ASX ANNOUNCEMENT

15 August 2016

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 2016.The investor briefing pack is also attached to this announcement.

Yours faithfully

Lyndall Stoyles
Group General Counsel & Company Secretary

MELBOURNE
Level 6/380 St Kilda Road,
Melbourne VIC 3004 Australia
Telephone: +61 3 9284 4000
Facsimile: +61 3 9699 2869

SYDNEY
Level 6/15 Blue Street,
North Sydney NSW 2060 Australia
Telephone: +61 2 8484 8000
Facsimile: +61 2 8484 8154

Email: info@asciano.com.au
www.asciano.com

ABN: 26 123 652 862

Financial Year 2016

Full Year Financial Results

For the twelve months ended 30 June 2016

Incorporating the requirements of Appendix 4E

APPENDIX 4E

Asciano Limited
Results for announcement to the market
for the full year ended 30 June 2016

Year Ended June ($'m)	2015	2016	% chg
Statutory Revenue and other income	3,839.1	3,633.6	(5.4)
Underlying EBITDA[1,2]	1,142.0	1,149.3	0.6
Statutory EBITDA[2]	1,071.9	973.0	(9.2)
Underlying EBIT [3,4]	790.2	771.4	(2.4)
Statutory EBIT[3]	711.5	590.0	(17.1)
Underlying NPAT[5,6] after minority interests	414.7	408.8	(1.4)
Statutory NPAT [6] after minority interests	359.6	272.0	(24.4)
Basic earnings per share – cents	36.9	28.0	(24.1)
Diluted earnings per share – cents	36.8	27.9	(24.2)
Underlying diluted earnings per share-cents[5]	42.5	41.9	(1.4)
Net tangible asset backing per share – dollars	1.20	1.36	12.9
Interim dividend per share - cents	8.25	13.00	57.6
Final dividend – cents[7]	0.00	0.00	-

1. Pre material items of $176.3 m pre tax ($70.1m in FY15)
2. EBITDA refers to earnings before net finance costs, tax, depreciation and amortisation
3. EBIT refers to earnings before net finance costs and tax
4. Pre material items of $181.4 m pre tax ($78.7m in FY15)
5. Pre material items of $136.8 m post tax ($55.1m in FY15)
6. NPAT refers to net profit after tax
7. FY16 final dividend not declared

Reconciliations between the statutory measures and underlying measures are provided on page 8, 10 and 11

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 2016 which has been audited by the Group's Independent Auditor

Full Year Report

For the twelve months ended 30 June 2016

Contents

Further Information:

Investors and analysts	Media
Kelly Hibbins	Mat Charles
tel: +61 2 8484 8046	tel:+61 2 8484 8082
mobile: +61 414 609 192	mobile : +61 422 006 515
email: kelly_hibbins@asciano.com.au	email: media@asciano.com.au

Financial Year 2016

Operating & Financial Review

Operating & Financial Review - Table of Contents

"Underlying" Earnings Classification

The Operating and Financial Review includes references to "Underlying" earnings (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 AND FINANCIAL REVIEW

1 Background and Context

On 15 March 2016, Asciano announced to the ASX that it had entered into binding documentation with the Brookfield Consortium[1] and Qube Consortium[2] in relation to a Joint Consortium Scheme. Under the Scheme Implementation Deed, it was proposed that a vehicle (BidCo) owned directly or indirectly by CPPIB, GIP, CIC Capital, GIC and bcIMC (Rail Consortium), would acquire 100% of the issued capital of Asciano at $9.15 cash per Asciano share (reduced by the cash value of any permitted special dividend) (Scheme Consideration).

On 21 April 2016 Asciano announced to the ASX[3] that ASIC had registered the Scheme Booklet in relation to the Scheme of Arrangement.

On 3 June 2016 at a specially convened Scheme Meeting, Asciano shareholders voted in favour of the Scheme of Arrangement[4].

On 21 July 2016 the Australian Competition and Consumer Commission announced that it would not oppose the Scheme of Arrangement and associated transactions[5].

On 27 July 2016 the Scheme of Arrangement and associated transactions received clearance from the Foreign Investment Review Board[6].

On 28 July 2016 the Scheme of Arrangement received approval to proceed from the Supreme Court of New South Wales.

On 29 July 2016 the Scheme of Arrangement became effective and shares in Asciano ceased trading on the Australian Stock Exchange[7].

On 11 August 2016 Asciano paid a fully franked special dividend of $0.87 cents per share which forms a component of the $9.15 consideration being paid under the Scheme of Arrangement.

This Operating and Financial Review includes information required as part of the Operating and Financial Review and forms part of the Directors Report. Given the Scheme of Arrangement is scheduled to complete on 19 August 2016 this Review is confined to an overview of the FY16 operating results it does not include any forward looking statements or forecasts and does not outline the key risks associated with the business.

[1] Brookfield Infrastructure Partners L.P. (and certain of its affiliates) (Brookfield), GIC Private Limited (and certain of its affiliates) (GIC), Qatar Investment Authority and British Columbia Investment Management Corporation (bcIMC) (together, the Brookfield Consortium)

[2] Qube Holdings Limited (Qube), Canada Pension Plan Investment Board (CPPIB), Global Infrastructure Management, LLC (on behalf of itself and its managed funds and clients) (GIP) and CIC Capital Corporation (CIC Capital) (together, the Qube Consortium).

[3] Refer ASX announcement dated 21 April 2016

[4] For results of the meeting refer to the ASX announcement dated 3 June 2016

[5] Refer ASX announcement dated 21 July 2016

[6] Refer ASX announcement dated 27 July 2016

[7] Refer ASX announcement dated 29 July 2016

2 Group Operating Performance

2.1 Business Overview

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

Earnings Overview

Year Ended June ($'m)	2015	2016	% chg
Statutory Revenue and other income	3,839.1	3,633.6	(5.4)
Underlying EBITDA[1]	1,142.0	1,149.3	0.6
Statutory EBITDA	1,071.9	973.0	(9.2)
Underlying EBIT[2]	790.2	771.4	(2.4)
Statutory EBIT	711.5	590.0	(17.1)
Underlying NPAT[3] after minority interests	414.7	408.8	(1.4)
Statutory NPAT after minority interests	359.6	272.0	(24.4)

1. Underlying EBITDA excludes material items of $176.3m (FY15 $70.1m). Details of the adjustments and a reconciliation are on page 8
2. Underlying EBIT excludes material items of $181.4m (FY15 $78.7m). Details of the adjustments and a reconciliation between underlying EBIT and statutory EBIT is at page 10
3. Underlying NPAT excludes material items of $136.8m (FY14 $55.1m). A reconciliation between underlying NPAT and statutory NPAT is at page 11

For the FY16 reporting period Asciano's activities were divided into two reportable segments:

Pacific National – is one of the largest providers of above rail freight haulage services in Australia. Services are provided in the containerised, break bulk and bulk markets. Pacific National hauls a range of bulk goods for domestic and export consumption including coal, grain and other construction and infrastructure materials. Pacific National is the largest provider of long haul intermodal rail services in Australia with a 70% market share.

Detailed overview and review of operating performance at page 17

Patrick – is the largest provider of port services in Australia and is made of two business units:

- 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 that provides the interface between the shipping port and the beneficial freight owner in a joint venture with ACFS Port Logistics Pty Ltd (ACFS)[8].

- 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 19

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

[8] Announced via media release 10 April 2015, transaction completed 31 July 2015

2.2 FY16 Earnings Overview

2.2.1 *Earnings Summary*

Year Ended 30 June $('m)	2015	2016	% chg
Revenue and other income	3,839.1	3,633.6	(5.4)
Pacific National	2,430.7	2,374.0	(2.3)
Bulk Rail	1,518.5	1,495.9	(1.5)
- Bulk Rail (net of coal access)	1,331.2	1,280.1	(3.8)
National Intermodal	912.2	878.1	(3.7)
Patrick	1,454.7	1,310.1	(9.9)
- Terminals & Logistics	692.8	587.5	(15.2)
- Bulk & Automotive Port Services	761.9	722.7	(5.1)
Eliminations / unallocated	(46.3)	(50.5)	9.1
Underlying EBITDA[1]	1,142.0	1,149.3	0.6
Underlying Depreciation	303.9	323.8	6.5
Amortisation	47.9	54.1	12.9
Pacific National	597.0	605.5	1.4
- Bulk Rail	452.5	463.3	2.4
- National Intermodal	144.5	142.1	(1.7)
Patrick	241.1	219.6	(8.9)
-Terminals & Logistics	156.5	152.3	(2.7)
-Bulk & Automotive Port Services	84.6	67.3	(20.4)
Corporate	(47.9)	(53.7)	12.1
Underlying EBIT[2]	790.2	771.4	(2.4)
Net interest and associated costs	(204.5)	(219.6)	7.4
Underlying Profit[2] before tax	585.7	551.8	(5.8)
Underlying Tax expense	(169.8)	(141.4)	(16.7)
Outside equity interests	(1.2)	(1.6)	33.3
Underlying Net Profit[3] after tax and minority interests	414.7	408.8	(1.4)
Material items before tax[4]	(78.7)	(184.0)	133.8
Material items after tax	(55.1)	(136.8)	148.3
Profit attributable to owners of Asciano Limited	359.6	272.0	(24.4)
Full time employees at year end	8,173	7,545	(7.7)
EBITDA Margin net of coal access (%)	31.3	33.6	2.3
EBIT margin net of coal access (%)	21.6	22.6	1.0
Underlying fully diluted EPS (¢)	42.5	41.9	(1.4)
Diluted Earnings per share (¢)	36.8	27.9	(24.2)
Diluted weighted average shares (m)	976.2	976.0	(0.0)

1. Underlying EBITDA excludes material items of $176.3m (FY15 $70.1m). Details of the adjustments and a reconciliation between underlying EBITDA and statutory EBITDA are on page 8
2. Underlying EBIT excludes material items of $181.4m (FY15 $78.7m). Details of the adjustments and a reconciliation between underlying EBIT and statutory EBIT is at page 10
3. Underlying NPAT excludes material items of $136.8m (FY15 $55.1m). A reconciliation between underlying NPAT and statutory NPAT is at page 11
4. A breakdown of material items is on page 12

2.2.2 Reconciliation of Revenue Movements

Twelve Months Ended 30 June $'m	2015	2016	%chg
Asciano revenue and other income:	**3,891.1**	**3,633.6**	**(5.4)**
- Pass through coal access charges in revenue	186.8	215.8	15.5
- Pass through fuel costs in revenue	139.6	100.7	(27.9)
- Logistics revenue associated with ACFS joint venture[1]	134.2	11.9	(91.1)
Asciano revenue and other income adjusted for coal access, fuel and the creation of the logistics joint venture	**3,430.5**	**3,305.2**	**(3.7)**

1. The material decline in logistics revenue reflects the establishment of the metropolitan logistics joint venture with ACFS. The joint venture has been equity accounted from 1 August 2015

Asciano delivered a good FY16 result in the context of the extended Scheme process which had a significant detrimental impact on the Group's performance during the year.

Revenue and other income declined 5.4% on the pcp to $3.6bn over the twelve month period to 30 June 2016 driven by:

- A 3.8% decline in Bulk Rail revenue (net of coal access) driven by a 3% increase in coal NTKs offset by a 13.9% decline in other bulk NTKs. The decline in other bulk volumes primarily reflects a further decline in export grain volumes and a decline in minerals and specialised product volumes
- A 3.7% decline in Intermodal rail revenue over the pcp to $878.1m, driven by a 6.4% decline in NTKs over the pcp
- A 9.9% decline in Patrick's revenue on the pcp to $1.3bn. The result was impacted by a 91.1% decline in reported revenue in the Logistics business following the creation of the metropolitan logistics joint venture with ACSF; and a 5.1% decline in revenue from the Bulk & Auto Port Services activities impacted by a material decline in revenue from the Gorgon project, lower activity levels at a number of bulk port sites and a material decline in revenue from assets sales
- Removing the impact of revenue associated with the ACSF joint venture in both FY15 and FY16, Patrick's revenue declined 1.7% versus the pcp to $1.3bn

For further detail on the factors driving revenue please refer to the Divisional Performance in Section 3

2.2.3 Reconciliation of Statutory EBITDA to Underlying EBITDA

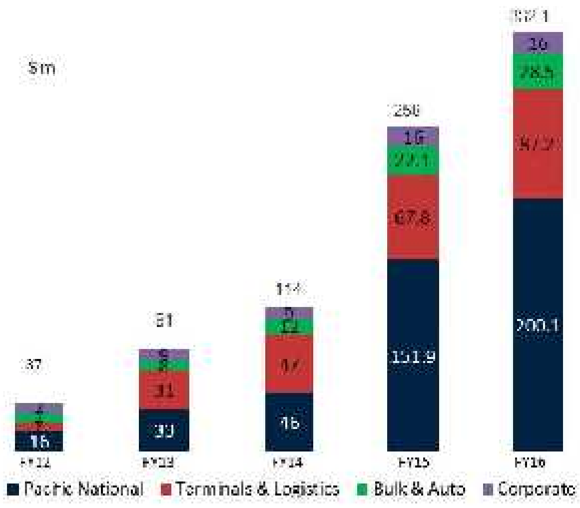
Year Ended 30 June 2016 ($'m)	Group	Pacific National	Patrick	Corporate
Statutory EBITDA	**973.0**	**855.0**	**281.9**	**(163.9)**
Patrick restructuring costs	8.3		8.3	
Pacific National restructure costs	10.4	10.4		
Costs associated with Scheme process[1]	157.6	0.4	24.4	132.8
Total Material Items before tax	**176.3**	**10.8**	**32.7**	**132.8**
Underlying EBITDA	**1,149.3**	**865.8**	**314.6**	**(31.1)**

1. Includes adjustments to the carrying value of certain investments being sold as part of Scheme and the break fee

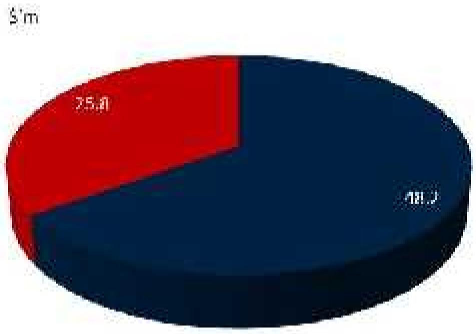
Operating expenses over the 12 month period declined by 8% to $2.5bn driven by:

- Employee benefits declined 9.4% reflecting a reduction in FTE's of 7.7% to 7,545 by the end of the 12 month period offset to an extent by contractual wage rises across the Group
- A 30% reduction in fuel, oil and power expenses primarily reflecting lower diesel prices (the average fuel price for the twelve month period was 16.2% below the pcp)
- A 9.6% decline in repairs and maintenance reflecting a material reduction in Pacific National costs following the renegotiation of contracts over the last eighteen months and a reduction in Terminals & Logistics following the significant capital reinvestment program over the last few years
- Rail access charges increased 5.4% primarily reflecting increased volumes hauled in Queensland and regulated increases in access charges in some coal systems in Queensland

Cumulative BIP Savings Under 5 Year Plan



FY16 BIP divisional split



Asciano continued to focus on its business improvement program (BIP) over the 12 month period. Over the period the contribution from the program delivered a further $74.1m in benefits. The cumulative benefit derived following the introduction of the BIP five year FY16 plan was $332.1m. The Group exceeded the original FY16 target of cumulative benefits of $150m and the revised target of $300m over the five year plan. The most significant contribution to the program in FY16 was the permanent reduction in FTEs across the business of which generated savings in the order of $46m. The Scheme process slowed and in some cases halted BIP initiatives planned for FY16.

Asciano's underlying EBITDA margin (net of coal access) improved 235bps over the pcp to 33.6% reflecting the benefits of the BIP initiatives and continued focus on cost efficiencies.

For further detail on the factors driving EBITDA please refer to the Divisional Performance in Section 3

2.2.4 Depreciation and Amortisation

Depreciation and Amortisation pre material items increased 7.4% over the pcp to $377.9m driven by the significant capital expenditure program and IT upgrade across the Asciano group over the last two years.

2.2.5 Group Underlying EBIT Bridge

($'m)	Bridge to FY16 EBIT	Underlying FY16 actual	Underlying FY15 actual
FY15 Underlying EBIT Reported	790.2		
Price/ Mix/ Volume	(70.2)		
Costs	(50.0)		
BIP	74.1		
Equity Accounted Profits	(1.7)	14.1	15.8
Depreciation & Amortisation	(26.1)	(377.9)	(351.8)
Industrial Disputes	(5.9)	(5.9)	-
Incidents/weather impacts	11.2	0.6	(10.6)
Asset Sales	15.5	35.3	19.8
Business Restructure and other	6.7	10.5	3.8
Actuarial valuations	27.6	32.7	5.1
FY16 Underlying EBIT	**771.4**		

Underlying EBIT declined 2.4% to $771.4m on the pcp. The key items driving EBIT in FY16 compared to FY15 include:

- A strong contribution from BIP initiatives in particular those flowing from the integration of the Company's rail businesses
- The positive impact of actuarial valuations over the period including the restructure and close out of the rail pass program
- The positive impact of a number of asset sales over the period compared to the prior period
- Costs associated with industrial action and business restructure within Patrick

The movements in price/mix/volume are discussed in the Divisional Performance in Section 2.

Underlying net corporate costs at the EBIT level were $53.7m an increase of 12.1% on the pcp. The increase has primarily been driven by the timing of IT system and development costs compared to the pcp, the costs associated with the upgrade of Group wide IT platforms and the 38% increase in depreciation and amortisation following the rollout of new systems.

2.2.6 Reconciliation of Divisional Statutory EBIT to Divisional Underlying EBIT

Year ended 30 June 2016 ($'m)	Group	Pacific National	Patrick	Corporate
Statutory EBIT	**590.0**	**594.7**	**181.8**	**(186.5)**
Patrick restructuring charges	11.2		11.2	
Pacific National restructure charges	10.4	10.4		
Costs associated with Scheme process[1]	159.8	0.4	26.6	132.8
Total Material Items before tax	181.4	10.8	37.8	132.8
Underlying EBIT	**771.4**	**605.5**	**219.6**	**(53.7)**

1. Includes adjustments to the carrying value of certain investments being sold as part of Scheme and the payment of a break fee of $88m

The key differences between statutory and 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 in paragraph 2.2.11*

2.2.7 Reconciliation of Statutory EBIT to Underlying EBIT

Year ended 30 June ($'m)	2015	2016
Statutory EBIT	**711.5**	**590.0**
Port Botany redevelopment charges	36.6	
Pacific National restructuring charges	35.7	10.4
Costs associated with Scheme Process[1]		159.8
Restructuring charges - other	6.4	11.2
Total material items before tax	78.7	181.4
Underlying EBIT	**790.2**	**771.4**

2. Includes adjustments to the carrying value of certain investments being sold as part of Scheme and the payment of a break fee of $88m

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

Year ended 30 June $(‘m)	2015	2016
Statutory net[1] financing costs	**204.5**	**219.6**
Net accrued interest and borrowing costs	0.6	12.2
Capitalised interest[3]	21.5	-
CVA[2] adjustment on derivatives	6.9	(1.6)
Fair value of derivatives not in a hedge relationship	(13.7)	(10.3)
Other non-cash	(7.3)	(2.0)
Cash net[1] financing costs	**212.5**	**217.9**

1. Net of interest income
2. CVA – credit value adjustment as per AASB 13
3. Capitalised interest in FY15 was associated with Port Botany project completed in April 2015

2.2.9 Tax

Twelve Months Ended 30 June $‘m	2015	2016
Profit before tax and after material items	507.0	367.8
Income tax at 30% (2014: 30%)	152.1	110.3
Settlement of historical tax matter	-	(5.4)
Recognition of previously unrecognised tax losses	-	(15.8)
Non-assessable equity accounted profit	(4.7)	(4.2)
Assessable income from associate investments	6.5	25.1
Net Assessable franking credits on dividends from associates	(4.5)	(23.4)
Various other items	(3.2)	7.6
Tax recognised directly in profit and loss	146.2	94.2
Effective tax rate (%)	28.8	25.6

Tax expense declined 35.6% to $94.2m reflecting a decline in the effective tax rate from 28.8% to 25.6%. The difference between the effective tax rate and the standard corporate tax rate was driven by:

- A refund of tax on the settlement of a historic matter in relation to section 974-80 of the Income Tax Assessment Act 1997 ($5.4m). (Asciano provided for an expense of $15.4m in respect of this matter in its FY12 accounts and paid the expense in 1H FY13)
- Current and prior period capital gains offset by a capital loss on the sale of the metropolitan logistics activities into the ACFS joint venture ($15.8m) recognised in 1H FY16
- Adjustments for equity accounted joint ventures and dividends received ($2.5m)
- Various other items ($7.6m).

2.2.10 Reconciliation of Statutory NPAT to Underlying NPAT

Year ended 30 June ($’m)	2015	2016
Statutory NPAT after minority interests	**359.6**	**272.0**
Port Botany redevelopment charges	25.6	
Pacific National restructuring charges	25.0	7.3
Costs associated with the Scheme process[1]		121.7
Restructuring charges - other	4.5	7.8
Total Material items after tax	55.1	136.8
Underlying NPAT after minority interests	**414.7**	**408.8**

1. Includes adjustments to the carrying value of certain investments being sold as part of Scheme and an $88m break fee

The difference between the FY16 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 2.2.11 below.

2.2.11 Material Items

Material items totalled to a pre tax loss of $184m ($136.8m after tax) compared to $78.7m pre tax loss in FY15. Material items pre tax reported in the FY16 result are detailed in the table below.

Year ended 30 June 2016	$'m
Patrick restructuring charges	11.2
Pacific National restructuring charges	10.4
Costs associated with the Scheme process[1]	162.4
Total	**184.0**
Tax benefit attributable to material items	47.2
Material items after Tax	**136.8**

1. Includes adjustments to the carrying value of certain investments being sold as part of the Scheme and the payment of an $88m break fee

2.2.12 Cash flow

Year ended 30 June ($'m)	2015	2016	% chg
Underlying EBITDA	**1,142.0**	**1,149.3**	0.6
Material Items EBITDA	(70.1)	(176.3)	151.5
Net operating working capital	(70.7)	(8.9)	(87.4)
Other non cash items	(52.1)	(7.1)	(86.4)
Operating cash flow before interest and tax	**949.1**	**957**	0.8
Net interest and other costs of finance paid	(212.5)	(217.9)	2.5
Tax paid	(113.0)	(122.6)	8.5
Net operating cash flows	**623.6**	**616.5**	(1.1)
Net spend on property plant & equipment and IT[1]	(515.2)	(247.8)	(51.9)
Cash flow after capital expenditure	**108.4**	**368.7**	240.1
Other investing cash flows	(1.9)	5.7	(400.0)
Financing cash flows	(146.5)	(298.8)	104.0
Net movement in cash	(40.0)	75.6	(289.0)
Cash conversion % (OCF before net finance costs and tax / EBITDA)	88.5	98.4	9.9

1. Includes proceeds from asset sales of $66.4m in FY15 and $43m in FY16

Free cash flow after capital expenditure for the full year increased 240.1% to $368.7m reflecting the 51.9% decline in net capital expenditure and an improvement in working capital position over the period. Operating cash flow was negatively impacted by the significant costs associated with the Scheme process including the payment of an $88m break fee in February 2016.

