254.4	2.6	257.0
Other comprehensive income (“OCI”):						
Net movement in cashflow hedge reserve	–	(72.9)	–	(72.9)	–	(72.9)
Defined benefit superannuation funds actuarial losses	–	–	(6.3)	(6.3)	–	(6.3)
Foreign currency translation differences for foreign operations	–	0.6	–	0.6	–	0.6
Income tax benefit on OCI	–	22.5	1.9	24.4	–	24.4
Total comprehensive income	**–**	**(49.8)**	**250.0**	**200.2**	**2.6**	**202.8**
Treasury shares allocated	**7.9**	**–**	**–**	**7.9**	**–**	**7.9**
Treasury shares acquired	**(4.7)**	**–**	**–**	**(4.7)**	**–**	**(4.7)**
Transactions with owners in their capacity as owners:						
Profits transferred to profit reserve	–	144.2	(144.2)	–	–	–
Dividends paid	–	(117.0)	–	(117.0)	–	(117.0)
Employee equity benefits	–	4.9	–	4.9	–	4.9
	–	32.1	(144.2)	(112.1)	–	(112.1)
Balance at 30 June 2014	**8,609.3**	**(4,721.2)**	**(189.3)**	**3,698.8**	**17.4**	**3,716.2**

2013 $M	Contributed equity	Reserves	Retained earnings	Total	Non-controlling interests	Total
Restated balance at 1 July 2012[1]	8,604.7	(4, 894.9)	(388.4)	3,321.4	12.4	3,333.8
Profit after tax	–	–	334.4	334.4	2.4	336.8
Other comprehensive income:						
Net movement in cashflow hedge reserve	–	45.0	–	45.0	–	45.0
Defined benefit superannuation funds actuarial gains	–	–	6.0	6.0	–	6.0
Foreign currency translation differences for foreign operations	–	2.1	–	2.1	–	2.1
Income tax benefit on OCI	–	(13.3)	(2.0)	(15.3)	–	(15.3)
Total comprehensive income	–	33.8	338.4	372.2	2.4	374.6
Treasury shares allocated	1.4	–	–	1.4	–	1.4
Transactions with owners in their capacity as owners:						
Profits transferred to profit reserve	–	244.9	(244.9)	–	–	–
Dividends paid	–	(90.2)	(0.2)	(90.4)	–	(90.4)
Employee equity benefits	–	2.9	–	2.9	–	2.9
	–	157.6	(245.1)	(87.5)	–	(87.5)
Restated Balance at 30 June 2013[1]	8,606.1	(4,703.5)	(295.1)	3,607.5	14.8	3,622.3

1. The restatement relates to the adoption of the amended accounting standard AASB 119 Employee Benefits (2011), as outlined in note 1(f).

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 2014

	Note	2014 $M	2013 $M
Operating cash flows			
Receipts from customers		4,435.3	4,215.9
Payments to suppliers and employees		(3,485.7)	(3,246.7)
Interest and other costs of finance paid		(200.4)	(224.8)
Interest received		2.4	4.9
Dividends received from joint ventures		12.2	18.6
Net income tax payments		(157.0)	(170.4)
Net operating cash inflows	13	**606.8**	**597.5**
Investing cash flows			
Payments for property, plant and equipment and intangible assets		(701.2)	(613.2)
Proceeds from sale of property, plant and equipment and intangible assets		81.5	27.2
Acquisition of subsidiaries, net of cash acquired	5	(84.8)	(39.0)
Repayment of subsidiary loan		–	(13.1)
Proceeds on disposal of associate investment		–	1.1
Repayment of loans by joint ventures		0.5	–
Net investing cash outflows		**(704.0)**	**(637.0)**
Financing cash flows			
Treasury shares acquired	26	(4.7)	–
Proceeds from exercise of share options		5.2	0.2
Proceeds from GBP bond issuance, net of transaction costs		511.8	–
Payment of finance lease liabilities		(0.5)	–
Repayments of borrowings		(715.0)	(160.0)
Drawdown of borrowings		555.0	170.0
Dividends paid	6	(117.0)	(90.4)
Net financing cash inflows/(outflows)		**234.8**	**(80.2)**
Net increase/(decrease) in cash and cash equivalents		**137.6**	**(119.7)**
Cash and cash equivalents at the beginning of the year		29.7	149.4
Cash and cash equivalents at the end of the year	12	**167.3**	**29.7**

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

1. Summary of significant accounting policies

Reporting entity

The consolidated financial statements comprise the financial statements of the consolidated entity ("Asciano") consisting of Asciano Limited ("Parent") and its controlled entities (together "the Group"). Asciano Limited is a company domiciled in Australia. Asciano Limited is primarily involved in the ownership and management of port and rail assets and associated operations and services.

The consolidated financial statements were authorised for issue by the Board of Directors on 21 August 2014.

The significant accounting policies that have been adopted in the preparation of these consolidated financial statements are set out below.

Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, including the Australian Accounting Interpretations adopted by the Australian Accounting Standards Board ("AASB"), and the Corporations Act 2001. The consolidated financial statements of Asciano comply with the International Financial Reporting Standards (IFRS) and the interpretations adopted by the International Accounting Standards Board ("IASB"). Asciano Limited is a for-profit entity for the purpose of preparing the financial statements.

Going concern

Asciano has a net current asset deficiency at 30 June 2014 of $153.4 million. Given that Asciano has an unutilised syndicated revolving credit facility of $650 million maturing in October 2019, the Directors believe Asciano has the capacity to pay its debts in full as and when they fall due.

Change in accounting policy

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 July 2013.

(a) Disclosures – Offsetting Financial Assets and Financial Liabilities

(b) AASB 10 Consolidated Financial Statements (2011)

(c) AASB 11 Joint Arrangements

(d) AASB 12 Disclosure of Interests in Other Entities

(e) AASB 13 Fair Value Measurement

(f) AASB 119 Employee Benefits (2011)

(g) Recoverable Amount Disclosures for Non-Financial Assets (Amendments to AASB 136) (2013)

The nature and the effect of the changes are further explained below.

(a) Offsetting of financial assets and financial liabilities

As a result of adopting the amendments to AASB 7, Asciano has expanded its disclosures about the offsetting of financial assets and liabilities (refer to note 3(g)).

(b) Subsidiaries

As a result of adopting AASB 10 (2011), the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. AASB 10 (2011) introduces a new control model that is applicable to all investees, by focusing on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns. In particular, AASB 10 (2011) requires the Group to consolidate investees that it controls on the basis of de facto circumstances.

In accordance with the transitional provisions of AASB 10 (2011), the Group reassessed the control conclusion for its investees at 1 July 2013 and this has not resulted in any changes to the control conclusion for existing investees.

(c) Joint arrangements

As a result of adopting AASB 11, the Group has changed its accounting policy for its interests in joint arrangements. Under AASB 11, the Group classifies its interests in joint arrangements as either joint operations or joint ventures depending on the Group's rights to the assets and obligations for the liabilities of the arrangements. When making this assessment, the Group considers the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances. Previously, the structure of the arrangement was the sole focus of classification.

The Group has re-evaluated its joint arrangements. Notwithstanding the above, the new accounting standard has not resulted in any changes to the accounting treatment of existing joint arrangements.

1. Summary of significant accounting policies (continued)

(d) Disclosure of interests in other entities

As a result of adopting AASB 12, Asciano has materially complied with its disclosures about its interests in equity accounted investments (refer note 19).

(e) Fair value measurement

AASB 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other AASBs. In particular, it unifies the definition of fair value as the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date. It also replaces and expands the disclosure requirements about fair value measurements in other AASBs, including AASB 7 Financial Instruments: Disclosures. The Group has included additional disclosures in this regard (refer to note 3(b)).

In accordance with the transitional provisions of AASB 13, the Group has applied the new fair value measurement guidance prospectively, and has not provided any comparative information for new disclosures. Notwithstanding the above, the change has resulted in an additional $8.0 million finance expense (before tax) for the year ended 30 June 2014, which arose from application of the new fair measurement guidance to the Group's derivative financial assets and liabilities.

(f) Defined benefit plans

As a result of adopting AASB 119 (2011), the Group has changed its accounting policy with respect to the basis for determining the income or expense related to defined benefit plans.

Under the new standard and effective from 1 July 2013, the Group determines the net interest expense (income) for the period on the net defined benefit liability (asset) by applying the same discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability (asset) after taking into account contributions and benefit payments during the period. Consequently, the net interest recognised in the statement of profit or loss now comprises:

- interest cost on the defined benefit obligation at the start of the period; and
- interest income on plan assets during the period.

The difference between the actual return on plan assets for the year and the interest income on plan assets is recognised as part of remeasurements within other comprehensive income.

Previously, the Group determined interest income on plan assets based on their long-term rate of expected return.

The following table summarises the adjustments made to the statement of financial position on implementation of the new accounting standard:

	Deferred tax asset $M	Trade and other payables (non-current) $M	Accumulated losses $M
Balance at 30 June 2012	97.5	126.0	(374.8)
Impact of the changes in accounting policy	5.8	19.4	(13.6)
Restated balance at 30 June 2012	**103.3**	**145.4**	**(388.4)**
Balance at 30 June 2013	66.6	114.4	(282.6)
Impact of the changes in accounting policy	5.4	17.9	(12.5)
Restated balance at 30 June 2013	**72.0**	**132.3**	**(295.1)**

1. Summary of significant accounting policies (continued)

The effect on the statement of profit or loss is as follows:

	2014 $M	2013 $M
Increase in employee benefits expense	(8.8)	(7.9)
Decrease in tax expense	2.6	2.3
Decrease in profit	**(6.2)**	**(5.6)**

The effect on the statement of other comprehensive income is as follows:

Decrease in defined superannuation funds actuarial losses	8.8	9.5
Decrease in income tax benefit on other comprehensive income	(2.6)	(2.9)
Increase in other comprehensive income	**6.2**	**6.6**

The change in accounting policy also resulted in a reduction of the prior year basic earnings per share from 34.9 cents to 34.3 cents and a reduction in the diluted earnings per share from 34.8 cents to 34.2 cents for the comparative period.

(g) Disclosures of recoverable amount for non-financial assets

As a result of the early adoption of AASB 2013-3 the requirement to disclose the recoverable amount of all cash generating units that contain goodwill or identifiable assets with indefinite lives, regardless of impairments, has been removed. Additional requirements as a result of AASB 2013-3 are not applicable as Asciano uses the value in use valuation method.

Historical cost convention

These consolidated financial statements have been prepared under the historical cost basis except for the following material items:

- derivative financial assets and liabilities are measured at fair value; and
- a liability or asset in respect of defined benefit superannuation funds is measured as the present value of the defined benefit obligation less the fair value of the superannuation fund's assets and any unrecognised past service cost.

Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Parent's functional currency.

Rounding of amounts

Asciano is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the rounding off of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that class order to the nearest one hundred thousand dollars, or in certain cases, to the nearest one thousand dollars.

Principles of consolidation

Non-controlling interests

Other non-controlling interests are interests in partly owned subsidiaries, which are not held either directly or indirectly by Asciano Limited.

Business combinations involving entities under common control

The opening Statement of Financial Position of Asciano, as at its formation on 15 June 2007, reflected the then book values for assets and liabilities acquired from Toll's consolidated accounting records. As a common control transaction, the demerger did not reflect the fair value of assets and liabilities acquired or any recording of additional goodwill at the time of the formation of Asciano. The difference between the fair value of the consideration given and the carrying value of the assets and liabilities acquired was recognised as a common control reserve.

1. Summary of significant accounting policies (continued)

Subsidiaries

Subsidiaries are those entities over which Asciano has the power, directly or indirectly, to govern the financial and operating policies generally accompanied by an equity holding of more than half the voting rights. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control of the subsidiary commences until the date that control ceases.

Inter-entity transactions, balances and unrealised gains on transactions between group entities are eliminated.

Equity accounted investees

A joint venture is an arrangement in which Asciano has joint control whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. The financial statements include Asciano's share of the total recognised gains and losses on an equity accounted basis subsequent to initial recognition at cost, which includes transaction costs.

When Asciano's share of losses exceeds its interest in a joint venture, Asciano's carrying amount is reduced to $nil and recognition of further losses is discontinued except to the extent that Asciano has incurred legal or constructive obligations or made payments on behalf of a joint venture.

Unrealised gains on transactions between Asciano and its joint ventures are eliminated to the extent of Asciano's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by Asciano.

Segment reporting

A segment is a distinguishable component of Asciano that participates in business activities from which it may earn revenues and incur expenses. The operating results of the segments are regularly reviewed by the entity's chief operating decision-maker enabling decisions about the allocation of resources to the segments and assess their performance.

Segment information is comprised of reporting segments delineated according to services. Parts of the business are aggregated into segments where they have similar economic characteristics or are similar in regard to the nature of the services, type or class of customer or methods used to provide the services. The segments are not delineated on a geographical basis as all segments operate Australia-wide.

Asciano comprises the following four segments:

- PN Coal - consists of the haulage of export coal in bulk quantities from mine to port by rail, and domestic coal from mine to power stations and steelworks in New South Wales, Queensland and South Australia;
- PN Rail - consists of interstate containerised and bulk rail freight and intermodal terminal services, operating approximately 180 services per week between all mainland state capital cities, and provides non-coal bulk rail services to the Australian grain and industrial sectors;
- Terminals & Logistics – consists of container stevedoring and associated import/export container supply chain logistics services from ship to destination and origin to ship. This division holds long-term lease concessions at container terminals in Brisbane, Sydney, Melbourne and Perth (Fremantle).
- Bulk & Automotive Port Services – consists of automotive stevedoring, vehicle processing, transport and storage, bulk and general stevedoring services, port related services and infrastructure management for bulk and general cargo.

Inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment, as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly investments and related revenue, loans and borrowings and related expenses, corporate assets and head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

1. Summary of significant accounting policies (continued)

Foreign currency transactions

Transactions in foreign currencies are translated into the entity's functional currency at the exchange rate at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into the respective entity's functional currency at the exchange rate at that date. Foreign exchange differences arising on translation are recognised in the Statement of Profit or Loss or the Statement of Comprehensive Income where appropriate.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition are translated to the functional currency at exchange rates applicable at the reporting date. The income and expenses of foreign operations are translated to Australian dollars at exchange rates at the dates of transactions.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity.

Revenue

Revenue is measured at the fair value of the consideration received or receivable net of GST. Revenue is recognised following the provision of the service and/or in accordance with agreed contractual terms in the period in which the service is provided. Amounts disclosed as revenue are net of rebates and amounts collected on behalf of third parties.

Expenses

Operating lease payments

Payments made under operating leases are recognised in the profit or loss on a straight line basis over the term of the lease. Lease incentives received are recognised in the profit or loss as an integral part of the total lease expense and spread over the lease term.

Finance lease payments

Minimum lease payments are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Borrowing costs

Borrowing costs are expensed as incurred unless they relate to qualifying assets. Qualifying assets are assets that take more than 12 months to commission. In these circumstances, borrowing costs are capitalised to the cost of the assets. Capitalisation is based on the period of time that is required to complete and prepare the asset for its intended use.

Finance income and expense

Dividends and distributions are recognised when Asciano's right to receive payment is established.

Finance income comprises interest income on funds invested, dividend income and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues, using the effective interest method.

Finance expense comprises interest expense on loans and borrowings, unwinding of the discount on provisions, losses on hedging instruments that are recognised in profit or loss and impairment losses recognised on financial assets, other than trade receivables. All borrowing costs are recognised in profit or loss using the effective interest method, except for borrowing costs on capitalised qualifying assets that are deferred and amortised over the life of the underlying facilities.

Material items

Material items comprise items of income or expense which are considered to be relevant to explaining the performance of Asciano and are, either individually or in aggregate, material to Asciano. Such items are likely to include, but are not restricted to, gains or losses on the sale or termination of operations, the cost of significant Asciano-wide reorganisations or restructurings, accelerated depreciation charges to tangible assets and write-off of deferred establishment costs. This information assists the users of Asciano's financial statements in their understanding of the underlying business results.

1. Summary of significant accounting policies (continued)

Taxes

Tax expense comprises current and deferred tax. Tax expense is recognised in the statement of profit or loss except to the extent that it relates to items recognised directly within the statement of comprehensive income or equity, in which case it is recognised in other comprehensive income as appropriate.

Current tax is the expected tax payable on the taxable income for the year using tax rates for each jurisdiction, enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- the initial recognition of goodwill;
- the initial recognition of assets or liabilities in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss; and
- differences relating to investments in subsidiaries and joint ventures to the extent that they will probably not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis, or their tax assets and liabilities will be realised simultaneously.

Additional income tax that arises from the distribution of dividends is recognised at the same time as the liability to pay the related dividend.

Tax consolidation

Asciano Limited and its wholly owned Australian resident entities are part of a tax-consolidated group and are therefore taxed as a single entity. The head entity within the tax consolidated group is Asciano Limited.

The head entity, in conjunction with other members of the tax consolidated group, has entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax obligations.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax consolidated group are recognised in the separate financial statements of the members of the tax consolidated group using the “group allocation method” by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation.

Assets or liabilities arising under tax funding arrangements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group, and are due and payable as requested by the head entity.

Impairment

Goodwill and intangible assets that have indefinite lives or that are not yet available for use are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit (“CGU”) exceeds its recoverable amount. A CGU is the smallest identifiable asset group that generates cash flows that largely are independent from those of other assets and groups. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Impairment losses are recognised in the profit or loss. Impairment losses recognised in respect of an impaired CGU are allocated first to reduce the carrying amount of any goodwill allocated to the impaired CGU and then to reduce the carrying amount of the other assets on a pro-rata basis.

The Group’s corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

1. Summary of significant accounting policies (continued)

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

An impairment loss in respect of goodwill is not reversed. In respect of other non-financial assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Individually significant financial assets are tested for impairment on an individual basis.

Leased assets

Leases under which Asciano assumes substantially all the risks and rewards of ownership are classified as finance leases. On initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

The corresponding liability is also established with lease payments allocated between the lease liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

Other leases are operating leases and the leased assets are not recognised on the statement of financial position.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, short-term bills and term deposits. Bank overdrafts that are repayable on demand and form an integral part of Asciano's cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows. Bank overdrafts are shown within loans and borrowings in current liabilities on the statement of financial position.

Trade and other receivables

Trade and other receivables are stated at their amortised cost using the effective interest method, less impairment losses. Trade receivables are generally due for settlement after 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectable are written off. An allowance for impairment of trade receivables is established when there is objective evidence that Asciano will not be able to collect all amounts due according to the original terms of receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 180 days overdue) are considered indicators that the trade receivable is impaired. Cash flows relating to short-term receivables are not discounted.

Inventories

Inventories consist predominantly of spare parts and consumables used in maintenance activities and are stated at the lower of cost and net realisable value. Cost of inventories includes all costs of purchases and other expenses incurred in bringing the inventories to their present location and condition. Costs are assigned to individual items of inventory on the basis of either weighted average cost or a first in, first out basis unless specific identification is possible.

Non-current inventories represent long lived spare parts also known as capital spares. This class of inventory represents major spare parts that can be cyclically overhauled and reused, and as such, are depreciated over the lower of their expected useful life and the expected useful life of the equipment they are used in. Specific obsolete items of inventory are written off.

Investments and other financial assets

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when Asciano provides cash or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the end of period date, which are classified as non-current assets.

1. Summary of significant accounting policies (continued)

Derivative financial instruments

Asciano enters into derivative financial instruments from time to time to hedge its interest rate and foreign currency risk exposures.

At the inception of the hedging transaction, Asciano documents the type of hedge, the hedged item or transaction, the hedging instrument, the nature of the risk being hedged, the relationship between the hedging instrument and hedged item, as well as its risk management objective and strategy for undertaking the relevant hedge transaction. Asciano's hedge documentation also demonstrates, both at hedge inception and on an ongoing basis that the hedge has been and is expected to continue to be highly effective.

Derivatives are recognised initially at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below:

Derivatives that qualify for hedge accounting

Fair value hedges

For a derivative or financial instrument designated as hedging the change in fair value of a recognised asset or liability, the gain or loss on the derivative or financial instrument is recognised in the profit or loss immediately, together with the loss or gain on the hedged asset or liability that is attributable to the hedge risk.

Cash flow hedges

Changes in the fair value of derivatives designated as cash flow hedges are recognised directly in other comprehensive income to the extent that the hedge is highly effective. To the extent that the hedge is not highly effective, changes in fair value are recognised immediately in the profit or loss within finance income or expense.

If the derivative no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised or the designation is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the underlying forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognised in equity is transferred to the carrying amount of the asset when it is recognised. In other cases, the amount recognised in equity is transferred to the profit or loss in the same period that the hedged item affects the profit or loss.

Derivatives that do not qualify for hedge accounting

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

Fair value estimation

The fair value of financial assets and liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives and shares) is based on quoted market prices at the reporting date.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. Asciano uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date.

The fair value of interest rate swaps and cross-currency interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using spot foreign exchange market rates and market forward curves for each currency pair at the end of period date.

The nominal value less estimated credit adjustments of short-term receivables and payables are assumed to approximate their fair values. The fair value of non-derivative financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to Asciano for similar instruments.

The fair value of the Asciano employee options and rights plan is measured using the Monte Carlo simulation methodology and Binomial tree methodology. Measurement inputs include the share price on the measurement date, the exercise price of the instrument, expected volatility, expected term of the instruments, expected dividends, and the risk-free interest rate (based on Commonwealth government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

1. Summary of significant accounting policies (continued)

Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of self-constructed assets includes the cost of materials, direct labour, other directly attributable costs, where applicable, the cost of dismantling and removing the items and restoring the sites on which they are located, and capitalised borrowing costs. Subsequent costs of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to Asciano, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate components of property, plant and equipment.

The gain or loss on disposal of assets is brought to account at the date an unconditional offer and acceptance of sale are determined. The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal, and is recognised in other income in the profit or loss.

Depreciation

Items of property, plant and equipment, including buildings and leasehold property but excluding freehold land, are depreciated on a straight line basis over their estimated useful lives. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately. Leased assets are depreciated over the shorter of the lease term and their useful lives. Depreciation rates used for each class of asset in the current and comparative year are as follows:

- buildings – 20 to 40 years;
- plant and equipment – 3 to 45 years; and
- leasehold improvements – 5 to 40 years.

Depreciation methods and useful lives, as well as residual values, are reassessed annually.

Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of Asciano's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to CGUs and is not amortised but is tested at least annually for impairment. In respect of joint ventures, the carrying amount of goodwill is included in the carrying amount of the investment in the joint venture. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Negative goodwill arising on an acquisition is recognised directly in the profit or loss.

IT development and software

Research costs are expensed as incurred.

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, and direct payroll and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight line basis over periods generally ranging from three to fifteen years.

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

Customer contracts and relationships

Customer contracts and relationships acquired as part of a business combination are recognised separately from goodwill. The customer contracts and relationships are carried at their fair value at the date of acquisition. Subsequent to acquisition, customer contracts and relationships are amortised over their estimated useful lives, which range from five to ten years.

Brand names

Brand names recognised by Asciano that have an indefinite useful life are not amortised. The useful life of brand names is reviewed each period to determine whether events and circumstances continue to support an indefinite useful life assessment for the asset, which is tested for impairment annually.

Other intangible assets

Other intangible assets that are acquired by the Group and have finite useful lives are measured at costs less accumulated amortisation and any accumulated impairment losses.

1. Summary of significant accounting policies (continued)

Trade and other payables
Trade and other payables are stated at their amortised cost. Trade payables are non-interest bearing.

Interest bearing loans and borrowings
Interest bearing loans and borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, these financial liabilities are stated at amortised cost, with any difference between cost and redemption value being recognised in the profit or loss over the period of the loans and borrowings on an effective interest basis.

Provisions
A provision is recognised if, as a result of a past event, Asciano has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

The unwinding of the discount is recognised as a finance cost.

Workers compensation self-insurance
Where Asciano acts as a self-insurer for workers compensation claims under relevant federal, state and territory legislation, a provision is made for all individual workers compensation claims incurred and both reported and not reported claims up to $1.0 million. Independent actuarial valuations are used to estimate the provision required. Individual claims over $1.0 million are reinsured.

Restructuring
A provision for restructuring is recognised when the business has approved a detailed and formal restructuring plan and the restructuring has either commenced or has been announced publicly and there is a valid expectation amongst those affected. A restructuring provision includes only the direct expenditures arising from the restructuring and does not include future operating costs.

Incident
Where Asciano is involved in an incident, such as a train derailment, and it is probable that Asciano will be held liable for the consequential damage, a provision equal to the estimated cost of third party claims is set aside. The cost estimate is made by loss adjusters where material, but the final quantum of the potential claims can be significantly different to the estimate. Adjustments to the provision are booked to earnings in the period when any changes in estimates are made.

Travel passes
Asciano's net obligation in respect of travel passes is the amount of expected future benefits that employees/retirees have earned in return for their service in the current and prior periods as determined by a qualified actuary. The obligation for travel passes is based on the age of the passholder, length of service, expected exit date, and life expectancy. A significant portion of the liability is in relation to retirees who were never employees of Asciano, but the liability was assumed by Asciano as a result of a business combination in 2002, and therefore the provision is not treated as an employee benefit for reporting purposes.

Site restoration
In accordance with the environment policy and applicable legal requirements, provision for site restoration costs in respect of contaminated land, is recognised when the need for restoration is identified.

The provision represents the best estimate of the present value of the expenditure required to settle the site restoration obligation at the reporting date, based on current legal requirements and technology. Future site restoration costs are reviewed annually and any change is reflected in the profit or loss.

Employee benefits
Long-term service benefits
Asciano's net obligation in respect of long-term service benefits, other than superannuation, is the amount of future benefits that employees have earned in return for their service in the current and prior periods. That benefit is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates, and is discounted using the rates attached to the Commonwealth Government bonds that have maturity dates approximating the terms of Asciano's obligations.

Long service leave is classified as current where the leave has vested, or will vest within the next 12 months, in accordance with the relevant state legislation under which the employee operates.

Defined contribution superannuation funds
Obligations for contributions to defined contribution superannuation funds are recognised as an expense in the profit or loss as incurred.

1. Summary of significant accounting policies (continued)

Defined benefit superannuation funds

Asciano's net obligation in respect of defined benefit superannuation funds is calculated separately for each fund by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. The benefit is discounted to determine its present value and the fair value of any fund assets and any unrecognised past service cost is deducted.

The discount rate is the yield at the end of period date on Commonwealth Government bonds that have maturity dates approximating to the terms of Asciano's obligations. The calculation is performed annually by a qualified actuary using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, periods of service and taxes.

When the benefits of a fund are improved, the portion of the increased benefit relating to past service by employees is recognised in the profit or loss on a straight line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the profit or loss. Actuarial gains and losses are recognised directly in other comprehensive income.

Asciano determines the net interest expense (income) for the period on the net defined benefit liability (asset) by applying the same discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability (asset) after taking into account contributions and benefit payments during the period. Consequently, the net interest recognised in the statement of profit or loss comprises:

- interest cost on the defined benefit obligation at the start of the period; and
- interest income on plan assets during the period.

The difference between the actual return on plan assets for the year and the interest income on plan assets is recognised as part of remeasurements within other comprehensive income.

Share-based payment transactions

The Asciano Limited Executive Incentive Plan allows executives and selected employees to acquire shares in the Company. The fair value of options or rights granted is recognised as an employee benefits expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options or rights. The fair value of the options or rights granted is measured using the Monte Carlo and Binomial methods, taking into account the terms and conditions upon which the options or rights were granted. The amount recognised as an expense is adjusted to reflect the actual number of options or rights that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

Short-term employee benefits

Liabilities for employee benefits for wages, salaries, annual leave and sick leave that are due within 12 months of the reporting date represent present obligations resulting from employees' services provided at the reporting date. These balances are calculated at undiscounted amounts based on remuneration wage and salary rates that Asciano expects to pay as at the reporting date including related on-costs, such as workers compensation insurance and payroll tax. Non-accumulating non-monetary benefits (such as parking and mobile telephone expenses) are expensed based on the net marginal cost to Asciano as the benefits are taken by the employees.

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when the employee accepts voluntary redundancy in exchange for these benefits. Asciano recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or to providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of reporting date are discounted to present value.

Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in contributed equity as a deduction, net of tax, from the proceeds of issue.

Treasury shares

The acquisition of Asciano's own equity instruments are not recognised as financial assets regardless of the reason for which they are reacquired. If Asciano reacquires its own equity instruments, the amount of consideration paid for those instruments ("treasury shares") is recognised as a deducted from equity. No gain or loss is recognised in the profit or loss on the purchase, sale, issue or cancellation of Asciano's own equity instruments. Such treasury shares may be acquired and held by the Parent or by other members of the consolidated group. Consideration paid or received for the transfer of treasury shares is recognised directly in equity.

Dividends

Once resolved to be paid, dividends are a liability of Asciano and, to the extent they are not paid at the reporting date, are accounted for as other financial liabilities.

1. Summary of significant accounting policies (continued)

Earnings per share

Basic earnings per share is calculated by dividing the net profit or loss attributable to shareholders of the Parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the post-tax effect of interest and other financing costs associated with dilutive ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2014 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations that are likely to impact Asciano are set out below:

- AASB 9 Financial Instruments (2013) - Mandatory Effective Date of AASB 9 and Transitional Disclosures from 1 January 2018.