2.2.13 Capital Expenditure

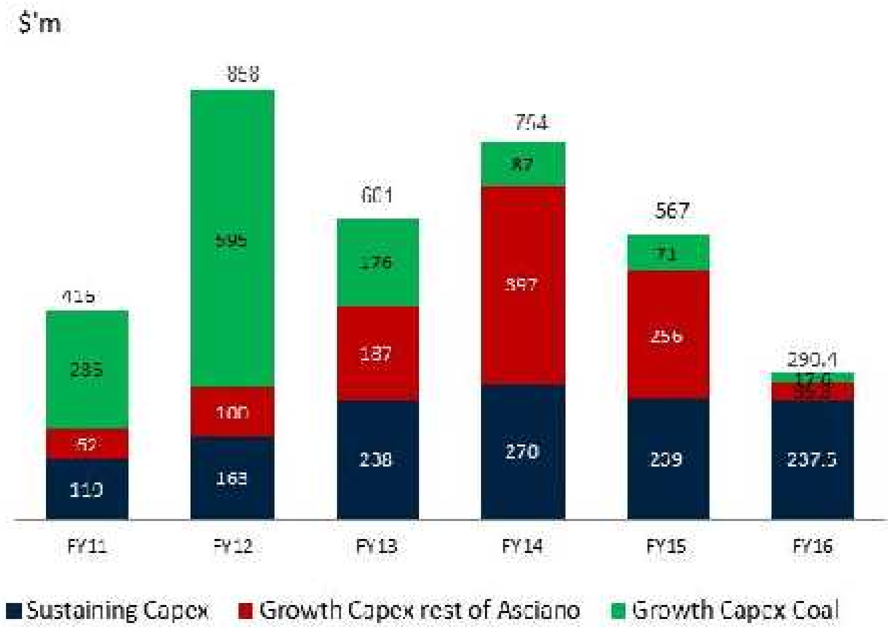
Year ended June $'m	2015	2016	% chg
Total Capital Expenditure	**566.9**	**290.4**	**(48.8)**
Growth Capital Expenditure	327.5	52.9	(83.8)
Sustaining Capital Expenditure	239.4	237.5	(0.8)

Refer Section 3 for further information about divisional capital expenditure

The overall decline in capital expenditure reflects the completion of a major multi year investment phase in the business. The majority of capital expenditure in FY16 was invested in stay in business projects including:

- The ongoing mid life component change out of the NR class locomotive fleet
- The upgrades of the Melbourne and Adelaide rail freight terminals
- IT systems upgrade

FY16 Capital Expenditure by Division[1] ($'m)



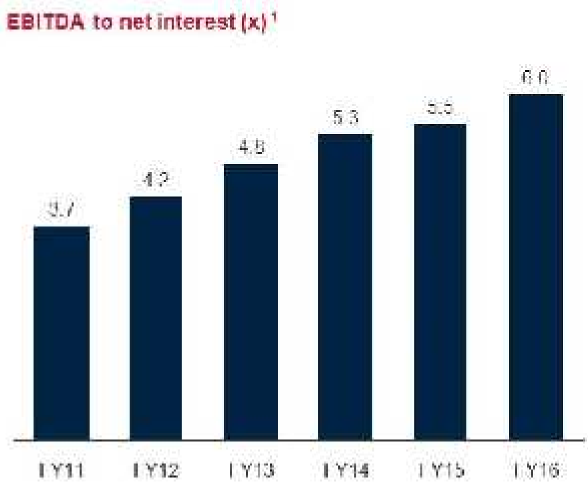
2.2.14 Balance Sheet

2.2.14.1 Net Debt and Net Interest Cover

Period ending $m	June 15	Dec 15	June 16
Gross borrowings at hedged values[3]	3,236.6	3,099.5	3,099.9
Debt Issuance costs (including discounts)	(24.0)	(21.6)	(25.2)
FX and Fair value adjustments to bonds	733.4	757.6	649.5
Borrowings per balance sheet	3,946.0	3,835.5	3,724.2
Cash	127.3	152.0	202.9
Net Debt	3,818.7	3,683.5	3,521.3
Leverage (Net Debt to EBITDA) (times)[1]	2.72	2.56	2.52
Interest cover (times)[2]	5.54	5.70	6.03

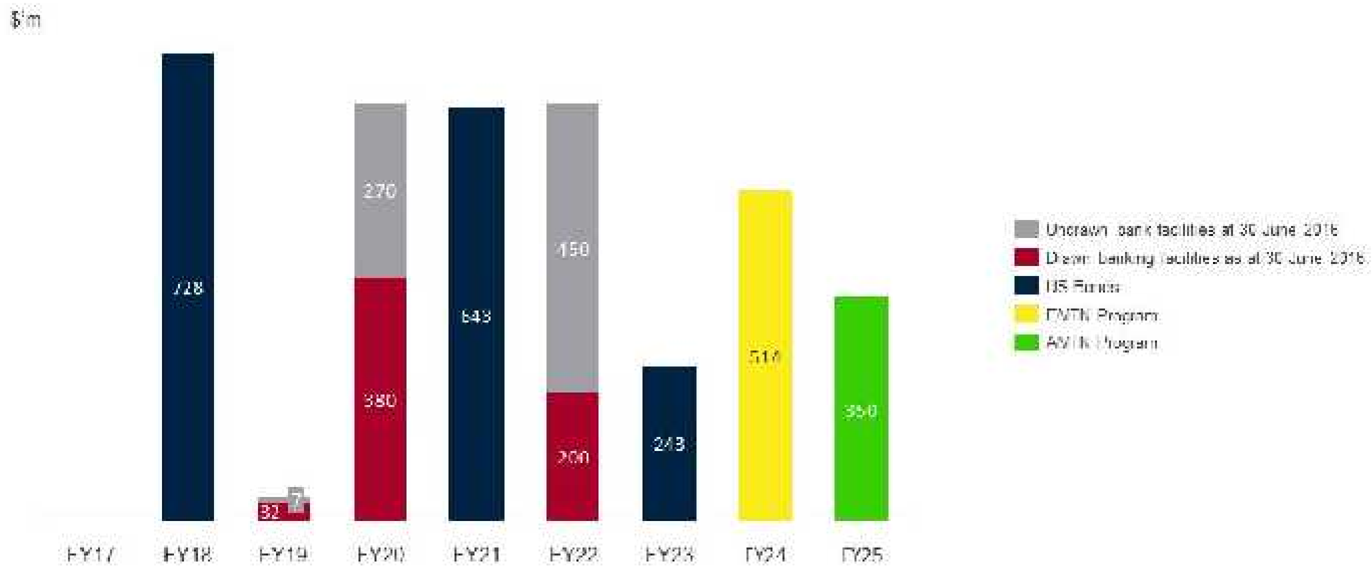
1. Net interest and EBITDA based on a rolling 12 month period. Net debt is net of hedges
2. Includes capitalised interest, excludes non-cash items and mark to market
3. Includes C3 finance lease

At 30 June 2016 Asciano's rolling 12 month net debt to EBITDA was 2.5x at the bottom end of the Company's target range of 2.5-3.0x. The rolling 12 month interest cover was 6.0x at the end of the 12 month period comfortably above the Company's target of greater than 3.5x.



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

2.2.14.2 Debt Maturity Profile



On 12 February 2016 Asciano executed the extension and repricing of its $650m syndicated bank facility due to mature in October 2019 out to September 2021. At the same time Asciano also repriced the $650m facility due to mature in October 2019.

2.2.14.3 Reconciliation of Loans and Borrowings

Facility	Type	Maturity	Drawn A$'m	Undrawn A$'m
Syndicated bank facility	Revolving cash advance	Sep-21	200.0	450.0
Syndicated bank facility	Revolving cash advance	Oct-19	380.0	270.0
C3 NZD Bank Facility	Cash advance	Jun-19	31.8	6.5
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	
AUD bonds	AMTN	May-25	350.0	
Total hedged A$ equivalent balance			**3,089.2**	**726.5**
Less: Unamortised Discount on US$ bonds, AUD & GBP notes			(7.6)	
Less: Unamortised Debt issuance costs			(17.6)	
Add: Unrealized foreign exchange loss on US$ bond and GBP notes			556.0	
Add: Fair Value adjustments to US$ bonds			93.5	
Add : C3 Finance Lease			0.7	
Add: Loan from minority owner			10.0	
Loans & Borrowings as per statutory balance sheet at 30 June 16			**3,724.2**	
Cash and liquid assets as at 30 June 16			(202.9)	202.9
Net Debt/available liquidity as at 30 June 16			**3,521.3**	**929.5**

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

The total hedged A$ equivalent debt balance at 30 June 2016 declined 4.2% over the 12 month period to $3.1bn. The decline reflects the maturation of the US$400m bond issue in September 2015 offset to an extent by higher drawings under the Company's syndicated bank facilities.

2.2.14.4 Reconciliation of drawn bank debt and the statutory balance sheet

$'m	June 2015	Dec 2015	June 2016
Drawn bank debt (excluding bank guarantees)	329.1	611.1	611.8
US$ bonds (at hedged values)	2,042.2	1,613.4	1,613.4
GBP notes (at hedged values)	514.0	514.0	514.0
AUD notes	350.0	350.0	350.0
Less: unamortised discount on US$ bonds	(9.1)	(8.4)	(7.6)
Less: unamortised debt issuance costs	(14.9)	(13.2)	(17.6)
Add (Less): unrealised foreign exchange movement on US$ bonds & GBP notes	649.7	677.9	556.0
Add: fair value adjustments to US$ bonds	83.7	79.7	93.5
Add: C3 Finance Lease	1.3	1.0	0.7
Add: Loan from minority owners		10.0	10.0
Loans and borrowings as per statutory balance sheet	**3,946.0**	**3,835.5**	**3,724.2**

Loans and borrowings in the balance sheet declined 5.6% over the 12 month period to $3.7bn. The decline was driven by the maturation of the US$400m bond issue in September 2015 offset to an extent by higher drawings under the Company's syndicated bank facilities combined with the 14.4% decline in the unrealised value adjustments to the foreign currency hedges on offshore bond issues over the 12 month period.

2.2.15 Shareholder Returns

Year Ended June (%)	FY15	FY16	bps chg
ROCE	11.4	10.8	(56bps)
ROCE (excluding WIP)	12.8	11.3	(153bps)
ROCE (excluding Goodwill)	18.3	17.1	(116bps)
ROE (pre material items)	10.9	10.0	(87bps)
Divisional ROCE			
Pacific National	14.4	14.9	49bps
Patrick	8.0	7.0	(100bps)
Patrick (excluding goodwill)	19.1	15.9	(320bps)

Rolling 12 month Group ROCE declined primarily reflecting the soft volume growth over the period combined with the expansion in capital employed reflecting the significant investment phase over the last few years. During the period work in progress declined 60.4% to $200.8m reflecting the completion of the asset upgrade across the Container Terminals and a number of assets in Pacific National moving from WIP into operation.

2.2.15.1 Dividends

Year Ended June (cps)	FY15	FY16	% chg
Interim dividend	8.25	13.0	57.6
Final dividend	-	-	-
Full year dividend	8.25	13.0	-

No final dividend has been declared. Asciano paid a full franked special dividend of $0.87 per share on 11 August 2016 as part of the cash consideration of $9.15 per share to be paid by the Consortium on completion of the transaction on 19 August 2016.

2.2.16 Subsequent Events

For details on the steps that have occurred post balance date under the Scheme of Arrangement please refer to page 5

On 8 July 2016 C3 acquired the assets of Edenborn, a log transport and chipping operation in Western Australia

3 Divisional Performance

3.1 Pacific National

3.1.1 Pacific National FY16 Earnings and Volume Overview

Year ended 30 June $'m	2015	2016	% chg
Volume Bulk Rail			
Total Coal NTKs (m)	30,913.0	31,849.7	3.0
Queensland Coal	13,562.5	14,359.3	5.9
South East Australia Coal	17,350.5	17,490.4	0.8
Other Bulk Rail NTKs	5,165.6	4,449.1	(13.9)
Total Coal Tonnes (m)	162.8	158.8	(2.5)
- Queensland Coal	55.1	56.7	2.9
- South East Australia Coal	107.7	102.1	(5.2)
Other Bulk Tonnes (m)	15.0	14.3	(4.7)
Volume National Intermodal			
- NTKs (m)	20,943.6	19,602.6	(6.4)
- TEUs[2] ('000)	771.5	799.1	3.6
- Steel tonnes ('000)	2,878.2	2,886.5	0.3
Revenue and other income ($'m)	2,430.7	2,374.0	(2.3)
- Coal access revenue ($'m)	187.4	215.7	15.1
Revenue net of coal access ($'m)	2,243.3	2,158.3	(3.8)
- Bulk Rail Revenue	1,518.5	1,495.9	(1.5)
– Bulk Rail revenue net of coal access	1,331.1	1,280.2	(3.8)
- National Intermodal Revenue	912.2	878.1	(3.7)
Underlying EBITDA[1] ($'m)	846.0	865.8	2.3
- Bulk Rail	625.7	642.8	2.7
- National Intermodal	220.3	223.0	1.2
Underlying[1] EBIT ($'m)	597.0	605.5	1.4
- Bulk Rail	452.5	463.3	2.4
- National Intermodal	144.5	142.2	(1.6)
Operating EBITDA margin (%) (net of coal access)	37.7	40.1	2.4
Operating EBIT margin (%) (net of coal access)	26.6	28.1	1.5
ROCE (%)	14.4	14.9	49bps
Cash Conversion (%) (Operating cash flow / EBITDA)	93.8	107.4	13.6
Total capex ($'m)	258.1	189.1	(26.7)
Growth capex ($'m)	70.1	17.6	(74.9)
Sustaining capex ($'m)	188.0	171.5	(8.8)
Gain on Asset Sale	-	18.7	-
Full time employees	3,573	3,480	(2.6)

1. Underlying – pre material items

Pacific National reported a decline in total revenue (net of coal access) of 3.8% over the pcp to $2.2bn. The result was impacted by:

- A 3.8% decline in revenue from Bulk Rail driven by a 3% increase in coal NTKs and a 2.5% decline in coal tonnes compared to the pcp. Contract utilisation for the twelve months was 88%, flat on the prior period
- Removing the impact of the contracted reduction in the haulage task at some mines, underlying growth in coal NTKs in SE Australia was 6.1% on the pcp
- "Other Bulk" volume was 4.7% below the pcp with Construction reporting increases reflecting new contracts and Grain and Mineral volumes below the pcp reflecting weakness in export grain volumes
- Bulk Rail revenue (net of coal access) adjusted for fuel costs in revenue (passed through to customers) declined 1% over the pcp
- A 3.7% decline in Intermodal revenue driven by a 6.4% decline in NTKs, partly offset by a 3.6% increase in TEUs and a small increase in steel tonnes over the pcp. Intermodal continued to be impacted by lower volumes East-West reflecting the soft Western Australian economy and relatively stronger volumes North-South.

Underlying EBITDA increased 2.3% to $865.8m, reflecting a 4.8% decline in operating expenses. This was driven by the continuing benefits of the integration of the two rail businesses with BIP initiatives delivering a $48.2m benefit. The two biggest areas of savings were in the management of employee costs and the ongoing benefits from the renegotiation and restructure of the Divisions maintenance activities and agreements. The Divisions BIP program was slowed and in some cases halted by the Scheme process.

3.1.2 Pacific National EBIT Bridge

($'m)	Bridge to FY16 EBIT	FY16 actual	FY15 actual
FY15 Underlying EBIT	597.0		
Price/ Mix/ Volume	(36.0)		
Costs	(43.7)		
Depreciation and amortisation	(11.3)	(260.3)	(249.0)
BIP	48.2		
Incidents	(1.5)	0.6	2.1
Asset Sales	18.7	18.7	
Actuarial valuations	21.4	21.4	
Weather impacts	12.7		(12.7)
FY16 Underlying EBIT	**605.5**		

Underlying EBIT increased 1.4% to $605.5m. Underlying EBIT growth over the 12 months was driven by:

- The contribution of organic growth from existing contracts and new contracted volume offset by the impact of the closure of mines and renegotiated contracts
- The contribution from further BIP initiatives of $48.2m including a full year impact of initiatives introduced in FY15 and an initial contribution from the rationalisation of the Non Coal Bulk business in NSW/Vic in response to a downturn in activity levels
- The 4.5% increase in depreciation and amortisation reflecting the investment in the business in both new contracts and the upgrade of operational sites over the last few years

- The positive impact of actuarial valuations over the period including the restructure and close out of the rail pass incentive program
- The positive impact of asset sales over the period
- The net impact of a number of derailments over the period compared to the pcp.

Capital expenditure over the period declined 26.7% to $189.1m. Capital expenditure over the 12 month period was primarily maintenance capital expenditure.

ROCE improved from 14.4% in the pcp to 14.9% reflecting the benefits of the BIP program.

The Division reported a material items expense pre tax of $10.8m ($7.6m after tax) relating to redundancies associated with the next phase of the BIP initiatives including the rollout of a Integrated Planning Centre and the restructure and redundancies associated with the down turn in NSW/Vic bulk volumes.

3.2 Patrick

3.2.1 FY16 Earnings and Volume Overview

Twelve months ended 30 June	2015	2016	%chg
Volumes			
Container Terminal Volumes - Lifts ('000)[1]	2,069.5	2,095.4	1.3
Container Terminal Volumes - TEUs ('000)[2]	3,060.9	3,122.2	2.0
Vehicles processed ('000)	533.3	590.0	10.6
Vehicle storage days ('000)	15,043.8	18,499.2	23.0
Vehicle movements ('000)	1,049.9	1,072.4	2.1
Bulk tonnes stevedored ('000)	11,830.3	11,380.4	(3.8)
Revenue and other income ($'m)	1,454.7	1,310.1	(9.9)
- *Terminals & Logistics* [4]	692.8	587.4	(15.2)
- *Bulk & Auto Port Services*	761.9	722.7	(5.1)
Underlying EBITDA[3] ($'m)	327.0	314.6	(3.8)
- *Terminals & Logistics*	209.4	214.7	2.5
- *Bulk & Auto Port Services*	117.6	99.9	(15.1)
Underlying EBIT[3] ($'m)	241.1	219.6	(8.9)
- *Terminals & Logistics*	156.5	152.3	(2.7)
- *Bulk & Auto Port Services*	84.6	67.3	(20.4)
Underlying EBITDA margin (%)	22.5	24.0	1.5
Underlying EBIT margin (%)	16.6	16.8	0.2
ROCE (%)	20.6	16.6	(404bps)
Cash Conversion (%) (Operating cash flow / EBITDA)	85.7	91.3	5.6
Total capex ($'m)	295.3	83.2	(71.8)
Growth capex ($'m)	257.4	34.9	(86.4)
Sustaining capex ($'m)	37.9	48.3	27.4
Gain on asset sale ($'m)	19.8	16.6	(16.2)
Full time employees	4,318	3,809	(11.8)

1. Includes volume subcontracted out and volume subcontracted in for other operators.
2. TEU-twenty foot equivalent unit
3. Pre material items
4. FY15 Terminals & Logistics revenue has been restated to reflect the movement of the regional road and rail business activities from the Logistics business to the Bulk & Auto Port Services business following the creation of the ACFS joint venture

Patrick reported a 9.9% decline in revenue to $1.3bn on the pcp. Revenue was driven by:

- Revenue from the Container Terminals business was down 2.1% compared to the pcp on a 1.3% increase in lifts. Volume growth reflected materially lower volumes at Fremantle in line with the market, offset by higher volumes at the three other terminals. Market share for the twelve month period across the four container terminals was 48.3% (lifts) an improvement on the pcp, rolling three month market share at 30 June 2016 was 50.6% (lifts). Volumes were impacted over the 12 month period by the market share of key customers and changes to shipping line consortiums
- Revenue growth in Terminals was impacted by the competitive pressure on pricing in the industry
- Patrick Port Logistics completed a joint venture with ACFS Port Logistics (ACFS) on 31 July 2015 which brought together the metropolitan logistics businesses of Patrick and ACFS. The decline in Patrick's revenue over the pcp in the main reflects the establishment of the joint venture which has been equity accounted from 1 August 2015. Removing the impact of revenue associated with the joint venture in the pcp, Patrick's revenue declined 1.7% to $1.3bn
- Bulk & Auto Port Services reported a 5.1% decline in revenue impacted by a decline in project based work in the resources industry at a number of regional bulk port sites. This included a further material decline in revenue from the Gorgan project in Western Australia
- Revenue from the Autocare business increased 6% over the pcp reflecting the benefits of a new contract
- Revenue from the forestry business C3 continued to grow compared to the pcp, despite the soft export demand from China and reflects the expansion of the business into the Australian market

Underlying EBITDA declined 3.8% to $314.6m and included an after tax contribution from a number of equity accounted joint ventures including:

- A 17.1% increase in the contribution from the AAT joint venture to $8.8m
- The Port of Geelong Unit Trust reported an after tax contribution of $5m down 5.7% compared to the pcp. The decline in the contribution was primarily the result of a timing issue in relation to a customer contract

3.2.2 Patrick Underlying EBIT Bridge

($'m)	Bridge to FY16 EBIT	FY16 actual	FY15 actual
FY15 Underlying EBIT	241.1		
Price/ Mix/ Volume	(30.0)		
Costs / Other	(8.8)		
Depreciation & Amortisation	(9.1)	(95.0)	(85.9)
BIP	25.8		
Industrial Disputes	(5.9)	(5.9)	-
Business Restructure	0.1	5.7	5.6
Equity accounted profits	(1.7)	14.1	15.8
Other	6.6	4.8	(1.8)
Actuarial Valuations	4.7	4.7	-
Asset Sales	(3.2)	16.6	19.8
FY16 Underlying EBIT	219.6		

Underlying EBIT declined 8.9% on the pcp to $219.6m. Key factors impacting the result included:

- The decline in volumes across a number of Bulk Port sites reflecting the winding down of contracts associated with the resources industry

- The impact of weaker container volumes in Western Australia
- The reduction in operating costs reflecting the decline in volumes in Bulk Ports related to resources contracts; and the reversal of one-off costs incurred in the prior period
- The 15.2% increase in depreciation resulting primarily from the completion of the Port Botany redevelopment project. (Removing the impact of the ACSF joint venture on D&A in both FY15 and FY16 the increase in D&A was 22.3%)
- The ongoing benefits flowing from BIP initiatives
- Solid growth in the Autocare and C3 businesses
- Capital gain on property sales in Patrick following a review of business requirements
- The contribution from equity accounted joint ventures

Capital expenditure for the period declined 71.8% to $83.2m. Capital expenditure over the period including final payments for equipment at Port Botany, the replacement of older equipment at Fisherman Islands and general maintenance work across all Container Terminals and the Bulk & Auto Port Services business.

The Division reported a net material expense before tax of $37.8m (after tax $33.6m) primarily related to:

- Redundancies taken as part of the integration of the Bulk Ports businesses with Terminals & Logistics. This program was halted following the launch of the current form of the Scheme of Arrangement announced in March
- Costs associated with the rationalisation of business sites as part of the restructuring within the Patrick businesses

ENDS

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
- **NTK**- net tonne kilometer

Asciano Limited
ABN 26 123 652 862

Full year financial report
For the year ended 30 June 2016

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

Table of contents

Asciano Limited
ABN 26 123 652 862

Directors' report
For the year ended 30 June 2016

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" or "the Group") and the auditor's report thereon, for the year ended 30 June 2016.

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	64	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 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 was appointed the chairman of Orica effective January 2016, 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 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	61	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 was appointed Chairman of Telstra Corporation Limited ("Telstra") effective 27 April 2016. He has been a Non-Executive Director of Telstra since 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	70	Mr Chris Barlow was appointed as a Non-Executive Director of Asciano Limited 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 adviser on airports worldwide to IFM Investors and was appointed as a Non-Executive Director of ARTC on 2 May 2016. He is also Chair of Melbourne Convention Bureau and a Non-Executive Director of Visit Victoria. 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	70	Dr Robert Edgar was appointed as a Non-Executive Director of Asciano Limited 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), Djerriwarrh Investments Limited (appointed March 2015) and Linfox Armaguard. Dr Edgar is also Chairman of the Prince Henry's Institute of Medical Research and was the Chairman of Federation Limited (formerly Centro Retail Limited) from 2011 to 2015.

1. Directors (continued)

Name, qualifications and independence status	Age	Experience, special responsibilities and other directorships
		Dr Edgar holds a Bachelor of Economics with Honours from the University of Adelaide and a PhD from Ohio State University, USA.
Peter George BCom, LLB Independent Non-Executive Director	63	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	61	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 CEO of Verve Energy, Vice President Primary Business Development with Alcoa, and prior to that she was the CEO of Alcoa Australia Rolled Products. Ms In't Veld has also held senior legal, commercial and marketing positions with WMC Resources Ltd, Bond Corporation and Bankwest and has been a board member of Alcoa of Australia. Ms In't Veld was appointed as a Non-Executive Director for NBN Co Limited (nbn) commencing 2 December 2015. Ms In't Veld is a board member of CSIRO, a director of Duet Company Limited (appointed August 2013), Perth Airport Pty Ltd (appointed September 2013), Juniper Uniting Church Aged Care and is a council member of the AICD in Western Australia and a member of the Takeover Panel. 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	67	Mr Geoff Kleemann was appointed as a Non-Executive Director of Asciano Limited 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 is a Non-Executive Director of Investa Listed Funds Management Limited the responsible entity for the Investa Office Trust. He was a Non-Executive Director of Broadspectrum Limited from September 2014 to May 2016. 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, HonFIEAust Independent Non-Executive Director	67	Mr Ralph Waters was appointed as a Non-Executive Director of Asciano Limited on 23 August 2012. Mr Waters is a member of the Nomination and Succession Planning Committee and the Sustainability Committee. Mr Waters was a Director of Woolworths Limited from 2011 to 2015 and served as the Chairman from November 2012 to September 2015. Mr Waters was also CEO, a Director and then Chairman of Fletcher Building Limited between 2001 and 2011. In the past, Mr Waters was a Director then Chairman 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

Lyndall Stoyles, DipLaw and LLM, University of Sydney

Ms Lyndall Stoyles joined Asciano in 2010 as Senior Legal Counsel for the Patrick businesses.

Ms Stoyles was appointed as Group General Counsel and Company Secretary on 1 September 2014.

Prior to joining Asciano, Ms Stoyles spent 14 years with Clayton Utz advising on competition, commercial and corporate law issues in a broad range of industries, including advising on the competition and regulatory issues associated with the creation of the Pacific National business and advising clients on competition and commercial issues in the media, telecommunications, rugby and racing industries.

4. Directors' meetings

The number of Directors' meetings (including meetings of Committees of Directors) and the number of meetings attended by each of the Directors during the 2016 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	33	33	–	1	–	–	2	2	–	–
John Mullen	33	33	–	–	–	–	–	–	–	–
Chris Barlow	33	32	–	1	8	8	2	2	3	3
Robert Edgar	33	29	4	4	8	8	2	1	–	–
Peter George	33	31	4	4	–	–	2	1	3	3
Shirley In't Veld	33	31	–	–	–	–	2	2	3	3
Geoff Kleemann	33	33	4	4	8	8	2	2	–	–
Ralph Waters	33	32	–	–	–	–	2	2	3	3

A – Number of meetings eligible to attend.

B – Number of meetings attended.

5. Corporate governance statement

The Company's Corporate governance statement, which outlines Asciano's main corporate governance practices in place for the 2016 financial year, may be accessed from the Company's website at http://asciano.com.au/p/corporate-governance-and-policies.

The Board believes that Asciano's corporate governance framework and policies comply with corporate governance best practice in Australia, including the 3rd edition of the ASX Governance Council's Corporate Governance Principles and Recommendations ("ASX Principles").

6. Introduction to executive remuneration – unaudited

6.1 Committee Chairman's letter

Dear Shareholder

It gives me pleasure to present the Remuneration report for the Asciano Group, for the 2016 financial year.

Our remuneration framework aligns the pay of our key managers to our core strategy and the level of Company performance that drives value for you, our stakeholders. The Board continues to believe the fundamental measures of success, which in turn drive up shareholder value, remain in year on year improvements in earnings, customer service, and safety, together with specific targets for each part of the business. We continue to base our Short Term Incentive ("STI") Plan on the results of these measures.

Each of our businesses is measured separately and the Key Management Personnel ("KMP") responsible for each business have their STI determined on a combination of the results of that business and the overall consolidated Group results.

In a challenging year, the business has delivered a solid performance. The business has faced both challenging market conditions and has also had to manage the impact of the protracted transaction process associated with the Asciano takeover. As a result, the impacts of both the transaction and some particular industrial relations issues experienced in the Patrick business during the year, have been taken into account as one off items for the purposes of determining this year's STI outcome.

Firstly, the result for our underlying earnings before interest and tax ("EBIT") met our target set for this year. At a Group level, EBIT is weighted at 50% of our balanced scorecard and as we delivered above threshold, 100% performance against our goal was achieved.

Secondly, safety. Whilst our performance continues to improve, we achieved mixed results across the business. The overall and the threshold level of performance was achieved, however we recognise this is an area where we need to continue to focus. Safety is weighted at 15% of our STI scorecard and we achieved an 43.75% performance against our target.

This year we maintained our measurement of customer service and this showed some variable results. Although some lines of business achieved target, others didn't, and at a Group level no payment was made.

I hope you are able to get a clear picture of how our key people were remunerated this year and the alignment between pay and performance.

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 2016 financial year

In the 2012 financial year, Asciano implemented a remuneration framework to strengthen alignment between Asciano's recognised "key drivers" of business success and executive remuneration. The framework has continued to apply in the 2016 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 set aspirational growth targets in a challenging market environment. A number of our key targets have been met and, as a result, there have been STI payment results between threshold and target for most of our executive team.

The connection between business and remuneration outcomes for the 2016 financial year is demonstrated in the table below:

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 that our employees get home safely every day	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 that 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 ROCE as a performance hurdle in the LTI Plan
Increasing shareholder wealth	LTI – Inclusion of relative 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 2016

The following unaudited table is a voluntary disclosure of the actual remuneration of Asciano's CEO and other executive KMP, i.e. the gross salary package and actual incentives earned in the 2016 financial year including the value of any deferred STI and LTI that vested during the year. The full statutory remuneration table (which is prepared in accordance with the accounting standards) can be found on page 18.

6. Introduction to executive remuneration – unaudited (continued)

2016 total remuneration components $	Fixed annual remuneration[1]	Current year short-term incentive[2]	Prior year short-term incentive[3]	Vested long-term rights[4]	Total	Take home pay – Cash component	Performance related remuneration[5]
Executive Director							
John Mullen CEO	1,955,491	1,509,100	763,166	5,831,090	10,058,847	4,227,757	81%
Executives							
Roger Burrows CFO	812,993	375,300	191,796	977,763	2,357,852	1,380,089	66%
David Irwin Director Pacific National	991,863	527,000	193,182	1,131,168	2,843,213	1,712,045	65%
Murray Vitlich Director Patrick	807,721	352,000	154,134	784,071	2,097,926	1,313,855	61%

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 7.5 of this Directors' report because it does not include the value of accrued leave.
2. Current year STI amount represents the actual STI to be paid in August 2016, to be paid fully in cash for the 2016 financial year.
3. Prior year STI amount represents the value of all STI rights that will vest in July 2016 as a result of the takeover transaction. These include the remaining 12.5% deferred STI for the 2014 financial year and the 25.0% deferred STI for the 2015 financial year.
4. Vested long-term rights amount represents the value of the 2013 LTI rights subject to a TSR performance hurdle that were retested on 1 July 2016 when 98% vested, and all LTI rights that will vest as a result of the takeover transaction. The LTI rights that will vest include the 2014 LTI rights subject to a TSR performance hurdle, and all LTI rights issued for the 2015 and 2016 financial years.
5. Excludes non-monetary benefits to show actual cash earnings of each executive for the 2016 financial year.

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 16)	×	×
	Salary	×	✓ (page 11)	✓ (page 11)
At-risk remuneration	STI	×	✓ (page 12)	✓ (page 12)
	LTI	×	✓ (page 14)	✓ (page 14)
Post-employment	Superannuation	✓ (page 16)	✓ (page 11)	✓ (page 11)
	Notice periods and termination benefits	×	✓ (page 16)	✓ (page 16)

7.1 Key Management Personnel

This Remuneration report outlines the remuneration arrangements in place for the KMP of Asciano, which comprise 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 2016 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
David Irwin	Director Pacific National	Peter George	Non-Executive Director
Murray Vitlich	Director Patrick	Shirley In't Veld	Non-Executive Director
		Geoff Kleemann	Non-Executive Director
		Ralph Waters	Non-Executive Director

7.2 Executive remuneration policy and framework

Remuneration philosophy and principles

Asciano consistently applies its remuneration philosophy to ensure that 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.

Clawback provisions

The Company is committed to ensuring alignment between incentive plan awards, Company performance and shareholder value. Our clawback provisions, which have been included in all plan rules since 2012, ensure we are able to take appropriate action should we believe there has been an act of fraud, dishonesty or breach of obligations.

The Board may, in its discretion and subject to applicable laws, determine any treatment in relation to an incentive award, including forfeiting unvested awards, lapsing vested awards, require payment of cash rewards and/or repayment of the net proceeds of any awards of shares subsequently sold.

We are confident that these provisions enable appropriate Board discretion to ensure we only reward where it is appropriate to do so.

7. Remuneration report – audited (continued)

Governance framework

Asciano's corporate governance framework ensures that 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 2016 financial year.

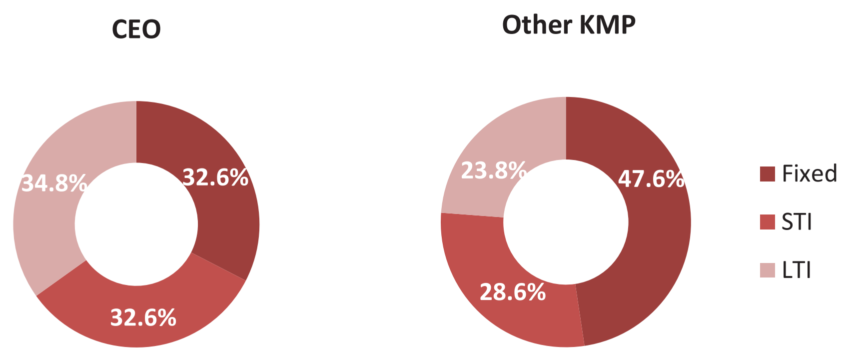
EY was, however, engaged during the year to provide information on the monitoring of LTI Plan design and performance.

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

Components of total employment remuneration for the 2016 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 • Three year period • Performance hurdles linked to TSR and Asciano ROCE • Optional deferral period for shares allocated on vesting

The graphic below shows executive FAR and target performance-based remuneration as a proportion of total remuneration in the 2016 financial year:



7.3 Executive remuneration arrangements for the 2016 financial year

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 the Remuneration Committee, to ensure that executive remuneration levels remain competitive and in line with current market trends.

7. Remuneration report – audited (continued)

Short-term incentive ("STI")

Detail of STI arrangements for the 2016 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. 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 of shares in accordance with Company policy.
What is the maximum amount that executives can earn?	The CEO has a target STI opportunity equivalent to 100% of FAR. The target STI opportunity for executives (excluding the CEO) is 60% of FAR. Executives are advised of their target STI at the start of the financial year. Payment is dependent on achievement against the STI performance measures. Where the EBIT and safety targets are exceeded, there is the potential for executives to receive "above target" awards for exceptional performance.
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.
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 will be made to executives in August 2016. A threshold level of performance must be achieved in respect of all STI performance measures for there to be any eligibility for payment.
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.
Why were these performance measures chosen again for the 2016 financial year?	The Board believes the STI performance measures appropriately reflect Asciano's current strategic priorities and value creating activities.
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.
What are the minimum and maximum values of the STI opportunity?	The amount of STI payable in the 2016 financial year to KMP is set out as the short-term incentive payment in the table at 6.3. The STI rights (number and value) are shown in table "STI rights allocated under the STI Plan" on page 20.

7. Remuneration report – audited (continued)

The actual STI payable, the percentage of the total target STI payable forfeited by executives for the 2016 financial year are outlined below. Details of the STI rights (number and value) are shown in table "STI rights allocated under the STI Plan" on page 20.

2016 executives	Total STI awarded $	Amount awarded in cash $	Amount awarded in rights $	Number of restricted rights	% of target STI payable	% of target STI forfeited
John Mullen	1,509,100	1,509,100	–	–	76.6%	23.4%
Roger Burrows	375,300	375,300	–	–	76.6%	23.4%
David Irwin	527,000	527,000	–	–	89.3%	10.7%
Murray Vitlich	352,000	352,000	–	–	71.1%	28.9%

STI performance: 2016 financial year

Asciano's STI is subject to three Company measures (EBIT, safety performance and customer satisfaction) and each executive's individual performance goals.

Category	Measure	2016 financial year achievements
Financial *Weighted 50%*	Measures achievement against a set target EBIT at divisional and/or Asciano level. The EBIT key performance indicators ("KPIs") 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.	Asciano's EBIT result was $771.4 million before material items for the year ended 30 June 2016. For the purposes of the STI calculations, the EBIT result was adjusted by $38.6 million for a number of factors including the impact of the Asciano takeover and break up transaction and the impact of the industrial action in the Patrick division. For comparison purposes, EBIT for the 2015 financial year was $790.2 million before material items. This year's result represents a year-on-year decrease of $18.8 million but combined with the impact of the adjustments noted above met the target set by the Board. This performance is reflected in STI payments to the Company's executive team.
Safety *Weighted 15%*	Measures absolute year-on-year improvement in reportable injury frequency rate ("RIFR") at divisional and/or Asciano level. Payment is capped at achievement of stretch performance RIFR and is calculated as MTIFR (medical treatment injury frequency rate) plus LTIFR (lost time injury frequency rate) per one million hours worked.	At an overall Asciano level, the RIFR target was not met. However, the lead measure in relation to Critical Safety Essentials implementation was assessed at 87.5% resulting in a payment of 43.75% of the STI opportunity for this measure.
Customer *Weighted 15%*	Measures absolute year-on-year improvement in customer satisfaction survey results (direct feedback from customers).	Customer surveys, undertaken by a third party provider, show a strong improvement in customer performance in some divisions and opportunities for improvement in others. For the 2016 financial year, the 15% of the STI measured against this target was not achieved at the Group level.
Personal Goals *Weighted 20%*	Measures achievement of key individual performance goals as part of the balanced scorecard approach. Each executive is allocated a performance review score based upon achievement against their pre-agreed personal goals.	The CEO's KPIs for the 2016 financial year were based on the measures used for all senior managers. His individual performance goals were fully achieved and included: • strategic plan and delivery; • people and culture; and • relationships and communication.

7. Remuneration report – audited (continued)

Long-term incentive ("LTI")

LTI performance: 2016 financial year

Two prior year LTI plans were tested on 30 June 2016 – the 2013 financial year plan and the 2014 financial year plan.

Financial year	Performance period	Test date	ROCE (Weighted 50%)	TSR (Weighted 50%)
2013	1 July 2012 to 30 June 2015	1 July 2015 (TSR retest 1 July 2016)	Lapsed on testing	98% vested on retest
2014	1 July 2013 to 30 June 2016	1 July 2016 (TSR retest 1 July 2017)	Lapsed on testing	Vesting in July 2016[1]
2015	1 July 2014 to 30 June 2017	1 July 2017 (TSR retest 1 July 2018)	Vesting in July 2016[1]	Vesting in July 2016[1]
2016	1 July 2015 to 30 June 2018	1 July 2018 (TSR retest 1 July 2019)	Vesting in July 2016[1]	Vesting in July 2016[1]

1. All LTI rights on-foot vest when all the necessary regulatory approvals for the Joint Consortium Scheme ("Scheme") and related transactions are received.

Detail of LTI arrangements for the 2016 financial year

What is the 2016 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 LTI rights 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 granted 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 2016 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: a) EBIT is earnings before interest and tax, adjusted for material items; and b) capital employed is the net operating assets of the Group with net operating assets defined as net assets less cash, debt and other financial assets and liabilities, over a 12 month rolling period. 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 if that threshold were to be met.

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.

7. Remuneration report – audited (continued)

Detail of LTI arrangements for the 2016 financial year (continued)

What are the performance hurdles and why were they chosen? (continued)	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 50th percentile	0% vesting
Equal to the 50th percentile	50% vesting
Between the 50th and 75th percentile	An additional 2% of rights will vest for each 1 percentile increase above the 50th percentile
Equal to the 75th percentile or above	100% vesting

	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.
What is the performance period and when do LTI 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 that 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 2016 financial year, the performance period commenced on 1 July 2015, with a test date of 1 July 2018. 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 19.
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. Participants may request a five or seven year holding lock which means that any shares acquired upon vesting of LTI rights cannot be transferred or otherwise disposed of for five or seven years from the date the LTI rights are granted. The Board may lift a holding lock upon application by an executive in exceptional circumstances. 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 will lapse, except in specified circumstances in accordance with the plan rules.

7. Remuneration report – audited (continued)

Review of LTI Plan design for the 2017 financial year

Asciano is committed to exploring new ideas and perspectives raised in the market and undertakes an annual review of the LTI Plan design to ensure it is optimal and continues to strongly align rewards to executives with shareholder return. It was identified that no new areas of our LTI plan required specific review this year and as a result, there were no changes to the LTI design in 2016. We believe the plan is delivering against its objects and has been robustly tested against market practice.

Service agreements – executives

The CEO's service agreement is of unlimited duration. The Company may terminate the CEO's employment at any time for cause and, otherwise, giving six months' notice and with a severance payment equivalent to six months' fixed remuneration. Mr Mullen must provide six months' notice of resignation.

Service agreements for all other 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.

7.4 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 Annual General Meeting. 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

The table below shows the structure and level of Non-Executive Director fees as at the end of the 2016 and 2015 financial years:

Board/Committee	Role	2016 $	2015 $
Board	Chairman	525,500	525,000
	Member	170,500	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	35,000	25,000
	Member	15,000	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)

Non-Executive Directors ("NED") Share Plan

Shareholders have expressed a preference for NEDs to own a meaningful Asciano shareholding in order to create greater alignment with the interests of investors. However, the nature of the role of Board members and exposure to price-sensitive information means that dealing in Asciano shares is often difficult due to regulations on insider trading.

The Board weighed up shareholder concerns with the practical difficulties of implementing the plan and the risk of exposing NEDs to insider trading risks, both real and perceived. The Board decided not to implement a NED Share Plan at this time.

Remuneration of Non-Executive Directors for the year ended 30 June 2016

		Short-term benefits			Post-employment benefits	
Non-Executive Directors	Year	Fees $	Non-monetary benefits	Sub-total $	Superannuation $	Total $
Malcolm Broomhead	2016	506,192	–	506,192	19,308	525,500
Independent Chairman	2015	506,717	–	506,717	18,783	525,500
Chris Barlow	2016	213,192	–	213,192	19,308	232,500
Independent Director	2015	210,717	–	210,717	18,783	229,500
Robert Edgar	2016	198,192	–	198,192	19,308	217,500
Independent Director	2015	198,717	–	198,717	18,783	217,500
Peter George	2016	198,192	–	198,192	19,308	217,500
Independent Director	2015	195,717	–	195,717	18,783	214,500
Shirley In't Veld	2016	198,630	–	198,630	18,870	217,500
Independent Director	2015	189,498	–	189,498	18,002	207,500
Geoff Kleemann	2016	218,192	–	218,192	19,308	237,500
Independent Director	2015	218,717	–	218,717	18,783	237,500
Ralph Waters	2016	178,192	–	178,192	19,308	197,500
Independent Director	2015	177,626	–	177,626	16,874	194,500
Total	**2016**	**1,710,782**	**–**	**1,710,782**	**134,718**	**1,845,500**
	2015	1,697,709	–	1,697,709	128,791	1,826,500

7. Remuneration report – audited (continued)

7.5 Remuneration tables and data

Remuneration of the Executive Director and KMP for the year ended 30 June 2016

		Short-term benefits				Post-employment benefits	Other long-term benefits	Termination	Share-based payments				
$	Year	Salary and fees[1]	Cash incentive[2]	Non-monetary benefit	Sub-total	Super-annuation	Long service accrual	Termination payments[3]	Cash settled[4]	Equity settled[5]	Value of awards as % of total remune-ration	% performance related	Total
Executive Director													
John Mullen	2016	1,927,079	1,509,100	1,825	3,438,004	19,308	30,518	1,591,175	–	3,102,294	38	56	8,181,299
CEO	2015	1,910,939	1,327,950	1,825	3,240,714	18,783	35,016	–	–	1,443,828	30	58	4,738,341
Executives													
Roger Burrows	2016	835,992	375,300	1,825	1,213,117	19,308	9,091	561,779	490,346	585,593	37	33	2,879,234
CFO	2015	772,977	360,975	1,825	1,135,777	18,783	10,712	–	–	258,155	18	43	1,423,427
David Irwin	2016	964,189	527,000	12,389	1,503,578	29,054	31,548	–	262,256	698,266	38	49	2,524,702
Director Pacific National	2015	911,245	352,875	28,320	1,292,440	23,138	30,000	–	–	296,288	18	40	1,641,866
Murray Vitlich[6]	2016	858,755	352,000	1,825	1,212,580	19,308	15,600	617,654	498,385	554,362	36	31	2,917,888
Director Patrick	2015	559,349	243,563	1,521	804,433	15,653	9,750	–	–	151,532	15	40	981,368
Total	**2016**	**4,586,015**	**2,763,400**	**17,864**	**7,367,279**	**86,978**	**86,757**	**2,770,608**	**1,250,987**	**4,940,515**	**38**	**47**	**16,503,124**
	2015	4,154,510	2,285,363	33,491	6,473,364	76,357	85,478	–	–	2,149,803	24	50	8,785,002

1. Salary and fees includes cash salary and accrued annual leave.
2. Cash incentive amount represents the actual STI to be paid in August 2016.
3. Termination payments expected to be made to KMP as a result of the takeover transaction.
4. Cash settled component of remuneration relates to the retention bonus payable to KMP in relation to the takeover transaction. For all KMP, the incentive period commenced on 4 December 2015.

   For KMP leaving the Company due to the takeover transaction, the retention bonus has been expensed over the period from commencement date to the date of the transaction.

   For David Irwin, who will remain with the Company, 25% of his retention bonus is expensed over the period from commencement date to 1 December 2016, and the remaining 75% over the period to 1 December 2017.
5. Equity settled component of remuneration is comprised of the STI and LTI rights expense. The equity settled component includes the additional expense incurred as a result of the acceleration of the vesting period of the STI and LTI rights that will be early vesting as a result of the takeover transaction.
6. Mr Murray Vitlich became a KMP on 1 September 2014 and remuneration disclosed for the comparative year relates to this period only.