The Group has not yet completed its assessment of how its own hedging arrangements would be affected by the new rules, and therefore has not yet decided whether to adopt any parts of AASB 9 early.

The Group is not required to adopt this new standard until the annual reporting period ending 30 June 2019.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2. Critical accounting estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation and critical judgements in applying accounting policies that have had the most significant effect on the amounts recognised in the financial statements are described below.

Further details of the nature of these assumptions and conditions may be found in the relevant notes.

Further information about the assumptions made in measuring fair values in respect of financial assets and liabilities is included in note 3(b).

Impairment

Asciano assesses whether goodwill and intangible assets with indefinite useful lives are impaired at least annually, in accordance with the accounting policy in note 1. These calculations involve making an estimate of the recoverable amount of the cash-generating units ("CGUs") to which goodwill and intangible assets with indefinite useful lives have been allocated. The recoverable amounts of CGUs have been determined based on value-in-use calculations. These calculations require the use of assumptions, which are detailed in note 21.

Asciano assesses impairment by evaluating conditions specific to Asciano and to the particular asset, which may lead to impairment. These include technological, market, economic or legal environments in which Asciano operates.

If an indicator of impairment exists, the recoverable amount of the asset is determined.

Taxation

Interpretation and application of tax legislation

Asciano's accounting for income tax requires management's judgement as to the types of arrangements considered to be subject to tax. Judgement is also required in relation to the application of existing tax legislation, including the impact of Australian Taxation Office interpretation and ongoing Federal Government reviews of existing legislation.

Recoverability of deferred tax assets

Deferred tax assets, including those arising from carried forward losses, capital losses and temporary differences, are recognised when it is considered more likely than not that they will be recovered. Recoverability is dependent on the generation of sufficient future taxable profits. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows, which in turn depend on estimates of future sales volumes, operating costs, capital expenditure, dividends to shareholders and other capital management transactions.

Workers compensation self-insurance provision

Independent actuarial valuations are used to estimate the provision required for self-insured workers compensation. The determination of the provision required is dependent on a number of assumptions including the total future cost to finalise existing open claims, wage increases that will impact existing claims, a discount rate that is based on Commonwealth Government bond yields, inflation, and the amount of claims that have been incurred but not yet reported.

Variances in any of the assumptions used, and in particular the costs associated with claims, can have a material impact on the provision estimates in the following year.

2. Critical accounting estimates and judgements (continued)

Restructuring provision

Although a restructuring provision is based on a detailed plan, the provision calculation includes several estimates and assumptions including the timing and cost of site closures, timing and cost of curtailment of operations and costs for incidental services such as legal, accounting and consulting. Estimates are also required of the likely number of employees who will exit the business, number of staff who may accept redeployment, final cost of property and site make-good, asset valuations and realisation from sale of discontinued assets.

Incident provision

Where Asciano is involved in an incident, such as a train derailment, and it is probable that Asciano will be held liable for the consequential damage, a provision equal to the estimated cost of third party claims is set aside. The cost estimate is made by loss adjusters where material, but the final quantum of the potential claims can be significantly different to the estimate. Adjustments to the provision are booked to earnings in the period when any changes in estimates are made.

Site restoration provision

The provision is the best estimate of the present value of the expenditure required to settle the restoration obligation at the reporting date, based on current legal requirements and technology. Future restoration costs are reviewed annually and any changes are reflected in the present value of the restoration provision at the end of the reporting period.

Significant uncertainties exist as to the amount of restoration obligations that will be incurred due to the uncertainty as to the remaining life of existing operating sites, and the impact of changes in environmental legislation.

Assumptions have been made as to the remaining life of existing sites based on studies conducted by independent technical advisers.

Travel passes

The travel passes provision relates to the cost of retiree rail travel passes, including the associated fringe benefit tax, and is based on an independent actuarial assessment conducted by ABS (PL) Pty Limited. Retiree rail travel passes relate to retired ex-employees of FreightCorp (the business acquired by an Asciano subsidiary in 2002) who held a life-long travel pass and ex-employees of FreightCorp who became employees of Pacific National who were expected to become entitled to a retiree pass on exiting the business. The amount and timing of the expenditure is dependent upon the age of the passholder, length of service, expected exit date and life expectancy.

Defined benefit superannuation funds

A liability or asset in respect of defined benefit superannuation funds is recognised in the statement of financial position, and is measured as the present value of the defined benefit obligation less the fair value of the superannuation fund's assets and any unrecognised past service cost. The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method. Assumptions have been made by the actuaries as to expected future wage and salary levels, experience of employee departures and periods of service.

3. Financial risk management

(a) Overview

Asciano has exposure to credit, liquidity and market risks relating to its use of financial instruments. This note presents information about Asciano's exposure to each of these risks, Asciano's objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout the financial statements.

The Board has overall responsibility for the establishment and oversight of Asciano's risk management framework. The Board has established the Audit and Risk Committee, which is responsible for developing and monitoring Asciano's risk management policies. The committee reports regularly to the Board on its activities.

Asciano's risk management policies are established to identify and analyse the risks faced by Asciano, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed to reflect changes in market conditions and Asciano's activities. Asciano, through its management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit and Risk Committee oversees how management monitors compliance with Asciano's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by Asciano. The Audit and Risk Committee is assisted in its oversight role by internal audit. Internal audit undertakes reviews of risk management controls and procedures, the results of which are reported to the committee.

(b) Fair values

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are presented on the following page:

3. Financial risk management (continued)

2014	Note	Carrying Amount $M	Fair Value $M
Financial assets			
Cash and cash equivalents	12	167.3	167.3
Trade and other receivables	14	431.1	431.1
Forward exchange contracts	17	0.7	0.7
Loans to joint ventures	14	56.2	56.2
Interest rate swaps – at fair value through profit or loss	17	2.3	2.3
Cross-currency swaps – fair value hedging instruments	17	76.8	76.8
Cross-currency swaps – cash flow hedging instruments	17	90.2	90.2
		824.6	824.6
Financial liabilities			
Trade and other payables	22	479.7	479.7
Forward exchange contracts	24	7.3	7.3
Syndicated bank loan	23	650.0	650.0
US dollar bonds, gross of discount and unrealised fair value loss	23	2,197.3	2,264.8
GBP bonds, gross of discount	23	544.0	570.3
Interest rate swaps – at fair value through profit or loss	24	4.1	4.1
Interest rate swaps – cash flow hedging instruments	24	1.5	1.5
Cross-currency swaps – cash flow hedging instruments	24	106.3	106.3
		3,990.2	4,084.0
Net financial liabilities		**(3,165.6)**	**(3,259.4)**
2013			
Financial assets			
Cash and cash equivalents	12	29.7	29.7
Trade and other receivables	14	394.8	394.8
Forward exchange contracts	17	8.8	8.8
Loans to joint ventures	14	53.0	53.0
Interest rate swaps – cash flow hedging instruments	17	1.6	1.6
Interest rate swaps – at fair value through profit or loss	17	12.6	12.6
Cross-currency swaps – fair value hedging instruments	17	174.1	174.1
Cross-currency swaps – cash flow hedging instruments	17	46.4	46.4
		721.0	721.0
Financial liabilities			
Trade and other payables	22	406.9	406.9
Syndicated bank loan	23	810.0	810.0
US dollar bonds, gross of discount and unrealised fair value loss	23	2,277.4	2,106.2
Interest rate swaps – at fair value through profit or loss	24	0.9	0.9
Cross-currency swaps – cash flow hedging instruments	24	47.5	47.5
		3,542.7	3,371.5
Net financial liabilities		(2,821.7)	(2,650.5)

The fair value of the US dollar bonds and GBP bonds has been determined using market prices from third party information.

3. Financial risk management (continued)

All derivative financial instruments are carried at fair value, by valuation method. The different levels have been defined as follows:

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

All of Asciano's financial instruments fall into the Level 2 classification.

The Group determines Level 2 fair values for debt securities using a discounted cash flow technique, which uses contractual cash flows and a market-related discount rate.

Level 2 fair values for simple over-the-counter derivative financial instruments are based on broker quotes. Those quotes are tested for reasonableness by discounting expected future cash flows using market interest rate for a similar instrument at the measurement date. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and counterparty when appropriate.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the transfer has occurred. There were no transfers between Level 1 to Level 2 of the fair value hierarchy at 30 June 2014.

The Group has an established control framework with respect to the measurement of fair values. This framework mandates that valuations are reported directly to the Chief Financial Officer, who has overall responsibility for all significant fair value measurements.

Regular reviews are conducted on significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair value, then management assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of AASBs, including the level in the fair value hierarchy the resulting fair value estimate should be classified.

Significant valuation issues are reported to the Group Audit and Risk Committee.

3. Financial risk management (continued)

Interest rates used in determining fair value

The interest rates used to discount estimated cash flows, where applicable, are based on the Australian dollar, US dollar and GBP yield curves at the reporting date and were as follows:

	2014 % pa	2013 % pa
Australian dollar derivatives	2.7 to 4.1	2.8 to 5.0
US dollar derivatives and fair value adjustments to US dollar bonds	0.2 to 2.6	0.3 to 2.7
GBP derivatives and fair value adjustments to GBP bonds	0.5 to 2.8	–

(c) Credit risk

Credit risk is the risk of financial loss to Asciano if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from Asciano’s receivables from customers and from treasury activities.

Asciano’s credit risk is managed within the limits set by the Board.

Trade and other receivable exposure

Asciano’s credit risk on trade and other receivables arises principally from the creditworthiness of individual customers. Asciano's customers are primarily large Australian and international companies of good credit standing. The vast majority of receivables are denominated in Australian dollars.

Ageing profile of trade receivables	2014 $M	2013 $M
Current	300.6	271.4
31 to 60 days overdue	49.0	46.5
Over 61 days overdue	10.7	9.0
	360.3	326.9

The allowance for impairment losses of $6.7 million (2013: $4.4 million) (refer to note 14) primarily related to items aged within the over 61 days overdue category. All other receivables are current. Management believes that the unimpaired amounts are still collectible in full based on historic payment behaviours.

Asciano has established a credit policy under which each new customer is analysed individually for creditworthiness before Asciano’s standard payment and delivery terms and conditions are offered, and credit limits are then established for each customer. Asciano's credit policy includes collection guidelines, such as the setting of collection targets, as well as follow-up procedures to manage overdue accounts and minimise collection risk.

Asciano's allowance for impairment represents its estimate of incurred losses in respect of trade and other receivables. The allowance is composed of a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on analysis of historical data, including payment statistics for similar financial assets.

Treasury activities

The Board has established policies governing Asciano's treasury activities, including the monitoring and management of credit risks arising from the use of derivatives.

Cash is deposited with creditworthy counterparties in accordance with Board approved credit limits.

The table in note 3(b) shows the carrying amount of financial assets that represents the maximum credit exposure at the reporting date.

3. Financial risk management (continued)

(d) Liquidity risk

Liquidity risk is the risk that Asciano will not be able to meet its financial obligations as they fall due. Asciano's policy in managing liquidity risk is to ensure that it always has sufficient liquidity to meet its financial obligations when due, as well as to accommodate unforeseen cash requirements over both the short and long-term.

Asciano's liquidity risk is managed through:

- maintenance of at call access to funds in the form of cash balances or committed, available revolving credit facilities;
- maintenance of rigorous and regular cash flow forecasts;
- regular review of the adequacy of banking arrangements; and
- centralisation of surplus cash balances, and management thereof in compliance with Asciano's credit risk policies.

The following table provides maturities of both the principal and interest components of Asciano's financial liabilities:

2014	Note	Carrying amount $M	Less than 1 year $M	1 to 2 year(s) $M	2 to 5 years $M	Over 5 years $M	Total $M
Non-derivatives							
Syndicated bank loans	23	650.0	24.8	27.7	664.3	–	716.8
US dollar bonds, gross of discount	23	2,197.3	98.3	515.8	1,010.7	1,008.9	2,633.7
GBP bonds gross of discount	23	544.0	27.2	27.2	81.6	680.1	816.1
Trade and other payables	22	464.4	464.4	–	–	–	464.4
Derivatives							
Forward exchange contracts	17 & 24	6.6	144.9	38.9	–	–	183.8
Interest rate swaps	17 & 24	3.3	(4.4)	(3.5)	1.6	6.1	(0.2)
Cross-currency swaps	17 & 24	(60.7)	58.9	48.6	48.1	46.3	201.9
Total financial liabilities		**3,804.9**	**814.1**	**654.7**	**1,806.3**	**1,741.4**	**5,016.5**
2013							
Non-derivatives							
Syndicated bank loans	23	810.0	33.3	35.0	877.4	–	945.7
US dollar bonds, gross of discount	23	2,277.4	101.5	101.5	721.6	1,996.9	2,921.5
Trade and other payables	22	393.6	393.6	–	–	–	393.6
Derivatives							
Interest rate swaps	17 & 24	(13.3)	3.4	3.7	(13.1)	(11.7)	(17.7)
Cross-currency swaps	17 & 24	(173.0)	35.5	35.3	(1.2)	29.5	99.1
Total financial liabilities		3,294.7	567.3	175.5	1,584.7	2,014.7	4,342.2

In addition to the principal amounts under bank loans, interest is accrued at a floating rate. The weighted average rate as at 30 June 2014 was 3.1% (2013: 4.9%) per annum. In addition to the principal amounts of US dollar bonds and GBP bonds interest is accrued at fixed coupon rates. The weighted average rate as at 30 June 2014 was 4.8% (2013: 4.7%) per annum across both the US dollar and GBP bonds.

3. Financial risk management (continued)

e) Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and other market prices, impact on cash flows and the value of assets or liabilities, and as a consequence, on the value of Asciano.

The goal of Asciano's hedging activities is to manage and control, within acceptable parameters and in a cost effective manner, the potential adverse variations in Asciano's value due to movements in market prices or rates. Asciano uses derivative financial instruments to hedge market risks where appropriate. All hedging activity is subject to the financial risk management policies approved by the Board. The following principles govern Asciano's use of derivative instruments:

- no speculative transactions are permitted;
- only transactions involving approved instruments are allowed; and
- transactions are not permitted unless in compliance with approved credit limits and delegated authorities.

Generally, Asciano seeks to apply hedge accounting principles in respect of derivative instruments.

Interest rate risk

Asciano borrows at floating rates of interest and holds cash or short-term investments that earn interest at floating rates. Consequently, Asciano's cash flows are exposed to the impact of adverse changes in benchmark interest rates. Asciano also borrows at fixed rates of interest and may, from time to time, hold investments that earn interest at fixed rates. Where this occurs, the fair value of Asciano's assets and liabilities are exposed to the impact of adverse changes in benchmark interest rates.

Asciano manages its interest rate exposures by maintaining a policy to combine fixed and floating rate liabilities, through the use of approved derivative instruments and entry into fixed rate borrowings.

Fixed rate borrowings and receivables are carried at amortised cost. They are therefore not subject to interest rate risk as defined by AASB 7, since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

Interest rate swaps

The notional amount of interest rate derivative contracts at 30 June 2014 was $700 million (2013: $1.0 billion) including $200 million (2013: $200 million) designated as hedges against syndicated bank loans and $500 million hedging US Bonds (see below). All outstanding derivative interest rate contracts have been stated at their fair value at the reporting date.

During the period between designation of these derivative interest rate contracts and the reporting date, the ineffective portion of movements in fair value was nil (2013: a gain of $0.8 million as identified by Asciano's retrospective and prospective effectiveness testing over this period and was recorded in the profit or loss). Under AASB 13 the concept of fair value changed to include an adjustment for the impact of credit. During the year a credit adjustment loss of $0.1 million was recorded in the profit or loss in respect of interest rate swaps. The effective portion of movements in fair value over the life of the instrument was a cumulative liability of $1.5 million (2013: $1.5 million cumulative asset) after tax. This was deferred in the hedge reserve to be released to the profit or loss either over the life of the hedging relationship or when the anticipated transaction occurs.

Cross-currency swaps

The notional US dollar bond balance is US$2.0 billion, of which US$1.0 billion is hedged under fixed-for-fixed cross-currency interest rate swaps ("CCIRS"). The remaining US$1.0 billion is hedged under fixed-for-floating CCIRS of which $500 million is economically hedged using floating-for-fixed Australian dollar interest rate swaps, which under AASB 139 do not qualify for hedge accounting. The fair value movement of these interest rate swaps was a loss of $13.7 million (2013: gain of $11.8 million).

The notional balance of GBP bond balance is £300 million which is fully hedged under a fixed-for-fixed CCIRS.

In relation to all CCIRS a credit adjustment of $7.9 million was recorded in profit or loss for the year as an expense.

3. Financial risk management (continued)

The following table summarises Asciano's exposure to interest rate risk:

			Fixed interest rate				
2014	Note	Variable notional amount $M	Less than 1 year $M	1 to 2 year(s) $M	2 to 5 years $M	Over 5 years $M	Total $M
Financial assets							
Cash and cash equivalents	12	167.3	–	–	–	–	167.3
Interest rate swaps		150.0	–	–	–	(150.0)	–
		317.3	–	–	–	(150.0)	167.3
Non-interest bearing:							
Trade and other receivables	14						431.1
Forward exchange contracts	17						0.7
Loans to joint ventures	14						53.5
Interest bearing:							
Loans to joint ventures	14						2.7
Total financial assets							**655.3**
Financial liabilities							
Syndicated bank loans	23	650.0	–	–	–	–	650.0
US dollar bonds, gross of discount	23	–	–	424.1	1,431.3	265.1	2,120.5
GBP bonds, gross of discount	23	–	–	–	–	544.0	544.0
Interest rate swaps[1]		(700.0)	–	–	550.0	150.0	–
Cross-currency swaps[2]		1,604.3	–	(424.1)	–	(1,180.2)	–
		1,554.3	–	–	1,981.3	(221.1)	3,314.5
Non-interest bearing:							
Trade and other payables	22						479.7
Unrealised fair value loss on US dollar bonds	23						76.8
Interest rate swaps	24						5.6
Cross-currency swaps	24						106.3
Total financial liabilities							**3,982.9**

1. Notional principal amounts of floating for fixed interest rate swaps.
2. Notional USD and GBP (2014) principal amounts of fixed-for-floating cross currency swaps as translated at the year end exchange rate.

3. Financial risk management (continued)

The following table summarises Asciano's exposure to interest rate risk:

			Fixed interest rate				
2013	Note	Variable notional amount $M	Less than 1 year $M	1 to 2 year(s) $M	2 to 5 years $M	Over 5 years $M	Total $M
Financial assets							
Cash and cash equivalents	12	29.7	–	–	–	–	29.7
Interest rate swaps		700.0	–	–	(550.0)	(150.0)	–
		729.7	–	–	(550.0)	(150.0)	29.7
Non-interest bearing:							
Trade and other receivables	14						394.8
Forward exchange contracts	17						8.8
Loans to joint ventures	14						53.0
Total financial assets							486.3
Financial liabilities							
Syndicated bank loans	23	810.0	–	–	–	–	810.0
US dollar bonds, gross of discount	23	–	–	–	437.8	1,751.0	2,188.8
Interest rate swaps[1]		(250.0)	250.0	–	–	–	–
Cross-currency swaps[2]		1,094.4	–	–	–	(1,094.4)	–
		1,654.4	250.0	–	437.8	656.6	2,998.8
Non-interest bearing:							
Trade and other payables	22						406.9
Unrealised fair value loss on US dollar bonds	23						88.5
Interest rate swaps	24						0.9
Cross-currency swaps	24						47.5
Total financial liabilities							3,542.6

1. Notional principal amounts of floating for fixed interest rate swaps.
2. Notional USD principal amounts of fixed-for-floating cross currency swaps as translated at the year end exchange rate.

Fair value sensitivity analysis for fixed interest rate instruments

As at 30 June 2014, Asciano had US dollar fixed interest rate borrowings recorded at amortised cost. At inception, these were designated into fair value hedge relationships whereby the fair value impact for changes in interest rates of the hedged item were offset by an opposite impact in the fair value of the hedging instruments. Consequently a change in interest rates at the reporting date would not have a material net impact on the profit or loss.

3. Financial risk management (continued)

Cash flow sensitivity analysis for variable interest rate instruments

A 1.0% (100 basis points) per annum change in interest rates at the reporting date would have increased/(decreased) the profit or loss interest expense and equity by the amounts shown below. This analysis assumes that all other variables remain constant.

	Profit or Loss		Equity	
2014	1% pa increase $M	1% pa decrease $M	1% pa increase $M	1% pa decrease $M
Variable interest rate instruments	6.7	(6.7)	–	–
Interest rate swaps	26.5	(26.5)	5.5	(5.5)
	33.2	(33.2)	5.5	(5.5)
2013				
Variable interest rate instruments	7.1	(7.1)	–	–
Interest rate swaps	23.3	(23.3)	7.5	(7.5)
	30.4	(30.4)	7.5	(7.5)

Exchange rate risk

Asciano is exposed to exchange rate risk where it has entered into transactions denominated in foreign currencies. The principal source of Asciano's foreign exchange exposure is the purchase of capital equipment and the issuance of US dollar bonds and GBP bonds. From time to time, exchange rate exposures may also arise from operational outgoings and receipts. The exchange rates to which Asciano is primarily exposed are US dollars, Euros and the GBP.

Asciano manages its exchange rate exposures by passing on the impact of adverse exchange rate movements, where possible and appropriate, to customers, and through the use of derivative instruments in accordance with the policy approved by the Board. The table below provides details of settlement dates, amounts to be received and contractual exchange rates of Asciano's outstanding currency derivative contracts:

3. Financial risk management (continued)

2014	Weighted average exchange rate	Foreign currency $M	Contract value at inception $M	Fair value gain/(loss) $M	Less than 1 year $M	1 to 2 year(s) $M	2 to 5 years $M	Over 5 years $M	Total $M
Assets									
Buy US dollar	0.983	10.8	11.0	0.6	0.6	–	–	–	0.6
Buy euro	0.747	0.9	1.2	0.1	0.1	–	–	–	0.1
Cross-currency swaps - USD	0.979	2,000.0	2,042.2	78.3	–	(4.7)	67.6	15.4	78.3
Cross-currency swaps - GBP	0.584	300.0	514.0	30.1	–	–	–	30.1	30.1
			2,568.4	109.1	0.7	(4.7)	67.6	45.5	109.1
Liabilities									
Buy US dollar	0.893	89.6	100.4	3.5	2.3	1.2	–	–	3.5
Buy euro	0.646	45.2	70.0	3.7	3.7	–	–	–	3.7
			170.4	7.2	6.0	1.2	–	–	7.2
2013									
Assets									
Buy US dollar	0.975	82.6	84.9	6.6	6.4	0.2	–	–	6.6
Buy euro	0.730	32.9	45.2	2.2	2.2	–	–	–	2.2
			130.1	8.8	8.6	0.2	–	–	8.8
Liabilities									
Buy euro	0.667	2.4	3.7	–	–	–	–	–	–
Cross-currency swaps - USD	0.979	2,000.0	2,042.2	146.6	–	–	8.9	137.7	146.6
			2,045.9	146.6	–	–	8.9	137.7	146.6

There has been no material hedge ineffectiveness during the period between designation of these forward exchange rate contracts and the reporting date. The movement in fair value over the life of the instrument was a cumulative gain of $4.6 million (2013: $6.1 million loss) after tax, which has been deferred in the hedge reserve and will be released to the comprehensive income when the anticipated transaction occurs.

The forward exchange contracts Asciano has entered into to hedge certain and highly probable foreign currency transactions are designated as cash flow hedges. The following table summarises the fair value of the net hedging assets/(liabilities) used by Asciano to manage exchange rate risk and maturity profile:

2014	Carrying amount $M	Expected cash flow	Less than 1 year $M	1 to 2 year(s) $M	2 to 5 years $M	Over 5 years $M	Total $M
Forward exchange contracts	(6.5)	(6.5)	(5.3)	(1.2)	–	–	(6.5)
Cross-currency swaps	60.7	108.4	–	(4.7)	67.6	45.5	108.4
	54.2	101.9	(5.3)	(5.9)	67.6	45.5	101.9
2013							
Forward exchange contracts	8.8	8.8	8.6	0.2	–	–	8.8
Cross-currency swaps	173.0	146.6	–	–	8.9	137.7	146.6
	181.8	155.4	8.6	0.2	8.9	137.7	155.4

3. Financial risk management (continued)

The notional value of Asciano's foreign exchange contracts at balance date were as follows:

2014	US dollar $M	Euro $M	GBP $M
Forward exchange contracts	111.4	46.1	–
Cross-currency swaps	2,000.0	–	300.0
	2,111.4	46.1	300.0
2013			
Forward exchange contracts	82.6	35.4	35.4
Cross-currency swaps	2,000.0	–	–
	2,082.6	35.4	35.4

The following significant exchange rates applied during the financial year:

2014	Average rate	Year end rate 30 June
US dollar	0.918	0.943
GBP	0.565	0.551
euro	0.677	0.689
2013		
US dollar	1.027	0.914
euro	0.795	0.703

Currency sensitivity analysis

The profit or loss impact of a 10% per annum change in the Australian dollar, against the US dollar and euro, would be $nil during the period between designation and the reporting date as no ineffective portion of movements in fair value was identified by Asciano's hedge effectiveness testing. A 10% per annum change in the Australian dollar against the following currencies at 30 June 2014 would have (increased)/decreased equity by the amounts shown in the table below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	2014 10% pa increase $M	2014 10% pa decrease $M	2013 10% pa increase $M	2013 10% pa decrease $M
US dollar	(10.2)	12.6	(11.8)	14.6
Euro	(8.5)	11.3	(6.6)	8.8
	(18.7)	23.9	(18.4)	23.4

No currency sensitivity analysis is presented in respect of the US dollar bonds and Sterling bonds as the cross-currency swaps that Asciano has put in place fully hedge any currency movements.

Other market price risk

Asciano is exposed to market price risk on contracts for the purchase of fuel. Asciano manages its exposure by passing on the impact of fuel price movements, where possible and appropriate, to customers.

Given the objective of Asciano's financial risk management is to reduce the risk from potential adverse market price movements to acceptable levels on a cost effective basis, active management of this exposure via the use of approved derivative instruments is not considered necessary.

This exposure is reviewed at least annually to ensure the treatment remains appropriate.

3. Financial risk management (continued)

(f) Capital management

Asciano's capital management strategy has two purposes:

- To support and facilitate the business strategy; and
- To minimise the costs of financing the business.

Supporting and facilitating Asciano's business strategy means:

- Providing sufficient financial flexibility to enable the Group to pursue its growth aspirations;
- Maintaining access to a broad range of funding sources; and
- Ensuring financial strategies and policies do not conflict with business strategy.

Minimising the costs of funding the business means:

- Using a mix of debt, equity and hybrid funds that will deliver the lowest cost overall; and
- Raising funds, in whatever form, from the most cost effective sources available.

Capital management means optimising capital structure and minimising non debt funding costs:

Optimising Capital Structure:

- Medium term financial targeting; and
- Distribute/raise capital consistent with targets.

Minimise non debt funding costs:

- Raise capital in most efficient sources/forms
- Distribution policy: deliver returns efficiently

The appropriate capital structure for Asciano depends on the number and size of growth opportunities available to it, the earnings and cash flows generated from its businesses and the desire to minimise the overall cost of funds.

Appropriate financial targets shall be based on:

- The strength and stability of the Group's businesses and cash flows;
- The Group's growth aspirations;
- The desire to minimise overall WACC;
- The desire to maintain a sufficient degree of financial flexibility and ease of access to financial markets in order to support the pursuit of its growth strategy;
- An assessment of the relative costs and benefits of alternatives; and
- The credit ratings that result, in part, from such targets.

3. Financial risk management (continued)

(g) Master netting or similar agreements

Asciano enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master netting agreements. In general, under such agreements the amounts owed by each counterparty on a single day in respect of all transactions outstanding in the same currency are aggregated into a single net amount that is payable by one party to the other. In certain circumstances – e.g. when a credit event such as a default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is payable in settlement of all transactions.

The ISDA agreements do not meet the criteria for offsetting in the statement of financial position. This is because Asciano does not have any currently legally enforceable right to offset recognised amounts, because the right to offset is enforceable only on the occurrence of future events such as a default on the bank loans or other credit events.

The following table sets out the carrying amounts of recognised financial instruments that are subject to the above agreements.

2014	Gross and net amounts of financial instruments in the statement of financial position $M	Related financial instruments that are not offset $M	Net amount $M
Financial assets			
Interest rate swaps	1.1	–	1.1
Forward exchange contracts	0.7	0.5	0.2
Cross-currency swaps	157.9	85.1	72.8
	159.7	85.6	74.1
Financial liabilities			
Interest rate swaps	4.5	–	4.5
Forward exchange contracts	7.2	0.5	6.7
Cross-currency swaps	97.2	85.1	12.1
	108.9	85.6	23.3
2013			
Financial assets			
Interest rate swaps	14.2	–	14.2
Forward exchange contracts	8.8	–	8.8
Cross-currency swaps	213.0	40.0	173.0
	236.0	40.0	196.0
Financial liabilities			
Interest rate swaps	0.9	–	0.9
Cross-currency swaps	40.0	40.0	–
	40.9	40.0	0.9

3. Financial risk management (continued)

The following table provides a reconciliation of recognised financial instruments that are subject to the master netting or similar agreements to derivative disclosures per the statement of financial position.