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 2016 financial year under the Asciano LTI Plan (as outlined in section 7.3).

2016	Grant date	Tranche[1]	Held at 1 July 2015	Granted during the year	Fair value of rights granted ($)[2]	Vested during the year	Lapsed during the year	Held at 30 June 2016
Executives								
John Mullen	10 November 2015	A	–	158,615	1,219,749	–	–	158,615
	10 November 2015	B	–	158,614	1,313,324	–	–	158,614
	12 November 2014	A	209,117	–	–	–	–	209,117
	12 November 2014	B	209,117	–	–	–	–	209,117
	12 November 2013[4]	A	236,674	–	–	–	–	236,674
	12 November 2013[4]	B	236,674	–	–	–	–	236,674
	15 November 2012[3]	A	257,768	–	–	–	–	257,768
	15 November 2012[3]	B	257,767	–	–	–	(257,767)	–
	10 November 2011[5]	A	224,072	–	–	–	(224,072)	–
Roger Burrows	17 August 2015	A	–	30,720	200,602	–	–	30,720
	17 August 2015	B	–	30,720	226,714	–	–	30,720
	13 August 2014	A	41,029	–	–	–	–	41,029
	13 August 2014	B	41,029	–	–	–	–	41,029
	20 August 2013[4]	A	37,126	–	–	–	–	37,126
	20 August 2013[4]	B	37,125	–	–	–	–	37,125
	3 November 2012[3]	A	40,434	–	–	–	–	40,434
	3 November 2012[3]	B	40,434	–	–	–	(40,434)	–
David Irwin	17 August 2015	A	–	37,022	241,754	–	–	37,022
	17 August 2015	B	–	37,022	273,222	–	–	37,022
	13 August 2014	A	48,717	–	–	–	–	48,717
	13 August 2014	B	48,717	–	–	–	–	48,717
	18 February 2014[4]	A	4,351	–	–	–	–	4,351
	18 February 2014[4]	B	4,351	–	–	–	–	4,351
	20 August 2013[4]	A	32,484	–	–	–	–	32,484
	20 August 2013[4]	B	32,484	–	–	–	–	32,484
	3 October 2012[3]	A	34,693	–	–	–	–	34,693
	3 October 2012[3]	B	34,692	–	–	–	(34,692)	–
	16 January 2012[5]	A	28,998	–	–	–	(28,998)	–
Murray Vitlich	17 August 2015	A	–	31,040	202,691	–	–	31,040
	17 August 2015	B	–	31,039	229,068	–	–	31,039
	13 August 2014	A	34,853	–	–	–	–	34,853
	13 August 2014	B	34,853	–	–	–	–	34,853
	20 August 2013[4]	A	29,236	–	–	–	–	29,236
	20 August 2013[4]	B	29,236	–	–	–	–	29,236
	3 October 2012[3]	A	30,515	–	–	–	–	30,515
	3 October 2012[3]	B	30,515	–	–	–	(30,515)	–
	18 April 2012[5]	A	10,527	–	–	–	(10,527)	–

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 $3.01, $3.36, $3.97, $3.90, $3.95, $3.99, $4.34, $6.53 and $7.69 on grant dates 9 January 2013, 20 August 2013, 12 November 2013, 18 February 2014, 13 August 2014, 20 August 2014, 12 November 2014, 17 August 2015 and 10 November 2015 respectively, and have been valued at grant date using a Monte Carlo simulation.

   The rights subject to the ROCE hurdle have a fair value per right of $4.47, $4.90, $5.42, $5.39, $5.46, $5.59 and $5.73, $7.38 and $8.28 on grant 9 January 2013, 20 August 2013, 12 November 2013, 18 February 2014, 13 August 2014, 20 August 2014, 12 November 2014, 17 August 2015 and 10 November 2015 respectively, and have been valued using the Binomial methodology.
3. Rights allocated to executives during the 2013 financial year (3 October 2012, 3 November 2012 and 15 November 2012) were tested on 1 July 2015. The rights subject to the ROCE performance hurdle lapsed, while the rights subject to the TSR performance hurdle did not vest and were subject to retesting on 1 July 2016. On retesting 98% of these rights vested.
4. Rights allocated to executives during the 2014 financial year (20 August 2013, 12 November 2013 and 18 February 2014) were tested on 1 July 2016. 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 2017.
5. Rights allocated to executives during the 2012 financial year and subject to the TSR performance hurdle were retested on 1 July 2015 and lapsed.

No rights allocated under the LTI Plan vested during the 2016 financial year, and there were no vested rights held by KMP that were exercisable at 30 June 2016.

7. Remuneration report – audited (continued)

STI rights allocated under the STI Plan

The table below sets out details of the STI rights allocated to the executives during the 2016 financial year under the STI Plan (as outlined in section 7.3).

2016	Grant date[1]	Vesting date	Tranche	Held at 1 July 2015	Granted during the year	Fair value of rights granted ($)[2]	Vested during the year	Lapsed during the year	Held at 30 June 2016
Executives									
John Mullen	14 August 2015	1 September 2016	A	–	33,309	260,809	–	–	33,309
	14 August 2015	1 September 2017	B	–	33,308	252,475	–	–	33,308
	13 August 2014	1 September 2015	A	44,723	–	–	(44,723)	–	–
	13 August 2014	1 September 2016	B	44,722	–	–	–	–	44,722
	20 August 2013	2 September 2015	B	50,002	–	–	(50,002)	–	–
Roger Burrows	17 August 2015	1 September 2016	A	–	9,054	70,983	–	–	9,054
	17 August 2015	1 September 2017	B	–	9,054	68,629	–	–	9,054
	13 August 2014	1 September 2015	A	9,369	–	–	(9,369)	–	–
	13 August 2014	1 September 2016	B	9,368	–	–	–	–	9,368
	20 August 2013	2 September 2015	B	10,474	–	–	(10,474)	–	–
David Irwin	17 August 2015	1 September 2016	A	–	8,851	69,392	–	–	8,851
	17 August 2015	1 September 2017	B	–	8,851	67,091	–	–	8,851
	13 August 2014	1 September 2015	A	10,177	–	–	(10,177)	–	–
	13 August 2014	1 September 2016	B	10,177	–	–	–	–	10,177
	20 August 2013	2 September 2015	B	9,344	–	–	(9,344)	–	–
Murray Vitlich	17 August 2015	1 September 2016	A	–	7,331	57,475	–	–	7,331
	17 August 2015	1 September 2017	B	–	7,331	55,569	–	–	7,331
	13 August 2014	1 September 2015	A	7,378	–	–	(7,378)	–	–
	13 August 2014	1 September 2016	B	7,377	–	–	–	–	7,377
	20 August 2013	2 September 2015	B	7,905	–	–	(7,905)	–	–

1. STI rights allocated to executives on 14 and 17 August 2015 are subject to a service condition whereby the executive is required to remain employed by the Asciano Group on 1 September 2016 (Tranche A) and 1 September 2017 (Tranche B).
2. The STI rights subject to a service condition to 1 September 2016 and allocated to executives on 14 and 17 August 2015 have a fair value per right of $7.83 and $7.84 respectively, and the STI rights subject to a service condition to 1 September 2017 have a fair value per right of $7.58.

STI rights for each financial year are allocated to executives in two equal tranches, Tranche A and Tranche B, with each tranche subject to a service condition whereby the executive is required to remain employed by the Asciano Group on the determined vesting date. All STI rights subject to a service condition have been valued at grant date using the Binomial methodology.

During the 2016 financial year, 498,413 STI rights vested.

There were no options on issue under the legacy Asciano Options Plan during the 2016 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:

2016	Opening balance	Acquired	Sold	Received on exercise of options	Rights vested during the year	Closing balance
Non-Executive Directors						
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	450,331	–	–	–	94,725	545,056
Executives						
Roger Burrows	10,475	–	–	–	19,843	30,318
David Irwin	215,156	–	–	–	19,521	234,677
Murray Vitlich	13,564	–	–	–	15,283	28,847

Purchase of securities to satisfy employee entitlements

Asciano's policy is to satisfy all employee equity entitlements through on-market purchase. During the 2016 financial year, the Asciano Employee Share Plan Trust purchased 2,487,043 Asciano shares at an average price of $8.46 per share.

Loans to KMP and their related parties

During the prior financial year executives were given the opportunity to access a short-term loan from the Company in order to enable the exercise of vested options under the legacy Option Plan. The CEO was the only member of the KMP who had accessed a loan for exercising options in the financial year 2015. This loan along with accrued interest was repaid in full on 30 October 2015. The table below reflects the loan position in the reporting period.

2016	Balance 1 July 2015	Balance 30 June 2016	Interest payable for the year	Highest balance in period
John Mullen	1,612,976	–	30,461	1,645,684

Aside from the repayment of the short-term loan detailed above, no loans were made to KMP or their related parties during the 2016 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.

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.

7. Remuneration report – audited (continued)

7.6 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 2016 financial year.

Year ended 30 June	2016	2015	2014	2013	2012
EBIT – before material items ($M)	771.4	790.2	720.3	686.0	616.7
EBIT – before material items per share (cents)	79.1	81.0	73.8	70.3	63.1
Net profit after tax attributable to owners of Asciano ($M)	272.0	359.6	254.4	334.5	240.8
Parent diluted earnings per share (cents)	27.9	36.8	26.1	34.2	24.7
Dividends per share (cents)	13.0	8.3	14.3	11.5	7.5
Closing share price ($ as at 30 June)	8.87	6.65	5.63	5.02	4.35
ROCE (%)[1]	10.80	11.36	10.69	11.00	10.50

1. 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 defined as net assets less cash, debt and other financial assets and liabilities, over a 12 month rolling period.

8. Principal activities

The principal activities of Asciano during the course of the financial year were the 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 ("NPAT") attributable to the owners of Asciano Limited of $272.0 million, representing a 24.4% decrease on the profit of $359.6 million in the 2015 financial year. The current year reported NPAT included material items (loss) of $136.8 million (2015: material items (loss) of $55.1 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:

	2016 $M	2015 $M
NPAT attributable to the owners of Asciano Limited	**272.0**	**359.6**
Costs arising as a result of the Brookfield and Qube proposals	121.7	–
Port Botany redevelopment	–	25.6
Pacific National integration	7.3	25.0
Restructuring expenses	7.8	4.5
Underlying NPAT	**408.8**	**414.7**

The Company reported a 1.4% decrease in underlying NPAT to $408.8 million earned on a 5.4% decline in revenue and other income. The result benefited from another strong performance in coal haulage with an increase in NTKs over the pcp, and an increase in container lifts. These gains were offset by flat or weaker volumes across other areas of the business, in particular those parts of the business exposed to the Western Australian economy and resources related activity. In light of the soft top line, underlying EBITDA growth of 0.6% on the pcp was a good result underpinned by BIP initiatives which generated further benefits and a general focus on cost control across the business.

Reported NPAT decreased 24.4% due to a significant increase in material costs after tax from $55.1 million in the 2015 financial year to $136.8 million in the current year. Material costs in the 2016 financial year primarily related to the Brookfield and Qube Consortium proposals and include the $88.0m break fee paid to the Brookfield Consortium, legal and other professional consulting fees, financing costs and employee and other restructuring costs directly resulting from the Scheme process. Other material costs related to the integration of the Pacific National business and restructuring of the Patrick business.

The increase in material costs was partially offset by the $5.4 million benefit recognised in the current period income tax expense in relation to the settlement of a historical tax matter, and $15.8 million for the recognition of previously unrecognised tax capital losses. Both the refund and the utilisation of the capital losses reduced the current period income tax expense and effective tax rate.

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, appear in the operating and financial review ("OFR") on pages 5 to 21 of the Annual report which forms part of the Directors' report.

10. Dividends

On 15 March 2016, Asciano announced that it had entered into a binding documentation with the Brookfield Consortium and Qube Consortium in relation to the Scheme including an implementation deed and sale agreements in relation to the Patrick container terminal business and the Bulk & Automotive Port Services Business (BAPS). Under the Scheme Implementation Deed, a vehicle owned directly or indirectly by Rail Consortium will acquire 100% of the issued capital of Asciano at $9.15 cash per Asciano share. The Scheme was effective on 29 July 2016 and will be implemented on 19 August 2016.

On 11 August 2016, Asciano paid a fully franked special dividend of 87.0 cents per share with a corresponding reduction in the cash component of the consideration offered under the Scheme. The record date for entitlement to the special dividend is 3 August 2016. The dividend of $848.6 million was not recognised as a liability at 30 June 2016.

A fully franked interim dividend of 13.0 cents per share was paid on 24 March 2016, with a record date for entitlement to the dividend of 2 March 2016.

11. Business strategies, prospects and likely developments

In light of the Scheme noted above, only 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 current financial year, appear in the operating and financial review (see pages 5 to 21 of the OFR which forms part of the Directors' report).

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
Executive Director	
John Mullen[1]	2,122,974
Non-Executive Directors	
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 2013, 2014, 2015 and 2016 financial years.

13. 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 2016 financial year.

14. 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.

15. Rounding of amounts

Asciano is an entity of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 , 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 instrument to the nearest one hundred thousand dollars or, in certain cases, to the nearest one dollar.

16. Non-audit services of the external auditor

During the year, KPMG, Asciano's auditor, performed certain services in addition to its 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 7.2 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.

17. Events subsequent to the reporting date

On 8 July 2016, C3 acquired the assets of Edenborn, a log transport and chipping operation in Western Australia.

On 21 July 2016, the ACCC announced that it will not oppose the scheme of arrangement ("Scheme") under which Australian Logistics Acquisition Investments Pty Ltd[1] will acquire Asciano (including the Pacific National business), Ports HoldCo joint venture[2] will acquire the Patrick container terminals business and the Brookfield Consortium will acquire the Bulk & Automotive and Ports Services business.

The Scheme obtained FIRB approval on 27 July 2016 and approval from the Supreme Court of New South Wales at the Second Court Hearing on 28 July 2016. The Scheme will be implemented on 19 August 2016.

On 29 July 2016, Asciano entered into a A$500 million syndicated facility agreement with Goldman Sachs.

Other than for the items noted above and the payment of a special dividend of 87.0 cents per share (refer to Section 10), there has not arisen in the period between the end of the 2016 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 or the results of those operations.

18. Outlook

Given the impending change of control under the Scheme noted above, an outlook for Asciano has not been provided.

---

[1] An entity controlled by a consortium comprising affiliates of Global Infrastructure Management LLC, Canada Pension Plan Investment Board, CIC Capital Corporation, GIC Private Limited (GIC) and British Colombia Investment Management Corporation ("bcIMC").

[2] An entity comprising affiliates of Brookfield Infrastructure Partners L.P., GIC Private Limited, British Columbia Investment Management Corporation and Qatar Investment Authority (together, the "Brookfield Consortium") and Qube Holdings Limited ("Qube").

19. 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 26 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 2016 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
15 ~~18~~ August 2016

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 2016 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

15 August 2016

Asciano Limited
ABN 26 123 652 862

Financial Report
For the year ended 30 June 2016

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

Table of contents

Financial statements:

Notes to and forming part of the financial statements:

Consolidated Statement of Profit or Loss

For the year ended 30 June 2016

	Note	**2016** $M	2015 $M
Revenue from services rendered	2.2	3,575.3	3,795.4
Other income	2.2	58.3	43.7
Share of net profit of joint ventures	5.3	14.1	15.8
Operating expenses excluding depreciation and amortisation:			
Employee benefits		(1,116.4)	(1,255.7)
Rail access		(465.2)	(441.5)
Fuel, oil and power		(226.6)	(323.9)
Repairs and maintenance		(272.4)	(281.8)
Lease and hire		(184.7)	(194.6)
Insurance		(38.0)	(43.8)
Impairment of equity accounted investment and other assets		(28.7)	–
Other		(342.7)	(241.7)
Profit before depreciation, amortisation, net finance costs and tax		**973.0**	**1,071.9**
Depreciation		(328.9)	(312.5)
Amortisation		(54.1)	(47.9)
Profit before net finance costs and tax		**590.0**	**711.5**
Interest income	4.6	7.2	3.3
Interest expense		(199.2)	(188.8)
Other financing expenses		(18.3)	(12.2)
Credit value adjustment and fair value movements of unhedged derivatives		(11.9)	(6.8)
Finance expense	4.6	(229.4)	(207.8)
Net finance expense		**(222.2)**	**(204.5)**
Profit before tax		**367.8**	**507.0**
Tax expense	2.3	(94.2)	(146.2)
Profit after tax		**273.6**	**360.8**
Attributable to:			
Owners of Asciano Limited	4.10	272.0	359.6
Non-controlling interests		1.6	1.2
		273.6	360.8
Earnings per Parent share			
Basic – cents	2.5	28.0	36.9
Diluted – cents	2.5	27.9	36.8

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 2016

	Note	**2016** $M	2015 $M
Profit after tax		**273.6**	**360.8**
Other comprehensive income/(loss)			
Items that will not be reclassified to profit or loss:			
Defined benefit superannuation funds actuarial (losses) /gains	6.3	(20.0)	45.7
Income tax benefit/(expense) on items that will not be reclassified to profit or loss	6.3	6.0	(13.7)
Total items that will not be reclassified to profit or loss net of tax		(14.0)	32.0
Items that may be reclassified subsequently to profit or loss:			
Effective portion of changes in fair value of cash flow hedge	4.6	16.1	40.8
Foreign currency translation differences for foreign operations		1.4	(1.3)
Income tax expense on items that may be reclassified subsequently to profit or loss	4.6	(4.8)	(12.6)
Total items that may be reclassified subsequently to profit or loss net of tax		12.7	26.9
Other comprehensive (loss)/income net of tax		**(1.3)**	**58.9**
Total comprehensive income		**272.3**	**419.7**
Total comprehensive income attributable to:			
Owners of Asciano Limited		270.7	418.5
Non-controlling interests		1.6	1.2
		272.3	419.7

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 2016

	Note	**2016** $M	2015 $M
Current assets			
Cash and cash equivalents	4.2	202.9	127.3
Trade and other receivables	4.2	472.9	444.6
Prepayments and other assets		36.7	23.7
Inventories	3.5	39.6	41.4
Derivative financial assets	4.4	25.1	114.2
Current tax assets	2.3	74.2	–
Assets held for sale	5.1	–	51.7
Total current assets		**851.4**	**802.9**
Non-current assets			
Property, plant and equipment	3.1	4,382.6	4,465.3
Intangible assets	3.4	2,767.8	2,796.2
Equity accounted investments	5.3	45.3	30.4
Loans to joint ventures	4.2	52.4	56.2
Trade and other receivables	4.2	0.2	1.4
Prepayments and other assets		1.0	1.4
Inventories	3.5	22.4	38.8
Derivative financial assets	4.4	617.4	613.5
Net deferred tax assets	2.3	–	70.6
Total non-current assets		**7,889.1**	**8,073.8**
Total assets		**8,740.5**	**8,876.7**
Current liabilities			
Trade payables	4.3	186.1	151.3
Other payables and accrued expenses	4.3	249.9	258.6
Provisions	2.4	56.4	52.4
Employee benefits	6.3	181.5	192.4
Loans and borrowings	4.3	0.6	519.5
Derivative financial liabilities	4.4	39.5	40.3
Current tax liabilities	2.3	–	30.7
Liabilities held for sale	5.1	–	14.1
Total current liabilities		**714.0**	**1,259.3**
Non-current liabilities			
Other payables and accrued expenses	4.3	20.3	14.9
Provisions	2.4	35.1	62.5
Employee benefits	6.3	105.7	92.1
Loans and borrowings	4.3	3,723.6	3,426.5
Derivative financial liabilities	4.4	48.3	52.9
Deferred tax liabilities	2.3	5.1	–
Total non-current liabilities		**3,938.1**	**3,648.9**
Total liabilities		**4,652.1**	**4,908.2**
Net assets		**4,088.4**	**3,968.5**
Equity			
Contributed equity	4.9	8,586.7	8,604.5
Reserves	4.8	(1,440.1)	(4,342.0)
Accumulated losses	4.10	(3,066.4)	(312.6)
Equity attributable to owners of Asciano Limited		**4,080.2**	**3,949.9**
Non-controlling interests		8.2	18.6
Total equity		**4,088.4**	**3,968.5**

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 2016

$M	Contributed equity	Reserves	Retained earnings	Total	Non-controlling interests	Total
Balance at 1 July 2014	8,609.3	(4,721.2)	(189.3)	3,698.8	17.4	3,716.2
Profit after tax	–	–	359.6	359.6	1.2	360.8
Other comprehensive income ("OCI"):						
Net movement in cash flow hedge reserve	–	40.8	–	40.8	–	40.8
Defined benefit superannuation funds actuarial gains	–	–	45.7	45.7	–	45.7
Foreign currency translation differences for foreign operations	–	(1.3)	–	(1.3)	–	(1.3)
Income tax expense on OCI	–	(12.6)	(13.7)	(26.3)	–	(26.3)
Total comprehensive income	–	26.9	391.6	418.5	1.2	419.7
Treasury shares allocated	7.9	–	–	7.9	–	7.9
Treasury shares acquired	(12.7)	–	–	(12.7)	–	(12.7)
Transactions with owners in their capacity as owners:						
Profits transferred to profit reserve	–	514.9	(514.9)	–	–	–
Dividends paid	–	(163.3)	–	(163.3)	–	(163.3)
Employee equity benefits	–	0.7	–	0.7	–	0.7
	–	352.3	(514.9)	(162.6)	–	(162.6)
Balance at 30 June 2015 and 1 July 2015	**8,604.5**	**(4,342.0)**	**(312.6)**	**3,949.9**	**18.6**	**3,968.5**
Profit after tax	–	–	272.0	272.0	1.6	273.6
Other comprehensive income ("OCI"):						
Net movement in cash flow hedge reserve	–	16.1	–	16.1	–	16.1
Defined benefit superannuation funds actuarial losses	–	–	(20.0)	(20.0)	–	(20.0)
Foreign currency translation differences for foreign operations	–	1.0	0.4	1.4	–	1.4
Income tax benefit/(expense) on OCI	–	(4.8)	6.0	1.2	–	1.2
Total comprehensive income	**–**	**12.3**	**258.4**	**270.7**	**1.6**	**272.3**
Treasury shares allocated	**3.2**	**–**	**–**	**3.2**	**–**	**3.2**
Treasury shares acquired	**(21.0)**	**–**	**–**	**(21.0)**	**–**	**(21.0)**
Transactions with owners in their capacity as owners:						
Profits transferred to profit reserve	–	3,012.2	(3,012.2)	–	–	–
Dividends paid	–	(126.4)	–	(126.4)	(12.0)	(138.4)
Employee equity benefits	–	3.8	–	3.8	–	3.8
	–	2,889.6	(3,012.2)	(122.6)	(12.0)	(134.6)
Balance at 30 June 2016	**8,586.7**	**(1,440.1)**	**(3,066.4)**	**4,080.2**	**8.2**	**4,088.4**

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 2016

	Note	2016 $M	2015 $M
Operating cash flows			
Receipts from customers		4,047.7	4,293.0
Payments to suppliers and employees		(3,016.3)	(3,358.4)
Break fee paid to Brookfield		(88.0)	–
Interest and other costs of finance paid		(220.5)	(215.8)
Interest received		2.6	3.3
Dividends received from joint ventures		13.6	14.5
Net income tax payments		(122.6)	(113.0)
Net operating cash inflows	2.6	**616.5**	**623.6**
Investing cash flows			
Payments for property, plant and equipment and intangible assets		(290.8)	(581.6)
Proceeds from sale of property, plant and equipment and intangible assets		43.0	66.4
Repayment of loans from associates		3.8	–
Loans to related parties		1.9	(1.9)
Net investing cash outflows		**(242.1)**	**(517.1)**
Financing cash flows			
Treasury shares acquired	4.9	(21.0)	(12.7)
Proceeds from exercise of share options		–	5.0
Proceeds from AUD bond issuance, net of transaction costs		–	345.5
Payment of finance lease liabilities		(0.5)	(0.5)
Repayments of borrowings		(798.9)	(650.0)
Drawdown of borrowings		650.0	329.1
Dividends paid	4.7	(126.4)	(163.4)
Dividends paid to non-controlling interests		(12.0)	–
Loans from non-controlling interest		10.0	0.5
Net financing cash outflows		**(298.8)**	**(146.5)**
Net increase/(decrease) in cash and cash equivalents		**75.6**	**(40.0)**
Cash and cash equivalents at the beginning of the year		127.3	167.3
Cash and cash equivalents at the end of the year	4.2	**202.9**	**127.3**

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

1 How we have prepared this report

This section describes the key accounting principles and policies that we have adopted in preparing the financial statements for the Group as whole. Accounting policies specific to individual elements of the financial statements have been moved to the relevant section of the report where that element is disclosed. This section also analyses the impact of any newly endorsed accounting standards which will be effective for Asciano in future years.

Reporting entity

Asciano Limited ("Asciano" or "Parent" or "the Company") is a for profit entity domiciled in Australia. Asciano is primarily involved in the management of port and rail assets and associated operations and services. This general purpose financial report ("report") comprises the consolidated financial statements of Asciano the consolidated entity ("Asciano") and its controlled entities (together "the Group"). The consolidated financial report was authorised for issue by the Board of Directors on 15 August 2016.

Basis of preparation

This 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").

Historical cost convention

The report has been prepared under the historical cost basis except for:

- derivative financial assets and liabilities which are measured at fair value in accordance with AASB 139 Financial Instruments: Recognition and Measurement; and
- a liability or asset in respect of defined benefit superannuation funds which 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 in accordance with AASB 119 Employee Benefits.

Functional currency

The functional and presentation currency of the report is Australian dollars, which is the functional currency of Asciano, and all amounts have been rounded off in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 to the nearest one hundred thousand dollars, or in certain cases, to the nearest one thousand dollars.

Going concern

Asciano has a net current asset surplus at 30 June 2016 of $137.4 million. The Directors believe Asciano has the capacity to pay its debts in full as and when they fall due.

Significant accounting policies

The significant accounting policies that have been adopted and that relate to the financial statements as a whole are set out below along with a summary of the impact of newly adopted accounting standards, amendments and interpretations, those that have not yet been adopted, and their expected impact on the reported results of the Group. A description of accounting policies specific to individual areas (e.g. revenue) have been included within the relevant note to the financial statements.

Foreign currency transactions

Transactions in foreign currencies are translated into Asciano'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.

Change in accounting policy

The Group has applied the following standards and amendments, including any consequential amendments to other standards for the first time for the annual reporting period commencing 1 July 2015.

- AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality
- AASB 2015-4 Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent

As a result of adopting the new accounting standards and amendments, the Group has made various changes to accounting policies which have had no material impact on the Group.

1 How we have prepared this report (continued)

New accounting standards and interpretations

A number of new accounting standards and interpretations have been published that are not mandatory for 30 June 2016 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below:

New or amended standards	Summary of requirements	Possible impact on consolidated financial statements
AASB 9 Financial Instruments	AASB 9, published in July 2014, replaces the existing guidance in AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from AASB 139. AASB 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.	The Group has not yet completed its assessment of the potential impact on its consolidated financial statements resulting from the application of AASB 9.
AASB 15 Revenue from Contracts with Customers	AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 118 Revenue and AASB 111 Construction Contracts. AASB 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.	The Group has completed an initial assessment of the potential impact on its consolidated financial statements resulting from the application of AASB 15 and determined that there is no material impact.
AASB 16 Leases	AASB 16 removes the classification of leases as either operating or finance leases – for the lessee – effectively treating all leases as finance leases. Short term leases (less than 12 months) and leases of low-value assets (such as personal computers) are exempt from the lease accounting requirements. There are also changes in accounting over the life of a lease. In particular, companies will now recognise a front-loaded pattern of expense for most leases, even when they pay constant annual rentals. Lessor accounting remains similar to current practice – i.e. lessors continue to classify leases as finance and operating leases. AASB 16 is effective for annual reporting periods beginning on or after 1 January 2019. Early adoption will be permitted for entities that also adopt AASB 15 *Revenue from Contracts with Customers*.	The Group has not yet assessed the impact of AASB 16.

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.

Critical accounting estimates and judgements

In the preparation of this report, the Group was required 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, and where necessary, revisions are recognised in the period in which the estimate is revised.

Significant areas of estimation and critical judgements include impairment, depreciation, taxation, provisions for employee entitlements and other obligations. Further details of the nature of these assumptions and conditions are found in the relevant note.

Presentation of the financial statements and notes to the financial statements

Notes have been grouped under seven key headings:

- How we have prepared this report
- How we have performed this year
- Our business platform
- How we fund the business and manage risks
- How we structure the business
- How we remunerate our employees
- Other

Each section sets out the accounting policies applied in producing these notes together with any key judgements and estimates used. The purpose is to provide readers with a clear understanding of what drives financial performance and position of the Group.

2. How we have performed this year

This section focuses on the operating results and financial performance of the Group. This section includes disclosures relative to segmental financial information, taxes, provisions and earnings per share including the relevant accounting policies adopted in each area.

The Group's key operating measure, at a segment level, is underlying earnings before interest and tax (underlying EBIT) which excludes the impact of material items. This reflects the way the operating businesses are managed and assessed from a profit and loss perspective by the Chief Operating Decision-maker.

An item is considered to be a material item, and disclosed as such, if it is deemed to be of a one-off nature and of sufficient quantum that it would have a distorting impact on the understanding of the underlying performance of the business.

2.1 Segment reporting

Accounting policy

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, John Mullen (CEO), enabling decisions about the allocation of resources to the segments and to assess their performance.

Segmental reporting structure

On 27 July 2015, Asciano announced the integration of the leadership of its two Patrick divisions, Terminals & Logistics and Bulk Automotive and Port Services. This change followed the resignation of Mr Alistair Field, Director Patrick & Terminals and appointment of Mr Murray Vitlich to the role of Director Patrick.

As a result of the integration, effective from 11 November 2015, Asciano amended its segment reporting structure to combine the Terminals & Logistics and Bulk & Automotive Port Services reporting segments into one Patrick reporting segment.

All prior year segment comparatives in this report have been restated to reflect this change.

As such, for the 2016 financial year Asciano comprises the following two reportable segments:

- Pacific National – consists of two broad business activities: National Intermodal freight haulage and Bulk Haulage. The National Intermodal freight haulage business provides interstate containerised freight services, interstate break bulk freight (steel), regional freight rail services in Queensland and hook and pull services for passenger trains. The Bulk Haulage business hauls a range of bulk goods around Australia by rail including coal, grain for domestic and export markets, minerals concentrate and construction materials.
- Patrick – consists of container stevedoring, associated import/export container supply chain logistics services from ship to destination and origin to ship and Bulk Automotive and Port Services businesses. This division holds long-term lease concessions at container terminals in Brisbane, Sydney, Melbourne and Perth (Fremantle). It also consists of a number of business activities providing port services and integrated supply chain solutions to customers including automotive stevedoring, vehicle processing, transport and storage, bulk and general stevedoring services, port related services and infrastructure management for bulk and general cargo.

Preparation of segmental information

Asciano operates principally in Australia and has no single external customer for which revenues amount to 10% or more of total revenue.

Inter-segment pricing is determined on an arm's length basis and is generated from:

- rolling stock and train crew services provided by Pacific National to Patrick; and
- rental income derived by Asciano Corporate from the various businesses that occupy premises owned by Asciano Corporate.

Segment results include items directly attributable to a segment, as well as those that can be allocated on a reasonable basis. Unallocated items in the profit or loss comprise mainly interest and financing income and expenses, certain corporate head office expenses, and income tax assets and liabilities.

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.

2.1 Segment reporting (continued)

The segment results for the year reconciled to the Group profit after tax are set out in the following table:

2016 $M	Pacific National	Patrick	Eliminations/ unallocated	Total
Revenue				
External revenue	2,287.3	1,287.3	0.7	3,575.3
Inter-segment revenue	52.7	–	(52.7)	–
	2,340.0	1,287.3	(52.0)	3,575.3
Other income	34.0	22.8	1.5	58.3
Revenue and other income	**2,374.0**	**1,310.1**	**(50.5)**	**3,633.6**
Operating expenses	(1,508.2)	(1,009.6)	19.4	(2,498.4)
Share of net profit of joint ventures	–	14.1	–	14.1
Profit/(loss) before depreciation, amortisation, net finance costs, material items and tax	**865.8**	**314.6**	**(31.1)**	**1,149.3**
Depreciation	(228.9)	(89.6)	(5.3)	(323.8)
Amortisation	(31.4)	(5.4)	(17.3)	(54.1)
Profit/(loss) before net finance costs, material items and tax	**605.5**	**219.6**	**(53.7)**	**771.4**
Finance income				7.2
Finance expense				(226.8)
Profit before material items and tax				**551.8**
Material items				
Pacific National integration[1]	(10.4)	–	–	(10.4)
Patrick integration[2]	–	(11.2)	–	(11.2)
Brookfield and Qube Consortium proposals[3]	(0.4)	(26.6)	(135.4)	(162.4)
Profit before tax				**367.8**
Tax expense				(94.2)
Profit after tax				**273.6**

Material items

1. The integration of the PN Coal and PN Rail businesses into a single Pacific National business continued in the current financial year, resulting in further material costs including employee restructuring costs recognised as part of the employee benefit expense, and project related labour and other costs of $10.4 million.
2. The integration of the Terminal and Logistics and Bulk & Automotive Port Services businesses resulted in material costs of $11.2 million due to the write-down of assets as a result of site closures, associated redundancy payments and onerous lease costs.
3. Costs incurred in relation to the Brookfield and Qube Consortium takeover proposals have been recognised as material items and these costs primarily include:
   (i) break fee paid to the Brookfield Consortium of $88.0 million;
   (ii) employee restructuring costs, retention payments and accelerated vesting of share-based payments of $23.0 million;
   (iii) asset and investment write-downs of $30.9 million including impairments resulting from the sale of the ACFS joint venture and other write-downs as a result of the takeover transaction; and
   (iv) other costs totalling $20.5 million that include legal and other professional consulting fees, debt facility costs and other incidental costs.

2.1 Segment reporting (continued)

2015 $M	Pacific National	Patrick	Eliminations/ unallocated	Total
Revenue				
External revenue	2,367.7	1,426.6	1.1	3,795.4
Inter-segment revenue	47.5	–	(47.5)	–
	2,415.2	1,426.6	(46.4)	3,795.4
Other income	15.5	28.1	0.1	43.7
Revenue and other income	**2,430.7**	**1,454.7**	**(46.3)**	**3,839.1**
Operating expenses	(1,584.7)	(1,143.5)	15.3	(2,712.9)
Share of net profit of joint ventures	–	15.8	–	15.8
Profit/(loss) before depreciation, amortisation, net finance costs, material items and tax	**846.0**	**327.0**	**(31.0)**	**1,142.0**
Depreciation	(218.4)	(80.2)	(5.3)	(303.9)
Amortisation	(30.6)	(5.7)	(11.6)	(47.9)
Profit/(loss) before net finance costs, material items and tax	**597.0**	**241.1**	**(47.9)**	**790.2**
Finance income				3.3
Finance expense				(207.8)
Profit before material items and tax				**585.7**
Material items				
Pacific National integration[1]	(35.7)	–	–	(35.7)
Port Botany redevelopment[2]	–	(36.6)	–	(36.6)
Other restructuring expenses[3]	–	(4.5)	(1.9)	(6.4)
Profit before tax				**507.0**
Tax expense				(146.2)
Profit after tax				**360.8**

Material items

1. The integration of the PN Coal and PN Rail businesses into a single Pacific National business resulted in material costs in 2015 financial year including:
   (i) employee restructuring costs of $27.1 million recognised as part of the employee benefit expense; and
   (ii) asset write-offs of $8.6 million principally related to the scrapping of additional locomotives and wagons and included as part of the depreciation expense.

   The integration costs include restructuring and asset write-offs associated with the implementation of a coordinated National Operations Centre across Pacific National.
2. The finalisation of the redevelopment of the Port Botany terminal resulted in a number of one-off costs which have been recognised as material items. The main costs recognised during the 2015 financial year included:
   (i) restructuring costs of $5.5 million recognised as part of the employee benefits expense; and
   (ii) other costs of $31.1 million reflecting additional operational costs as a result of the sub-contracting of work due to the impact of construction works and the costs associated with training the workforce to operate the automated terminal.
3. The expansion of the Business Improvement Program announced by Asciano in the 2014 financial year resulted in the Group recognising additional restructuring costs of $6.4 million in the 2015 financial year.

2.1 Segment reporting (continued)

Accounting policy

Segment 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, loans and borrowings, corporate assets such as head office leasehold properties 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.

The segment contribution to Group assets and liabilities are set out below:

2016 $M	Pacific National	Patrick	Eliminations/ unallocated	Total
Assets	4,284.0	3,291.8	1,120.4	8,696.2
Equity accounted investments	–	45.3	–	45.3
Segment assets	4,284.0	3,337.1	1,120.4	8,741.5
Segment liabilities	(968.5)	(680.5)	(3,004.1)	(4,653.1)
Net assets/(liabilities)	**3,315.5**	**2,656.6**	**(1,883.7)**	**4,088.4**
Capital expenditure	**189.1**	**83.2**	**18.1**	**290.4**

2015 $M	Pacific National	Patrick	Eliminations/ unallocated	Total
Assets	4,361.6	3,325.4	1,166.0	8,853.0
Equity accounted investments	–	30.4	–	30.4
Segment assets	4,361.6	3,355.8	1,166.0	8,883.4
Segment liabilities	(685.7)	(641.6)	(3,587.6)	(4,914.9)
Net assets/(liabilities)	3,675.9	2,714.2	(2,421.6)	3,968.5
Capital expenditure	259.0	295.3	12.6	566.9

2.2 Revenue and other income

Accounting policy

Revenue is measured at the amount received or receivable from the customer, net of GST, for services rendered. Revenue recognition is not considered to be a critical area of judgement and estimate for the Group.

The material revenue streams and the recognition principles applied by the Group are as follows:

Rail haulage Rail haulage revenue is earned from the movement of containerised and bulk freight. Revenue is recognised when the risks and rewards are transferred to the customer, generally considered to be when the freight arrives at its intended destination. Revenue is presented net of any customer rebates, and includes the recoverable track access fees and fuel related costs when paid by Asciano on behalf of the customer.

Stevedoring Stevedoring revenue is earned from the loading and unloading of containerised and bulk freight between land and sea transportation. Revenue derived from the movement of containerised freight is normally recognised at the point of vessel departure. Revenue derived from the movement of bulk freight is recognised in accordance with the terms of the customer contract, usually when the loading or unloading of the vessel is complete.

Other logistics Other logistics revenue is primarily earned from the processing, storage and movement of freight across import/export supply chains, generally between the wharf and the customer specified origin/destination. Revenue is recognised following the provision of the service and/or in accordance with agreed contractual terms.

	2016 $M	2015 $M
Revenue		
Rail haulage	2,180.6	2,286.2
Stevedoring	638.3	670.2
Other logistics	756.4	839.0
Total revenue	**3,575.3**	**3,795.4**
Other income		
Net gain on sale of property, plant and equipment	23.0	24.7
Net gain on sale of inventory	14.8	–
Lease rental income	19.3	19.3
Other	1.2	(0.3)
Total other income	**58.3**	**43.7**

Other income

The net gain from the sale of property, plant and equipment is inclusive of gains of $6.8 million for the sale of land at Kembla Grange, $5.0 million for the sale of land at Camellia and $3.9 million for the sale of land at the Adelaide Freight Terminal.

The $14.8m net gain on sale of inventory relates to the sale of capital spare parts.

In the comparative period, the net gain from the sale of property, plant and equipment is inclusive of a gain of $19.8 million related to the sale of land at Laverton North.

2.3 Taxes

Accounting policy

Tax expense comprises current and deferred tax and is recognised in the statement of profit or loss or the statement of comprehensive income according to the accounting treatment of the related transaction.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax in respect of previous years. Deferred tax expense represents the tax expense in respect of the future tax consequences of recovering or settling the carrying amount of an asset or liability. Both are calculated using tax rates for each jurisdiction, enacted or substantially enacted at the reporting date, and for deferred tax, those that are expected to apply when the asset is realised or the liability is settled.

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:

1. initial recognition of assets or liabilities, other than in a business combination, that affect neither accounting nor taxable profit;
2. recognition of goodwill; and
3. investments in subsidiaries to the extent that they will not reverse in the foreseeable future.

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 the same taxable entity and the same taxation authority.

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, and a tax sharing agreement has been put in place between it and the entities in the tax consolidated group. The tax sharing agreement details how the income tax liabilities would be allocated between the entities should Asciano Limited default on its tax obligations.

Current tax expense/income, deferred tax liabilities and deferred tax assets of the members of the tax consolidated group are recognised in the separate financial statements of the members 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 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.

Critical accounting estimates and judgements

Interpretation and application of tax legislation

Asciano’s accounting for income tax requires the Group’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 the Group’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.

The Asciano tax consolidated group has $57.4 million of unrecognised benefits ($17.2 million deferred tax asset) relating to capital assets and capital losses, which have not been recognised as it is not considered probable that there would be taxable income against which they could be utilised.

2.3 Taxes (continued)

The total taxation charge in the statement of profit or loss is analysed as follows:

	2016 $M	2015 $M
Current tax expense	109.4	131.3
Deferred tax (benefit)/expense	(0.6)	18.8
Adjustments of deferred tax for prior periods	76.8	(5.8)
Adjustments of current tax for prior periods	(91.4)	1.9
Total income tax expense	**94.2**	**146.2**
Reconciliation of income tax expense to prima facie tax payable:		
Profit before tax	367.8	507.0
Income tax at 30% (2015: 30%)	110.3	152.1
Effect of lower tax rate in New Zealand	(0.3)	(0.3)
Recognition and derecognition of temporary differences	0.8	(3.3)
Settlement of historical tax matter	(5.4)	–
Recognition of previously unrecognised capital losses	(15.8)	–
Non-assessable equity accounted profit	(4.2)	(4.7)
Assessable income from associates	25.1	6.5
Franking credits on taxable dividends	(23.4)	(4.5)
Non-deductible impairment	7.2	–
Other items	(0.1)	0.4
Income tax expense recognised in the profit or loss	**94.2**	**146.2**
Tax recognised directly in other comprehensive income		
Changes in fair value of cash flow hedge	4.8	12.6
Defined benefit superannuation funds actuarial (losses)/gains	(6.0)	13.7
	(1.2)	26.3

Effective tax rate for the Group

For the year ended 30 June 2016, the Group's effective tax rate was 25.6% (2015: 28.8%).

Asciano's effective tax rate has been calculated in accordance with AASB 112 by dividing the Group's income tax expense by the Group's accounting profit before tax.

As the Asciano income tax consolidated group has income in excess of $100 million per annum, under provisions enacted in 2013 in the *Tax Administration Act 1953*, the Australian Taxation Office ("ATO") will publish certain key income tax statistics in relation to Asciano such as total income, taxable income and Australian income tax payable. It is expected that the statistics for the year ended 30 June 2015 will be published towards the end of the 2016 calendar year.

There are various reasons why the Group's accounting profit may differ from the taxable income published by the ATO, including:

- Asciano's consolidated financial statements include wholly and partially owned subsidiaries (including New Zealand subsidiaries) whereas the statistics published by the ATO relate only to Asciano Limited and its wholly owned Australian subsidiaries, which form the Asciano income tax consolidated group.
- It is common for accounting depreciation and tax depreciation/capital allowances to be calculated differently. This may be due to differences in effective lives, methods (straight line or diminishing value), cost bases, or eligibility criteria.
- There are various other differences in the timing of the recognition of income or deductions for accounting and tax purposes. A common example is the employee leave provisions which are deductible as paid for tax purposes and expensed on an accruals basis for accounting purposes.
- Asciano's accounting profit before tax includes profits attributed from equity accounted investments that are not assessable for tax purposes. Asciano would generally only be assessed for tax purposes on distributions received from these investments.

2.3 Taxes (continued)

Similarly, income tax paid by a company in respect of a year of income will generally differ from the amount of tax paid in the company's cash flow statement for various reasons including:

- income tax payments that relate to an income year are generally not wholly paid within the financial year; and
- income tax paid by equity accounted investments would not be reported in the Group's cash flow statement.

Current tax assets and liabilities

The current tax asset of $74.2 million (2015: $30.7 million payable) represents the amount of current tax assets for the current financial period for the Asciano tax consolidated group of $74.8 million and a $0.6 million tax payable for Asciano subsidiaries that are not members of the Asciano tax consolidated group.

Recognised deferred tax assets and liabilities

The nature and movements in deferred tax assets/liabilities during the year were as follows:

2016	Balance 1 July $M	Recognised in the statement of profit or loss $M	Recognised in equity $M	Other[1] $M	Balance 30 June $M	Assets $M	Liabilities $M
Property, plant and equipment	(75.4)	(103.2)	–	–	(178.6)	29.5	(208.1)
Intangible assets	(18.4)	8.7	–	–	(9.7)	–	(9.7)
Derivatives	30.0	3.3	(4.8)	–	28.5	28.5	–
Inventories	11.2	(2.8)	–	–	8.4	8.4	–
Annual leave	26.1	(2.9)	–	–	23.2	23.2	–
Long service leave	33.3	(2.3)	–	–	31.0	31.0	–
Other employee benefits	38.5	(5.0)	6.0	–	39.5	39.5	–
Restructuring provision	10.1	0.1	–	–	10.2	10.2	–
Other provisions	5.8	3.0	–	–	8.8	8.8	–
Other	9.4	24.9	–	(0.7)	33.6	42.6	(9.0)
Net tax assets/(liabilities)	**70.6**	**(76.2)**	**1.2**	**(0.7)**	**(5.1)**	**221.7**	**(226.8)**
2015							
Property, plant and equipment	(60.6)	(14.8)	–	–	(75.4)	39.5	(114.9)
Intangible assets	(27.6)	9.2	–	–	(18.4)	–	(18.4)
Derivatives	40.3	2.3	(12.6)	–	30.0	30.0	–
Inventories	13.3	(2.1)	–	–	11.2	12.6	(1.4)
Annual leave	27.7	(1.6)	–	–	26.1	26.1	–
Long service leave	32.5	0.8	–	–	33.3	33.3	–
Other employee benefits	53.7	(1.5)	(13.7)	–	38.5	38.5	–
Restructuring provision	12.8	(2.7)	–	–	10.1	10.1	–
Other provisions	7.9	(2.1)	–	–	5.8	5.8	–
Other	9.2	(0.5)	–	0.7	9.4	12.1	(2.7)
Net tax assets/(liabilities)	109.2	(13.0)	(26.3)	0.7	70.6	208.0	(137.4)

1. In the 2015 financial year, other included $0.7 million of deferred tax liabilities transferred to liabilities held for sale.