Gross and net amounts of financial instruments in the statement of financial position	2014 $M	2013 $M
Total gross assets	159.7	236.0
Total gross liabilities	108.9	40.9
	50.8	195.1
Reconciliation to statement of financial position		
Derivative financial assets - Current	4.1	12.5
Derivative financial assets – Non current	165.9	231.0
Derivative financial assets	170.0	243.5
Derivative financial liabilities - Current	61.4	29.1
Derivative financial liabilities – Non current	57.8	19.3
Derivative financial liabilities	119.2	48.4
Net balance sheet	**50.8**	**195.1**

4. Segment reporting

2014 $M	PN Coal	PN Rail	Terminals & Logistics	Bulk & Auto Port Services	Eliminations/ unallocated	Total
Revenue						
External revenue	1,159.5	1,289.6	704.2	761.2	11.6	3,926.1
Inter-segment revenue	–	22.3	44.4	–	(66.7)	–
	1,159.5	1,311.9	748.6	761.2	(55.1)	3,926.1
Other income	0.4	17.2	–	32.2	18.7	68.5
Revenue and other income	**1,159.9**	**1,329.1**	**748.6**	**793.4**	**(36.4)**	**3,994.6**
Operating expenses	(699.2)	(1,043.8)	(548.9)	(687.0)	21.4	(2,957.5)
Share of net profit of joint ventures	–	–	1.3	13.6	–	14.9
Profit/(loss) before depreciation, amortisation, net finance costs, material items and tax	**460.7**	**285.3**	**201.0**	**120.0**	**(15.0)**	**1,052.0**
Depreciation	(98.6)	(104.8)	(48.6)	(28.4)	(4.7)	(285.1)
Amortisation	(29.8)	(0.9)	(2.1)	(2.1)	(11.7)	(46.6)
Profit before net finance costs, material items and tax	**332.3**	**179.6**	**150.3**	**89.5**	**(31.4)**	**720.3**
Finance income						2.4
Finance expense						(227.7)
Profit before material items and tax						**495.0**
Material items						
Pacific National integration	(25.2)	(56.6)	–	–	–	(81.8)
Port Botany redevelopment	–	–	(38.5)	–	–	(38.5)
Other restructuring expenses	–	–	(4.3)	(4.4)	(7.3)	(16.0)
Profit before tax						**358.7**
Tax expense						(101.7)
Profit after tax						**257.0**

4. Segment reporting (continued)

2013 (RESTATED[1]) $M	PN Coal	PN Rail	Terminals & Logistics	Bulk & Auto Port Services	Eliminations/ unallocated	Total
Revenue						
External revenue	996.1	1,330.8	676.2	674.7	10.4	3,688.2
Inter-segment revenue	–	21.3	54.2	–	(75.5)	–
	996.1	1,352.1	730.4	674.7	(65.1)	3,688.2
Other income	21.1	8.8	1.1	5.8	2.7	39.5
Revenue and other income	1,017.2	1,360.9	731.5	680.5	(62.4)	3,727.7
Operating expenses	(609.7)	(1,044.7)	(535.3)	(584.1)	21.5	(2,752.3)
Share of net profit of joint ventures	–	–	1.5	15.8	–	17.3
Profit/(loss) before depreciation, amortisation, net finance costs, material items and tax	407.5	316.2	197.7	112.2	(40.9)	992.7
Depreciation	(90.8)	(99.0)	(45.7)	(21.8)	(4.6)	(261.9)
Amortisation	(28.8)	(0.4)	(1.9)	(1.4)	(12.3)	(44.8)
Profit/(loss) before net finance costs, material items and tax	287.9	216.8	150.1	89.0	(57.8)	686.0
Finance income						17.5
Finance expense						(217.2)
Profit before material items and tax						486.3
Material items						
Re-measurement to fair value of existing investment in C3 Ltd	–	–	–	17.1	–	17.1
Restructuring expenses	–	(1.7)	(21.7)	–	(0.7)	(24.1)
Legacy changes related to items arising on or before demerger	–	–	–	–	(12.0)	(12.0)
Profit before tax						467.3
Tax expense						(130.5)
Profit after tax						336.8

1. The restatement relates to the adoption of the amended accounting standard AASB 119 Employee Benefits (2011), as outlined in note 1(f).

4. Segment reporting (continued)

2014 $M	PN Coal	PN Rail	Terminals & Logistics	Bulk & Auto Port Services	Eliminations/ unallocated	Total
Assets	2,596.4	1,711.2	2,490.4	639.9	707.4	8,145.3
Equity accounted investments	–	–	2.9	28.0	–	30.9
Segment assets	2,596.4	1,711.2	2,493.3	667.9	707.4	8,176.2
Segment liabilities	(299.9)	(199.3)	(380.1)	(321.6)	(3,259.1)	(4,460.0)
Net assets/(liabilities)	**2,296.5**	**1,511.9**	**2,113.2**	**346.3**	**(2,551.7)**	**3,716.2**
Capital expenditure	**123.0**	**275.1**	**278.1**	**48.3**	**29.2**	**753.7**
2013 (RESTATED[1])						
Assets	2,564.4	1,570.5	2,270.8	523.0	691.4	7,620.1
Equity accounted investments	–	–	2.3	26.1	–	28.4
Segment assets	2,564.4	1,570.5	2,273.1	549.1	691.4	7,648.5
Segment liabilities	(239.8)	(143.3)	(278.5)	(289.8)	(3,074.8)	(4,026.2)
Net assets/(liabilities)	2,324.6	1,427.2	1,994.6	259.3	(2,383.4)	3,622.3
Capital expenditure	209.5	174.1	152.1	42.0	23.6	601.3

1. The restatement relates to the adoption of the amended accounting standard AASB 119 Employee Benefits (2011), as outlined in note 1(f).

Asciano operates principally in Australia and has no single external customer for which revenues amount to 10% or more of total revenue.

5. Acquisition of subsidiary

On 31 October 2013, Asciano Limited acquired 100% of the voting shares in the Mountain Industries group, a group of private companies based in Newcastle, New South Wales and specialising in the provision of transport, storage and bulk management services for products such as minerals, grain and fertiliser.

Since acquisition, Mountain Industries has contributed revenue of $57.1 million and profit after tax of $0.2 million to the Group's results. Management estimate that if the acquisition had occurred on 1 July 2013, Mountain Industries would have contributed revenue of $95.1 million and a loss after tax of $0.6 million to the Group's result.

Consideration transferred

The following table summarises the acquisition date fair value of each major class of consideration transferred.

	2014 $M
Cash paid	87.9
Other purchase price adjustments	(2.8)
Total consideration	85.1
Cash acquired	(1.5)
Net cash consideration	**83.6**

The $83.6 million net cash consideration disclosed together with other minor acquisitions forms the $84.8 million for acquisitions of subsidiaries, net of cash acquired disclosed in the consolidated statement of cash flows.

Other purchase price adjustments

Under the terms of the sale and purchase agreement an exercise was completed to make adjustment for the balance sheet movements between the date of agreement and the date of completion. This resulted in the former owners of Mountain Industries having to refund Asciano an amount of $2.8 million. The acquisition agreement also contained an amount of contingent consideration payable to the former owners of Mountain Industries on the condition of the business achieving a target level of earnings before interest, tax, depreciation and amortisation for the year ended 30 June 2014. This target was not met and therefore no further consideration was paid.

5. Acquisition of subsidiary (continued)

Identifiable assets acquired and liabilities assumed

The following summarises the fair value of net assets acquired and liabilities assumed at the acquisition date which have been determined on a provisional basis.

	2014 $M
Cash and cash equivalents	1.5
Trade and other receivables	18.1
Prepaid other	0.4
Inventories	0.2
Land and buildings	40.2
Plant and equipment	20.3
Customer contracts	2.4
Trade and other payables	(16.0)
Loans and borrowings	(0.6)
Provisions	(1.4)
Current tax liabilities	(0.2)
Deferred tax liabilities	(1.5)
Total net identifiable assets acquired and liabilities assumed	**63.4**

Goodwill

Goodwill arising from the acquisition has been recognised as follows:

Total consideration	85.1
Fair value of identifiable assets and liabilities	(63.4)
Goodwill on consolidation	**21.7**

In addition to goodwill of $21.7 million acquired on the acquisition of Mountain Industries, during the period an additional $0.6 million of goodwill was acquired in relation to other minor acquisitions.

Acquisition-related costs

During the reporting period Asciano incurred acquisition related costs of $0.6 million (June 2013: $0.2 million) related to external legal fees and due diligence costs and $2.7 million of stamp duty. These costs have been included in operating expenses in the consolidated statement of profit or loss.

6. Dividends

The following dividends were paid by the Company in the 2014 financial year:

	Cents per share	Total amount $M	Franked/ unfranked	Date of payment
Final dividend	6.25	61.0	Fully franked	18 September 2013
Interim dividend	5.75	56.0	Fully franked	20 March 2014

Franked dividends paid during the year were franked at the tax rate of 30%.

On 21 August 2014, the Board resolved to pay a fully franked final dividend of 8.50 cents per share. The record date for entitlement to the dividend is 1 September 2014. The dividend of $82.9 million was not recognised as a liability at 30 June 2014.

	Cents per share	Total amount $M	Franked/ unfranked	Date of payment
Final dividend	8.50	82.9	Fully franked	19 September 2014

Dividend franking account

The balance in the franking account as at 30 June 2014 of $267,362,022 (2013: $161,261,472) arises from income tax paid and franked dividends received or receivable by the Asciano tax-consolidated group, adjusted for franking credits that would arise from the payment of any current tax liabilities. The ability to utilise the franking credits is dependent upon there being sufficient available profit. The impact on the dividend franking account of dividends proposed after the end of period date but not recorded as a liability is to reduce it by $35.5 million.

The balance in the New Zealand imputation account as at 30 June 2014 of AU$8,026,279 (2013: of AU$3,598,906) arises from income tax paid and franked dividends received or receivable by C3 Limited (a wholly owned subsidiary of Asciano which is registered and domiciled in New Zealand). Asciano has not elected into the trans-Tasman imputation regime and the New Zealand imputation credits would not be available to the shareholders of Asciano Limited.

7. Earnings per share

	2014 cents	RESTATED[1] 2013 cents
Parent basic earnings per share	26.1	34.3
Parent diluted earnings per share	26.1	34.2

The calculation of earnings per share was based on the information as follows:

Profit attributable to Parent shareholders	254.4	334.4

1. The restatement relates to the adoption of the amended accounting standard AASB 119 Employee Benefits (2011), as outlined in note 1(f).

Basic weighted average number of ordinary shares

In thousands of shares		
Issued shares	975,386	975,386
Effect of own shares held	(921)	(1,185)
Effect of own shares acquired	(222)	–
Effect of share awards exercised	446	20
Balance at end of financial year	**974,689**	**974,221**
Basic weighted average number of ordinary shares	974,689	974,221
Shares issuable under equity-based compensation plans	1,700	3,374
Diluted weighted average number of ordinary shares	**976,389**	**977,595**

At 30 June 2014, there were 0.7 million options and 2.7 million rights (2013: 2.7 million options) excluded from the diluted weighted average number of ordinary shares calculation as their effect would have been anti-dilutive.

8. Revenue and other income

	2014 $M	2013 $M
Revenue		
Services rendered	3,926.1	3,688.2
Other income		
Net gain on sale of property, plant and equipment	26.0	26.1
Lease rental income	13.3	9.9
Gain on re-measurement to fair value of existing 50% interest in C3 Limited	–	17.1
Other	29.2	3.5
Total other income	**68.5**	**56.6**

The net profit from the sale of property, plant and equipment is inclusive of a gain of $14.7 million in respect of the sale of land at Ingleburn and a gain of $10.7 million in respect of the sale of land at Pedders Creek, Adelaide.

In the comparative period the net profit from sale of property, plant and equipment is inclusive of a gain of $21.5 million in respect of the sale of a parcel of land at Kooragang Island and a $4.6 million gain in respect of the sale of land at Dubbo.

Other income is inclusive of the income arising on the settlement reached with the Port of Melbourne Corporation in relation to covering the costs associated with termination arrangements and the early lease termination at Webb Dock.

9. Finance income and expense

Finance income and expense is reconciled to the Consolidated Statement of Profit or Loss and Consolidated Statement of Comprehensive Income as follows:

	2014 $M	2013 $M
Interest income	2.4	4.9
Hedge ineffectiveness recognised in the profit or loss	–	0.8
Net change in fair value of derivatives not designated in a hedge relationship	–	11.8
Net Finance Income	**2.4**	**17.5**
Interest expense	(202.1)	(213.1)
Borrowing costs capitalised to qualifying asset	10.2	10.7
Amortisation of capitalised borrowing costs	(4.7)	(3.9)
Guarantee and commitment fees	(7.5)	(7.8)
Unwind of discount on long-term provisions	(2.1)	(3.1)
Hedge ineffectiveness recognised in the profit or loss	(8.0)	–
Net change in fair value of derivatives not designated in a hedge relationship	(13.5)	–
Finance expense	**(227.7)**	**(217.2)**
Recognised directly in the Statement of Comprehensive Income		
Effective portions of changes in fair value of cash flow hedges	(72.9)	46.1
Net change in fair value of cash flow hedge reclassified to profit or loss	–	(1.1)
Tax on finance income and finance costs recognised in the Statement of Comprehensive Income	22.5	(13.3)
Finance income recognised directly in the Statement of Comprehensive Income, net of tax	**(50.4)**	**31.7**

9. Finance income and expense (continued)

The net interest expense arising from financial assets or liabilities that are not at fair value through the profit or loss for the year is as follows:

	2014 $M	2013 $M
Total interest income	2.4	4.9
Total interest expense[1]	(191.9)	(202.4)
Total interest expense	**(189.5)**	**(197.5)**

1. Interest expense during the year ended 30 June 2014 is net of $10.2 million of capitalised borrowings on qualifying assets (2013: $10.7 million).

10. Expenses

2014	Expenses before material items $M	Material items $M	Expenses after material items $M
Employee benefits	1,275.6	48.7	1,324.3
Rail access	449.3	–	449.3
Fuel, oil and power	418.2	–	418.2
Repairs and maintenance	315.8	–	315.8
Lease and hire	200.6	–	200.6
Insurance related	53.2	–	53.2
Other	244.8	11.9	256.7
Operating expenses excluding depreciation and amortisation	**2,957.5**	**60.6**	**3,018.1**
Depreciation	285.1	75.7	360.8
Amortisation	46.6	–	46.6
Total expenses	**3,289.2**	**136.3**	**3,425.5**

2013 (RESTATED[1])			
Employee benefits	1,170.3	19.4	1,189.7
Rail access	426.6	–	426.6
Fuel, oil and power	377.8	–	377.8
Repairs and maintenance	318.1	–	318.1
Lease and hire	192.8	–	192.8
Insurance related	60.1	–	60.1
Other	206.6	12.7	219.3
Operating expenses excluding depreciation and amortisation	2,752.3	32.1	2,784.4
Depreciation	261.9	4.0	265.9
Amortisation	44.8	–	44.8
Total expenses	3,059.0	36.1	3,095.1

1. The restatement relates to the adoption of the amended accounting standard AASB 119 Employee Benefits (2011), as outlined in note 1(f).

10. Expenses (continued)

Material items – Port Botany redevelopment

The redevelopment of the Port Botany terminal has continued throughout the year resulting in a number of one-off costs which have been recognised as material items. Each of these cost items is deemed to be of a non-recurring nature and has arisen as a direct result of the redevelopment. The main costs recognised during the 2014 financial year include:

- restructuring costs of $10.5 million recognised as part of the employee benefits expense;
- an additional depreciation charge of $22.1 million reflecting both the write-off of assets and the shorter useful economic life of assets that have become obsolete during the year or will become so by the end of the redevelopment; and
- other costs of $5.9 million reflecting additional operational costs as a result of the impact of construction works and the costs associated with training the workforce to operate the automated terminal.

Material items – Pacific National integration

On 18 February 2014, Asciano announced a formal program to integrate the PN Coal and PN Rail businesses into a single Pacific National business. This integration process has resulted in a number of one-off material costs in the 2014 financial year including:

- employee restructuring costs of $26.2 million recognised as part of the employee benefit expense;
- asset write-offs of $52.4 million principally related to the scrapping of locomotives and wagons and are included as part of the depreciation expense; and
- other project related costs of $3.2 million.

Material items – Other restructuring

On 18 February 2014, Asciano announced an expansion of its Business Improvement Program including a review of corporate and divisional support functions as well as operational functions across the Group. As a result of these reviews the Group has recognised other restructuring costs of $16.0 million in the 2014 financial year including:

- $12.0 million of employee restructuring costs across the Corporate function and the Logistics Ports Services and Autocare businesses;
- $1.5 million of onerous lease costs; and
- other costs of $2.5 million including some minor assets write-offs and project costs.

11. Taxes

	Note	2014 $M	RESTATED[1] 2013 $M
Current tax expense		119.6	125.4
Deferred tax expense		(15.4)	7.2
Recognition of capital losses		–	(1.1)
Adjustments of deferred tax for prior periods		0.6	–
Adjustments of current tax for prior periods		(3.1)	(1.0)
Total income tax expense		**101.7**	**130.5**
Reconciliation of income tax expense to prima facie tax payable			
Profit before tax		358.7	467.3
Income tax at 30% (2013: 30%)		107.6	140.2
Other non-deductible items		0.5	0.6
Recognition and derecognition of temporary differences		–	0.6
Non-assessable equity accounted profit		(4.6)	(5.1)
Assessable income and distributions from associate investments		4.7	5.0
Recognition of capital losses		–	(1.1)
Non-assessable income		–	(5.1)
Franking credits on taxable dividends		(3.5)	(3.7)
Adjustments of current tax for prior periods		(3.1)	(0.9)
Adjustments of deferred tax for prior periods		0.6	–
Difference in overseas tax rates		(0.5)	–
Income tax expense recognised in the profit or loss		**101.7**	**130.5**
Tax recognised directly in other comprehensive income			
Changes in fair value of cash flow hedge		(22.5)	13.3
Defined benefit superannuation funds actuarial (losses)/gains	29	(1.9)	2.0
		(24.4)	15.3
Other			
Deferred tax balances acquired in business combinations		(1.5)	(3.0)

1. The restatement relates to the adoption of the amended accounting standard AASB 119 Employee Benefits (2011), as outlined in note 1(f).

12. Cash and cash equivalents

	2014 $M	2013 $M
Bank balances	167.3	29.7

13. Reconciliation of net operating cash flows

	2014 $M	2013 $M
Profit after tax	257.0	336.8
Adjustments for non-cash items:		
Depreciation	360.8	265.9
Amortisation of intangible assets	46.6	44.9
Amortisation of capitalised borrowing costs	4.7	3.9
Unwind of discount on long-term provisions	2.3	3.1
Share of joint ventures' profit net of distributions received	(2.7)	1.3
Net gain on sale of property, plant and equipment	(26.0)	(26.1)
Revaluation gain on re-measurement to fair value of existing interest in C3	–	(17.1)
Equity-settled share-based payment transactions	4.9	6.4
Borrowing costs capitalised to qualifying assets	(10.2)	(10.7)
Hedge ineffectiveness	8.0	(0.8)
Fair value movements of derivatives not designated in a hedge relationship	13.5	(11.8)
Other non-cash items	(13.4)	5.8
(Increase)/decrease in assets		
Trade and other receivables	(20.8)	3.0
Inventories	5.2	(10.3)
Prepayments and other assets	8.4	(4.3)
Change in net deferred tax assets	(21.1)	15.7
Increase/(decrease) in liabilities		
Trade and other payables	1.0	9.9
Current tax liabilities	(42.0)	(53.2)
Provisions and employee benefits	30.6	35.1
Net operating cash flows	**606.8**	**597.5**

14. Trade and other receivables

	2014 $M	2013 $M
Current		
Trade receivables	360.3	326.9
Allowance for impairment losses	(6.7)	(4.4)
	353.6	322.5
Other receivables	75.6	69.9
	429.2	392.4
Non-current		
Loans to joint ventures	56.2	53.0
Other receivables	1.9	2.4
	58.1	55.4

15. Prepayments

Current		
Rent	9.7	12.2
Insurance	2.9	3.8
Registrations	3.4	3.4
Other	9.7	11.5
	25.7	30.9
Non-current		
Rent	2.2	4.3

16. Inventories

Current		
Inventories	37.2	32.6
Provision for obsolete and slow-moving items	(3.9)	(3.3)
	33.3	29.3
Non-current		
Inventories	66.3	75.4
Provision for obsolete items including depreciation of capital spares	(34.7)	(34.9)
	31.6	40.5

17. Derivative financial assets

	2014 $M	2013 $M
Current		
Forward exchange contracts	0.7	8.6
Cross-currency swaps	3.4	3.9
	4.1	12.5
Non-current		
Forward exchange contracts	–	0.2
Interest rate swaps	2.3	14.2
Cross-currency swaps	163.6	216.6
	165.9	231.0

18. Tax balances

Current tax assets and liabilities

The current tax payable for Asciano of $10.4 million (2013: $52.1 million payable) for the current reporting period represents $8.2 million of income tax payable for the Asciano tax consolidated group and a $2.2 million tax payable for Asciano subsidiaries that are not members of the Asciano tax consolidated group.

18. Tax balances (continued)

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following temporary differences:

2014	Assets $M	Liabilities $M	Net $M
Property, plant and equipment	44.9	(105.5)	(60.6)
Intangible assets	–	(27.6)	(27.6)
Derivatives	55.5	(15.2)	40.3
Inventories	14.5	(1.2)	13.3
Annual leave	27.7	–	27.7
Long service leave	32.5	–	32.5
Other employee provisions	53.7	–	53.7
Restructuring provision	12.8	–	12.8
Other provisions	7.7	0.2	7.9
Other items	14.7	(5.5)	9.2
Net tax assets/(liabilities)	**264.0**	**(154.8)**	**109.2**
2013 (RESTATED[1])			
Property, plant and equipment	56.9	(99.0)	(42.1)
Intangible assets	–	(35.5)	(35.5)
Derivatives	70.8	(58.5)	12.3
Inventories	8.2	(1.9)	6.3
Annual leave	26.3	–	26.3
Long service leave	30.6	–	30.6
Other employee provisions	49.7	–	49.7
Restructuring provision	5.6	–	5.6
Other provisions	10.4	–	10.4
Other items	17.6	(9.2)	8.4
Net tax assets/(liabilities)	276.1	(204.1)	72.0

1. The restatement relates to the amendment of accounting standard AASB 119 Employee Benefits (2011), as outlined in note 1(f).

The Asciano tax consolidated group has $22.7 million of unrecognised temporary differences ($6.8 million deferred tax asset) relating to capital assets which have not been recognised as it is not considered probable that there would be taxable income against which they could be utilised.

18. Tax balances (continued)

Movement in temporary differences during the year

2014	Balance 1 July $M	Recognised in the Statement of Profit or Loss $M	Acquired in business combinations $M	Recognised in equity $M	Utilisation of tax losses $M	Balance 30 June $M
Property, plant and equipment	(42.1)	(17.0)	(1.5)	–	–	(60.6)
Intangible assets	(35.5)	8.6	(0.7)	–	–	(27.6)
Derivatives	12.3	5.5	–	22.5	–	40.3
Inventories	6.3	7.0	–	–	–	13.3
Annual leave	26.3	1.0	0.4	–	–	27.7
Long service leave	30.6	1.9	–	–	–	32.5
Other employee provisions	49.7	2.1	–	1.9	–	53.7
Restructuring provision	5.6	7.2	–	–	–	12.8
Other provisions	10.4	(2.6)	0.1	–	–	7.9
Other	8.4	1.1	(0.3)	–	–	9.2
Tax losses carried forward:						
Revenue	–	–	0.5	–	(0.5)	–
Net tax assets/(liabilities)	**72.0**	**14.8**	**(1.5)**	**24.4**	**(0.5)**	**109.2**
2013 (RESTATED[1])						
Property, plant and equipment	(21.3)	(20.8)	–	–	–	(42.1)
Intangible assets	(41.4)	10.1	(4.2)	–	–	(35.5)
Derivatives	29.4	(3.8)	–	(13.3)	–	12.3
Inventories	7.3	(1.0)	–	–	–	6.3
Annual leave	22.0	4.3	–	–	–	26.3
Long service leave	26.4	4.2	–	–	–	30.6
Other employee provisions	49.9	1.8	–	(2.0)	–	49.7
Restructuring provision	1.0	4.6	–	–	–	5.6
Other provisions	11.0	(0.6)	–	–	–	10.4
Other	13.2	(6.0)	1.2	–	–	8.4
Tax losses carried forward:						
Capital	6.0	1.1	–	–	(7.1)	–
Net tax assets/(liabilities)	103.5	(6.1)	(3.0)	(15.3)	(7.1)	72.0

1. The restatement relates to the amendment of accounting standard AASB 119 Employee Benefits (2011), as outlined in note 1(f).

19. Equity accounted investments

	2014 $M	2013 $M
Equity accounted investments	30.9	28.4

Asciano's share of profit after tax in its equity accounted investees was $14.9 million (2013: $17.3 million).

Summary financial information for equity accounted investees, not adjusted for the percentage ownership held by Asciano, is as follows:

2014	Owned %	Nature of relationship	Assets $M	Liabilities $M	Revenues $M	Profit before tax $M
1-Stop Connections Pty Limited[1]	50	Joint Venture	5.6	(2.2)	13.0	2.4
Albany Bulk Handling Pty Limited	50	Joint Venture	11.4	(1.3)	9.0	4.0
Australian Amalgamated Terminals Pty Limited	50	Joint Venture	113.1	(110.8)	70.5	19.0
Car Compounds of Australia Pty Limited	50	Joint Venture	7.8	(1.7)	27.6	4.6
Geelong Unit Trust	50	Joint Venture	104.7	(66.6)	26.2	7.4
Auckland Stevedoring Company Limited[3]	50	Joint Venture	–	–	–	–
Insync Solutions[3]	50	Joint Venture	5.3	(3.3)	5.2	1.6
Smart Cargo Logistics Limited[3]	50	Joint Venture	0.4	–	0.8	0.1
LDC Mountain Industries Pty Ltd[2]	49	Associate	7.0	(7.1)	0.5	–
			255.3	(193.0)	152.8	39.1
2013						
1-Stop Connections Pty Limited[1]	50	Joint Venture	5.6	(2.6)	12.6	3.6
Albany Bulk Handling Pty Limited	50	Joint Venture	10.8	(1.0)	7.9	3.6
Australian Amalgamated Terminals Pty Limited	50	Joint Venture	116.2	(115.6)	76.3	26.6
Car Compounds of Australia Pty Limited	50	Joint Venture	7.3	(3.0)	19.9	3.1
Geelong Unit Trust	50	Joint Venture	106.3	(69.2)	25.6	4.4
Auckland Stevedoring Company Limited[3]	50	Joint Venture	–	–	–	–
Insync Solutions[3]	50	Joint Venture	2.1	(1.7)	2.3	0.5
Smart Cargo Logistics Limited[3]	50	Joint Venture	0.3	–	0.4	0.1
			248.6	(193.1)	145.0	41.9

1. Reporting date is 31 December.
2. Equity accounted investment acquired on consolidation of Mountain Industries from 31 October 2013. Revenue and profit before tax represents financial information from the date of acquisition.
3. Equity accounted investments acquired on consolidation of C3 Limited from 28 November 2012. Revenue and profit before tax represents financial information from the date of acquisition.

Distributions received from joint ventures during the year ended 30 June 2014 totalled $12.2 million (2013: $18.6 million).

All joint ventures were incorporated or formed in Australia, apart from Auckland Stevedoring Company Limited, Insync Solutions and Smart Cargo Logistics Limited which are incorporated in New Zealand. These joint venture investments have been equity accounted by Asciano Limited since 28 November 2012, the date of acquisition of the remaining interest in C3 Limited.

20. Property, plant and equipment

2014	Land $M	Buildings $M	Plant and Equipment $M	Leasehold Improvements $M	Work in progress $M	Total $M
Cost						
Opening balance	290.2	247.0	4,380.4	660.3	499.7	6,077.6
Acquisitions[1]	21.1	15.0	62.1	–	689.0	787.2
Acquisitions through business combinations[2]	27.7	12.5	20.3	–	–	60.5
Transfers[3]	–	13.6	446.8	18.9	(517.0)	(37.7)
Disposals	(57.4)	(9.6)	(66.7)	(54.5)	–	(188.2)
Closing balance	**281.6**	**278.5**	**4,842.9**	**624.7**	**671.7**	**6,699.4**
Accumulated depreciation and impairment losses						
Opening balance	–	(50.2)	(1,735.3)	(365.9)	–	(2,151.4)
Depreciation	–	(8.6)	(271.1)	(26.7)	–	(306.4)
Impairment	–	–	(38.7)	(4.0)	–	(42.7)
Disposals	–	1.8	59.9	46.1	–	107.8
Closing balance	**–**	**(57.0)**	**(1,985.2)**	**(350.5)**	**–**	**(2,392.7)**
Carrying amounts						
At 1 July 2013	290.2	196.8	2,645.1	294.6	499.7	3,926.4
At 30 June 2014	**281.6**	**221.5**	**2,857.7**	**274.2**	**671.7**	**4,306.7**
2013						
Cost						
Opening balance	291.4	110.9	3,626.7	648.4	834.9	5,512.3
Acquisitions[1]	–	–	–	–	616.1	616.1
Acquisitions through business combinations	–	0.9	21.1	–	–	22.0
Transfers [2]	2.9	135.5	775.8	13.8	(951.3)	(23.3)
Disposals	(4.1)	(0.3)	(43.2)	(1.9)	–	(49.5)
Closing balance	290.2	247.0	4,380.4	660.3	499.7	6,077.6
Accumulated depreciation and impairment losses						
Opening balance	–	(41.2)	(1,553.2)	(336.2)	–	(1,930.6)
Depreciation	–	(9.3)	(225.3)	(31.3)	–	(265.9)
Disposals	–	0.3	43.2	1.8	–	45.3
Closing balance	–	(50.2)	(1,735.3)	(365.7)	–	(2,151.2)
Carrying amounts						
At 1 July 2012	291.4	69.7	2,073.5	312.2	834.9	3,581.7
At 30 June 2013	290.2	196.8	2,645.1	294.6	499.7	3,926.4

1. Included in the cost of property, plant and equipment acquisitions is $10.2 million (2013: $10.7 million) of borrowing costs capitalised to qualifying assets. An average capitalisation rate of 6.8% (2013: capitalisation rate of 7.2%) was used.
2. Acquisitions acquired through business combinations relate to the acquisition of Mountain Industries. Refer to note 5.
3. Transfers include $33.6 million (2013: $23.3 million) of software and $3.4 million of future track access rights transferred from plant and equipment to intangible assets.

20. Property, plant and equipment (continued)

Work in progress

Work in progress comprises amounts spent on various capital projects including construction and capital improvement of locomotives, wagons and lifting equipment, and development works at various rail and port terminals.

Leased assets

As at 30 June 2014 the carrying value of plant and equipment under finance lease is $1.8 million (2013: $2.2 million).

21. Intangible assets

2014	Goodwill $M	IT development and software $M	Customer contacts & relationships $M	Brand name $M	Other* $M	Total $M
Cost						
Opening balance	3,566.0	172.6	458.6	25.0	13.9	4,236.1
Acquisitions	–	–	–	–	0.9	0.9
Acquisitions through business combinations	22.3	–	2.4	–	–	24.7
Transfers from property, plant and equipment	–	5.6	–	–	32.1	37.7
Disposals	–	(24.5)	–	–	–	(24.5)
Closing balance	**3,588.3**	**153.7**	**461.0**	**25.0**	**46.9**	**4,274.9**
Accumulated amortisation and impairment losses						
Opening balance	(962.9)	(128.0)	(351.4)	–	–	(1,442.3)
Amortisation	–	(15.8)	(28.3)	–	(2.5)	(46.6)
Disposals	–	24.6	–	–	–	24.6
Other	–	–	(0.3)	–	–	(0.3)
Closing balance	**(962.9)**	**(119.2)**	**(380.0)**	**–**	**(2.5)**	**(1,464.6)**
Carrying amounts						
At 1 July 2013	2,603.1	44.6	107.2	25.0	13.9	2,793.8
At 30 June 2014	**2,625.4**	**34.5**	**81.0**	**25.0**	**44.4**	**2,810.3**
2013						
Cost						
Opening balance	3,514.1	163.9	445.9	25.0	–	4,148.9
Acquisitions through business combinations	51.9	1.2	12.7	–	–	65.8
Transfers from property, plant and equipment	–	9.4	–	–	13.9	23.3
Disposals	–	(1.9)	–	–	–	(1.9)
Closing balance	3,566.0	172.6	458.6	25.0	13.9	4,236.1
Accumulated amortisation and impairment losses						
Opening balance	(962.9)	(114.0)	(321.7)	–	–	(1,398.6)
Amortisation	–	(15.2)	(29.7)	–	–	(44.9)
Disposals	–	1.2	–	–	–	1.2
Closing balance	(962.9)	(128.0)	(351.4)	–	–	(1,442.3)
Carrying amounts						
At 1 July 2012	2,551.2	49.9	124.2	25.0	–	2,750.3
At 30 June 2013	2,603.1	44.6	107.2	25.0	13.9	2,793.8

* Other intangible assets comprise future track access rights.

21. Intangible assets (continued)

Indefinite useful life of brand name

The Patrick brand is associated with businesses that currently operate within markets with high pecuniary, legislative and availability of resource barriers to entry. It is anticipated that there is no foreseeable limit to the period over which the brand name is expected to generate net cash inflows for Asciano, and as such has been regarded as an indefinite useful life intangible asset.

Allocation of goodwill to CGUs

	2014 $M	2013 $M
PN Coal	524.0	524.0
PN Rail	350.0	350.0
Container Ports	1,497.5	1,497.5
General Stevedoring	107.1	84.8
Autocare	94.9	94.9
C3 Limited	51.9	51.9
Total goodwill	**2,625.4**	**2,603.1**

No goodwill is allocated to the Bulk Ports CGU.

The assessment of the recoverable amounts of goodwill is based on value-in-use calculations undertaken at the CGU level. Value in use is calculated using a discounted cash flow methodology covering a 10 year period with a terminal value at the end of the period.

The carrying amounts of goodwill in the CGUs were fully supported as at the reporting date. The following describes the key assumptions supporting the cash flow projections:

Cash flow forecasts

Cash flow forecasts are based on the most recent 10 year financial projections and have been adjusted to exclude the costs and benefits of non-committed expansionary capital expenditure. The 10 year period is considered to be a more reliable and accurate prediction of the eventual cash flows than shorter term (five year) forecasts, due to the quantum of upfront investment, the length of time and capital expenditure required to bring the infrastructure assets into full production, the longevity of the infrastructure assets, the lack of available substitutes and the strategic importance of the various infrastructure business to the economy.

Growth rates

Growth rates used in the financial projections are based on management's expectations for future performance and do not normally exceed the long-term growth rate for the business in which each CGU operates. Average annual growth rates range between 3.6% and 9.6% per annum (2013: 0 % and 10.9% per annum).

Terminal values

Terminal values calculated after year 10 have been determined using the stable growth model, having regard to the weighted average cost of capital ("WACC") and terminal growth factor of 2.75% (2013: 2.5%) per annum which is considered appropriate to the businesses in which each CGU operates.

Discount rates

Discount rates used are the pre-tax WACC and include a premium for market risks appropriate to the relevant CGU. The WACCs range from 12.0% to 13.6% (2013: WACC of 12.5% for all CGUs) per annum.

Impact of possible changes in key assumptions

The value-in-use calculations are sensitive to changes in the key assumptions used in the impairment testing. As such, a sensitivity analysis was undertaken by management to examine the effect of changes in key assumptions which would cause the carrying amount to exceed the recoverable amount for each CGU.

Management is satisfied that any reasonably likely changes in the key assumptions would not cause the carrying value of each CGU to materially exceed its recoverable amount.

22. Trade and other payables

	Note	2014 $M	RESTATED[1] 2013 $M
Current			
Trade payables		152.8	129.5
Other payables and accrued expenses		311.6	264.1
		464.4	393.6
Non-current			
Defined benefit plan liability	29	120.8	119.0
Other payables and accrued expenses		15.3	13.3
		136.1	132.3

1. The restatement relates to the adoption of the amended accounting standard AASB 119 Employee Benefits (2011), as outlined in note 1(f).

23. Loans and borrowings

	2014 $M	2013 $M
Current		
Finance lease liabilities	0.6	0.6
Non-current		
Syndicated bank loan	650.0	810.0
US dollar bonds, net of discount	2,116.3	2,183.8
GBP bonds, net of discount	542.3	–
Unrealised fair value loss on US dollar bonds	76.8	88.5
Capitalised borrowing costs	(16.6)	(13.6)
Finance lease liabilities	1.2	1.6
	3,370.0	3,070.3

On 19 September 2013, Asciano Finance Limited issued GBP 300.0 million of 5.0% Medium Term Notes due in September 2023 (“GBP bond issuance”) which are guaranteed by Asciano Limited and each subsidiary. On 20 September 2013, the proceeds from this GBP bond issuance were used to repay A$270.0 million of the syndicated term loan maturing in October 2014 and A$200.0 million of the syndicated term loan maturing in October 2016. As at 30 June 2014, all syndicated bank loans and US dollar bonds and GBP bonds were unsecured.

23. Loans and borrowings (continued)

Bank facilities

The following table provides details of the components of the bank facilities and cash:

		2014		2013	
$M	Maturity	Facility	Utilised	Facility	Utilised
Syndicated revolving credit facility	October 2016	650.0	650.0	650.0	160.0
Syndicated revolving credit facility	October 2019	650.0	–	650.0	650.0
Less: cash and cash equivalents		–	(167.3)	–	(29.7)
Net bank debt		**1,300.0**	**482.7**	**1,300.0**	**780.3**
Working capital facilities	October 2013	–	–	150.0	83.6
Bank guarantee facility[1]	June 2016	150.0	73.7	–	–
		1,450.0		1,450.0	

1. All drawings under the bank guarantee facility as at 30 June 2014 are in the form of performance bonds and bank guarantees.
2. Asciano pays interest on its bank facilities at a margin above the bank bill swap rate. As at 30 June 2014 Asciano's bank debt was hedged to 31% (2013: 25%) by interest rate swaps.

US dollar bonds

The following table provides details of the components of the US dollar bonds:

		2014		2013	
$M	Maturity	US$	A$[1]	US$	A$
US dollar 5 year bonds	September 2015	400.0	424.1	400.0	437.8
US dollar 7 year bonds	April 2018	750.0	795.2	750.0	820.9
US dollar 10 year bonds	September 2020	600.0	636.1	600.0	656.6
US dollar 12 year bonds	April 2023	250.0	265.1	250.0	273.6
Discount on US dollar bonds		(6.0)	(4.2)	(6.0)	(5.1)
		1,994.0	2,116.3	1,994.0	2,183.8

1. Australian dollar equivalent calculated at the spot rate on 30 June 2014.

The US dollar bonds maturing in 2015 and 2020 are hedged by cross-currency swaps, which were entered into at the time the bonds were priced, in order to convert US dollar fixed rate borrowings into Australian dollar fixed rate borrowings.

The US dollar bonds maturing in 2018 and 2023 are hedged by cross-currency swaps, which were entered into at the time the bonds were priced, to convert US dollar fixed rate borrowings (in combination with redesignated interest rate swaps) into Australian dollar fixed rate and Australian dollar floating rate borrowings.

Sterling bonds

The following table provides details of the components of the GBP bonds:

		2014		2013	
$M	Maturity	GB£	A$[1]	GB£	A$
GBP 10 year bonds	September 2023	300.0	544.0	–	–
Discount on GBP bonds		(1.1)	(1.7)	–	–
		298.9	542.3	–	–

1. Australian dollar equivalent calculated at the spot rate on 30 June 2014.

The GBP bonds maturing in 2023 are hedged by cross-currency swaps, which were entered into on 19 September 2013 to convert GBP fixed rate borrowings into Australian dollar fixed rate borrowings.

As at 30 June 2014, Asciano had fixed the interest rates in respect of 77% of the US bonds (2013: 77%) and fully hedged its currency exposure (30 June 2013: 100%).

As at 30 June 2014, Asciano had fixed 100% of the interest rates on GBP bonds and fully hedged its currency exposure.
Details of exposure to risks from current and non-current borrowings are set out in note 3.

24. Derivative financial liabilities

	2014 $M	2013 $M
Current		
Forward exchange contracts	6.0	–
Interest rate swaps	3.6	0.9
Cross-currency swaps	51.8	28.2
	61.4	29.1
Non-current		
Forward exchange contracts	1.3	–
Interest rate swaps	2.0	–
Cross-currency swaps	54.5	19.3
	57.8	19.3

25. Provisions and employee benefits

Current		
Workers compensation	5.0	8.0
Restructuring	43.2	4.1
Incident	15.2	20.3
Travel passes	1.5	2.4
Site restoration	4.0	4.0
Other	5.5	4.9
Balance before employee benefits	74.4	43.7
Long service leave	90.7	85.5
Annual leave	92.2	90.0
Other employee entitlements	18.9	16.6
	276.2	235.8
Non-current		
Workers compensation	23.1	24.9
Restructuring	1.3	13.0
Travel passes	33.8	32.9
Site restoration	5.7	5.7
Other	1.5	–
Balance before employee benefits	65.4	76.5
Long service leave	17.7	16.6
	83.1	93.1

25. Provisions and employee benefits (continued)

Movements in non-employee provisions

2014 $M	Workers compensation	Restructuring	Incident	Travel passes	Site restoration	Other	Total
Opening balance	32.9	17.1	20.3	35.3	9.7	4.9	120.2
Made	8.3	60.1	5.1	0.8	–	9.0	83.3
Utilised	(13.8)	(32.7)	(8.6)	(2.2)	–	(5.4)	(62.7)
Reversed	–	–	(1.6)	–	–	(1.5)	(3.1)
Discount unwind	0.7	–	–	1.4	–	–	2.1
Closing balance	**28.1**	**44.5**	**15.2**	**35.3**	**9.7**	**7.0**	**139.8**
Represented by:							
Current	5.0	43.2	15.2	1.5	4.0	5.5	74.4
Non-current	23.1	1.3	–	33.8	5.7	1.5	65.4
	28.1	44.5	15.2	35.3	9.7	7.0	139.8

Workers compensation provision

Workers compensation relates to Pacific National (NSW) Pty Limited, which is a licensed self-insurer for workers compensation claims made under the Workers Compensation Act 1987 (NSW) and the Workplace Injury Management and Workers Compensation Act 1998 (NSW). Asciano Services Pty Limited is also self-insured under the Safety, Rehabilitation and Compensation Act 1988 (Cth). As a condition of the licences, Asciano maintains an 'excess of loss' (workers compensation) insurance policy for each licence for any one event exceeding $1 million (indexed).

A provision is maintained to cover claims made or likely to be made by employees up to $1 million for any one event. The provision is made in accordance with an independent actuarial assessment of the liability for workers compensation claims conducted by McMahon Actuarial Services Pty Limited.

Restructuring provision

The restructuring provision represents the estimated cost of the termination payments to be made to employees impacted by the restructuring commenced during the year or in association with the redevelopment of Port Botany. The expenditure is expected to be incurred in the next six months with the exception of approximately $23.2 million which will be paid out on completion of the automation cutover at Port Botany.

Incident provision

The incident provision is the expected cost of claims relating to train and other incidents. The timing of this expenditure is expected to be within the next year.

Travel passes provision

The travel passes provision relates to the cost of retiree rail travel passes and is based on an independent actuarial assessment conducted by ABS (PL) Pty Limited. Retiree rail travel passes relate to retired ex-employees of FreightCorp (the business acquired by an Asciano subsidiary in 2002) who held a life-long travel pass and ex-employees of FreightCorp who became employees of Pacific National who were expected to become entitled to a retiree pass on exiting the business. Timing of the expenditure is dependent upon the age of the passholder, length of service, expected exit date and life expectancy.

Site restoration provision

The site restoration provision is an estimate of environmental costs to be incurred in the future. A provision for site restoration in respect of contaminated land and the related expense are recognised when the need is identified. The provision is the best estimate of the present value of the expenditure required to settle the site restoration obligation at the reporting date, based on current legal requirements and technology.

Other provisions

Other provisions include, for example, the decommissioning provision and legal provisions. Legal provisions represent an estimate of the cost of defending and/or settling any claims against Asciano. Timing of expenditure varies on a case-by-case basis.

26. Contributed equity

There is no ‘par value’ for ordinary shares. The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

Movement in number of issued shares

2014	Date	Price per share $	Number of fully paid ordinary shares	$M
Parent				
Balance at	1 July 2013		975,385,664	8,606.1
Treasury shares acquired				(4.7)
Treasury shares allocated				7.9
Balance	**30 June 2014**		**975,385,664**	**8,609.3**
2013				
Balance at	1 July 2012		975,385,664	8,604.7
Treasury shares allocated				1.4
Balance	30 June 2013		975,385,664	8,606.1

Treasury shares consist of shares held in trust for Asciano employees in relation to equity compensation plans.

These shares will transfer to the participating executives on satisfaction of the relevant time and/or performance-based conditions. At 30 June 2014 210,136 (2013: 920,648) shares were held in trust and classified as treasury shares.

Distribution Reinvestment Plan

The Distribution Reinvestment Plan (“DRP”) was announced in May 2008 and allows shareholders to reinvest all or part of their dividends in additional shares. The DRP was not activated during either of the 2014 or 2013 financial years.

27. Reserves

Movement in reserves

2014	Common control $M	Translation $M	Hedge $M	Employee equity benefit $M	Corporatisation $M	Profit reserve $M	Total $M
Opening balance	(4,911.2)	1.0	(36.3)	10.2	9.3	223.5	(4,703.5)
Other comprehensive income	–	0.6	(50.4)	–	–	–	(49.8)
Profits transferred from retained earnings	–	–	–	–	–	144.2	144.2
Dividends paid	–	–	–	–	–	(117.0)	(117.0)
Employee equity benefits	–	–	–	4.9	–	–	4.9
Closing balance	**(4,911.2)**	**1.6**	**(86.7)**	**15.1**	**9.3**	**250.7**	**(4,721.2)**
2013							
Opening balance	(4,911.2)	(1.1)	(68.0)	7.3	9.3	68.8	(4,894.9)
Other comprehensive income	–	2.1	31.7	–	–	–	33.8
Profits transferred from retained earnings	–	–	–	–	–	244.9	244.9
Dividends paid	–	–	–	–	–	(90.2)	(90.2)
Employee equity benefits	–	–	–	2.9	–	–	2.9
Closing balance	(4,911.2)	1.0	(36.3)	10.2	9.3	223.5	(4,703.5)

Common control reserve

As a result of combinations of entities under common control, an equity account was created as a component of equity, called the common control reserve. The balance of the account represents the excess of the fair value of Asciano shares as traded on 15 June 2007 over the initial carrying value of the Patrick, Pacific National and Toll Ports businesses transferred from Toll to Asciano at the time of the demerger.

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of liabilities that hedge the net investment loans in foreign operations.

Hedge reserve

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

Employee equity benefits reserve

The employee equity benefits reserve is used to record the value of share-based payments provided to employees, including KMP, as part of their remuneration. The current balance relates to unexercised options issued to senior executives under the Asciano Options and Rights Plan ("Option Plan"). The initial fair value attributed to the options at grant date is recognised on a straight line basis over the vesting period. This reserve will be reversed against contributed equity if the underlying options are exercised and result in shares being issued. Refer to note 34(a) for further details of the Option Plan.

The treasury share reserve, also part of the Employee equity benefits reserve, is used to record the value of the rights issued under the Asciano Options and Rights Plan share-based payments which are provided to employees, including KMP, as part of their remuneration. The initial fair value attributed to the Rights Plans is recognised on a straight line basis over the vesting period. Refer to 34(b) to 34(c) for further details of the Rights Plans.

Corporatisation reserve

The Trust became a member of the Asciano tax-consolidated group on Corporatisation. The Corporatisation reserve relates to deferred tax amounts which have been recognised on entry by the Trust to the Asciano tax- consolidated group.

Profit reserve

The Profit reserve was established to record profits from which franked dividends can be paid.

28. Accumulated losses

	2014 $M	RESTATED[1] 2013 $M
Opening balance	(295.1)	(388.4)
Profit after tax attributable to owners of Asciano Limited	254.4	334.4
Other comprehensive income	(4.4)	4.0
Profits transferred to Profit reserve	(144.2)	(244.9)
Dividends	–	(0.2)
Closing balance	**(189.3)**	**(295.1)**

1. The restatement relates to the adoption of the amended accounting standard AASB 119 Employee Benefits (2011), as outlined in note 1(f).

29. Superannuation

Defined contribution funds

Asciano contributes to a number of defined contribution funds on behalf of employees. Under current legislation, employees are able to choose the fund into which these contributions are made, and Asciano pays contributions into the various funds in accordance with the employees' instructions. Contributions made to the funds were $48.9 million (2013: $42.5 million).

Victorian State Superannuation Fund

Asciano also contributes on behalf of certain employees to defined benefit schemes that are part of the Victorian State Superannuation Fund (“VSSF”). Certain employees of V/Line Freight Corporation, which was acquired by Freight Victoria Limited (subsequently renamed Pacific National (Victoria) Limited) on 1 May 1999, elected to continue their membership of the defined benefit schemes at acquisition. Membership of the defined benefit schemes had been closed to new members prior to 1 May 1999. As at 30 June 2014, there were 34 (2013: 34) employees still in the defined benefit schemes.

The State Government of Victoria retains liability for investment risk in the VSSF while Asciano’s exposure is in relation to future contribution rates only. Contribution rates may increase above current rates where the level of salary and wage increases exceeds that assumed by the actuary. The level of contributions in respect of these funds is determined by the VSSF’s board based on advice from the actuary. For accounting purposes, the State Government of Victoria recognises the unfunded superannuation liability in respect of the Emergency Services Superannuation Scheme (“ESSS”) (of which the VSSF is a sub–scheme) in its financial statements.

David Knox (BA, PhD, FIA, FIAA), the actuary who prepares the AASB 119 Employee Benefits liabilities for the State Government of Victoria, has advised that given the nature of the ESSS, the State Government of Victoria’s commitment to the ESSS, the pooling of risk and the difficulties in reliably allocating the benefit liabilities and assets between entities, it is appropriate for Asciano to use the defined contribution reporting approach available under the multi–employer fund provisions of AASB 119. This approach is also consistent with the treatment of Asciano's contribution in the calculation of the State Government of Victoria's balances.

Stevedoring Employees Retirement Fund

Asciano also contributes on behalf of certain employees into the Stevedoring Employees Retirement Fund (“SERF”). The SERF is a superannuation fund that, in addition to providing defined contribution benefits to some categories of members, provides other members with defined benefits. There were 35 (2013: 36) employees in the defined benefit fund and 1,926 (2013: 2,131) employees in the defined contribution fund as at 30 June 2014.

The SERF is a multi–employer industry–based superannuation fund. There is no basis that could be used to definitively apportion the benefits, assets and costs associated with the SERF between the various full participating employers.

The SERF’s actuary advised that the surplus in the fund continues to be $nil at 30 June 2014, primarily as a result of the performance of equity markets during the period. The actuary used a net of tax discount rate of 5.8% (2013: 5.8%) per annum and an assumed wage escalation rate of 4.0% (2013: 4.0%) per annum. Asciano has made normal contributions to the fund in 2014 at the request of the fund trustee.

Defined benefit funds

Asciano is a sponsor of a number of pooled defined benefit funds relating to employees it took over from closed New South Wales public sector entities. The funds include the State Superannuation Scheme (“SSS”), the State Authorities Superannuation Scheme (“SASS”) and the State Authorities Non-Contributory Superannuation Scheme (“SANCS”). These schemes are all defined benefit schemes and at least one component of the final benefit is derived from a multiple of member salary and years of membership. There were 443 (2013: 482) employees and former employees in these defined benefit funds as at 30 June 2014.

29. Superannuation (continued)

In accordance with various trust deeds, where a deficit exists in the funds the trustee may request additional contributions by employers in order to manage down the deficit over time. At the request of the trustee, Asciano made additional contributions of $8.5 million (2013: $8.4 million) in the 2014 financial year. A contribution of $11.0 million is forecast for the 2015 financial year.

In accordance with AASB 119, Asciano has elected to reflect actuarial gains and losses, after tax, directly in other comprehensive income. Other gains and losses are reflected in the current period profit or loss.

All fund assets are invested at arm's length through independent fund managers.

	2014 $M	RESTATED[1] 2013 $M
Fund assets comprise:		
Australian equities	59.3	56.1
Overseas equities	55.2	48.1
Australian fixed interest securities	11.9	12.7
Overseas fixed interest securities	4.4	4.0
Property	16.5	15.3
Cash	12.5	24.2
Other	32.0	24.0
	191.8	184.4
Movement in the present value of fund assets		
Balance at the beginning of the financial period	184.4	156.9
Contributions paid into the funds – employer	11.0	11.0
Contributions paid into the funds – plan participants	2.1	2.1
Benefits paid by the funds	(28.0)	(11.3)
Expected return on fund assets	6.9	13.3
Actuarial gains recognised in other comprehensive income	15.4	12.4
Balance at the end of the financial year	**191.8**	**184.4**
Movement in the present value of the defined benefit obligation		
Balance at the beginning of the financial year	303.4	286.7
Contributions paid into the funds	2.1	2.1
Benefits paid by the funds	(28.0)	(11.3)
Current service costs and interest	15.4	10.9
Actuarial losses recognised in other comprehensive income	19.7	15.0
Balance at the end of the financial year	**312.6**	**303.4**
Expenses recognised in the profit or loss		
Current service costs	4.1	3.0
Interest cost	11.2	7.9
Expected return on fund assets	(6.9)	(4.7)
Total included in employee benefits expense	**8.4**	**6.2**
Actual return on fund assets	**15.4**	**26.7**
Actuarial gains and losses recognised directly in other comprehensive income		
Balance at the beginning of the financial year	(120.4)	(124.6)
Recognised directly in other comprehensive income	(6.3)	6.0
Tax thereon	1.9	(1.8)
Other comprehensive income, net of tax	(4.4)	4.2
Balance at the end of the financial year	**(124.8)**	**(120.4)**

29. Superannuation (continued)

	2014 % pa	2013 % pa
Actuarial assumptions		
Discount rate	3.6	3.8
Future salary increases	4.0	4.0
Rate of Consumer Price Index ("CPI") increase	2.5	2.5
Expected rate of return on assets	8.3	8.6
Pensioner mortality as per the 2012 Actuarial Investigation of the Pooled Fund	–	–

The sensitivity of the defined benefit obligation to changes in the significant assumptions is:

		Impact on defined benefit obligation	
	Change in assumptions	Increase in assumption	Decrease in assumption
Actuarial assumptions			
Discount rate	1.0%	(29.4)	36.1
Future salary increases	0.5%	9.4	(8.9)
Rate of Consumer Price Index ("CPI") increase	0.5%	7.0	(6.4)
Pensioner mortality	5.0%	(1.2)	1.2

Comparative information has not been provided for the sensitivity analysis as permitted by the transitional provisions of the revised standard.

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit liability recognised in the statement of financial position.

29. Superannuation (continued)

Employer contributions

Employer contributions to the funds are based on recommendations by the funds' actuaries. Actuarial assessments are made on an annual basis and the last such assessment was conducted as at 30 June 2014.

Historical information

2014	SSS $M	SASS $M	SANCS $M	Total $M
Defined benefit obligation	(3.2)	(281.8)	(27.6)	(312.6)
Fund assets	5.9	164.5	21.4	191.8
Net surplus/(deficit)	**2.7**	**(117.3)**	**(6.2)**	**(120.8)**
Experience adjustments – fund liabilities	0.6	(14.0)	(0.9)	(14.3)
Experience adjustments – fund assets	–	–	–	–
2013[1]				
Defined benefit obligation	(3.3)	(272.2)	(27.9)	(303.4)
Fund assets	5.3	158.7	20.4	184.4
Net surplus/(deficit)	2.0	(113.5)	(7.5)	(119.0)
Experience adjustments – fund liabilities	0.5	(15.1)	(0.4)	(15.0)
Experience adjustments – fund assets	0.6	18.1	2.3	21.0
2012				
Defined benefit obligation	(3.8)	(256.5)	(26.4)	(286.7)
Fund assets	4.6	136.5	15.8	156.9
Net surplus/(deficit)	0.8	(120.0)	(10.6)	(129.8)
Experience adjustments – fund liabilities	1.2	28.2	3.3	32.7
Experience adjustments – fund assets	0.4	13.5	1.4	15.3
2011				
Defined benefit obligation	(2.5)	(210.4)	(21.9)	(234.8)
Fund assets	4.6	145.0	16.4	166.0
Net surplus/(deficit)	2.1	(65.4)	(5.5)	(68.8)
Experience adjustments – fund liabilities	–	5.5	0.4	5.9
Experience adjustments – fund assets	–	2.4	–	2.4
2010				
Defined benefit obligation	(2.5)	(204.1)	(20.7)	(227.3)
Fund assets	4.3	141.4	14.4	160.1
Net surplus/(deficit)	1.8	(62.7)	(6.3)	(67.2)
Experience adjustments – fund liabilities	0.1	10.3	1.0	11.4
Experience adjustments – fund assets	–	2.7	–	2.7

1. The restatement relates to the adoption of the amended accounting standard AASB 119 Employee Benefits (2011), as outlined in note 1(f).

30. Operating and finance leases

	2014 $M	2013 $M
Non-cancellable operating lease rentals are payable as follows:		
Within one year	124.1	116.2
One year or later and no later than five years	343.4	343.2
Later than five years	842.7	685.5
	1,310.2	1,144.9

Asciano leases property under non-cancellable operating leases expiring between two to 45 years. Lease payments comprise a base amount plus an incremental contingent rental (if required). Contingent rentals are based on either movements in the CPI or operating criteria.