2.4 Provisions and contingent liabilities

Accounting policy

A provision is recognised in the statement of financial position if, as a result of a past event, Asciano has a present legal or constructive obligation, it is probable that cash will be paid to settle the obligation and that an amount can be estimated reliably. The amount to recognise is determined by discounting the expected future cash outflows by a rate that reflects the current market assessment of the time value of money and the risks specific to the liability.

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

Variances in any of the assumptions used in recognising provisions can have a material impact on the provision recorded in the following year and are recognised prospectively in profit or loss.

A liability that is not sufficiently certain to qualify for recognition as a provision and where uncertainty may exist regarding the outcome of future events is disclosed in these financial statements as a contingent liability where it is considered material to the user's understanding of the Asciano financial statements.

Critical accounting estimates and judgements

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. 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 Australian Corporate Bond yields as per the Milliman report, inflation, and the amount of claims that have been incurred but not yet reported.

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. 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 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

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 recognised.

Travel passes

The provision in respect of travel passes arises from Asciano's obligation 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.

A significant portion of the liability is in relation to retirees who were never employees of Asciano (the liability was assumed by Asciano as a result of the business combination in 2002). The provision is not treated as an employee benefit for reporting purpose, however, it continues to be measured as an employee benefit. Asciano has commenced voluntary buy-back of the travel passes. The provision represents the estimated cost of these passes over the next two years, including the associated fringe benefit tax, and is based on an independent actuarial assessment conducted by ABS (PL) Pty Limited taking into account estimates of the age of the pass holder, length of service, expected exit date, and life expectancy. The provision assumes all passes will be mandatory bought back in two years and therefore includes cash flows associated with this assumption. Therefore the provision also does not account for any future FBT on these passes post buy back.

Asciano used a discount rate based on Corporate Bond yields to determine the travel pass provision required.

Other provisions

Other provisions include, for example, the crane decommissioning provision, site restoration 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.

2.4 Provisions and contingent liabilities (continued)

Provisions

The movements in provisions during the year are as follows:

2016 $M	Workers compensation	Restructuring	Incident	Travel passes	Site restoration	Other	Total
Opening balance	27.0	33.0	7.2	34.0	8.9	4.8	114.9
Made	1.0	30.6	4.4	–	–	1.7	37.7
Utilised	(4.1)	(25.9)	(1.8)	(12.5)	(3.3)	(0.6)	(48.2)
Reversed	–	–	(0.6)	(12.8)	(0.5)	(0.8)	(14.7)
Discount unwind	0.9	–	–	0.9	–	–	1.8
Closing balance	**24.8**	**37.7**	**9.2**	**9.6**	**5.1**	**5.1**	**91.5**
Represented by:							
Current	4.2	37.5	9.2	1.5	–	4.0	56.4
Non-current	20.6	0.2	–	8.1	5.1	1.1	35.1
	24.8	**37.7**	**9.2**	**9.6**	**5.1**	**5.1**	**91.5**

Provisions made include $30.6 million for restructuring costs which primarily relates to $10.4 million of expected employee redundancy costs in the Pacific National division, $1.8 million to additional costs of termination payments made to Patrick employees and $10.4 million of expected employee redundancy costs in the Corporate division.

Provisions utilised during the year include $25.9 million of restructuring costs. The majority of this relates to the ongoing restructuring in Pacific National.

During the year, Asciano implemented a voluntary full buy-out of the travel pass benefit resulting in a $12.8 million reversal of the travel pass provision. Included in trade payables is an $8.0 million payable to travel pass holders who accepted the full buy-out. Reversal of the provision also includes a $9.0 million reduction to the liability for fringe benefit tax for those that will be remaining in the plan.

Contingent liabilities

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.

2.5 Earnings per share

Accounting policy

Basic earnings per share is calculated by dividing the net profit or loss attributable to shareholders of Asciano Limited by the weighted average number of ordinary shares outstanding during the year. Shares on issue are adjusted for the impact of treasury shares which consist of shares in Asciano that are held in trust for the benefit of satisfying equity compensation plans.

Diluted earnings per share reflects any commitments Asciano has to issue shares in the future to the extent that they will have a dilutive impact on the existing shares. In 2016, this comprised share rights from the Group's equity-based compensation plan. To calculate the impact, it is assumed that all share rights are exercised.

	2016 cents	2015 cents
Parent basic earnings per share	28.0	36.9
Parent diluted earnings per share	27.9	36.8

The calculation of earnings per share was based on the information as follows:

Profit attributable to Parent shareholders	272.0	359.6

Basic weighted average number of ordinary shares	**2016**	2015
In thousands of shares		
Issued shares	975,386	975,386
Effect of own shares held	(911)	(211)
Effect of own shares acquired	(1,743)	(670)
Effect of share awards exercised	397	451
Balance at end of financial year	**973,129**	**974,956**
Basic weighted average number of ordinary shares	973,129	974,956
Shares issuable under equity-based compensation plans	2,895	1,235
Diluted weighted average number of ordinary shares	**976,024**	**976,191**

At 30 June 2016, there were 440,954 rights (2015: 2.8 million rights) excluded from the diluted weighted average number of ordinary shares calculation as their effect would have been anti-dilutive.

2.6 Reconciliation of net operating cash flows

	2016 $M	2015 $M
Profit after tax	273.6	360.8
Adjustments for non-cash items:		
Depreciation	328.9	312.5
Amortisation of intangible assets	54.1	47.9
Guarantee and commitment fees	–	6.0
Amortisation of capitalised borrowing costs	4.7	4.1
Unwind of discount on long-term provisions	5.0	2.1
Share of joint ventures' profit net of distributions received	(0.5)	(1.3)
Net gain on sale of property, plant and equipment	(23.0)	(24.7)
Net gain on sale of inventory	(14.8)	–
Equity-settled share-based payment transactions	7.0	3.9
Defined benefits	(4.9)	–
Borrowing costs capitalised to qualifying assets	–	(21.5)
Fair value movements of derivatives not designated in a hedge relationship	10.3	13.7
Credit value adjustment on derivatives	1.6	(6.9)
Restructuring expense	4.7	38.5
Impairment of equity accounted investments	23.9	–
Impairment of intangibles	4.8	–
Other non-cash items	4.4	2.7
(Increase)/decrease in assets		
Trade and other receivables	(29.0)	(22.0)
Inventories	18.2	(15.4)
Prepayments and other assets	(15.0)	1.2
Change in current tax receivable	(74.2)	–
Change in net deferred tax assets	77.7	14.0
Increase/(decrease) in liabilities		
Trade and other payables	30.8	(94.4)
Current tax liabilities	(30.7)	20.3
Provisions and employee benefits	(41.1)	(17.9)
Net operating cash flows	**616.5**	**623.6**

3. Our business platform

This section principally shows the physical assets used by the Group to generate profits and revenue. These largely comprise the port and rail heavy infrastructure assets (in section 3.1) that are utilised by Asciano to service Australia's import, export and domestic supply chains, as well as the long-term contractual commitments and leases that the Group has committed to and which help to protect our long-term position in the market.

This part of the report also includes sections covering intangible assets and inventory which also contribute to the business platform for generating profits and revenues.

3.1 Property, plant and equipment

Accounting policy

Items of property, plant and equipment are stated at the cost originally paid less accumulated depreciation and any impairment losses.

Cost recognition

The cost of self-constructed assets, for example the redevelopment of Port Botany, includes the cost of materials, direct labour, other directly attributable costs, the future cost of dismantling and removing the items and restoring the sites on which they are located, and where applicable, capitalised borrowing costs.

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

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.

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

The Group classifies items of property, plant and equipment into five major categories. The table below sets out a description of the type of assets within each category and the useful lives applied to each category:

Asset class	Description and example assets within class	Estimated useful life
Land	Asciano owns various real estate holdings used to operate its rail and port infrastructure businesses, such as the Chullora Freight Terminal in NSW or Nebo Train Support Facility in Queensland.	Indefinite
Buildings	Freehold buildings on land owned by Asciano.	20 to 40 years
Plant and equipment	Plant and equipment used by the Group to generate its revenues. Some of the larger items of plant and equipment include: • cranes; • locomotives; • wagons; and • rail provisioning and maintenance facilities.	3 to 45 years • 20 years • 30 years • 25 years • 20 to 40 years
Leasehold improvements	Leasehold improvements are all enhancements to leased space paid for by the Group that revert to the landlord upon termination of the lease. They include leasehold improvements for the four major container terminals operated under long-term leases and include any buildings at these terminals.	5 to 40 years
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.	Depreciation commences when assets are available for use

3.1 Property, plant and equipment (continued)

Critical accounting estimates and judgements

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

2015	Land $M	Buildings $M	Plant and equipment $M	Leasehold improvements $M	Work in progress $M	Total $M
Cost						
Opening balance	281.6	278.5	4,842.9	624.7	671.7	6,699.4
Acquisitions[1]	–	–	–	–	566.1	566.1
Transfers[2]	14.1	36.9	295.7	380.9	(762.9)	(35.3)
Reclassification to assets held for sale	–	–	(58.1)	–	(1.2)	(59.3)
Disposals	(27.1)	(5.3)	(123.1)	(20.7)	–	(176.2)
Closing balance	268.6	310.1	4,957.4	984.9	473.7	6,994.7
Accumulated depreciation and impairment losses						
Opening balance	–	(57.0)	(1,985.2)	(350.5)	–	(2,392.7)
Depreciation	–	(12.3)	(258.0)	(30.6)	–	(300.9)
Impairment	–	–	(6.6)	–	–	(6.6)
Reclassification to assets held for sale	–	–	31.9	–	–	31.9
Disposals	–	5.7	113.1	20.1	–	138.9
Closing balance	–	(63.6)	(2,104.8)	(361.0)	–	(2,529.4)
2016						
Cost						
Opening balance	268.6	310.1	4,957.4	984.9	473.7	6,994.7
Acquisitions	–	–	11.8	–	295.1	306.9
Transfers	8.1	32.7	498.4	44.2	(586.0)	(2.6)
Disposals	(22.4)	(6.6)	(43.6)	(2.7)	–	(75.3)
Closing balance	**254.3**	**336.2**	**5,424.0**	**1,026.4**	**182.8**	**7,223.7**
Accumulated depreciation and impairment losses						
Opening balance	–	(63.6)	(2,104.8)	(361.0)	–	(2,529.4)
Depreciation	–	(12.0)	(273.1)	(41.5)	–	(326.6)
Impairment	–	–	–	(2.2)	–	(2.2)
Disposals	–	2.3	12.6	2.2	–	17.1
Closing balance	**–**	**(73.3)**	**(2,365.3)**	**(402.5)**	**–**	**(2,841.1)**
Carrying amounts						
At 1 July 2014	281.6	221.5	2,857.7	274.2	671.7	4,306.7
At 30 June 2015	268.6	246.5	2,852.6	623.9	473.7	4,465.3
At 30 June 2016	**254.3**	**262.9**	**3,058.7**	**623.9**	**182.8**	**4,382.6**

1. For the current year, there are no borrowing costs capitalised to qualifying assets included in the cost of property, plant and equipment acquisitions (2015: $21.5 million). An average capitalisation rate of 6.6% was used in 2015.
2. Transfers include $0.7 million of software (2015: $35.3 million of software) transferred from plant and equipment to intangible assets.

3.2 Operating and finance leases

Accounting policy

Where Asciano is a lessee and enters into a lease that transfers substantially all the risks and rewards of ownership of the asset to the Group, the lease is classified as a finance lease. On initial recognition at the commencement of the lease, the leased asset is recognised within property, plant and equipment and is measured at an amount equal to the lower of its fair value and the present value of the future minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset set out in note 3.1.

The corresponding lease liability, which comprises the principal plus accrued interest, is also recognised within note 4.3 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 achieve a constant rate on the finance balance outstanding.

Other leases entered into by Asciano are classified as operating leases and the leased assets are not recognised on the statement of financial position. 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.

Critical accounting estimates and judgements

Determining whether a lease is a finance lease requires judgement as to whether substantially all of the risks and benefits of ownership have been transferred to the Group. Estimates used by the Group in making this assessment include the useful economic life of assets, the fair value of the asset and the discount rate applied to the total payments required under the lease.

Operating leases

At reporting date, the Group is contracted to make the following future minimum operating lease payments:

	2016 $M	2015 $M
Non-cancellable operating lease rentals are payable as follows:		
Within one year	132.0	116.7
One year or later and no later than five years	415.1	363.2
Later than five years	829.6	755.9
	1,376.7	1,235.8

Asciano leases property under non-cancellable operating leases expiring between one month and 42 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.

Finance lease assets

As at 30 June 2016, the carrying value of plant and equipment under finance lease is $0.6 million (2015: $1.3 million) and the amounts payable under finance leases are as follows:

	2016 $M	2015 $M
Non-cancellable finance lease rentals are payable as follows:		
Within one year	0.3	0.6
One year or later and no later than five years	0.3	0.7
	0.6	1.3

3.3 Capital and other commitments

Accounting policy/explanation

Asciano discloses capital and other commitments comprising contracted capital expenditure that will result in cash outflows in future years, but are not recognised as a liability at reporting date.

	2016 $M	2015 $M
Plant and equipment		
Contracted capital expenditure committed but not yet payable:		
Within one year	45.5	112.2
One year or later and no later than five years	26.5	23.5
Later than five years	–	10.0
	72.0	145.7
Maintenance commitments		
Non-cancellable maintenance contracts committed but not yet payable:		
Within one year	19.5	21.5
One year or later and no later than five years	23.0	40.3
	42.5	61.8
Other commitments		
Non-cancellable other contracts committed but not yet payable:		
Within one year	10.7	8.5
One year or later and no later than five years	–	2.2
	10.7	10.7

3.4 Intangible assets

Accounting policy

Goodwill

Goodwill represents the future economic benefits that arise from assets that are not capable of being individually identified and separately recognised when the Group undertakes business combinations. Goodwill is calculated as 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. Transaction costs incurred in connection with business combinations such as legal fees, due diligence fees and other professional services are expensed as incurred and not included in this calculation. Goodwill is recognised at cost less any accumulated impairment losses.

Goodwill is allocated to cash generating units ("CGUs") which represent the smallest group of assets that independently generate cash flow and whose cash flow is largely independent of cash flows generated by other assets. Goodwill 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.

3.4 Intangible assets (continued)

Accounting policy

Other intangible assets

Other intangible assets are those which are identifiable and can be sold separately or arise from legal rights. These can be acquired or internally generated.

Each class of intangible asset's valuation method on initial recognition, amortisation method and estimated useful life is set out in the table below:

Class of intangible asset	Valuation method	Amortisation methods	Estimated useful life
IT development software	Initially at cost and subsequently at cost less accumulated amortisation. Costs include external direct costs of materials and services, and direct payroll and payroll related costs of employees' time spent on the project.	Straight line	3 to 15 years
Customer contracts and relationships	Expected future cash flows from those contracts and relationships existing at the date of acquisition are estimated. These cash flows are then discounted back to present value.	Straight line	5 to 10 years
Brand names	Applying a royalty rate to the expected future revenues over the life of the brand.	Tested for impairment annually	Indefinite life
Other	Initially at cost and subsequently at cost less accumulated amortisation.	Straight line	20 to 44 years

Critical accounting estimates and judgements

Development costs

For internal IT projects to develop products or systems, judgement is involved in determining which costs relate to the research phase and which relate to the development phase of the project. This is because research costs are expensed to the profit or loss as incurred. IT development costs are capitalised to the statement of financial position where Asciano has an intention and ability to use the related asset.

Indefinite useful life of brand name

The Patrick brand is associated with businesses that currently operate within markets with high pecuniary, legislative and 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. 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.

3.4 Intangible assets (continued)

Set out below is the movement in the cost and accumulated amortisation and impairment of the Group's intangible assets:

2015	Goodwill $M	IT development and software $M	Customer contracts and relationships $M	Brand name $M	Other[1] $M	Total $M
Cost						
Opening balance	3,588.3	153.7	461.0	25.0	46.9	4,274.9
Acquisitions	2.4	–	–	–	–	2.4
Transfers from property, plant and equipment	–	30.3	–	–	5.0	35.3
Reclassification to assets held for sale	–	(5.3)	–	–	–	(5.3)
Disposals	–	(0.5)	–	–	–	(0.5)
Other	–	(0.2)	–	–	–	(0.2)
Closing balance	3,590.7	178.0	461.0	25.0	51.9	4,306.6
Accumulated amortisation and impairment losses						
Opening balance	(962.9)	(119.2)	(380.0)	–	(2.5)	(1,464.6)
Amortisation	–	(17.3)	(29.7)	–	(0.7)	(47.7)
Reclassification to assets held for sale	–	1.3	–	–	–	1.3
Disposals	–	0.6	–	–	–	0.6
Other	–	–	(1.5)	–	1.5	–
Closing balance	(962.9)	(134.6)	(411.2)	–	(1.7)	(1,510.4)
2016						
Cost						
Opening balance	3,590.7	178.0	461.0	25.0	51.9	4,306.6
Acquisitions	–	–	–	–	29.4	29.4
Transfers from property, plant and equipment	–	43.0	–	–	(40.4)	2.6
Disposals	–	(6.1)	–	–	(4.8)	(10.9)
Closing balance	**3,590.7**	**214.9**	**461.0**	**25.0**	**36.1**	**4,327.7**
Accumulated amortisation and impairment losses						
Opening balance	(962.9)	(134.6)	(411.2)	–	(1.7)	(1,510.4)
Amortisation	–	(23.4)	(30.1)	–	(0.8)	(54.3)
Disposals	–	4.8	–	–	–	4.8
Closing balance	**(962.9)**	**(153.2)**	**(441.3)**	**–**	**(2.5)**	**(1,559.9)**
Carrying amounts						
At 1 July 2014	2,625.4	34.5	81.0	25.0	44.4	2,810.3
At 30 June 2015	2,627.8	43.4	49.8	25.0	50.2	2,796.2
At 30 June 2016	**2,627.8**	**61.7**	**19.7**	**25.0**	**33.6**	**2,767.8**

1. Other intangible assets comprise $15.7 million of future track access rights and $17.9 million of software work in progress.

3.4 Intangible assets (continued)

Critical accounting estimates and judgements

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. 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.

Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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 fair value less cost of disposal calculations. These calculations require the use of assumptions which are detailed below.

An impairment loss is recognised if the carrying amount of an asset or its 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.

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.

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.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by independent valuations, valuation multiples, or other available fair value indicators. 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.

Allocation of goodwill to CGUs

	2016 $M	2015 $M
Bulk NSW	524.0	524.0
National Intermodal	350.0	350.0
Container Ports	1,497.0	1,497.0
Stevedoring	108.7	108.7
Autocare	96.2	96.2
C3 Limited	51.9	51.9
Total goodwill	**2,627.8**	**2,627.8**

No goodwill is allocated to the Bulk Ports and Bulk QLD CGUs.

Recoverable amount have historically been performed based on value-in-use calculations using cash flows from each CGU's strategic business plans. However, in light of the fact that Asciano has entered into a formal binding agreement with the Brookfield and Qube Consortiums for the purchase of Asciano, the assessment of the recoverable amounts of goodwill for the current financial year is based on calculations of fair value less costs of disposal.

3.4 Intangible assets (continued)

The carrying amounts of goodwill in the CGUs were fully supported as at the reporting date by using the fair value less costs of disposal of the underlying assets.

Asciano's fair valuation of its assets fall into Level 2 of the fair value hierarchy. The valuation of assets is based primarily on the valuations provided by the Brookfield and Qube Consortium. In its proposal, the Consortium has provided separate values for the Pacific National and the Patrick businesses. These values have been applied to the CGUs using their respective EBITDAs.

3.5 Inventories

Accounting policy

Inventories consist predominantly of spare parts and consumables used in maintenance activities and are stated at the lower of cost and net realisable value.

The net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated costs to sell. The 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 represents long life 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, normally 8 to 30 years.

Specific obsolete items of inventory are written off.

The provision for obsolete and slow-moving items is assessed by particular inventory classes. The amount of provision is based on the value of stock identified as slow moving or excess to requirements.

	2016 $M	2015 $M
Current		
Inventories	44.1	45.3
Provision for obsolete and slow-moving items	(4.5)	(3.9)
	39.6	41.4
Non-current		
Inventories	45.4	67.3
Provision for obsolete items including depreciation of capital spares	(23.0)	(28.5)
	22.4	38.8

4. How we fund the business and manage risks

Asciano has exposure to credit, liquidity and market risks relating to its use of financial instruments and working capital. This section 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.

4.1 Financial risk management

Risk management framework
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. These policies 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 the Group 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.

A description of each risk and how it is managed:

Risk	Exposure arising from	Management	Balances exposed
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 and they have established policies governing Asciano's treasury activities, including the monitoring and management of credit risks arising from the use of derivatives.	Trade and other receivables Cash and cash equivalents Derivatives
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.	Financial liabilities Cash and cash equivalents

4.1 Financial risk management (continued)

Risk	Exposure arising from	Management	Balances exposed
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. Market risk reflects interest rate risk, foreign exchange risk and other market risks.	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.	
	(i) Interest rate risk Asciano borrows at floating rates of interest and holds cash or short-term investments that earn interest at floating rates, consequently cash flows 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, such as interest rate and cross-currency interest rate swaps, and entry into fixed rate borrowings.	Loans and borrowings
	(ii) Foreign exchange 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 through the use of derivative instruments (such as forward exchange contracts) in accordance with the policy approved by the Board.	Loans and borrowings
	(iii) Other market risks 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.	Trade payables

4.2 Financial assets

Accounting policy

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, short-term bills and term deposits. Cash is deposited with creditworthy counterparties in accordance with Board approved credit limits.

Trade and other receivables exposure

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.

Other receivables

Loans to joint ventures 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.

Derivative financial assets

For accounting policy for derivative financial assets, refer to note 4.4.

The maximum exposure to credit risk at year-end is:

	Note	**2016** $M	2015 $M
Current			
Cash and cash equivalents		202.9	127.3
Trade receivables (net of impairment)		385.9	378.6
Other receivables		87.0	64.1
Loans to related party	7.1	–	1.9
Derivative financial assets	4.4	25.1	114.2
		700.9	686.1
Non-current			
Other receivables		0.2	1.4
Loans to joint ventures		52.4	56.2
Derivative financial assets	4.4	617.4	613.5
		670.0	671.1
Total financial assets		**1,370.9**	**1,357.2**

Exposure to counterparty credit risk

Trade and other receivables

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.

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.

4.2 Financial assets (continued)

Asciano's allowance for impairment represents its estimate of incurred losses in respect of trade and other receivables. The allowance comprises 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.

The maximum exposure to credit risk for trade receivables at year-end is:

Ageing profile of trade receivables	**2016** $M	2015 $M
Current	348.9	367.0
31 to 60 days overdue	15.9	7.9
Over 61 days overdue	28.0	9.3
Impairment loss	(6.9)	(5.6)
	385.9	378.6

The allowance for impairment losses of $6.9 million (2015: $5.6 million) primarily relates to items aged over 61 days. All other receivables are current. The Group believes that the unimpaired amounts are still collectible in full based on historic payment behaviours.

Other receivables for both the current and comparative period primarily consists of accrued income for services rendered and not yet invoiced and fuel excise rebate.

Cash and cash equivalents
The Group held cash and cash equivalents of $202.9 million (2015: $127.3 million) at year-end. The cash and cash equivalents are held with banks and financial institutions counterparties, which rate AA, based on Standard & Poor's ratings.