	2014 $M	2013 $M
Non-cancellable finance lease rentals are payable as follows:		
Within one year	0.6	0.6
One year or later and no later than five years	1.2	1.6
	1.8	2.2

31. Capital and other commitments

Plant and equipment		
Contracted capital expenditure committed but not yet payable:		
Within one year	305.0	291.7
One year or later and no later than five years	161.7	137.4
Later than five years	9.3	2.4
	476.0	431.5
Maintenance commitments		
Non-cancellable maintenance contracts committed but not yet payable:		
Within one year	19.7	10.6
One year or later and no later than five years	30.6	31.4
Later than five years	–	12.4
	50.3	54.4
Other commitments		
Non-cancellable other contracts committed but not yet payable:		
Within one year	24.9	33.3
One year or later and no later than five years	0.5	4.3
	25.4	37.6

32. Contingencies

Litigation

From time to time, Asciano is subject to claims and litigation during the normal course of business. The Board has given consideration to such matters, which are or may be subject to litigation at year end and, subject to specific provisions raised, is of the opinion that no material liability exists.

Environmental liabilities

Asciano provides for all known environmental liabilities. While the Board believes that its provisions for environmental rehabilitation are adequate, there can be no assurance that material new provisions will not be required as a result of new information or regulatory requirements with respect to known sites or identification of new remedial obligations at other sites.

33. Related parties

(a) KMP

Details on the remuneration paid to the Non-Executive Directors, the Executive Director and those other executives who at any point during the financial year had authority and responsibility for planning, directing and controlling the activities of Asciano are provided under section 7 of the Directors' report.

KMP remuneration

	2014 $000	2013 $000
Remuneration elements		
Short-term employee benefits	8,195	7,880
Post-employment benefits	121	93
Other long-term employee benefits	153	140
Share-based payments	2,549	2,797
Total remuneration	**11,018**	**10,910**

b) Significant subsidiaries

All significant operating subsidiaries listed below were incorporated in Australia, except C3 Limited which is incorporated in New Zealand and are 100% owned, except Patrick Autocare Pty Limited which is 80% owned.

Asciano Finance Limited

Asciano Services Pty Limited

Pacific National (NSW) Pty Limited

Pacific National (QLD) Pty Limited

Pacific National (Queensland Coal) Pty Limited

Patrick Autocare Pty Limited

Patrick Container Ports Pty Limited

Patrick Ports Pty Limited

Patrick Stevedores Holdings Pty Limited

Patrick Stevedores Operations Pty Limited

Patrick Stevedores Operations No 2 Pty Limited

Patrick Stevedoring Pty Limited

Plzen Pty Limited

PSL Services Pty Limited

C3 Limited

Mountain Industries Pty Ltd

MTN Industries Pty Ltd

33. Related parties (continued)

(c) Transactions with related parties

	2014 $M	2013 $M
Transactions with joint ventures		
Sales revenue	4.8	1.8
Purchases/services received	49.8	42.5
Dividend revenue	12.2	18.6
Interest revenue	0.2	–

Balances of loans with joint ventures are disclosed in note 14. As at 30 June 2014 there are $2.7 million of interest bearing loans to joint ventures (2013: $nil).

(d) Terms and conditions

Transactions relating to dividends were on the same terms and conditions that applied to other shareholders.

All other transactions were made on normal commercial terms and conditions and at market rates, except that there are no fixed terms for the repayment of loans between the parties.

34. Share-based payments

(a) Asciano Options and Rights Plan

The Option Plan was established to provide LTIs for executives and selected employees. Under the Option Plan, participants are granted options that only vest if certain time-based and performance-based vesting conditions are met. Participation in the Option Plan is at the Board's discretion and no individual has a contractual right to participate in the Option Plan or to receive any guaranteed benefits.

The number of options granted to executives and selected employees are based upon their target LTI. This target LTI is determined based upon the executive's or employee's level of seniority and contribution to the profitability of Asciano.

The options vest over a three to four year period and are subject to Asciano's relative TSR performance against companies in the S&P/ASX 100 Index (excluding resources and financial companies). The options also have an additional, inherent, performance hurdle, being that the share price at vesting date must be above the exercise price. The options are equity-settled.

Vested options can be exercised to acquire shares in the Company, subject to paying an exercise price. The acquired shares are subject to a holding lock for a maximum period of seven years from the date the options were granted. Once the holding lock has lifted, the shares can be sold at any time subject to compliance with the Asciano Share Trading Policy. Options granted under the Option Plan are for no consideration and carry no dividend or voting rights.

No options were granted during the 2014 financial year as the Company now uses a Rights plan for its LTI plan.

Set out below are the key terms of options granted under the Option Plan:

Grant date	Tranche	Expiry date	Exercise price $	Fair value of grant $	Opening balance	Granted	Exercised	Lapsed	Closing balance
2014									
08/10/09	A	30/06/14	4.56	1.59	777,796	–	(719,938)	(57,858)	–
08/10/09	B	30/06/14	4.56	1.53	259,251	–	(155,551)	(103,700)	–
15/07/10	B	30/06/15	5.01	1.02	1,067,635	–	(172,687)	–	894,948
17/12/10	B	30/06/15	5.01	0.96	482,640	–	(178,750)	–	303,890
10/11/11	B	30/06/15	5.04	0.54	516,186	–	–	–	516,186
					3,103,508	–	(1,226,926)	(161,558)	1,715,024
2013									
23/09/08	A	30/06/13	12.72	2.73	519,552	–	–	(519,552)	–
08/10/09	A	30/06/14	4.56	1.59	932,053	–	(47,873)	(106,384)	777,796
08/10/09	B	30/06/14	4.56	1.53	310,677	–	–	(51,426)	259,251
15/07/10	B	30/06/15	5.01	1.02	1,277,498	–	–	(209,863)	1,067,635
17/12/10	B	30/06/15	5.01	0.96	482,640	–	–	–	482,640
10/11/11	B	30/06/15	5.04	0.54	516,186	–	–	–	516,186
					4,038,606	–	(47,873)	(887,225)	3,103,508

Tranche A refers to the options subject to EBIT growth per share and Tranche B refers to the options subject to the relative TSR hurdle. Tranche A options have been valued using the Binomial model and their value is exclusive of performance hurdles. Tranche B options have been valued using a Monte Carlo simulation that takes into account the relative TSR hurdle.

34. Share-based payments (continued)

The options granted during the 2011 financial year and subject to the TSR performance hurdle were tested on 1 July 2013 and 52% vested. These options were retested on 1 July 2014 and an additional 10% vested. The remaining contractual life of the options outstanding at the end of the year is one year. The model inputs used in determining the fair value of options granted in the 2012 financial year under the Option Plan are provided below:

Grant date	Performance hurdle	Expiry date	Exercise price $	Fair value $	Share price at grant date $	Expected price volatility %	Expected dividend yield %	Risk-free rate %
10 November 2011	TSR	30 June 2015	5.04	0.54	4.47	25	1.7	3.4

The model inputs used in determining the fair value of options granted in the 2011 financial year under the Option Plan are provided below:

Grant date	Performance hurdle	Expiry date	Exercise price $	Fair value $	Share price at grant date $	Expected price volatility %	Expected dividend yield %	Risk-free rate %
15 July 2010	TSR	30 June 2015	5.01	1.02	5.10	25	2.7	4.65
27 October 2010	TSR	30 June 2015	5.01	0.87	4.71	25	1.3	4.94
17 December 2010	TSR	30 June 2015	5.01	0.96	4.80	25	1.3	5.24

Reconciliation of outstanding share options

The number and weighted average exercise prices of share options under the Asciano Option Plan are as follows:

	Number of options in thousands 2014	Weighted average exercise price 2014	Number of options in thousands 2013	Weighted average exercise price 2013
In thousands of options				
Outstanding at 1 July	3,104	4.86	4,039	5.87
Forfeited during the year	(58)	4.56	(367)	4.82
Exercised during the year	(1,227)	5.07	(48)	4.56
Expired during the year	(104)	4.56	(520)	12.72
Granted during the year	–	–	–	–
Outstanding at 30 June	1,715	5.02	3,104	4.86
Exercisable at 30 June	729	5.02	778	4.56

The options outstanding as at 30 June 2014 have an exercise price of $5.02 (2013: $4.56 and $5.04) and a contractual life of one year.

(b) Asciano Short Term Incentive (STI) Plan

Under Asciano's STI Plan, certain participating employees receive 75% of the annual STI achieved in cash and 25% in the form of STI rights to shares of Asciano. Of the STI rights allocated on 3 October 2012, for the 2012 financial year, half vested on 1 September 2013 and the other half will vest on 1 September 2014. The rights automatically convert into one ordinary share each on vesting at an exercise price of nil. The participating employees do not receive any dividends and are not entitled to vote in relation to the deferred shares during the vesting period. If the participating employee ceases to be employed by the Asciano Group within this period, the rights will be forfeited, except in limited circumstances that are approved by the board on a case-by-case basis.

The shares are acquired on market as required, and prior to each vesting date, and are held as treasury shares until such time as they are vested. Forfeited shares are reallocated in subsequent grants.

34. Share-based payments (continued)

Set out below are the key terms of the STI rights granted under the STI Plan.

STI rights granted during the 2013 financial year in respect of the 2012 financial year

						Time–based condition	
Grant date	Vesting date	Risk-free interest rate %	Share price at grant date $	Expected price volatility %	Expected dividend yield %	Fair value $	Number of STI rights
3 October 2012	1 September 2014	2.38	4.45	25	2.2	4.27	211,916

STI rights granted during the 2014 financial year in respect of the 2013 financial year

						Time–based condition	
Grant date	Vesting date	Risk-free interest rate %	Share price at grant date $	Expected price volatility %	Expected dividend yield %	Fair value $	Number of STI rights
20 August 2013	1 September 2014	2.39	5.23	25	2.3	5.11	91,932
20 August 2013	1 September 2015	2.56	5.23	25	2.3	4.99	91,931
3 October 2013	1 September 2014	2.45	5.87	25	2.6	5.73	185,034
3 October 2013	1 September 2015	2.62	5.87	25	2.6	5.58	185,003

The number of rights to be granted is determined based on the dollar value of the achieved STI divided by the weighted average price at which the company's shares are traded on the ASX during the week up to and include the date of the grant.

The fair value of the rights at grant date was estimated based on market price of the Company's shares on that date, with downward adjustment to take into account the present value of dividends that will not be received by executives on their rights during the two year vesting period.

As at 30 June 2014 the balance of the STI rights was 602,872 following the issue of 553,900 STI rights, vesting of 338,586 STI rights and the forfeiture of 5,410 STI rights.

For the year ended 30 June 2014 management have included an estimated expense of $1.1 million for STI rights in respect of the 2014 financial year which will be allocated during the 2015 financial year.

(c) Asciano LTI Plan

The Asciano LTI Plan was established to provide LTIs for executives and selected employees. Under the LTI Plan, participants are granted rights that only vest if certain time-based and performance-based vesting conditions are met. Participation in the LTI Plan is at the Board's discretion and no individual has a contractual right to participate in the LTI Plan or to receive any guaranteed benefits.

The number of rights granted to executives is based upon their target LTI. This target LTI is determined based upon the executive's level of seniority and contribution to the profitability of Asciano.

34. Share-based payments (continued)

The rights vest over a three year period and are subject to two equally weighted performance hurdles, being Asciano's relative TSR performance against companies in the S&P/ASX 100 Index (excluding resources and financial companies) and the ROCE hurdle. The rights also have an additional, inherent, performance hurdle, being that the share price at vesting date must be above the exercise price. The rights are equity-settled.

						Non-market performance condition		Market performance condition	
Grant date	Vesting date	Risk-free interest rate %	Share price at grant date $	Expected price volatility %	Expected dividend yield %	Fair value $	Number of rights to shares	Fair value $	Number of rights to shares
18 February 2014	30 June 2016	3.00-3.04	5.74	25	2.6	5.39	4,351	3.90	4,351
12 November 2013	30 June 2016	3.00-3.04	5.81	25	2.6	5.42	236,674	3.97	236,674
20 August 2013	30 June 2016	2.75-2.79	5.23	25	2.3	4.90	303,287	3.36	303,293
9 January 2013	30 June 2015	2.60	4.74	25	2.2	4.47	13,394	3.01	13,394
15 November 2012	30 June 2015	2.57	4.18	25	2.2	3.95	257,768	2.08	257,767
3 November 2012	30 June 2015	2.60	4.51	25	2.2	4.25	40,434	2.87	40,434
3 October 2012	30 June 2015	2.33	4.45	25	2.2	4.19	254,902	2.50	254,902
16 January 2012	30 June 2014	4.87	4.62	25	1.3	4.44	173,780	3.00	173,777
29 August 2011	30 June 2014	3.82	4.53	25	1.7	4.32	9,227	2.94	9,226
10 November 2011	30 June 2014	3.41	4.47	25	1.7	4.26	224,072	2.88	224,072
18 April 2012	30 June 2014	3.23	4.75	25	2.4	4.51	21,432	2.90	21,431

The Non-market performance condition tranche refers to the rights subject to the ROCE hurdle and the Market performance condition tranche refers to the rights subject to the relative TSR hurdle. The rights subject to the ROCE hurdle have been valued using the Binomial model and their value is exclusive of market performance hurdles while the rights subject to the TSR hurdle have been valued using a Monte Carlo simulation that takes into account the relative TSR hurdle.

(d) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the financial year as part of employee benefits expense were as follows:

	2014 $M	2013 $M
Options and rights issued under the Asciano Options and Rights plan	4.9	6.4

35. Events subsequent to the reporting date

On 21 August 2014, Asciano announced a number of changes to its executive team.

The current Director of the group's Ports and Stevedoring business, Philip Tonks, will be moving into a group wide role to support the group's focus on growth opportunities. As a result, Murray Vitlich who has been with the business since January 2012 in the role of Director Strategy and Business Development, will be appointed to the role of Director Bulk Automotive and Ports Services. Saul Cannon who has been with the group for over 7 years and currently holds the role of Group General Counsel and Company Secretary will move into the role of Director Strategy and Business Development. Ms Lyndall Stoyles who is currently the Senior Legal Counsel for the group's Patrick Terminals and Logistics business will replace Mr Cannon in the role of Group General Counsel and Company Secretary. In addition to these changes, we will be integrating the leadership of our Human Resources, Corporate Affairs and cross company customer initiatives under the leadership of our current Human Resources Director, Ms Alex Badenoch.

Other than for the items noted above and the resolution to pay a final dividend of 8.50 cents per share (refer to note 6), there has not arisen in the interval between the end of the 2014 financial year and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the Board, to significantly affect the operations of Asciano, the results of those operations, or the state of affairs of Asciano in future financial years.

36. Auditor's remuneration

KPMG is the auditor of Asciano. Amounts received or due and receivable by KPMG are detailed below:

	2014 $000	2013 $000
Audit services		
Audit and review of financial reports – KPMG Australia	1,500	1,483
Audit and review of financial reports – KPMG New Zealand	65	60
Other services – KPMG Australia		
Taxation services	50	27
Other assurance related services	316	55
	1,931	1,625

37. Deed of cross guarantee

Pursuant to ASIC Class Order 98/1418 dated 13 August 1998 (as amended by individual ASIC Order 08/0062 issued to the Parent on 31 January 2008), the wholly owned subsidiaries of the Parent listed below are relieved from the Corporations Act 2001 requirements for preparation, audit and lodgement of financial reports and Directors' reports.

It is a condition of the class order and individual ASIC Order 07/0813 issued to the Parent on 12 October 2007 that the Parent and each of the wholly owned subsidiaries enter into a deed of cross guarantee. The effect of the deed is that the Parent guarantees to each creditor payment in full of any debt in the event of the winding up of any of the wholly owned subsidiaries under certain provisions of the Corporations Act 2001. If a winding up occurs under other provisions of the Act, the Parent will only be liable in the event that after six months any creditor has not been paid in full. The wholly owned subsidiaries have also given similar guarantees in the event that the Parent is wound up.

37. Deed of cross guarantee (continued)

The subsidiaries subject to the deed are as follows:

Asciano Executive Services Pty Ltd
Asciano Holdings (Corporate) Pty Ltd
Asciano Holdings (General & Bulk) Pty Ltd
Asciano Holdings (Rail) Pty Ltd
Asciano Properties Pty Ltd
Asciano Services Pty Ltd
ATN Access Pty Limited
C3 Australia Pty Ltd
National Stevedoring Holdings Pty Limited
Pacific National (NSW) Pty Ltd
Pacific National (Queensland Coal) Pty Ltd
Pacific National (Tasmania) Pty Limited
Patrick Auto, Bulk and General Ports Pty Ltd
Patrick Container Ports Pty Ltd[3]
ACN 095 062 570 Pty Limited[4]
Patrick Portlink Pty Limited
Patrick Stevedores Operations Pty Limited
Patrick Stevedoring Pty Ltd
Plzen Pty Limited
PN Tas (Services) Pty Limited
Terminals Australia Pty Limited
WA Grain Stevedores Pty Ltd
Patrick Projects Pty Ltd
Infrastructure Investment Corporation Pty Ltd
Mountain Industries Pty Ltd
MTN Industries Pty Ltd
ACN 065 981 526 Pty Ltd[5]
Asciano Holdings (Containers) Pty Ltd
Asciano Holdings (Executive) Pty Ltd
Asciano Holdings (Properties) Pty Ltd
Asciano Properties Operations Pty Ltd[1]
Asciano Rail Holdings Pty Ltd
Asciano (Employee Share Plans) Pty Ltd
Eastern Basin Pty Ltd[2]
National Rail Consortium (Insurance) Pty Ltd
Pacific National (Bulk Rail) Pty Ltd
Pacific National (QLD) Pty Ltd
Pacific National (Queensland Coal Holdco) Pty Ltd
Pacific National Pty Ltd
Patrick BWL Pty Limited
Patrick Distribution Pty Limited
Patrick Port Services Pty Limited
Patrick Ports Pty Ltd
Patrick Stevedores Holdings Pty Limited
Patrick Stevedores Operations No 2 Pty Limited
Patrick Stevedoring (BSL) Pty Ltd
Phillips Transport Pty Limited
PN Tas (Operations) Pty Limited
PSL Services Pty Limited
Strang Patrick Holdings Pty. Limited
Train Crewing Services Pty Ltd
Mountain Bulk Haulage Pty Ltd
Geelongport Pty Limited

1. As trustee for Asciano Properties Trust.
2. As trustee for Eastern Basin Unit Trust.
3. Formerly Patrick Logistics Pty Ltd.
4. Formerly Patrick Port Services (No 1) Pty Limited.
5. Formerly Equitius Pty Ltd

Control was lost over Alpen's (Griffith) Pty Ltd due to deregistration with ASIC on 23 February 2014 and Patrick Technology & Systems Pty Limited on 26 February 2014.

Mountain Industries Pty Ltd, Mountain Bulk Haulage Pty Ltd and MTN Industries Pty Ltd were acquired on 31 October 2013 when Asciano Limited acquired 100% of the voting rights in the Mountain Industries group of entities. All three Mountain Industries entities and C3 Australia Pty Ltd were added to the Deed of Cross Guarantee during the current financial year.

37. Deed of cross guarantee (continued)

A consolidated statement of comprehensive income, a summary of retained earnings and a consolidated statement of financial position, comprising the Parent and controlled entities that are a party to the deed of cross guarantee, after eliminating all transactions between parties to the deed, at 30 June 2014 are set out as follows:

Statement of Comprehensive Income	2014 $M	RESTATED[1] 2013 $M
Revenue from services rendered	3,511.5	3,185.8
Other income	21.5	286.7
Share of net profit of joint ventures	16.5	18.1
Operating expenses excluding depreciation and amortisation	(2,539.6)	(2,447.2)
Profit before depreciation, amortisation, net finance costs and tax	**1,009.9**	**1,043.4**
Depreciation	(336.0)	(239.9)
Amortisation	(46.0)	(43.4)
Profit before net finance costs and tax	**627.9**	**760.1**
Net finance expense	(160.4)	(137.4)
Profit before tax	**467.5**	**622.7**
Tax expense	(134.0)	(173.2)
Profit after tax	**333.5**	**449.5**
Other comprehensive income	60.6	142.8
Profit for the period	**394.1**	**592.3**
Accumulated losses at beginning of year	(693.0)	(1,040.2)
Dividends paid	–	(0.2)
Transfers to reserves	(144.2)	(244.9)
Accumulated losses at end of the year	**(443.1)**	**(693.0)**

1. The restatement relates to the adoption of the amended accounting standard AASB 119 Employee Benefits (2011), as outlined in note 1(f).

37. Deed of cross guarantee (continued)

Consolidated Statement of Financial Position	2014 $M	RESTATED[1] 2013 $M
Current assets		
Cash and cash equivalents	167.3	23.1
Trade and other receivables	378.2	284.6
Prepayments	21.3	25.8
Inventories	32.0	26.0
Derivative financial assets	4.1	12.4
Other assets	–	0.1
Total current assets	**602.9**	**372.0**
Non-current assets		
Trade and other receivables	58.1	55.4
Prepayments	2.2	4.3
Inventories	31.6	40.5
Other financial assets including derivatives	1,704.8	1,779.3
Net deferred tax assets	69.3	15.8
Equity accounted investments	30.9	26.1
Property, plant and equipment	3,985.8	3,570.4
Intangible assets	2,607.1	2,577.8
Other assets	1.7	2.0
Total non-current assets	**8,491.5**	**8,071.6**
Total assets	**9,094.4**	**8,443.6**
Current liabilities		
Current tax liabilities	9.2	45.6
Trade and other payables	434.4	373.0
Loans and borrowings	0.6	–
Derivative financial liabilities	61.4	29.1
Provisions and employee benefits	214.3	170.1
Total current liabilities	**719.9**	**617.8**
Non-current liabilities		
Trade and other payables	132.4	132.3
Loans and borrowings	4,230.8	3,915.0
Derivative financial liabilities	57.8	19.3
Provisions and employee benefits	82.8	92.7
Total non-current liabilities	**4,503.8**	**4,159.3**
Total liabilities	**5,223.7**	**4,777.1**
Net assets	**3,870.7**	**3,666.5**
Equity		
Contributed equity	9,661.9	9,642.3
Reserves	(5,351.1)	(5,282.8)
Other comprehensive income	3.0	–
Accumulated losses	(443.1)	(693.0)
Total equity	**3,870.7**	**3,666.5**

1. The restatement relates to the adoption of the amended accounting standard AASB 119 Employee Benefits (2011), as outlined in note 1(f).

38. Parent

As at, and throughout the 2014 financial year, the parent company of Asciano was Asciano Limited.

	2014 $M	2013 $M
Result of the Parent		
Profit after tax	144.2	244.8
Other comprehensive income	(50.4)	31.7
Total comprehensive income	93.8	276.5
Financial position		
Current assets	36.1	14.1
Non-current assets	8,465.1	8,408.0
Total assets	8,501.2	8,422.1
Current liabilities	70.6	79.6
Non-current liabilities	4,504.6	4,392.8
Total liabilities	4,575.2	4,472.4
Net assets	**3,926.0**	**3,949.7**
Equity		
Contributed equity	9,646.6	9,646.6
Reserves	163.4	187.1
Accumulated losses	(5,884.0)	(5,884.0)
Total equity	**3,926.0**	**3,949.7**

The parent has a net current asset deficiency at 30 June 2014 of $34.5 million (2013: $65.5 million). Given that Asciano has an unutilised syndicated revolving credit facility of $650 million maturing in October 2019, the Directors believe the parent has the capacity to pay its debts as and when they fall due.

Capital commitments for acquisition of property, plant and equipment

The Parent did not have any capital commitments for acquisition of property, plant and equipment at 30 June 2014 or 30 June 2013.

Capital guarantees in respect of debts of certain subsidiaries

The Parent has entered into a deed of cross guarantee with the effect that the Parent guarantees debts in respect of wholly owned subsidiaries. Under the deed of cross guarantee the subsidiaries provide financial security to the Parent.

Further details of the deed of cross guarantee and the wholly owned subsidiaries subject to the deed, are disclosed in note 37.

Parent contingent liabilities

There are no contingent liabilities in the Parent.

The contributed equity in the Parent differs to the contributed equity in the consolidated financial statements due to the elimination of the treasury shares and the corporatisation adjustment which arose from the acquisition of the Asciano Finance Trust.

Directors' declaration

For the year ended 30 June 2014

In the opinion of the Directors of Asciano Limited ("Company"):

(a) the consolidated financial statements and notes set out on pages 47 to 117 and the Remuneration report in the Directors' report, set out on pages 25 to 40, are in accordance with the Corporations Act 2001, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2014 and of its performance for the financial year ended on that date; and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(c) there are reasonable grounds to believe that the Company and the Group entities identified in note 37 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the deed of cross guarantee between the Company and those Group entities pursuant to ASIC Class Order 98/1418.

The Directors have been given the declarations required by section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2014.

The Directors draw attention to note 1 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors:

Malcolm Broomhead
Chairman

Sydney
21 August 2014

KPMG

Independent auditor's report to the members of Asciano Limited

Report on the financial report

We have audited the accompanying financial report of Asciano Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2014, and consolidated statement of profit and loss and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 38 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

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

Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1.

Report on the remuneration report

We have audited the Remuneration Report included in Section 7 of the directors' report for the year ended 30 June 2014. 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 auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Asciano Limited for the year ended 30 June 2014, complies with Section 300A of the *Corporations Act 2001*.

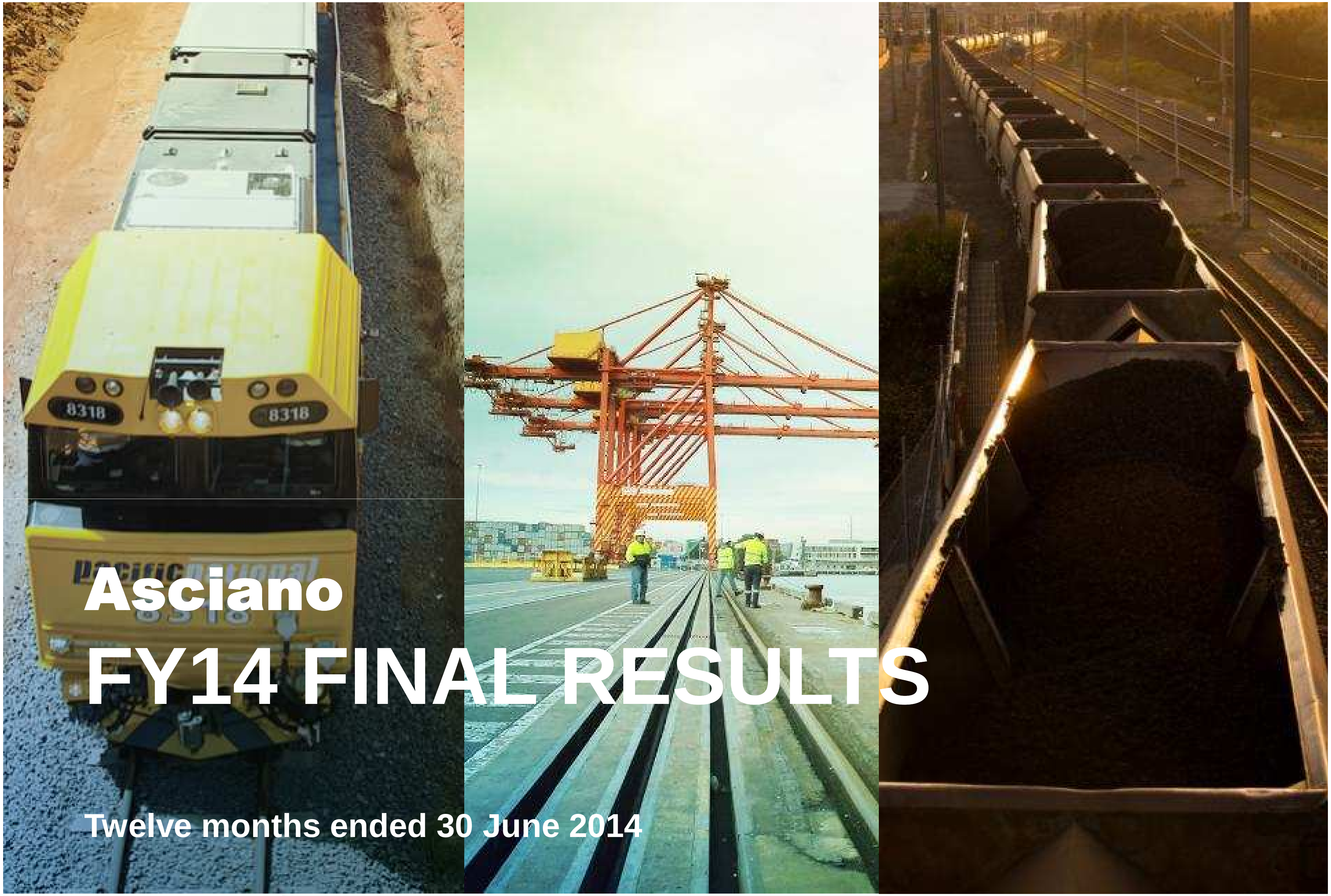
KPMG

KPMG

Steven Gatt
Partner

Sydney

21 August 2014



Asciano

FY14 FINAL RESULTS

Twelve months ended 30 June 2014

DISCLAIMER

- This presentation includes “forward-looking statements.” These can be identified by words such as “may”, “should”, “anticipate”, “believe”, “intend”, “estimate” and “expect”. Statements which are not based on historic or current facts may be forward-looking statements.
- Forward-looking statements are based on assumptions regarding Asciano’s financial position, business strategies, plans and objectives of management for future operations and development and the environment in which Asciano will operate.
- Forward-looking statements are based on current views, expectations and beliefs as at the date they are expressed and which are subject to various risks and uncertainties. Actual results, performance or achievements of Asciano could be materially different from those expressed in, or implied by, these forward-looking statements. The forward-looking statements contained in this presentation are not guarantees or assurances of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Asciano, which may cause the actual results, performance or achievements of Asciano to differ materially from those expressed or implied by the forward-looking statements. For example, the factors that are likely to affect the results of Asciano include general economic conditions in Australia; exchange rates; competition in the markets in which Asciano does and will operate; weather and climate conditions; and the inherent regulatory risks in the businesses of Asciano. The forward-looking statements contained in this presentation should not be taken as implying that the assumptions on which the projections have been prepared are correct or exhaustive.
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- The projections or forecasts included in this presentation have not been audited, examined or otherwise reviewed by the independent auditors of Asciano. Unless otherwise stated, all amounts are based on A-IFRS and are in Australian Dollars. Certain figures may be subject to rounding differences. Any market share information in this presentation is based on management estimates based on internally available information unless otherwise indicated.
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- This presentation is unaudited. Notwithstanding this, the presentation includes certain financial data which is extracted or derived from the Full Year Financial Report for the twelve month period ended 30 June 2014 which has been audited by the Group’s Independent Auditor.

AGENDA

1 Highlights

2 Financial Analysis

3 Outlook

4 Appendices


JOHN MULLEN
CEO
WATER TANK
FILLING / OVERFLOW
POINT
TM5

2014 HIGHLIGHTS

asciano

A successful year in the face of challenging market conditions...

Financial Performance

- Group result in line with guidance despite weak underlying conditions
- Strong growth in coal and better 2H container volumes, offsetting weaker intermodal rail, bulk rail, and project related stevedoring volumes
- Underlying EBIT up 5%. EPS growth of 2.3% on pcp in line with guidance
- Dividend per Share growth of 23.9% on pcp, full year payout ratio of 39.7%

Customer and business growth

- Capital stock refresh program to be completed by the end of FY15
- FCF after capex +$60.9m in 2H FY14 – will improve significantly in FY15 & FY16
- Five year BIP program doubled in size to $300m and well on track
- Organic growth continuing: New customer contracts in all divisions

Strategies in place to deliver performance improvement

- Five year strategic plan remains broadly on track. Target metrics still achievable
- Strategic footprint continues to expand; recent acquisitions have made positive contributions to our integrated customer service offering
- Cost efficiencies and modestly improving volume growth to deliver increased rate of EBIT growth in FY15 compared to FY14

HIGHLIGHTS – PACIFIC NATIONAL COAL

asciano

New contracts in Queensland & organic growth in Hunter Valley drive strong result

Financial Performance

- NTKs ↑21.6 % and tonnes ↑14.8%, drove revenue growth of 16.5%[1]
- Underlying EBIT ↑ 15.4%, Operating EBIT ↑ 24.7%[1]
- Operating ROCE[1] ↑ 220bps to 13.1%, ROCE excluding WIP 14.1%
- Capital Expenditure ↓ 41.3% to $123m WIP ↓ to $146.8m
- Material cost of $25.2m related to PN integration ($12.5m non-cash)

Customer and business growth

- Successfully commenced Rio Tinto Hail Creek contract in Nov 2013 – 8.5mtpa
- New 4mtpa contract with Q-Coal to commence in FY16 from Drake Coal project
- Whitehaven contract tenure extended to 2026. Tonnage upside to 11.5mtpa in FY15
- Contract renegotiations extend average weighted contract maturity to 7.96 years

Strategies in place to deliver performance improvement

- Hunter Valley planning and operational improvements successful
- Lead set-up of DBCT coal chain co-ordination to increase system throughput
- Five '88 class' locomotives built in China delivered for Queensland market
- Integration with PN Rail delivering significant benefits. Redundant rolling stock and other equipment scrapped as part of this process

1. Calculated pre the $21.5m profit on the sale of the land at Kooragang Island in FY13

HIGHLIGHTS – PACIFIC NATIONAL RAIL

Rail strategy proactively addressing soft domestic economy and agricultural cycle

Financial Performance

- Intermodal NTKs ↓5.1%, Bulk NTKs ↓ 14.9%, export grain ↓ 35.8% on pcp
- Revenue ↓ 2.3%, Underlying EBITDA[1] ↓ 9.8%, Underlying EBIT[1] ↓ 17.2% on pcp
- ROCE ↓ to 11.6% , ROCE excluding WIP 12.9%
- Capital expenditure ↑ 58% to $275m
- Material costs of $56.6m pre tax related to PN integration ($39.9m non-cash costs)

Customer and business growth

- Acquisition of rail terminals in QLD creating a national intermodal network
- Interstate rail haulage contract with Toll extended to 2022
- New bulk contracts signed in building materials and minerals
- Additional export grain trains signed

Strategies in place to deliver performance improvement

- BIP program exceeded five year target in three years and continuing
- Key customer performance metrics at all-time highs
- Integration with PN Coal will deliver step change reduction in cost base

1. Pre material items

HIGHLIGHTS – TERMINALS & LOGISTICS

asciano

Stronger 2H FY14 volumes reflecting contract wins and improved market growth

Financial Performance

- Lifts ↑ 3.7%, TEUs ↑ 2.4%, market share 48.5% for the 12 month period
- Terminals revenue ↑ 3.9%, Logistics revenue soft due to volumes in Victoria
- Underlying EBIT[1] was flat on pcp at $150.3m, Underlying Terminals EBIT[1] ↑ 5.4%
- Capital expenditure up 82.8% to $278.1m due to redevelopment of Port Botany
- Material cost of $42.8m reported ($22.5m non cash costs)

Customer and business growth

- Secured new contract with K-Line into Fremantle commenced January 2014
- New contracts into Melbourne commenced April 2014
- Coastal window performance now at 95%+ across the network
- Approx 70% of volume contracted 3-5 years

Strategies in place to deliver performance improvement

- Launch of automated site at Port Botany remains on track for 3Q FY15
- BIP program delivered $15.5m in FY14 - expected to deliver further savings
- Additional investment in Fremantle driving strong performance improvement
- Continue to work on strategies with customers to underpin key volume

[1] Pre material items

HIGHLIGHTS – BULK & AUTOMOTIVE PORT SERVICES

Recent acquisitions and some growth offset weaker resources project environment

Financial Performance

- Vehicles processed ↓ 5.5%, Vehicle storage days ↑ 21.9% Vehicles moved ↓ 1.8%
- Underlying Revenue ↑ 16.6% , Underlying EBITDA[1] ↑ 7% Underlying EBIT[1] ↑ 0.6%
- Total capital expenditure ↑15% to $48.3m
- ROCE at 15.5% ↓ on last year but well above Group WACC

Customer and business growth

- 100% ownership of C3 in period, expanding into new regions in Australia
- Mountain Industries impacted by tougher trading conditions - integration proceeding
- Autocare three year contract with VW/Audi - commenced in February 2014

Strategies in place to deliver performance improvement

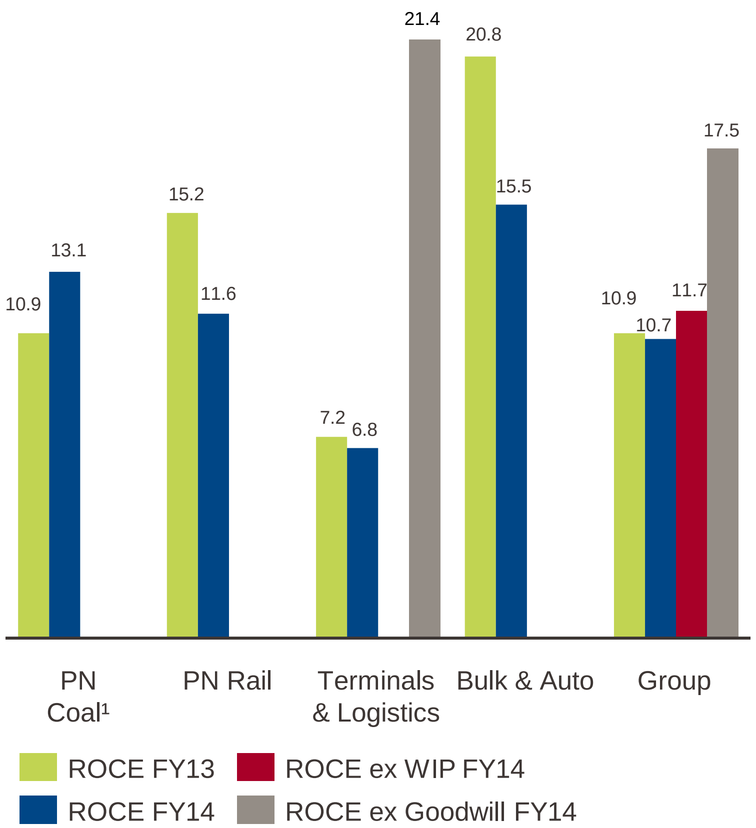
- Secured new PDI facility at Webb Dock to underpin Autocare business for the future
- Mountain Industries pursuing integrated opportunities with Pacific National
- Continue to seek bolt on acquisition opportunities to enhance service offering eg Smith Channon customs broker acquired as at 1 July 2014

[1] Pre material items

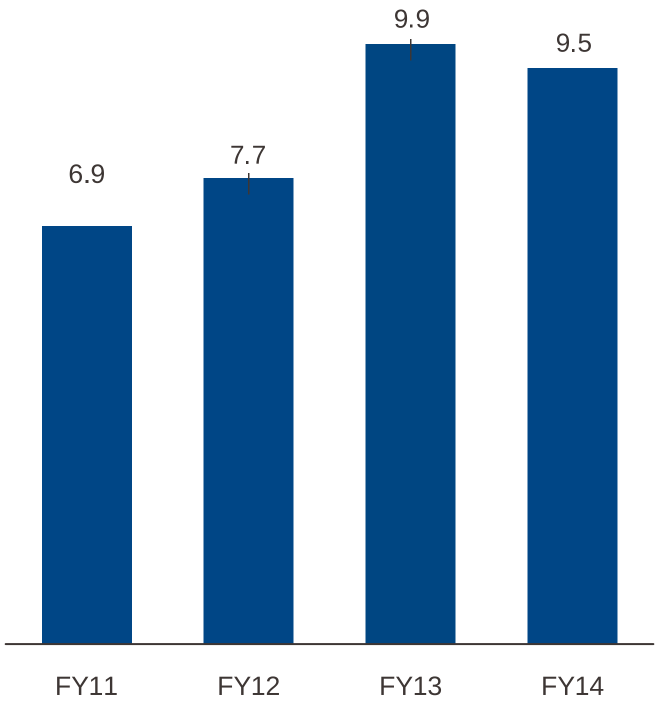
FINANCIAL RETURNS

Underlying returns performance ex goodwill remains strong

ROCE performance %



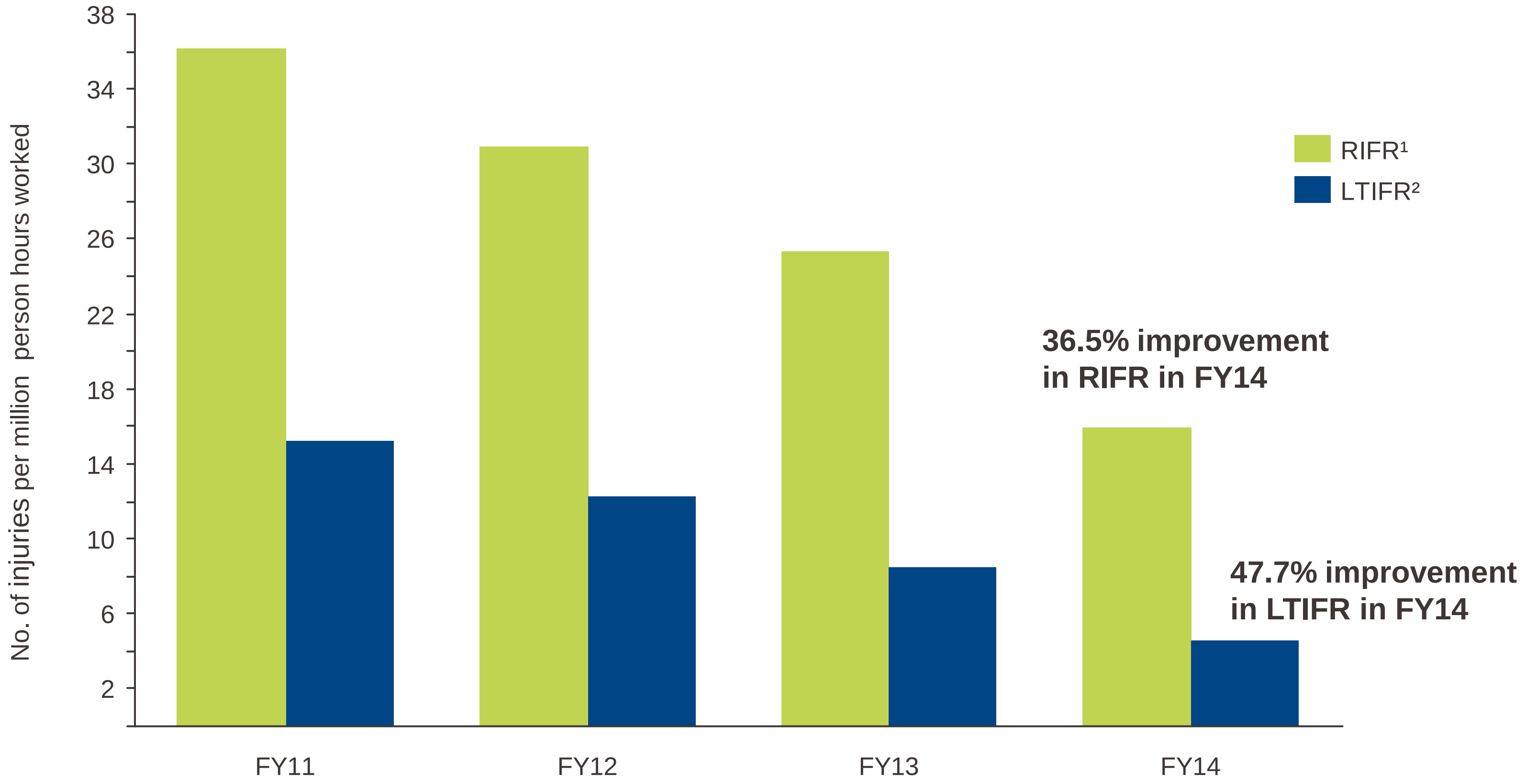
ROE pre material items performance %



1. Pre profit on the sale of land at Kooragang Island in FY13

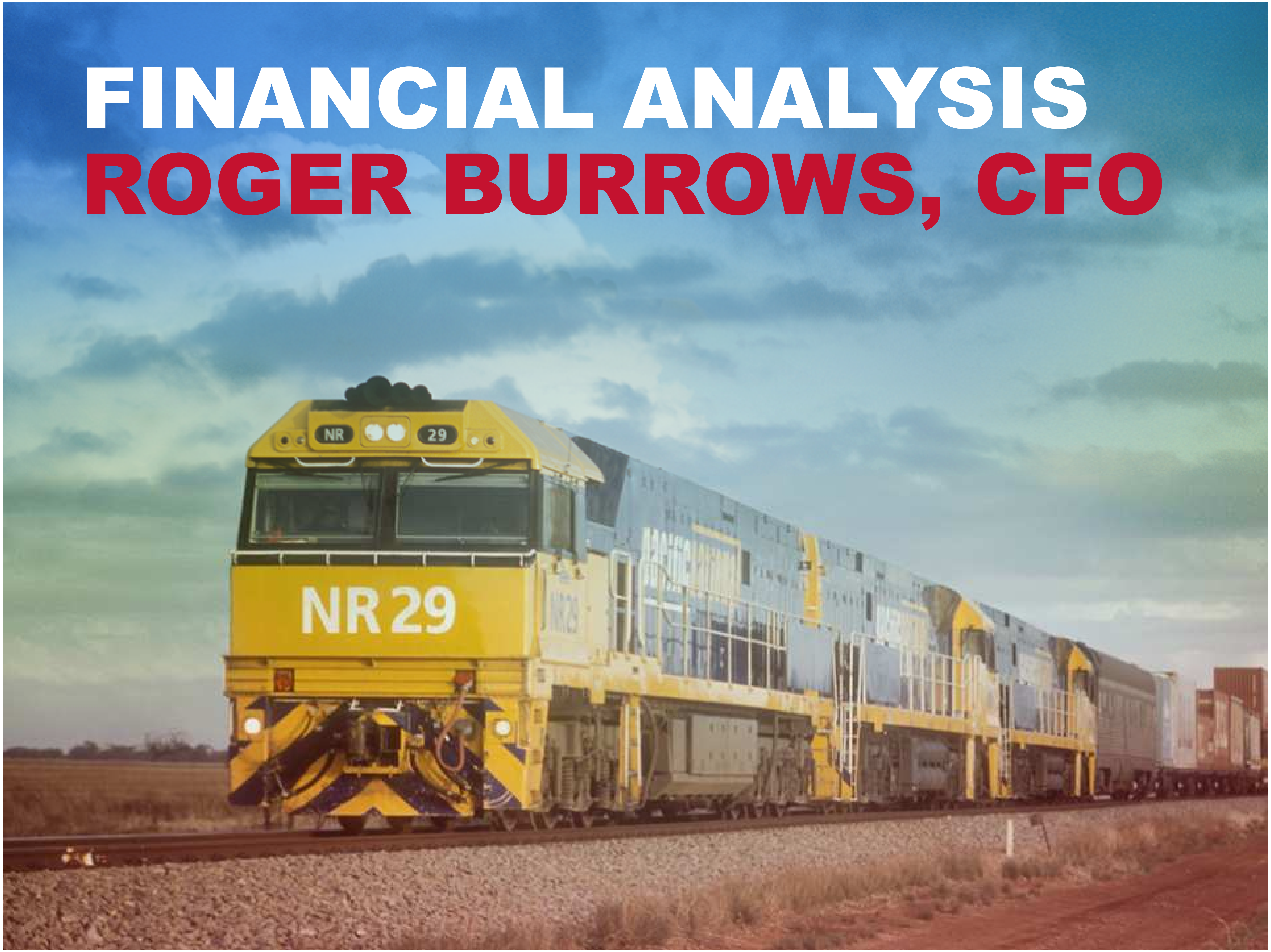
HOME SAFELY– FY14

Our safety metrics continue to improve strongly across all divisions



1. Recordable Injury Frequency Rate
2. Lost Time Injury Frequency Rate

FINANCIAL ANALYSIS
ROGER BURROWS, CFO



EARNINGS SUMMARY

Year Ended June ($'m)	2013[5]	2014	% chg
Underlying Revenue and other income[1]	3,727.7	3,994.6	7.2
Underlying EBITDA[2]	992.7	1,052.0	6.0
Statutory EBITDA	977.8	991.4	1.4
Underlying EBIT[3]	686.0	720.3	5.0
Statutory EBIT	667.0	584.0	(12.4)
Underlying NPAT [4] after minority interests	342.5	349.8	2.1
Statutory NPAT after minority interests	334.4	254.4	(23.9)
Fully diluted underlying EPS after minority interests (¢)[3]	35.0	35.8	2.3
Fully diluted Statutory EPS (¢)	34.2	26.1	(23.7)

1. FY13 underlying revenue and other income excludes the $17.1m accounting gain in relation to the revaluation of the Company's existing 50% shareholding in C3 following the acquisition of the outstanding 50% interest in November 2012
2. Underlying EBITDA excludes material items of $60.6m (FY13 $14.9m). Details of the adjustments and a reconciliation are on page 14 of the OFR
3. Underlying EBIT excludes material items of $136.3m (FY13 $19.0m). Details of the adjustments and a reconciliation between underlying EBIT and statutory EBIT is at page 16 of the OFR
4. Underlying NPAT excludes material items of $95.4m (FY13 $8.1m). A reconciliation between underlying NPAT and statutory NPAT is at page 18 of the OFR
5. FY13 earnings have been restated to reflect the change in the Australian Accounting Standards Board (AASB) 119, accounting for employee benefits, as reported in the FY13 financial accounts. The impact of the change is to reduce FY13 EBITDA & EBIT by an amount of $7.9m and FY13 NPAT by $5.6m

EARNINGS RECONCILIATION

Year Ended June 2014 ($'m)	Revenue	EBITDA	EBIT	NPAT
Underlying Result[1]	3994.6	1052.0	720.3	349.8
Material items:				
Port Botany redevelopment charges				
–Redundancies & other		(16.4)	(16.4)	(11.5)
–Write down of equipment			(22.1)	(15.5)
Integration of Pacific National businesses				
–Redundancies & other		(29.4)	(29.4)	(20.6)
–Write down of equipment			(52.4)	(36.6)
Other restructure charges				
–Redundancies & other		(14.8)	(14.8)	(10.4)
–Write down of equipment			(1.2)	(0.8)
Statutory Result	3994.6	991.4	584.0	254.4

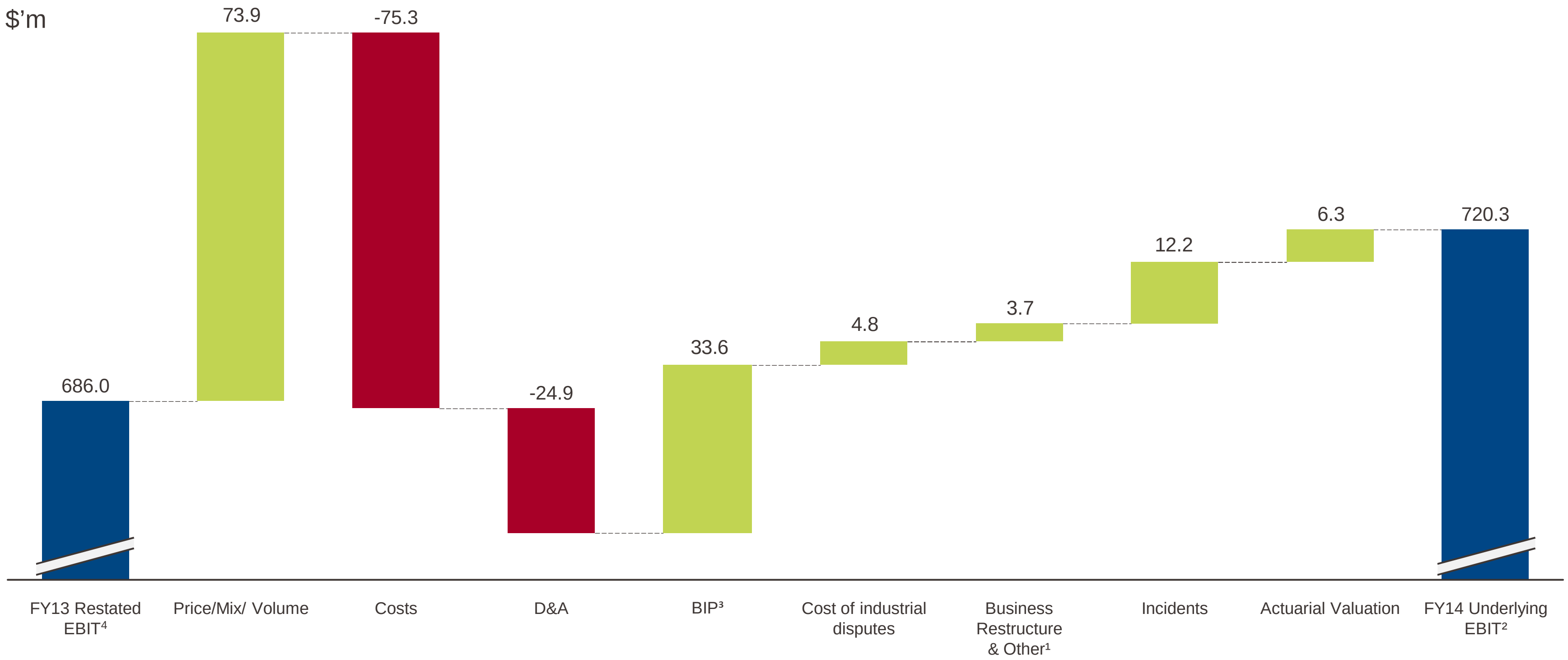
- Material items totalled to a pre tax loss of $136.3m, $95.4m after tax ($8.1m after tax in FY13)
- Cash costs of $60.6m pre tax and non cash costs of $75.7m pre tax incurred

1. Pre material items

GROUP – UNDERLYING EBIT BRIDGE

asciano

Underlying EBIT[2] growth driven by new contracts, organic growth, operational improvements and further business efficiency initiatives



1. Further detail on "Other" in Management Discussion & Analysis paragraph 1.4.5 Group Underlying EBIT Bridge
2. Pre material items
3. Business Improvement Program
4. FY13 earnings have been restated to reflect changes to AASB 119 "accounting for employee benefits". The impact of the change was to reduce FY13 EBIT by an amount of $7.9m

NET FINANCING COSTS

Twelve months ended 30 June $('m)	2013	2014
Statutory net[1] financing costs	**199.7**	**225.3**
Net accrued interest and borrowing costs	4.0	(13.1)
Capitalised interest	10.7	10.2
CVA[2] adjustment on derivatives	-	(8.0)
Fair value of derivatives	11.8	(13.5)
Other non-cash	(6.2)	(2.9)
Cash net[1] financing costs	**220.0**	**198.0**

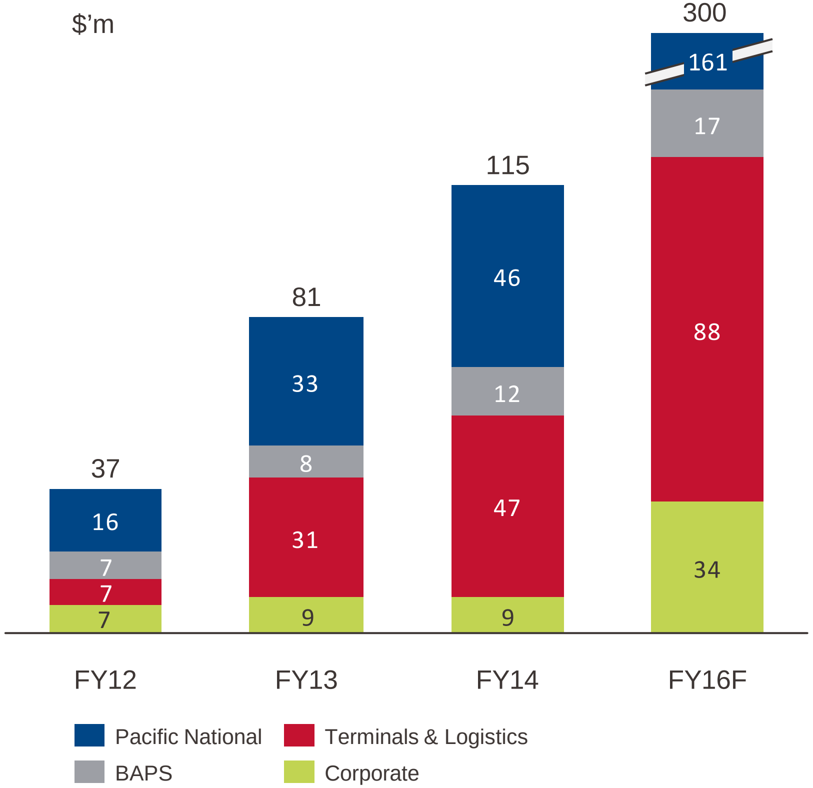
- Cash net financing costs decreased 10% over the pcp however net statutory financing costs increased 12.8% over the pcp to $225.3m driven by:
  - The introduction of the new accounting standard AASB13 effective from 1 January 2013 impacting derivative fair values by $8.0m;
  - Increased borrowings; and
  - The turnaround in the impact of mark to market valuation on interest rate swaps which do not qualify for hedge accounting impacting FY14 by $13.5m.
- FY15 net financing costs, before the impact of mark to market movements are forecast to be in the range of $210-$215m