Derivatives
The derivatives are entered into with banks and financial institutions counterparties, which are rated AA to BBB, based on Standard & Poor's ratings.

4.3 Financial liabilities

Accounting policy

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 fair value and issue price value being recognised in the profit or loss over the period of the loans and borrowings on an effective interest rate basis.

Trade and other payables

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

The accounting policy in relation to derivative financial assets and liabilities is detailed in note 4.4 while the policy for capitalised borrowing costs is detailed in note 4.6.

The carrying amount of financial liabilities represents the maximum liquidity risk exposure. The maximum exposure to liquidity risk at year end was as follows:

	Note	**2016** $M	2015 $M
Current			
Trade payables		186.1	151.3
Other payables and accrued expenses		249.9	258.6
Derivative financial liabilities	4.4	39.5	40.3
Loans and borrowings:		0.6	519.5
Finance lease liabilities		0.6	0.6
US dollar bonds (net of discount)	4.3.2	–	518.9
		476.1	969.7
Non-current			
Other payables and accrued expenses		20.3	14.9
Derivative financial liabilities	4.4	48.3	52.9
Loans and borrowings:		3,723.6	3,426.5
Finance lease liabilities		0.1	0.7
Syndicated bank loan	4.3.1	580.0	300.0
NZ dollar cash advance facility	4.3.1	31.8	29.1
US dollar bonds (net of discount)	4.3.2	2,145.1	2,072.5
GBP bonds (net of discount)	4.3.3	534.7	609.8
AUD bonds (net of discount)	4.3.4	346.0	345.6
Unrealised fair value loss on US dollar bonds		93.5	83.7
Loan from related parties		10.0	–
Capitalised debt issuance costs		(17.6)	(14.9)
		3,792.2	3,494.3
Total financial liabilities		**4,268.3**	**4,464.0**

In September 2015, $420.0 million of the syndicated revolving credit facility was drawn down and used to repay US$400.0 million of the US dollar 5 year bonds that matured on 23 September 2015. The US dollar 5 year bonds was hedged to 100% through the use of fixed-for-fixed cross currency interest rate swaps and the net cash settlement on repayment was $428.8 million.

On 30 October 2015, Nippon Yusen Kabushiki Kaisha ("NYK"), the minority shareholder in Patrick Autocare Pty Ltd, provided a $10.0 million loan to Patrick Autocare Pty Ltd. The loan is at a market interest rate of BBSY plus a margin of 1.6% per annum and repayable via three instalments by 30 June 2019.

As at 30 June 2016, all syndicated bank loans, NZD cash advance facility, US dollar bonds, GBP bonds and AUD bonds were unsecured.

4.3 Financial liabilities (continued)

4.3.1 Bank facilities

The following table provides details of the components of the bank facilities and cash:

		2016		2015	
	Maturity	Facility	Utilised	Facility	Utilised
Syndicated revolving facility	September 2021	650.0	200.0	–	–
Syndicated revolving facility	October 2016	–	–	650.0	300.0
Syndicated revolving facility	October 2019	650.0	380.0	650.0	–
NZ dollar cash advance facility[1]	June 2019	38.3	31.8	35.1	29.1
		1,338.3	611.8	1,335.1	329.1
Less: cash and cash equivalents		–	(202.9)	–	(127.3)
Net bank debt		**1,338.3**	408.9	**1,335.1**	**201.8**
Bank guarantee facility[2]	December 2018	150.0	69.0	150.0	65.9
		1,488.3	477.9	1,485.1	267.7

1. Australian dollar equivalent calculated at the spot rate as at the end of the period.
2. All drawings under the bank guarantee facility as at 30 June 2016 are in the form of performance bonds and bank guarantees.

On 12 February 2016, Asciano Limited signed documents extending the term of the A$650.0 million Corporate Debt Facility from October 2016 to September 2021.

Asciano pays interest on its bank facilities at a margin above the bank bill swap rate. As at 30 June 2016, Asciano's interest rate exposure on the syndicated bank loan was hedged to 37.4% (2015: 66.7%) through the use of interest rate swaps.

On 18 December 2015, Asciano entered into a new A$75.0 million bank guarantee facility maturing in December 2018 to refinance part of the existing A$150.0 million facility maturing in June 2016. The new facility is a non-cash facility used to provide performance bonds and bank guarantees.

4.3.2 US dollar bonds

The following table provides details of the components of the US dollar bonds:

		2016		2015	
$M	Maturity	US$	A$[1]	US$	A$
US dollar 5 year bonds[2]	September 2015	–	–	400.0	518.9
US dollar 7 year bonds[3]	April 2018	750.0	1,006.6	750.0	973.0
US dollar 10 year bonds[4]	September 2020	600.0	805.3	600.0	778.4
US dollar 12 year bonds[3]	April 2023	250.0	335.5	250.0	324.3
US bonds (gross of discount)		**1,600.0**	**2,147.4**	**2000.0**	**2,594.6**
Discount on US dollar bonds		(2.3)	(2.3)	(3.2)	(3.2)
US bonds (net of discount)		**1,597.7**	**2,145.1**	**1,996.8**	**2,591.4**

1. Australian dollar equivalent calculated at the spot rate on 30 June 2016.
2. The US dollar 5 year bonds matured on 23 September 2015 with US$400.0 million of principal repaid.
3. As at 30 June 2016, Asciano's currency exposure on the US dollar 7 and 12 year bonds was hedged to 100% (2015: 100%) and Asciano's interest rate exposure for all the bonds was hedged to 52% (2015: 52%) through using a combination of fixed-for-floating cross-currency interest rate swaps and interest rate swaps.
4. As at 30 June 2016, Asciano's currency and interest rate exposure on the US dollar 10 year bonds was hedged to 100% (2015: 100%) through the use of fixed-for-fixed cross-currency interest rate swaps.

4.3.3 Sterling bonds

The following table provides details of the components of the GBP bonds:

		2016		2015	
$M	Maturity	GB£	A$[1]	GB£	A$
GBP 10 year bonds[2]	September 2023	300.0	536.0	300.0	611.3
Discount on GBP bonds		(0.8)	(1.3)	(0.9)	(1.5)
GBP bonds (net of discount)		**299.2**	**534.7**	**299.1**	**609.8**

1. Australian dollar equivalent calculated at the spot rate on 30 June 2016.
2. As at 30 June 2016, Asciano's currency and interest rate exposure on the GBP bonds was hedged to 100% (2015: 100%) through the use of fixed-for-fixed cross-currency interest rate swaps.

4.3 Financial liabilities (continued)

4.3.4 Australian dollar bonds

The following table provides details of the components of the AUD bonds:

		2016	2015
$M	Maturity	A$	A$
AUD 10 year bonds	May 2025	350.0	350.0
Discount on AUD bonds		(4.0)	(4.4)
AUD bonds (net of discount)		**346.0**	**345.6**

Exposure to liquidity risk

The following table provides a comparison between the financial liabilities carrying amount and the undiscounted contractual cash flows:

2016	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	580.0	19.1	19.9	428.2	202.3	669.5
NZ dollar cash advance facility	31.8	1.1	1.1	32.9	–	35.1
US dollar bonds (gross of discount)	2,147.4	107.7	1,114.7	958.7	375.7	2,556.8
Unrealised loss on US bonds	93.5	–	–	–	–	–
GBP bonds (gross of discount)	536.0	26.8	26.8	80.4	616.4	750.4
AUD bonds (gross of discount)	350.0	18.4	18.4	55.2	423.5	515.5
Trade payables	186.1	186.1	–	–	–	186.1
Other payables and accrued expenses	270.2	249.9	20.3	–	–	270.2
Loans from related parties	10.0	0.6	10.6	–	–	11.2
Derivatives						
Forward exchange contracts	0.4	26.8	1.6	–	–	28.4
Interest rate swaps	27.5	8.6	8.7	8.3	4.5	30.1
Cross-currency swaps	(582.6)	4.0	(277.5)	(106.4)	(108.9)	(488.8)
Total financial liabilities	**3,650.3**	**649.1**	**944.6**	**1,457.3**	**1,513.5**	**4,564.5**
2015						
Non-derivatives						
Syndicated bank loans	300.0	10.5	303.4	–	–	313.9
NZ dollar cash advance facility	29.1	1.2	1.2	31.8	–	34.2
US dollar bonds (gross of discount)	2,594.6	631.1	104.1	1,188.2	1,179.1	3,102.5
Unrealised loss on US bonds	83.7	–	–	–	–	–
GBP bonds (gross of discount)	611.3	30.6	30.6	91.7	733.6	886.5
AUD bonds (gross of discount)	350.0	18.4	18.4	55.2	441.9	533.9
Trade payables	151.3	151.3	–	–	–	151.3
Other payables and accrued expenses	258.6	258.6	–	–	–	258.6
Derivatives						
Forward exchange contracts	(7.3)	(81.0)	(6.5)	(1.6)	–	(89.1)
Interest rate swaps	18.9	7.0	7.8	6.0	(1.0)	19.8
Cross-currency swaps	(646.1)	(67.8)	6.1	(191.4)	(294.0)	(547.1)
Total financial liabilities	3,744.1	959.9	465.1	1,179.9	2,059.6	4,664.5

In addition to the principal amounts under syndicated bank loans, interest is accrued at a floating rate. The weighted average rate as at 30 June 2016 was 3.7% (2015: 4.0%) per annum. In addition to the principal amounts of US dollar bonds, GBP bonds and AUD bonds, interest is accrued at fixed coupon rates. The weighted average rate as at 30 June 2016 was 5.0% (2015: 4.7%) per annum across the US dollar, GBP bonds and AUD bonds.

4.4 Derivative financial instruments

Accounting policy

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.

The following table shows the notional value of the derivative instruments held by Asciano, the nature of the hedge relationship with the underlying debt instrument and their fair values as at reporting date:

				2016 $M			2015 $M
Derivative instrument	Nature of hedge	Notional amount	Asset	Liability	Notional amount	Asset	Liability
Forward exchange contracts	Cash flow hedge	28.4	0.6	1.0	89.1	8.0	0.7
Interest rate swaps	Cash flow hedge	228.7	–	2.4	200.0	–	3.5
	Not in hedge	500.0	–	25.1	500.0	–	15.4
Cross-currency interest rate swaps	Fair value hedge	970.1	92.9	–	970.1	83.7	–
	Cash flow hedge	1,157.2	549.0	59.3	1,586.0	636.0	73.6
		2,884.4	642.5	87.8	3,345.2	727.7	93.2

4.4 Derivative financial instruments (continued)

Forward exchange contracts

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 loss of $0.3 million (2015: gain of $5.1 million) after tax, which has been deferred in the hedge reserve and will be released to the comprehensive income when the anticipated transaction occurs.

Interest rate swaps

During the period between designation of these interest rate swaps in the hedge relationships and the reporting date, there was no ineffective portion of movements in fair value (2015: $nil). The fair value includes an adjustment for the impact of credit.

The effective portion of movements in fair value over the life of the interest rate swaps designated as cash flow hedge was a cumulative liability of $2.4 million (2015: $3.5 million cumulative liability) after tax. This was deferred in the hedge reserve to be released to the profit or loss either over the life of the syndicated bank loan or when the anticipated transaction occurs.

Cross-currency interest rate swaps

The fair value movement of the cross-currency interest rate swaps was a loss of $10.3 million (2015: loss of $13.7 million). In relation to all cross-currency interest rate swaps, a credit adjustment of $1.6 million was recorded in profit or loss for the year as a loss (2015: income of $6.7 million).

Derivative assets and liabilities designated as cash flows and fair value hedges

The following table indicates the periods in which the cash flows associated with cash flow and fair value hedges are expected to occur and the carrying amounts of the related hedging instruments.

				Expected cash flows				
		Carrying amount	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
2016								
Forward exchange contracts	Cash flow hedge	(0.4)	28.4	(0.4)	–	–	–	(0.4)
Interest rate swaps	Fair value hedge	–	–	–	–	–	–	–
	Cash flow hedge	(2.4)	228.7	(2.7)	(0.3)	(0.2)	–	(3.2)
Cross-currency interest rate swaps	Fair value hedge	92.9	970.1	33.2	30.7	25.7	14.0	103.6
	Cash flow hedge	489.7	1,157.2	(37.2)	246.8	80.7	94.9	385.2
Total		**579.8**	**2,384.4**	**(7.1)**	**277.2**	**106.2**	**108.9**	**485.2**
2015								
Forward exchange contracts	Cash flow hedge	7.3	89.1	7.3	–	–	–	7.3
Interest rate swaps	Fair value hedge	–	–	–	–	–	–	–
	Cash flow hedge	(3.5)	200.0	(2.0)	(1.8)	–	–	(3.8)
Cross-currency interest rate swaps	Fair value hedge	83.7	970.1	27.8	27.0	25.2	5.7	85.7
	Cash flow hedge	562.4	1,586.0	40.1	(33.1)	166.2	288.3	461.5
Total		649.9	2,845.2	73.2	(7.9)	191.4	294.0	550.7

4.4 Derivative financial instruments (continued)

Exposure to interest rate risk

The interest rate profile of the Group's interest bearing financial assets and liabilities is:

	2016 $M	2015 $M
Fixed rate instruments		
Financial assets (Loans to joint ventures and related parties)	2.6	4.6
Financial liabilities (US dollar bonds, AUD bonds and GBP bonds)	(3,033.4)	(3,555.9)
Financial liabilities (Finance lease liability)	(0.7)	(1.3)
	(3,031.5)	(3,552.6)
Effect of derivative contracts in a hedge relationship	489.7	562.4
	(2,541.8)	(2,990.2)
Variable rate instruments		
Financial assets (Cash and cash equivalents)	202.9	127.3
Financial liabilities (Syndicated bank loan, NZ dollar cash advance facility, and loan from related parties)	(621.8)	(329.1)
	(418.9)	(201.8)
Effect of derivative contracts in a hedge relationship	90.5	80.2
	(328.4)	(121.6)

Fair value sensitivity analysis for fixed interest rate instruments

As at 30 June 2016, 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 the fair value change 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.

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) interest expense and equity by the amounts shown below assuming that all other variables remain constant.

	Profit or loss		Equity	
2016	1% pa increase $M	1% pa decrease $M	1% pa increase $M	1% pa decrease $M
Variable interest rate instruments	5.8	(5.8)	–	–
Interest rate swaps	16.4	(16.3)	1.5	(1.5)
	22.2	(22.1)	1.5	(1.5)
2015				
Variable interest rate instruments	6.1	(6.1)	–	–
Interest rate swaps	26.4	(26.4)	5.5	(5.5)
	32.5	(32.5)	5.5	(5.5)

4.4 Derivative financial instruments (continued)

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 2016 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.

		2016		2015
	10% pa increase $M	10% pa decrease $M	10% pa increase $M	10% pa decrease $M
US dollar	(1.5)	2.4	(4.6)	7.0
Euro	–	–	(0.6)	0.9
	(1.5)	2.4	(5.2)	7.9

The following significant exchange rates applied during the financial year:

		2016		2015
	Average rate	Year end rate 30 June	Average rate	Year end rate 30 June
US dollar	0.729	0.745	0.837	0.771
GBP	0.492	0.560	0.530	0.491
NZD	1.090	1.044	1.075	1.140
Euro	0.656	0.671	0.696	0.692

Exposure to foreign currency risk

The notional value of foreign exchange contracts at balance sheet date were as follows:

			2016			2015
	USD	EUR	GBP	USD	EUR	GBP
Forward exchange contracts	20.8	–	–	66.2	5.8	–
Cross-currency interest rate swaps	1,600.0	–	300.0	2,000.0	–	300.0

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 (on an instrument by instrument basis) that are subject to the above agreements and provides a reconciliation of derivative disclosures per the statement of financial position.

4.4 Derivative financial instruments (continued)

2016	Gross and net amounts of financial instruments in the Consolidated Statement of Financial Position $M	Amounts subject to master netting agreement $M	Net exposure $M
Financial assets			
Forward exchange contracts	0.6	–	0.6
Cross-currency interest rate swaps	586.4	3.8	582.6
	587.0	3.8	583.2
Financial liabilities			
Interest rate swaps	27.5	–	27.5
Forward exchange contracts	1.0	–	1.0
Cross-currency interest rate swaps	3.8	3.8	–
	32.3	3.8	28.5
Net balance	**554.7**	–	**554.7**
2015			
Financial assets			
Forward exchange contracts	8.0	0.7	7.3
Cross-currency interest rate swaps	646.1	–	646.1
	654.1	0.7	653.4
Financial liabilities			
Interest rate swaps	18.9	–	18.9
Forward exchange contracts	0.7	0.7	–
	19.6	0.7	18.9
Net balance	634.5	–	634.5

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 Consolidated Statement of Financial Position.

Gross and net amounts of financial instruments in the Consolidated Statement of Financial Position	**2016** $M	2015 $M
Total gross assets	587.0	654.3
Total gross liabilities	32.3	19.8
	554.7	634.5
Reconciliation to Consolidated Statement of Financial Position		
Derivative financial assets – current	25.1	114.2
Derivative financial assets – non-current	617.4	613.5
Derivative financial assets	642.5	727.7
Derivative financial liabilities – current	(39.5)	(40.3)
Derivative financial liabilities – non-current	(48.3)	(52.9)
Derivative financial liabilities	(87.8)	(93.2)
Net balance	**554.7**	**634.5**

4.5 Fair value of financial assets and liabilities

Accounting classification and fair value

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 assets and liabilities fall into Level 2 of the fair value hierarchy. The carrying amount approximates the fair value of all financial assets and liabilities, with the exception of GBP, US dollar and Australian dollar bonds.

The fair values of the GBP, US dollar and Australian dollar bonds are shown below:

	2016		2015	
	Carrying amount $M	Fair value $M	Carrying amount $M	Fair value $M
US dollar bonds, gross of discount and unrealised fair value loss	2,240.9	2,227.7	2,678.3	2,758.2
GBP bonds, gross of discount	536.0	569.0	611.4	668.4
AUD bonds, gross of discount	350.0	361.9	350.0	347.6

Valuation techniques of financial assets and liabilities measured at fair value

Type	Valuation technique
Debt securities	Discounted cash flows using a contract cash flows and a market related discount rate.
Interest rate swaps and cross-currency swaps	Discounted cash flows.
Forward exchange contracts	Calculated using spot foreign exchange market rates and market forward curves for each currency pair at the end of period date.
Other derivative financial instruments	Calculated based on broker quotes which are tested for reasonableness by discounting expected future cash flows using market interest rates for a similar instrument at the measurement date.
Other financial liabilities	Discounted cash flows using the current market interest rate that is available to Asciano for similar instruments.

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:

	2016 % pa	2015 % pa
Australian dollar derivatives	2.0 to 2.2	2.1 to 3.4
US dollar derivatives and fair value adjustments to US dollar bonds	0.7 to 1.4	0.2 to 2.5
GBP derivatives and fair value adjustments to GBP bonds	0.6 to 1.0	0.5 to 2.2

4.6 Finance income and expense

Accounting policy

Finance income comprises interest income on funds invested, mainly cash, 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 borrowings, deferred loan origination fees, 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.

Interest on borrowings is expensed as incurred using the effective interest method. Borrowing costs incurred in relation to the financing of qualifying assets, which are assets or significant construction projects that take generally more than 12 months to commission, are capitalised as part of the cost of the asset or project and amortised over the life of the asset or project.

Borrowing costs associated with the issuance of debt instruments such as various fees and commissions paid to banks, lawyers and others, as well as purchase premiums and discounts on loans, are capitalised as part of the liability and amortised to the income statement over the life of the underlying debt instrument.

Finance income and expense is reconciled to the Consolidated Statement of Profit or Loss and Consolidated Statement of Comprehensive Income as follows:

	2016 $M	2015 $M
Recognised directly in the Consolidated Statement of Profit or Loss		
Interest income	7.2	3.3
Net finance income	**7.2**	**3.3**
Interest expense	(199.2)	(210.3)
Facility upfront costs	(2.7)	–
Borrowing costs capitalised to qualifying asset	–	21.5
Amortisation of deferred borrowing costs	(4.7)	(4.1)
Guarantee and commitment fees	(5.9)	(6.0)
Unwind of discount on long-term provisions	(5.0)	(2.1)
Credit value adjustment recognised in the profit or loss	(1.6)	6.9
Net change in fair value of derivatives not designated in a hedge relationship	(10.3)	(13.7)
Finance expense	**(229.4)**	**(207.8)**
Recognised directly in the Consolidated Statement of Comprehensive Income		
Effective portions of changes in fair value of cash flow hedges	16.1	40.8
Tax on finance income and finance costs recognised in the Consolidated Statement of Comprehensive Income	(4.8)	(12.6)
Finance income/(expense) recognised directly in the Consolidated Statement of Comprehensive Income, net of tax	**11.3**	**28.2**

4.7 Dividends

Accounting policy

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.

The following dividends were paid by the Company in the 2016 financial year:

	Cents per share	Total amount $M	Franked/ unfranked	Date of payment
Interim dividend	13.0	126.4	Fully franked	24 March 2016

Franked dividends paid during the year were franked at the tax rate of 30%.

On 29 July 2016, the Board resolved to pay a fully franked special dividend of 87.0 cents per share. The record date for entitlement to the special dividend is 3 August 2016. The dividend of $848.6 million was not recognised as a liability at 30 June 2016.

	Cents per share	Total amount $M	Franked/ unfranked	Date of payment
Special dividend	87.0	848.6	Fully franked	11 August 2016

On 15 March 2016, Asciano announced that it had entered into a binding documentation with the Brookfield Consortium and Qube Consortium in relation to the Joint Consortium scheme (“Scheme”) including an implementation deed and sale agreements in relation to the Patrick container terminal business and the Bulk & Automotive Port Services Business (BAPS). Under the Scheme Implementation Deed, a vehicle owned directly or indirectly by Rail Consortium will acquire 100% of the issued capital of Asciano at $9.15 cash per Asciano share.

As a result of the Special Dividend, the consideration payable to Asciano shareholders under the Scheme on the implementation date (19 August 2016) will be reduced to $8.28 per Asciano share.

Dividend Franking Account

The balance in the franking account as at 30 June 2016 of $351,720,196 (2015: $327,015,143) 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 balance in the New Zealand imputation account as at 30 June 2016 of A$14,388,379 (2015: of A$10,745,747) 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.

4.8 Reserves

Movement in reserves:

2015	Common control $M	Translation $M	Hedge $M	Employee equity benefits $M	Corporatisation $M	Profit $M	Total $M
Opening balance	(4,911.2)	1.6	(86.7)	15.1	9.3	250.7	(4,721.2)
Other comprehensive income	–	(1.3)	28.2	–	–	–	26.9
Profits transferred from retained earnings	–	–	–	–	–	514.9	514.9
Dividends paid	–	–	–	–	–	(163.3)	(163.3)
Employee equity benefits	–	–	–	0.7	–	–	0.7
Closing balance	(4,911.2)	0.3	(58.5)	15.8	9.3	602.3	(4,342.0)
2016							
Opening balance	(4,911.2)	0.3	(58.5)	15.8	9.3	602.3	(4,342.0)
Other comprehensive income	–	1.0	11.3	–	–	–	12.3
Profits transferred from retained earnings	–	–	–	–	–	3,012.2	3,012.2
Dividends paid	–	–	–	–	–	(126.4)	(126.4)
Employee equity benefits	–	–	–	3.8	–	–	3.8
Closing balance	**(4,911.2)**	**1.3**	**(47.2)**	**19.6**	**9.3**	**3,488.1**	**(1,440.1)**

Common control reserve

As a result of Asciano's formation through a combination 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 awards issued to senior executives under the Asciano Rights Plan. The initial fair value attributed to the awards 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 awards are exercised and result in shares being issued. Refer to note 6.2 for further details of the rights issued under the Asciano Rights 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 Rights Plan share-based payments which are provided to employees, including KMP, as part of their remuneration.