1. Net of interest income
2. CVA – credit value adjustment as per introduction of AASB 13

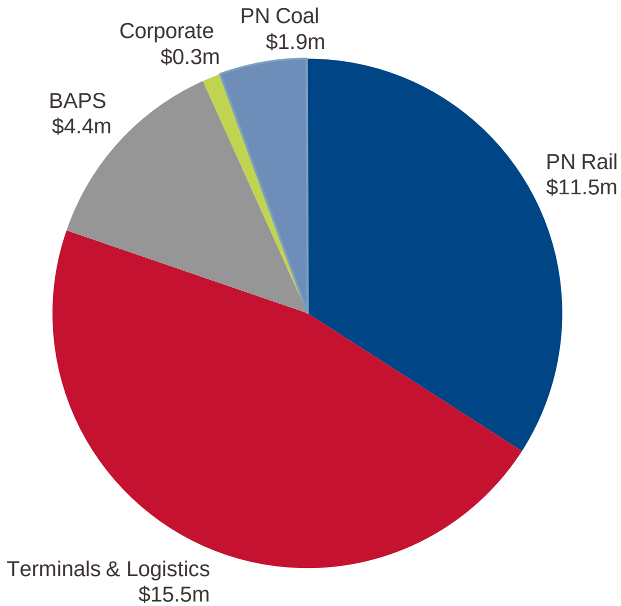
BUSINESS IMPROVEMENT PROGRAM

Business Improvement Program (BIP) delivered a further $33.6m in benefits

Cumulative BIP Savings Under 5 Year Plan



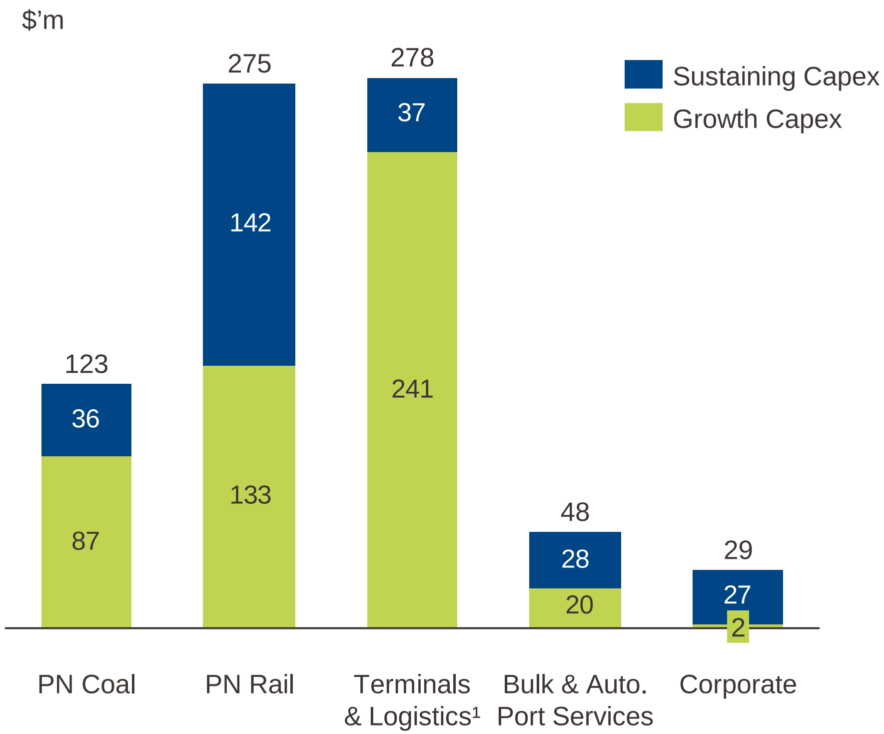
FY14 BIP divisional split



- Asciano achieved BIP savings of $33.6m taking cumulative benefits to $115m in excess of the FY14 target of $98m
- Targeting minimum $100m run rate of cost savings in FY15 primarily driven by the integration of Pacific National

CAPITAL EXPENDITURE – FY14

FY14 capital expenditure focused on investment in the Port Botany redevelopment and the completion of the refresh and upgrade program in PN Rail



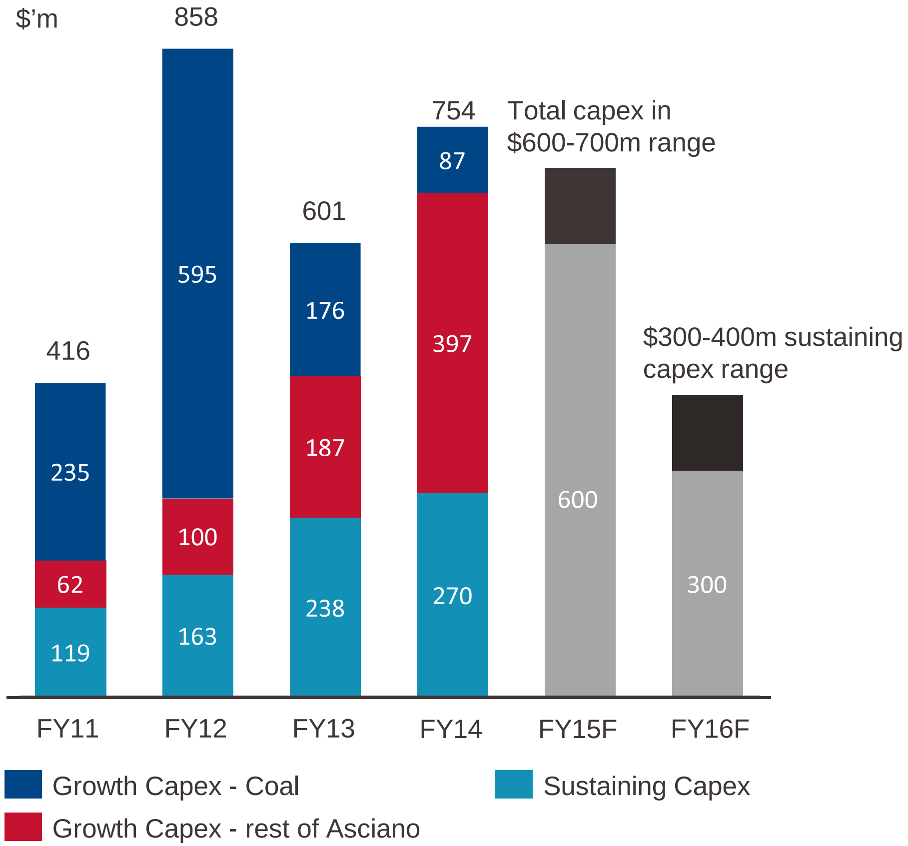
- Capital expenditure for the FY14 increased 25.3% to $753.7m and included:
  - The acquisition of the 4 strategic rail terminals in Queensland by PN Rail ($59.7m)
  - The redevelopment of Port Botany
  - The repowering of the NR Class locomotives
  - Rolling stock for new bulk rail haulage contracts
  - The upgrade of Asciano's IT platforms

1. Includes capitalised interest

CAPITAL EXPENDITURE – OUTLOOK

asciano

Capital expenditure is expected to reduce materially over the next two years

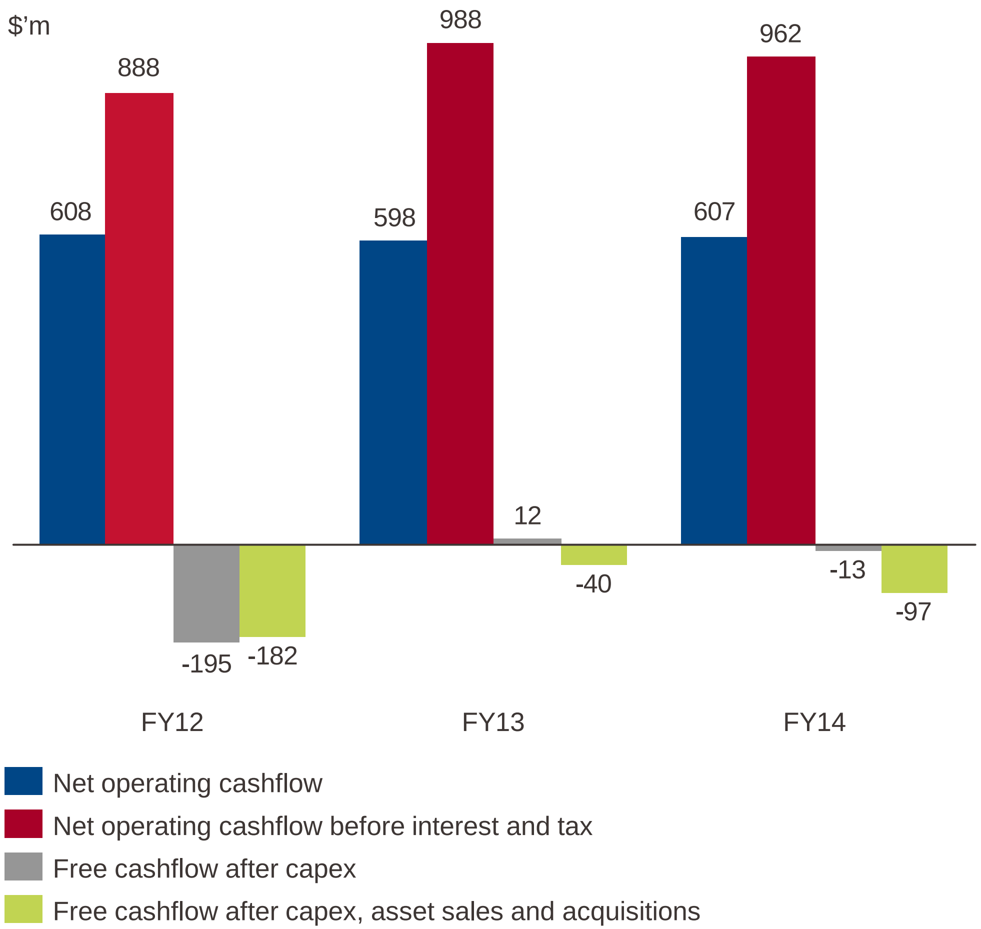


- Capital expenditure in FY15 is expected to be in the range of $600-700m. Projects in FY15 include:
  - The completion of the upgrade of Port Botany
  - The new PDI facility at Webb Dock
  - The ongoing program related to the repowering of the NR class locomotives
  - Rolling stock for coal haulage contracts
- Sustaining capital expenditure in FY16 is expected to decline to a range of $300-400m as the capital refresh program across the Group is completed.
- Sustaining capital expenditure is expected to be in the $300-400m range for the foreseeable future
- Following the capex program over the last few years depreciation & amortisation is forecast to increase in FY15 to a range of $380-390m

* Includes capital expenditure recorded as inventory on the balance sheet

STRONG OPERATING CASHFLOW GROWTH

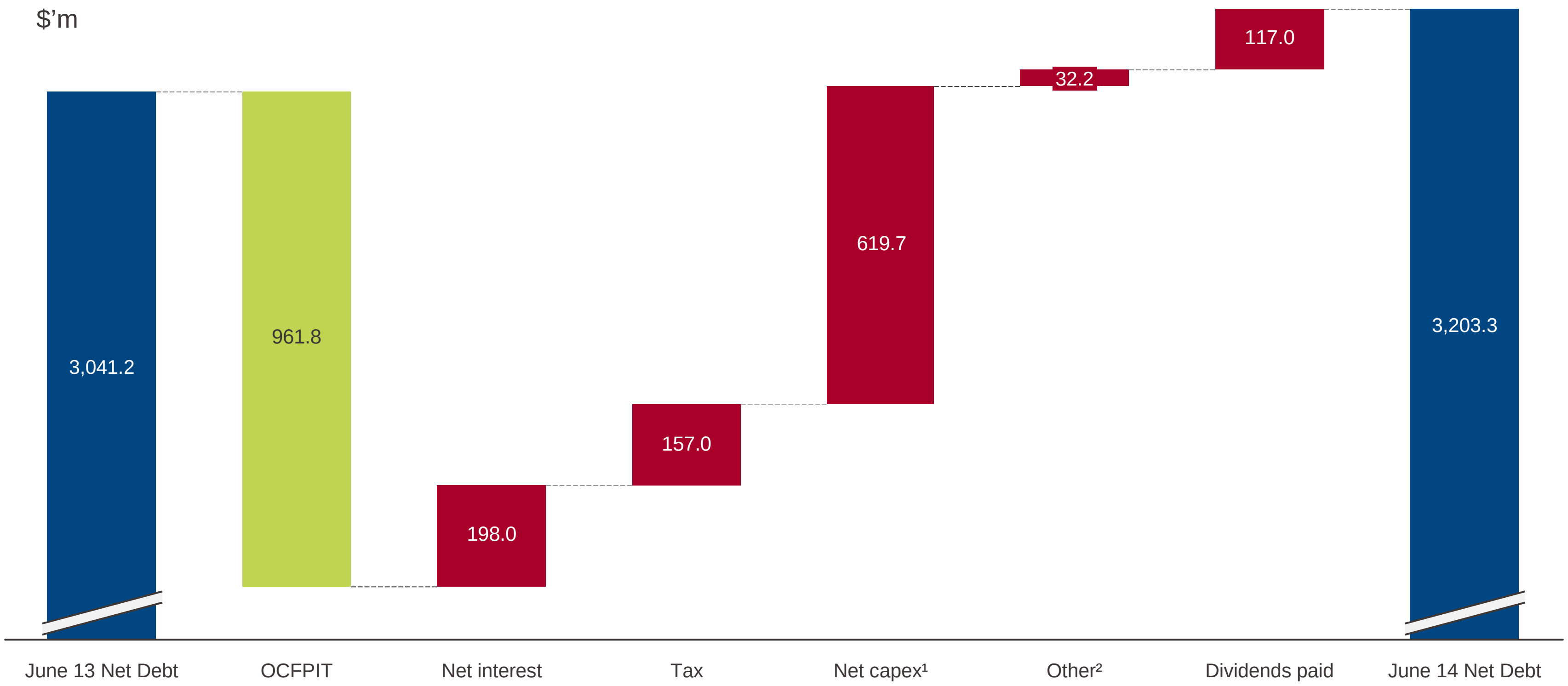
Significant turnaround in free cashflow in 2H FY14 expected to flow into FY15



- Asciano generated free cashflow after capital expenditure in 2H FY14 of $60.9m
- Free cash flow of negative $97m in FY14 included the investment in 5 strategic rail terminals in Queensland funded in 2H FY14 and the acquisition of Mountain Industries in October 2013
- Excluding the acquisition of Mountain Industries free cashflow was negative $13m for the year
- Based on current capital expenditure plans Asciano expects to be free cashflow positive after capital expenditure in FY15 and further strengthen its free cashflow position in FY16

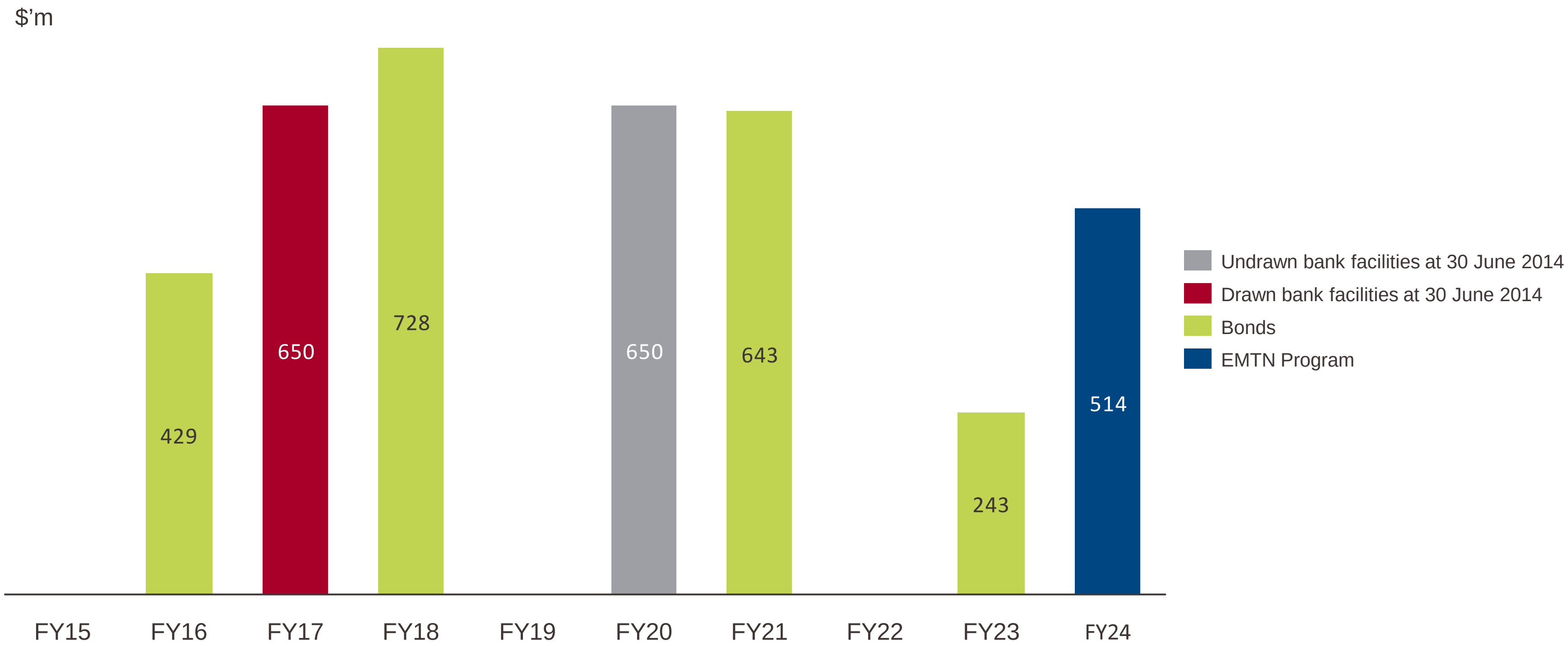
* Includes capital expenditure recorded as inventory on the balance sheet

CASH FLOW TO NET DEBT



1. Includes capital expenditure recorded as inventory on the balance sheet. Net of the proceeds from the sale of PPE - $81.5m
2. Includes the acquisition of Mountain Industries for $83.6m and the $50.1m non cash movement on the GBP and USD debt

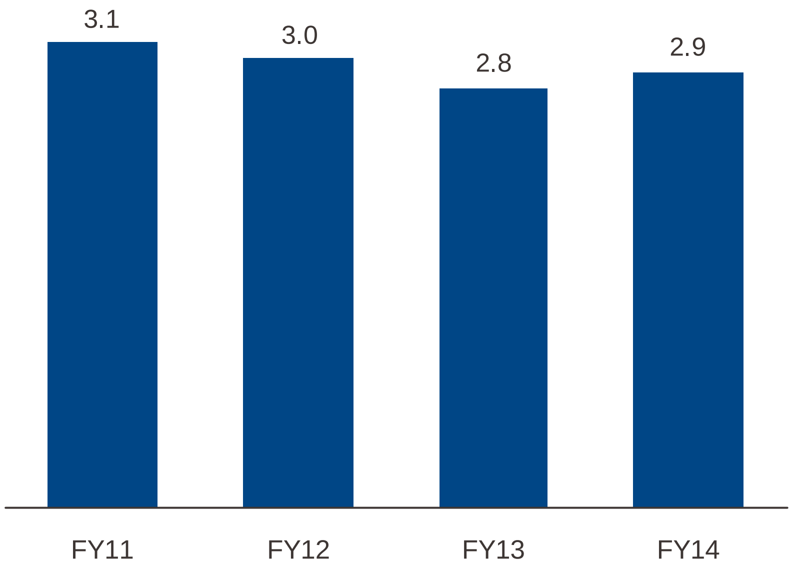
DEBT MATURITY PROFILE



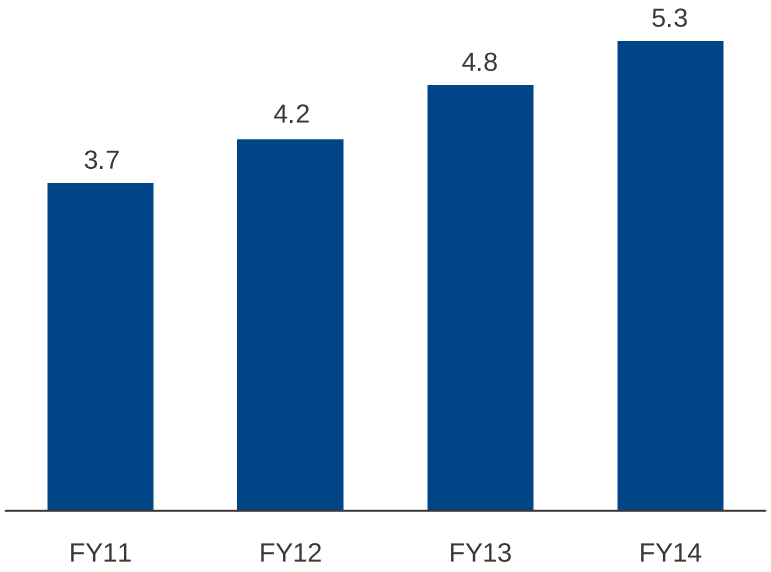
- At 30 June 2014 Asciano had a weighted average debt maturity of 4.9 years
- All in average cost of debt at 30 June 2014 was approximately 6.5% (excluding upfront fees)
- At 30 June 2014 the interest rate on approximately 71% of the Company's debt was fixed. Weighted average maturity of fixed rate debt 5.2 years
- The first US 144A bond issue matures in September 2015
- Expect new issues to price inside outstanding bonds and maintain long maturities

LEVERAGE AND INTEREST COVER METRICS REMAIN WITHIN TARGET RANGE

Net debt to EBITDA (x)[1]



EBITDA to net interest (x)[1]

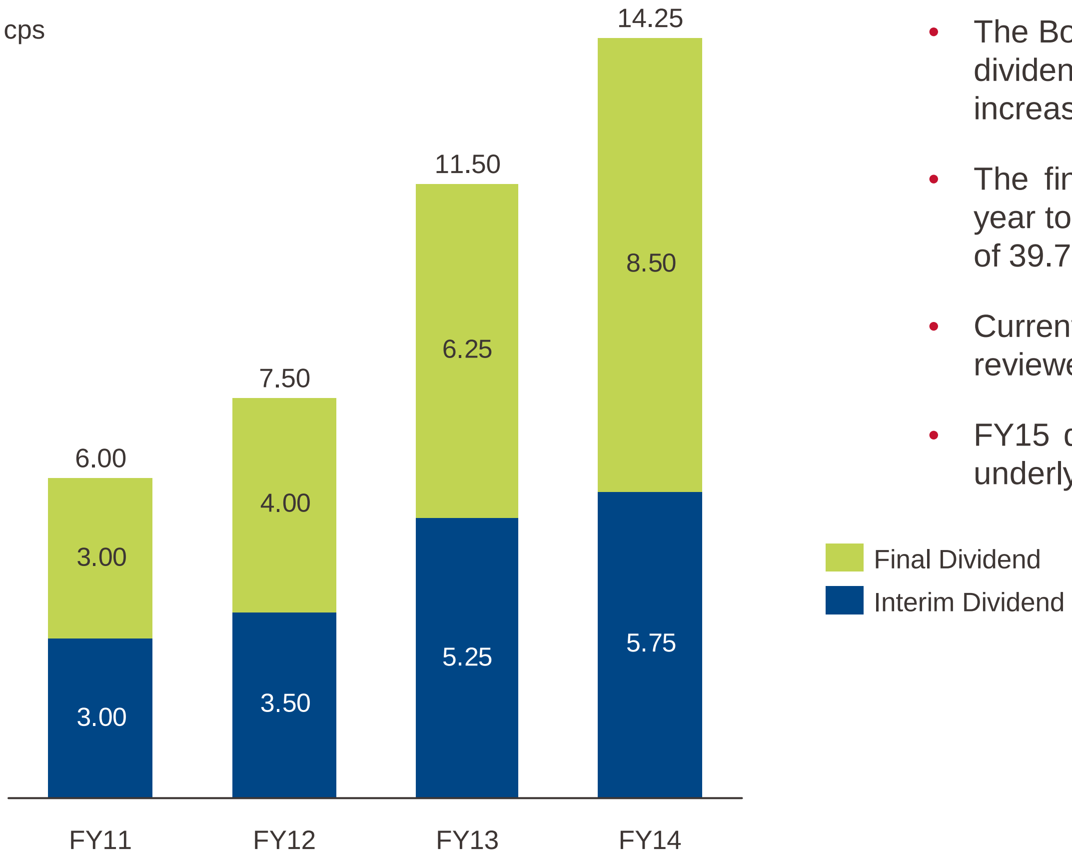


- AIO’s target leverage range is 2.5x – 3.0x
- Expect leverage to decline to the bottom of the range by FY16
- Interest cover target is above 3.5x

1. Net interest and EBITDA based on rolling 12 month period and includes capitalised interest
   Net debt is reflected at hedged values
   Calculation excludes mark to market and other non cash movements

DIVIDENDS AND PAYOUT RATIO

23.9% increase in FY14 total dividend on pcp represents payout ratio of 39.7%



- The Board resolved to pay a FY14 fully franked final dividend of 8.50¢ per share representing an increase of 36% on the pcp.
- The final dividend takes the total dividend for the year to 14.25¢ per share representing a payout ratio of 39.7%
- Current payout ratio range of 20-40% will be reviewed in FY15
- FY15 dividend growth expected to be greater than underlying earnings growth


OUTLOOK
JOHN MULLEN
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OUTLOOK – PACIFIC NATIONAL

Pacific National is expected to report materially higher earnings in FY15

OUTLOOK

EARNINGS GROWTH TO BE DRIVEN BY:

- Integration cost benefits expected to reach $100m by the end of FY16
- Arrest of volume decline in intermodal and grain plus continued growth in other bulk

INTERMODAL VOLUMES:

- Intermodal volumes will reflect activity levels in the economy and a normalisation of demand in Western Australia. Limited market growth forecast in FY15
- Ability to grow the Queensland intermodal business in FY15 following the signing of a new rail services agreement with Toll Group

BULK VOLUMES:

- Improved export grain harvest expected in FY15
- New construction material contracts commencing 4Q FY14 and Q4 FY15
- Proportion of coal hauled versus contracted expected to remain high, but subject to the demand for export coal, weather and production levels at contracted mines
- A full year contribution from a 10 year performance based contract with Rio Tinto Coal that commenced in November 2013 for its Hail Creek and Kestral mines
- The start-up of the 12 year Q-Coal 4mtpa take or pay contract expected in FY16
- The start-up of the Bandanna 4mtpa take or pay contract expected in FY17

OUTLOOK – TERMINALS & LOGISTICS

asciano

A stronger year is expected from the Terminals and Logistics Division in FY15

OUTLOOK

CONTAINER TERMINALS:

- Continuing to forecast FY15 market growth aligned with Australian GDP
- Full year contribution from K-line contract in Fremantle - commenced 1 January 2014
- Full year contribution from recent contract wins at East Swanson Dock in Melbourne
- Volumes sensitive to Patrick retaining its share of consortia volumes following any further changes in shipping line capacity sharing arrangements
- We expect to renew our Fremantle lease agreement during the next 12 months
- Outlook strong with approx 70% of volume contracted 3-5 years
- Material competitor volumes up for tender in 2015
- The successful completion and launch of the automation project at Port Botany in 3Q FY15 with minimal disruption to customer base critical to future earnings growth

LOGISTICS:

- The Logistics business will continue to focus on the drive for new business with volumes also remaining sensitive to domestic economic growth

OUTLOOK – BULK & AUTOMOTIVE PORT SERVICES

asciano

FY15 result is expected to be flat driven by lower project volumes and a slowing in automotive imports following two years of very strong market growth

OUTLOOK

BULK & AUTOMOTIVE PORT SERVICES:

- Agility contract activity levels continue to wind down - ending December 2014
- Flat imported car volumes expected in FY15 after strong growth over last two years
- Residual costs still to be incurred from the redevelopment of Webb Dock in Melbourne and the closure of Webb Dock East in June 2014
- Car stevedoring in Melbourne will continue at Appleton Dock and Webb Dock West
- FY15 result will benefit from a full 12 month contribution from Mountain Industries and growth in C3's Australian activities.
- Autocare's FY15 earnings will include a small initial contribution from Adelaide based customs broker Smith Channon acquired as at 1 July 2014.

OUTLOOK – ASCIANO GROUP

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Higher FY15 earnings expected from cost reduction & improving market conditions

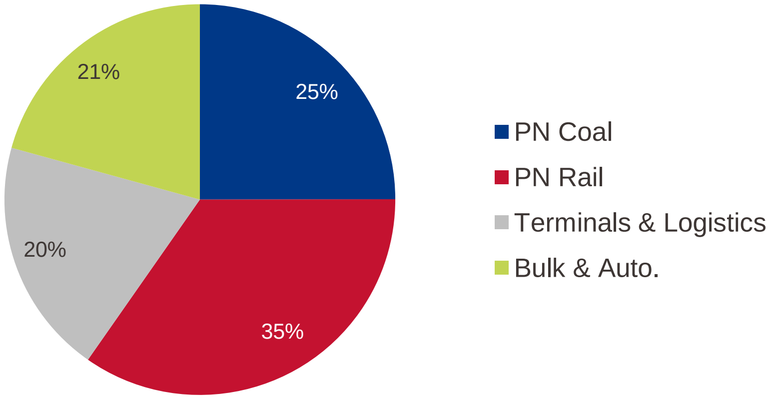
OUTLOOK

- Assuming no material change in the business environment, Asciano currently expects underlying EBIT growth in FY15 to be higher than the underlying EBIT growth of 5% in FY14
  - FY15 material item in the order of $20m expected, representing the final costs associated with the Port Botany site commissioning
- Despite the difficult environment, new contract and growth opportunities are emerging
- Focus on successful execution of major projects, in particular the integration of the two rail divisions and the redevelopment and automation of Port Botany
- Catch up capex program will be completed over the next two years. Sustaining capex to return to $300m-$400m range by FY16 thus driving strong growth in free cashflow
- Free cash flow will deliver ability to increase full year dividend at a materially faster rate than earnings growth, so as to boost TSR
- Asciano continues to look for new opportunities but no acquisition will be permitted to jeopardise improving leverage, free cash flow and dividend objectives
- Discussions with third parties in relation to strategic opportunities with the Terminals & Logistics business division, including a potential sale of a non-controlling interest, continue to progress

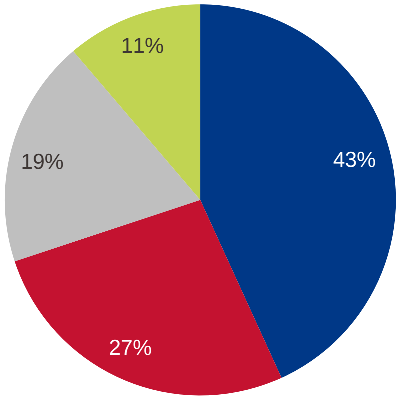
APPENDICES

GROWTH IN EARNINGS

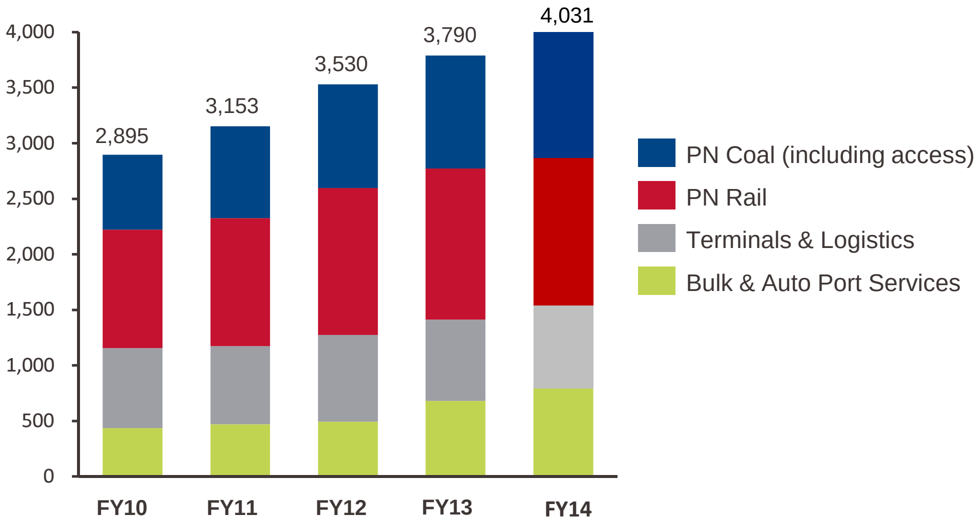
FY14 Revenue Split by Division[1]



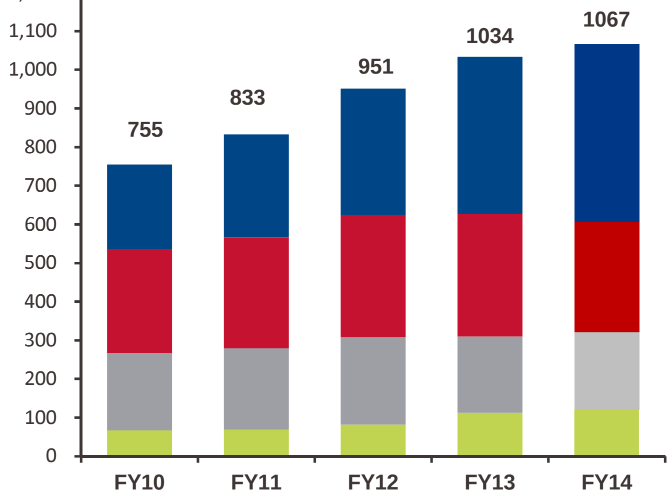
FY14 EBITDA Split by Division[1]



Historical Revenue by Division[1] ($m)



Historical EBITDA by Division[1] ($m)



1. Does not include corporate/eliminations

RESULT – PN COAL

24.7% increase in operating EBIT[1] driven by new contracts and organic growth in Hunter Valley volumes

12 months ended 30 June	2013	2014	% chg
Total NTKs ('m)	24,038.8	29,227.1	21.6
Total Tonnes ('m)	138.5	159.0	14.8
Revenue (net of access) ($m)	842.4	956.0	13.5
Access charges ($m)	174.8	203.9	16.6
Underlying EBITDA ($m)	407.5	460.7	13.1
Underlying EBIT ($m)	287.9	332.3	15.4
Operating EBITDA margin (%)[1]	47.0	48.2	1.2
Operating EBIT margin (%)[1]	32.5	34.8	2.3
ROCE (%)[1]	10.9	13.1	220bps
ROCE excl WIP (%)[1]	13.2	14.1	82bps
Cash conversion (%)	90.5	90.0	(0.6)
Capital expenditure ($m)	209.5	123.0	(41.3)

- Operating revenue[1] increased 16.5% over the pcp driven by a 14.8% increase in tonnes hauled and a 21.6% increase in NTKs
- The growth was the result of new contracts in Queensland, organic growth in all markets and an increase in tonnes hauled vs contracted from 82% in the pcp to 89%
- Operating ROCE[1] improved from 10.9% in the pcp to 13.1% reflecting the return on the significant investment made in growth projects over the last few years
- Capital expenditure declined reflecting the slow down in new contracts and the completion of a number of projects over the last 12 months

1. Calculated before the inclusion of the $21.5m proceeds from the sale of the land at Kooragang Island in the FY13 result

RESULT – PN RAIL

Rail strategy proactively addressing soft domestic economy and agricultural cycle

Twelve months ended 30 June	2013	2014	% chg
Intermodal NTKs ('m)	22,657.3	21,492.1	(5.1)
Intermodal TEUs ('000)	674.1	652.8	(3.2)
Bulk NTKs ('m)	6,009.6	5,114.8	(14.9)
Bulk tonnes ('000)	16,760.2	14,775.8	(11.8)
Steel tonnes ('000)	2,821.5	2,923.8	3.6
Total Revenue ($m)	1,360.9	1,329.1	(2.3)
Underlying EBITDA[1]($m)	316.2	285.3	(9.8)
Underlying EBIT[1] ($m)	216.8	179.6	(17.2)
EBITDA margin (%)	23.2	21.5	(1.7)
EBIT margin (%)	15.9	13.5	(2.4)
ROCE (%)	15.2	11.6	(358bps)
Cash conversion (%)	100.3	103.5	3.2
Capital expenditure ($m)	174.1	275.0	58.0

1. Pre material items

- Revenue declined reflecting lower intermodal volumes and a 35.8% decline in export grain volumes reflecting the drought in parts of Eastern Australia
- Steel, automotive, minerals and construction material volumes all increased over the 12 month period reflecting new contracts
- EBITDA declined 9.8% reflecting the high fixed cost base and external pressures on costs including market wage increases and fuel increase
- The business improvement program delivered a further $11.5m in benefits, the Division has exceeded its five year target of $40m
- Capital expenditure increased significantly reflecting the acquisition of strategic rail terminals in Queensland, the upgrade of some intermodal terminals and the repowering of the NR class fleet

RESULT – TERMINALS & LOGISTICS

Stronger 2H FY14 container volumes reflect new contracts offset to an extent by lower logistics revenue

Twelve months ended 30 June	2013	2014	% chg
Container Volume - lifts (‘000)	1,938.8	2,011.0	3.7
Container Volume - TEUs (‘000)	2,908.7	2,977.5	2.4
Revenue ($m)	731.5	748.6	2.3
Underlying EBITDA[1] ($m)	197.7	201.0	1.7
Underlying EBIT[1] ($m)	150.1	150.3	0.1
EBITDA margin (%)	27.0	26.9	(0.1)
EBIT margin (%)	20.5	20.1	(0.4)
ROCE (%)	7.2	6.8	(37bps)
ROCE excluding WIP (%)	7.7	7.5	(18bps)
Cash conversion (%)	107.5	105.0	(2.5)
Capital expenditure ($’m)	152.1	278.1	82.8

1. Pre material items

Earnings over the period were driven by:

- An increase of 3.7% in container lifts translated into a 5.4% increase in EBIT from the Container Terminals business
- Soft market conditions in Logistics resulted in a lower contribution from the Logistics business compared to the pcp
- The business improvement program contributed a further $15.5m across the division
- Capital expenditure increased 82.8% on the pcp reflecting the redevelopment of Port Botany and equipment upgrade across the Division
- Port Botany expected to cross over to automation in 3QFY15

RESULT – BULK & AUTOMOTIVE PORT SERVICES

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7% increase in EBITDA driven by stronger volumes in some activities offset by a decline in resources related project volumes

Twelve months ended 30 June	2013	2014	% chg
Vehicle processed[3] ('000)	556.8	526.1	(5.5)
Vehicle storage days ('000)	18,641.5	22,715.3	21.9
Revenue [1]($m)	**680.5**	**793.4**	**16.6**
Underlying EBITDA[1] ($m)	112.2	120.0	7.0
Underlying EBIT[1] ($m)	**89.0**	**89.5**	**0.6**
EBITDA margin (%)	16.5	15.1	(1.4)
EBIT margin (%)	13.1	11.3	(1.8)
ROCE (%)	20.8	15.5	(529bps)
Cash conversion (%)	103.1	107.1	4.0
Capital expenditure ($'m)	42.0	48.3	15.0

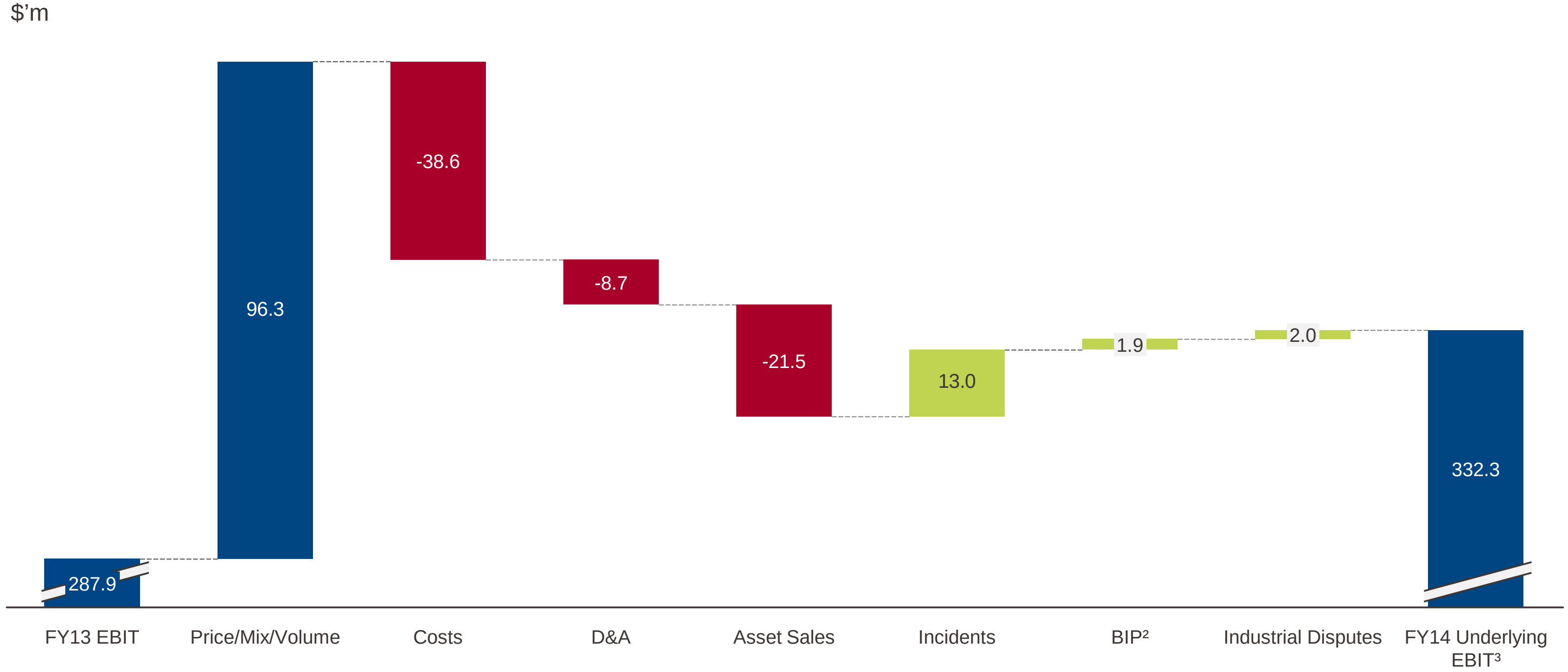
The result was driven by a number of factors including:

- Lower volumes under the Agility contract in Western Australia as the contract winds down, lower project volumes in Gladstone and Fremantle as resource development projects move into the production phase and lower volumes at Port Kembla impacted by lower steel export volumes;
- Strong car storage volumes over the year although storage days have declined from the peak in January 2014;
- A full 12 month contribution from the consolidation of forestry marshalling and port services company C3;
- An 8 month contribution from Newcastle based integrated logistics solution provider Mountain Industries acquired on 31 October 2013; and
- A settlement with the PoMC[2] to cover the cash outlays and loss of future profits associated with the early termination of lease agreements following the redevelopment of Webb Dock in Melbourne. The majority of these costs were incurred in FY14.

1. Pre material items
2. Port of Melbourne Corporation
3. Includes imported and exported vehicle volumes

PN COAL – EBIT BRIDGE

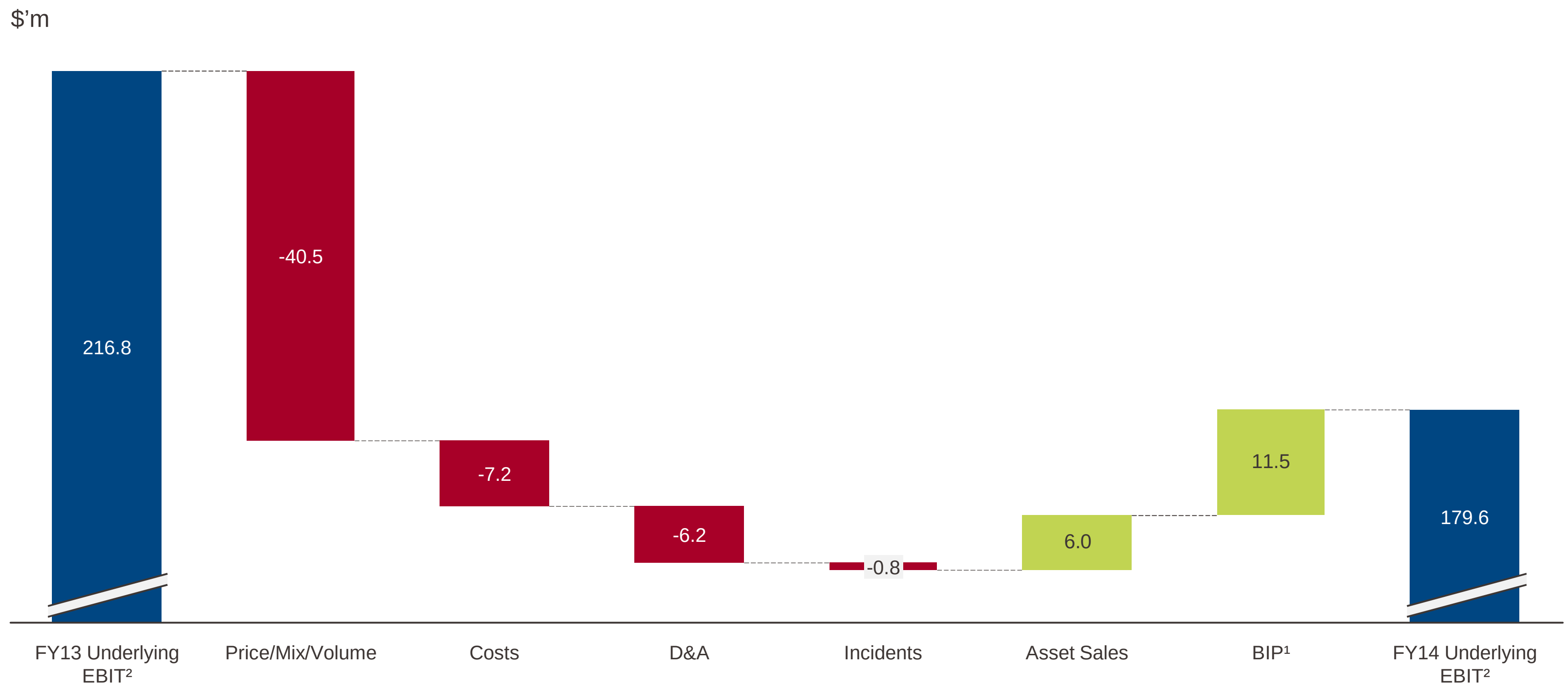
Operating EBIT[1] increased 24.7% on the pcp driven by new contracts and an increase in tonnes hauled versus contracted from 82% to 89%



1. Operating EBIT excludes the impact of the profit on the sale of land at Kooragang Island in FY13
2. Business improvement program
3. Underlying – pre material items

PN RAIL – EBIT BRIDGE

Underlying EBIT² growth impacted by costs associated with softer than expected volumes



1. Business improvement program
2. Pre material items

TERMINALS & LOGISTICS– EBIT BRIDGE

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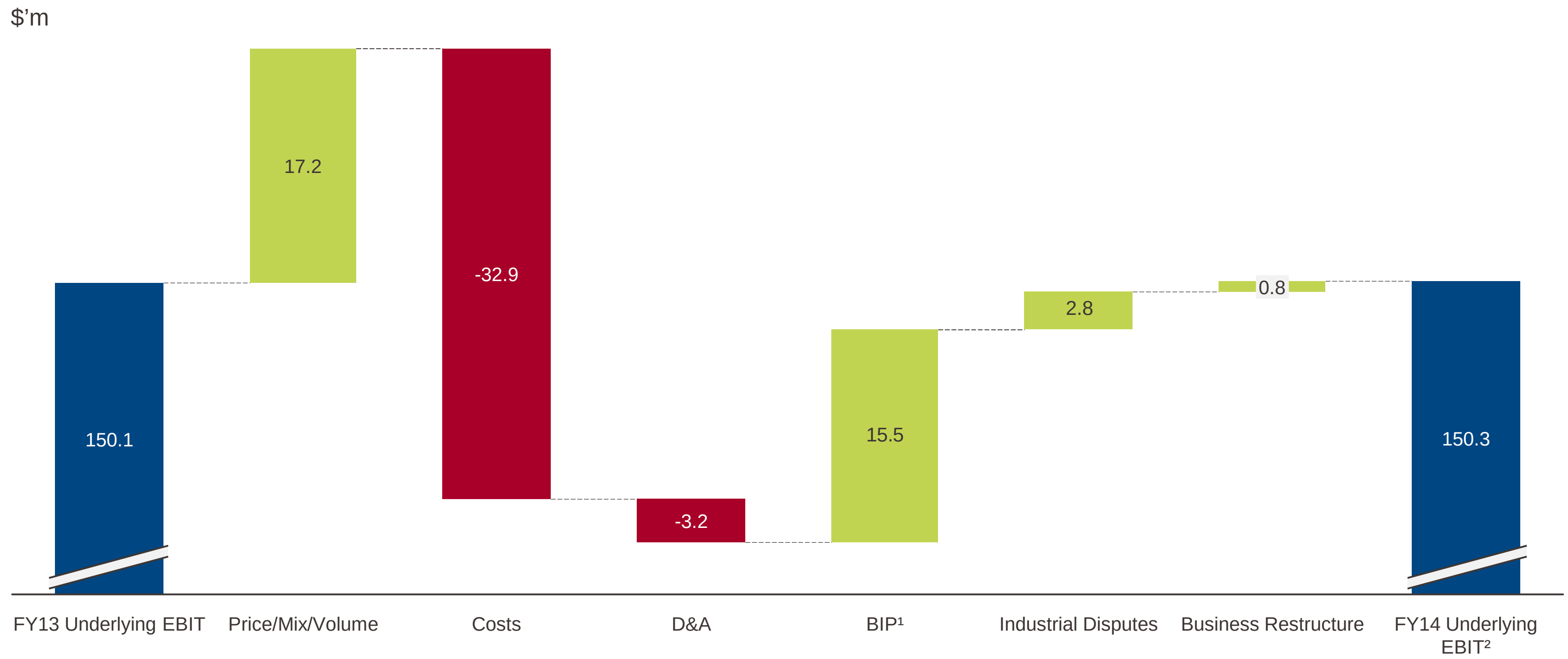
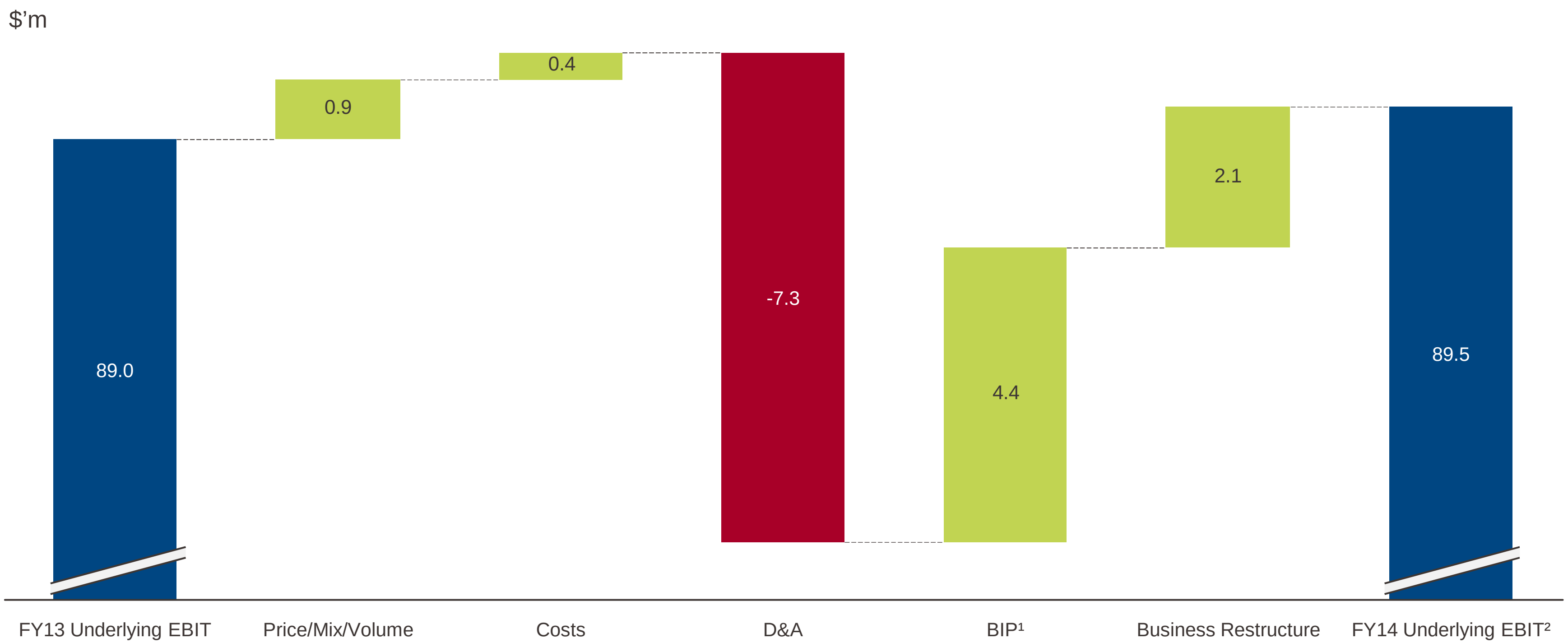
Underlying EBIT² flat on the year reflecting 5.4% increase in Terminals EBIT offset by a soft Logistics market



1. Business improvement program
2. Pre material items

BULK & AUTO. PORT SERVICES – EBIT BRIDGE

Underlying EBIT[2] flat reflecting lower volumes in some areas and costs associated with the wind down of Webb Dock and the Agility contract



1. Business improvement program
2. Pre material items

TAX EXPENSE

Effective tax rate pre material items of 28.9% in the current year[1]

Twelve Months Ended 30 June $('m)	2013[1]	2014
Reconciliation of income tax expense to prima facie tax payable		
Profit before tax	467.3	358.7
Income tax at 30% (2013: 30%)	140.2	107.6
Recognition of capital losses	(1.1)	-
Non-assessable income	(5.1)	-
Franking credits on taxable dividends	(3.7)	(3.5)
Other	(0.2)	(2.4)
Income tax expense recognised in the profit or loss	**130.5**	**101.7**

1. 29.1% in the pcp

CASH FLOW

Twelve months ended June($'m)	2013	2014	% chg
Operating cash flow pre tax and interest	**987.9**	**961.8**	**(2.8)**
Cash tax paid	(170.4)	(157.0)	(7.9)
Cash net interest paid	(219.9)	(198.0)	(10.0)
Operating cash flow after tax and interest	**597.5**	**606.8**	**1.5**
Net spend on PP&E and intangible assets[1]	(586.0)	(619.7)	5.8
Free cash flow after capex	**11.5**	**(12.9)**	**-**
Other[2]	(51.0)	(84.3)	65.3
Dividends	(90.4)	(117.0)	29.4
Net financing	10.2	351.8	-
Change in cash	**(119.7)**	**137.6**	**(215.0)**
Opening cash	149.4	29.7	(80.1)
Closing cash	**29.7**	**167.3**	**463.3**
Cash conversion (%)	**101.0**	**97.0**	**(4.0)**

- Net operating cash flow after tax and net financing costs increased 1.5% versus pcp to $606.8m.
- Cash conversion declined to 97% due primarily to accruals and provisions related to the Port Botany redevelopment and redundancies provided for but not paid in Pacific National and Bulk Ports.
- Free cash flow after capital expenditure for the full year was negative $12.9m. Free cash flow after capital expenditure in the 2H FY14 was positive $60.9m reflecting an improvement in net working capital compared to 1H FY14.
- Free cash flow after capital expenditure and acquisitions was negative $97.2m in FY14, this includes the acquisition of Mountain Industries in October 2013.

1. Includes capital expenditure recorded as inventory on the balance sheet. Net of the proceeds from the sale of PPE
2. Includes C3 acquisition of net A$52.4m and asset sales in FY13 and the acquisition of Mountain Industries of net A$83.6m in FY14

FINANCIAL PROFILE

Reconciliation of Loans and Borrowings

Facility	Type	Maturity	Drawn A$'m	Undrawn A$'m
Syndicated bank facility	Cash advance	Oct-16	650.0	-
Syndicated bank facility	Cash advance	Oct-19	-	650.0
US$ bonds[1]	144a/Reg S	Sep-15	428.8	
US$ bonds[1]	144a/Reg S	Apr-18	727.6	
US$ bonds[1]	144a/Reg S	Sep-20	643.2	
US$ bonds[1]	144a/Reg S	Apr-23	242.6	
GBP bonds[1]	MTN	Sep-23	514.0	
Total hedged A$ equivalent balance			**3,206.2**	**650.0**
Less: Unamortised Discount on US$ bonds & GBP notes			(5.9)	
Less: Unamortised debt issuance costs			(16.6)	
Add: Unrealised foreign exchange loss on US$ bonds and GBP notes			108.3	
Add: Fair value adjustments to US$ bonds			76.8	
Add: C3 finance leases			1.8	
Loans and borrowings as per balance sheet at 30 June 2014			**3,370.6**	
Cash and liquid assets as at 30 June 2014			(167.3)	167.3
Net debt / available liquidity as at 30 June 2014			**3,203.3**	**817.3**

1. Outstanding amounts for international issues are shown at the hedged A$ balances

DEFINITIONS

1H – first half	Material items - Material items include continuing material items, discontinued material items and gains or losses on sale of discontinued operations
2H – second half	NPAT - Net profit after tax
BAPS – Bulk & Automotive Port Services	OCFPIT - Operating cash flow pre interest and tax
BIP – Business Improvement Program	Operating cash flow - EBITDA plus change in net working capital plus interest paid plus tax paid
Capital employed - Net assets less cash, debt, other financial assets/liabilities, tax, and intercompany accounts (for divisional ROCE) 12 months rolling	PCP - Prior corresponding period
Cash conversion (divisional) - Operating cash flow / EBITDA	Revenue - Revenue and other income
Cash conversion (group) - OCFPIT / EBITDA	ROCE - Return on capital employed (EBIT / average capital employed) 12 months rolling
DPS – Dividend per share	ROE – Return on equity (NPAT and material items/ Average Total Equity)
EBIT - Profit before interest and tax	TEU – twenty foot equivalent unit
EBITDA - Profit before interest, tax, depreciation and amortisation	TSR – total shareholder return
EPS - Earnings per share (NPAT / weighted average number of shares outstanding)	Underlying Earnings - Underlying earnings (Revenue, EBITDA, EBIT, NPAT, EPS) which excludes certain items, as determined by the Board and management, that are either significant by virtue of their size and impact on earnings, or are deemed to be outside normal operating activities. It reflects an assessment of the result for the ongoing business of Asciano.
FY - financial year	WIP - Work in Progress