Corporatisation reserve

The Asciano Finance 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.

4.9 Contributed equity

Accounting policy

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 ("treasury shares") 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 is recognised as a deduction 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.

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:

	Date	Price per share $	Number of fully paid ordinary shares	$M
2015				
Balance at	1 July 2014		975,385,664	8,609.3
Treasury shares acquired		6.34		(12.7)
Treasury shares allocated		6.10		7.9
Balance	30 June 2015		975,385,664	8,604.5
2016				
Parent				
Balance at	1 July 2015		975,385,664	8,604.5
Treasury shares acquired		8.45		(21.0)
Treasury shares allocated		6.42		3.2
Balance	**30 June 2016**		**975,385,664**	**8,586.7**

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 2016, 2,899,994 shares (2015: 911,364) were held in trust and classified as treasury shares.

4.10 Accumulated losses

	2016 $M	2015 $M
Opening balance	(312.6)	(189.3)
Profit after tax attributable to owners of Asciano Limited	272.0	359.6
Transfer of foreign currency translation differences for foreign operations to accumulated losses	0.4	–
Other comprehensive income	(14.0)	32.0
Profits transferred to profit reserve	(3,012.2)	(514.9)
Closing balance	**(3,066.4)**	**(312.6)**

Profits of the Asciano Limited head entity are transferred to the profit reserve each year. For the current year, Asciano Limited's profits consist mainly of the $3.1 billion dividends paid by its subsidiaries.

5. How we structure the business

This section provides information which will help users understand how the Group structure affects the financial position and performance of the Group as a whole. In particular, there is information about:

- changes to the structure that occurred during the year as a result of business combinations;
- significant subsidiaries;
- interests in joint ventures; and
- parties to the deed of cross guarantee under which each company guarantees the debts of the others.

Accounting policy
Non-current assets or disposal groups comprising assets and liabilities, are classified as held for sale if it is highly probably that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair values less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognised in profit or loss.

Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

5.1 Assets and liabilities classified as held for sale

At 30 June 2016, there were no assets and liabilities held for sale. Previous year's balance forms part of the current year's equity accounted investment.

Assets and liabilities of disposal group classified as held for sale

In 2015, the assets and liabilities of the disposal group which were stated at fair value less costs to sell comprised:

	2016 $M	2015 $M
Assets classified as held for sale		
Trade and other receivables	–	16.8
Inventories	–	0.1
Prepayments and other assets	–	3.4
Property, plant and equipment	–	27.4
Intangibles	–	4.0
Total assets held for sale	–	51.7
Liabilities directly associated with assets classified as held for sale		
Trade payables	–	7.0
Other payables and accrued expenses	–	1.2
Provisions	–	0.2
Employee benefits	–	5.0
Deferred tax liabilities	–	0.7
Total liabilities held for sale	–	14.1
Net assets of disposal group held for sale	**–**	**37.6**

There are no cumulative income or expenses included in other comprehensive income relating to the disposal group.

5.2 Subsidiaries

Accounting policy

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.

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.

Non-controlling interests

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

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

Patrick Logistics Pty Ltd

MTN Industries Pty Ltd

5.3 Equity accounted investments

Accounting policy

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.

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

	2016 $M	2015 $M
Equity accounted investments	45.3	30.4

Summary financial information for equity accounted investees, not adjusted for Asciano's percentage ownership, is as follows:

2016	Owned %	Nature of relationship	Assets $M	Liabilities $M	Revenue $M	Profit before tax $M	Asciano's share of net profit after tax $M
1-Stop Connections Pty Limited[1]	50	Joint Venture	12.7	(5.1)	17.6	4.2	1.5
Albany Bulk Handling Pty Limited	50	Joint Venture	13.8	(1.2)	10.2	4.9	1.7
Australian Amalgamated Terminals Pty Ltd	50	Joint Venture	114.6	(105.0)	79.8	25.1	8.8
Car Compounds of Australia Pty Limited	50	Joint Venture	6.2	(2.5)	19.2	1.7	0.6
Geelong Unit Trust	50	Joint Venture	101.9	(66.8)	30.1	10.1	4.9
Insync Solutions	50	Joint Venture	4.3	(2.2)	5.0	1.2	0.6
ACFS Port Logistics[2]	50	Joint Venture	96.1	(65.2)	217.7	(11.4)	(4.0)
LDC Mountain Industries Pty Ltd	49	Associate	7.2	(7.2)	0.5	–	–
			356.8	(255.2)	380.1	35.8	14.1
2015							
1-Stop Connections Pty Limited[2]	50	Joint Venture	9.9	(5.2)	14.8	3.5	1.3
Albany Bulk Handling Pty Limited	50	Joint Venture	13.1	(1.4)	8.7	3.7	1.3
Australian Amalgamated Terminals Pty Ltd	50	Joint Venture	116.2	(115.6)	85.7	22.2	7.5
Car Compounds of Australia Pty Limited	50	Joint Venture	6.1	(1.9)	16.6	(0.8)	(0.3)
Geelong Unit Trust	50	Joint Venture	106.3	(67.2)	32.2	9.4	5.3
Insync Solutions	50	Joint Venture	5.7	(3.5)	5.0	1.3	0.6
Smart Cargo Logistics Limited	50	Joint Venture	0.3	–	0.5	–	–
LDC Mountain Industries Pty Ltd	49	Associate	7.0	(0.1)	0.5	0.3	0.1
			264.6	(194.9)	164.0	39.6	15.8

1. Reporting date is 31 December.
2. Equity accounted investment as a result of the formation of the 50/50 joint venture with ACFS Port Logistics ("ACFS"). Profit before tax and Asciano's share of net profit after tax represents financial information from 1 August 2015, the date of commencement of the joint venture. In June 2016, Asciano entered into an agreement to transfer Asciano's 50% interest in the ACFS JV conditional on the Scheme being implemented. As a result, the equity accounted investment in the ACFS joint venture has been written down to $10.0 million, the agreed sale value of this investment as part of the Asciano takeover transaction.

Distributions received from joint ventures during the year ended 30 June 2016 totalled $13.6 million (2015: $14.5 million).

All joint ventures were incorporated or formed in Australia apart from Insync Solutions and Smart Cargo Logistics Limited which are incorporated in New Zealand.

5.4 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.

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
ACN 095 062 570 Pty Limited
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
Patrick Logistics Pty Ltd [3]
MTN Industries Pty Ltd
Equitius Pty Ltd [4]
Dampier Port Infrastructure Pty Ltd
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[6]
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
ACN106978330 Pty Ltd
C3 Australia No.2 Pty Ltd[5]

1. As trustee for Asciano Properties Trust.
2. As trustee for Eastern Basin Unit Trust.
3. Formerly Mountain Industries Pty Ltd.
4. Formerly ACN 065 981 526 Pty Ltd.
5. Formerly Esperance Projects Pty Ltd.
6. Formerly Pacific National (Bulk Rail) Pty Ltd.

5.4 Deed of cross guarantee (continued)

A Consolidated Statement of Comprehensive Income, a summary of accumulated losses, 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 2016 are set out as follows:

Consolidated Statement of Comprehensive Income	**2016** $M	2015 $M
Revenue from services rendered	3,164.9	3,406.3
Other income	(35.4)	585.6
Share of net profit of joint ventures	14.7	15.5
Operating expenses excluding depreciation and amortisation	(2,369.4)	(2,495.2)
Profit before depreciation, amortisation, net finance costs and tax	**774.8**	**1,512.2**
Depreciation	(307.8)	(287.7)
Amortisation	(54.0)	(47.6)
Profit before net finance costs and tax	**413.0**	**1,176.9**
Net finance expense	(39.3)	(45.5)
Profit before tax	**373.7**	**1,131.4**
Tax expense	(96.2)	(333.7)
Profit after tax	**277.5**	**797.7**
Other comprehensive income	2.1	58.9
Profit for the period	**279.6**	**856.6**
Accumulated losses at beginning of year	(125.2)	(443.1)
Dividends paid	126.4	163.3
Transfers to reserves	(2,904.6)	(702.0)
Accumulated losses at end of the year	**(2,623.8)**	**(125.2)**

5.4 Deed of cross guarantee (continued)

Consolidated Statement of Financial Position	2016 $M	2015 $M
Current assets		
Cash and cash equivalents	203.0	127.3
Trade and other receivables	429.2	388.6
Prepayments and other assets	31.0	20.5
Inventories	38.4	40.3
Derivative financial assets	25.0	114.2
Assets held for sale	–	51.7
Tax receivable	74.4	–
Total current assets	**801.0**	**742.6**
Non-current assets		
Property, plant and equipment	4,071.4	4,150.7
Intangible assets	2,563.3	2,591.5
Equity accounted investments	45.3	30.4
Loans to joint ventures	52.4	56.2
Trade and other receivables	0.2	1.4
Prepayments and other assets	0.9	1.3
Inventories	22.4	38.8
Derivative financial assets	2,196.6	2,171.5
Total non-current assets	**8,952.5**	**9,041.8**
Total assets	**9,753.5**	**9,784.4**
Current liabilities		
Trade and other payables	370.3	323.4
Provisions and employee benefits	223.4	236.5
Loans and borrowings	0.6	0.5
Derivative financial liabilities	39.5	40.3
Current tax liabilities	(0.2)	33.3
Liabilities held for sale	–	14.1
Total current liabilities	**633.6**	**648.1**
Non-current liabilities		
Other payables and accrued expenses	106.3	84.7
Provisions and employee benefits	49.5	79.9
Loans and borrowings	3,801.3	4,225.6
Derivative financial liabilities	48.4	52.9
Net deferred tax liabilities	185.1	133.2
Total non-current liabilities	**4,190.6**	**4,576.3**
Total liabilities	**4,824.2**	**5,224.4**
Net assets	**4,929.3**	**4,560.0**
Equity		
Contributed equity	9,622.8	9,657.2
Reserves	(2,070.0)	(4,971.9)
Other comprehensive income	0.3	(0.1)
Accumulated losses	(2,623.8)	(125.2)
Total equity	**4,929.3**	**4,560.0**

6. How we remunerate our employees

This section presents information in relation to remuneration paid by Asciano to its employees including information in relation to payments to key management personnel, issued share-based payment awards and other employee benefits including superannuation.

6.1 Key management personnel

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.

	2016 $000	2015 $000
Remuneration elements		
Short-term employee benefits	7,367	7,615
Post-employment benefits	87	127
Other long-term employee benefits	87	95
Cash-settled benefits	1,251	–
Share-based payments	4,940	2,045
Termination payments	2,771	–
Total remuneration	**16,503**	**9,882**

6.2 Share-based payments

Accounting policy

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 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 rights. The fair value of the rights granted is measured using the Monte Carlo and Binomial methods, taking into account the terms and conditions upon which the rights were granted. The amount recognised as an expense is adjusted to reflect the actual number of rights that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

The fair value of the Asciano employee 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 Australian Corporate Bonds as per the Milliman report). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

(a) 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 20 August 2013 and 3 October 2013, for the 2013 financial year, the second half vested on 1 September 2015. Of the STI rights allocated on 13 August 2014, 20 August 2014 and 1 October 2014, for the 2014 financial year, the first half vested on 1 September 2015. 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 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, are held as treasury shares until such time as they are vested. Forfeited shares are reallocated in subsequent grants.

6.2 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 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 2015	2.56	5.23	25	2.3	4.99	91,931
3 October 2013	1 September 2015	2.62	5.87	25	2.6	5.58	185,003

STI rights granted during the 2015 financial year in respect of the 2014 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
13 August 2014	1 September 2015	2.50	5.89	25	2.6	5.73	93,405
13 August 2014	1 September 2016	2.56	5.89	25	2.6	5.58	93,401
20 August 2014	1 September 2015	2.47	6.02	25	2.6	5.86	7,670
20 August 2014	1 September 2016	2.54	6.02	25	2.6	5.71	7,668
1 October 2014	1 September 2015	2.54	6.09	25	3.7	5.89	140,697
1 October 2014	1 September 2016	2.60	6.09	25	3.7	5.67	140,673

STI rights granted during the 2016 financial year in respect of the 2015 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
14 August 2015	1 September 2016	1.96	8.11	22	3.3	7.83	33,309
14 August 2015	1 September 2017	1.92	8.11	22	3.3	7.58	33,308
17 August 2015	1 September 2016	1.96	8.11	22	3.3	7.84	45,113
17 August 2015	1 September 2017	1.92	8.11	22	3.3	7.58	45,112
1 September 2015	1 September 2016	1.81	8.47	22	3.3	8.19	83,882
1 September 2015	1 September 2017	1.73	8.47	22	3.3	7.93	83,861

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 including 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 2016, the balance of the STI rights was 473,655 (2015: 651,455) following the issue of 324,585 STI rights, vesting of 498,413 STI rights and the forfeiture of 3,972 STI rights. For the year ended 30 June 2016, there is no expense for STI rights in respect of the 2016 financial year as 100% of the STI will be provided in cash.

All STI rights on-foot will vest when all the necessary regulatory approvals for the Joint Consortium Scheme and related transactions are received.

6.2 Share-based payments (continued)

(b) 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.

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 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
10 November 2015	30 June 2018	2.01-2.02	8.99	22	3.1	8.28	158,614	7.69	158,615
17 August 2015	30 June 2018	1.96	8.11	22	3.3	7.38	167,463	6.53	167,465
12 November 2014	30 June 2017	2.58-2.59	6.28	25	3.5	5.73	209,117	4.34	209,117
20 August 2014	30 June 2017	2.64-2.66	6.02	25	2.6	5.59	50,768	3.99	50,767
13 August 2014	30 June 2017	2.66-2.67	5.89	25	2.6	5.46	226,621	3.95	226,620
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

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.

All LTI rights on-foot will vest when all the necessary regulatory approvals for the Joint Consortium Scheme and related transactions are received.

(c) 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:

	2016 $M	2015 $M
Rights issued under the Asciano Rights Plan	7.0	4.2

The amortisation of the rights in relation to the STI and LTI plans were accelerated through to the expected vesting date. The incremental change of $3.7 million is included in material items.

6.3 Employee benefits and superannuation

Accounting policy

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 Australian Corporate Bonds as generated in the Milliman report 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.

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 the Australian Corporate Bonds as generated in the Milliman report 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 remeasurement within other comprehensive income.

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.

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 as to expected future wage and salary levels, experience of employee departures and periods of service

6.3 Employee benefits and superannuation (continued)

Provisions in relation to employee benefits are as follows:

	2016 $M	2015 $M
Current		
Long service leave	86.6	90.0
Annual leave	77.5	84.7
Other employee entitlements	17.4	17.7
	181.5	192.4
Non-current		
Defined benefit plan liability	88.9	73.2
Long service leave	16.8	18.9
	105.7	92.1

6.3 Employee benefits and superannuation (continued)

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 $48.3 million (2015: $50.0 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 2016, there were 17 (2015: 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 19 (2015: 25) employees in the defined benefit fund and 1,835 (2015: 2,571) employees in the defined contribution fund as at 30 June 2016.

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 2016. The actuary used a net of tax discount rate of 5.8% (2015: 5.8%) per annum and an assumed wage escalation rate of 4.0% (2015: 4.0%) per annum. Asciano has made normal contributions to the fund in 2016 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 354 (2015: 387) employees and former employees in these defined benefit funds as at 30 June 2016. 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 $8.9 million (2015: $8.8 million) in the 2016 financial year. An additional contribution of $9.1 million is forecast for the 2017 financial year.

In accordance with AASB 119, Asciano reflects 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.

6.3 Employee benefits and superannuation (continued)

	2016 $M	2015 $M
Fund assets comprise:		
Australian equities	43.8	48.1
Overseas equities	54.4	60.6
Australian fixed interest securities	12.2	12.4
Overseas fixed interest securities	3.8	4.7
Property	16.4	16.1
Cash	9.2	12.2
Other	32.0	33.1
	171.8	187.2
Movement in the present value of fund assets		
Balance at the beginning of the financial period	187.2	191.8
Contributions paid into the funds – employer	11.0	11.0
Contributions paid into the funds – plan participants	1.7	2.1
Benefits paid by the funds	(30.7)	(39.2)
Expected return on fund assets	8.2	6.4
Actuarial (losses)/gains recognised in other comprehensive income	(5.6)	15.1
Balance at the end of the financial year	**171.8**	**187.2**
Movement in the present value of the defined benefit obligation		
Balance at the beginning of the financial year	260.4	312.6
Contributions paid into the funds	1.7	2.1
Benefits paid by the funds	(30.7)	(39.2)
Current service costs and interest	14.3	14.2
Actuarial losses/(gains) recognised in other comprehensive income	15.0	(29.3)
Balance at the end of the financial year	**260.7**	**260.4**
Expenses recognised in the profit or loss		
Current service costs	3.0	3.7
Interest cost	11.3	10.5
Expected return on fund assets	(8.2)	(6.4)
Total included in employee benefits expense	**6.1**	**7.8**
Actual return on fund assets	**(5.6)**	**15.1**
Actuarial gains and losses recognised directly in other comprehensive income		
Balance at the beginning of the financial year	(92.8)	(124.8)
(Losses)/gains recognised directly in other comprehensive income	(20.0)	45.7
Tax thereon	6.0	(13.7)
Other comprehensive income, net of tax	(14.0)	32.0
Balance at the end of the financial year	**(106.8)**	**(92.8)**

6.3 Employee benefits and superannuation (continued)

	2016 % pa	2015 % pa
Actuarial assumptions		
Discount rate	3.6	4.6
Future salary increases	2.5	4.0
Rate of Consumer Price Index ("CPI") increase	2.3	2.5
Expected rate of return on assets	7.8	8.3

The sensitivity of the defined benefit obligation to changes in the significant assumptions is:

		2016 Impact on defined benefit obligation		2015 Impact on defined benefit obligation	
	Change in in assumptions	Increase	Decrease	Increase	Decrease
Actuarial assumptions					
Discount rate	1.0%	(24.8)	30.8	(24.8)	30.7
Future salary increases	0.5%	7.1	(6.7)	7.1	(6.7)
Rate of Consumer Price Index ("CPI") increase	0.5%	6.9	(6.3)	6.9	(6.3)
Pensioner mortality	5.0%	(1.2)	1.2	(1.2)	1.2

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.

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 2016.

6.3 Employee benefits and superannuation (continued)

Historical information

2016	SSS $M	SASS $M	SANCS $M	Total $M
Defined benefit obligation	(3.1)	(238.9)	(18.7)	(260.7)
Fund assets	6.5	144.4	20.9	171.8
Net surplus/(deficit)	**3.4**	**(94.5)**	**2.2**	**(88.9)**
Experience adjustments – fund liabilities	0.1	0.8	0.4	1.3
2015				
Defined benefit obligation	(2.5)	(236.6)	(21.3)	(260.4)
Fund assets	6.5	158.9	21.8	187.2
Net surplus/(deficit)	4.0	(77.7)	0.5	(73.2)
Experience adjustments – fund liabilities	(0.1)	2.3	(1.9)	0.3
2014				
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)
2013				
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

7. Other

This section provides information that is not directly related to specific line items in the financial statements, including information about related party transactions, auditor's remuneration, events after the reporting period and other statutory information.

7.1 Related parties

Accounting policy

All undertakings with related parties are on an arm's length basis and recognised in line with accounting standards.

(a) Transactions with related parties

	2016 $M	2015 $M
Transactions with joint ventures		
Sales revenue	2.8	4.0
Purchases/services received	68.9	59.3
Dividend revenue	13.6	14.5
Interest revenue	–	0.1

Balances of loans with joint ventures are disclosed in note 4.2. As at 30 June 2016, there are $2.6 million of interest bearing loans to joint ventures (2015: $2.7 million).

(b) 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.

(c) Loans to management personnel

No short term loans were made to senior management during the 2016 financial year (2015: $1.9 million). The opening balance of the loan on 1 July 2015 was repaid in full, along with interest, on 30 October 2015.

7.2 Auditor's remuneration

KPMG is the auditor of Asciano. Amounts received or due and receivable by KPMG are detailed below:

	2016 $000	2015 $000
Audit services		
Audit and review of financial reports – KPMG Australia	1,561.0	1,557.0
Audit and review of financial reports – KPMG New Zealand	68.0	58.0
Other services – KPMG Australia		
Taxation services	–	64.0
Other assurance related services	725.0	626.0
	2,354.0	2,305.0

7.3 Parent

As at, and throughout the 2016 financial year, the parent company of Asciano was Asciano Limited.

	2016 $M	2015 $M
Result of the Parent		
Profit after tax	3,012.6	514.9
Other comprehensive income	(11.6)	(29.5)
Total comprehensive income	3,001.0	485.4
Financial position		
Current assets	255.5	160.2
Non-current assets	10,471.4	8,991.5
Total assets	10,726.9	9,151.7
Current liabilities	44.1	74.8
Non-current liabilities	3,478.4	4,769.8
Total liabilities	3,522.5	4,844.6
Net assets	**7,204.4**	**4,307.1**
Equity		
Contributed equity	9,646.6	9,646.6
Reserves	3,441.8	544.5
Accumulated losses	(5,884.0)	(5,884.0)
Total equity	**7,204.4**	**4,307.1**

The Parent has net current assets of $211.4 million as at 30 June 2016 (2015: $85.4 million).

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 2016 or 30 June 2015.

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 5.4.

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.

7.4 Events subsequent to the reporting date

On 8 July 2016, C3 acquired the assets of Edenborn, a log transport and chipping operation in Western Australia.

On 21 July 2016, the ACCC announced that it will not oppose the scheme of arrangement (**"Scheme"**) under which Australian Logistics Acquisition Investments Pty Ltd[1] will acquire Asciano (including the Pacific National business), Ports HoldCo joint venture[2] will acquire the Patrick container terminals business and the Brookfield Consortium will acquire the Bulk & Automotive and Ports Services business.

The Scheme obtained FIRB approval on 27 July 2016 and approval from the Supreme Court of New South Wales at the Second Court Hearing on 28 July 2016. The Scheme will be implemented on 19 August 2016.

On 29 July 2016, Asciano entered into a A$500 million syndicated facility agreement with Goldman Sachs.

Other than for the items noted above and the payment of a special dividend of 87.0 cents per share (refer to Note 4.7), there has not arisen in the period between the end of the 2016 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 affect significantly the operations of Asciano or the results of those operations.

[1] An entity controlled by a consortium comprising affiliates of Global Infrastructure Management LLC, Canada Pension Plan Investment Board, CIC Capital Corporation, GIC Private Limited (GIC) and British Colombia Investment Management Corporation ("bcIMC").

[2] An entity comprising affiliates of Brookfield Infrastructure Partners L.P., GIC Private Limited, British Columbia Investment Management Corporation and Qatar Investment Authority (together, the "Brookfield Consortium") and Qube Holdings Limited ("Qube").

Directors' declaration

For the year ended 30 June 2016

In the opinion of the Directors of Asciano Limited ("Company"):

(a) the consolidated financial statements and notes set out on pages 29 to 89 and the Remuneration report in the Directors' report, set out in Section 7, 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 2016 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 5.4 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 2016.

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
15 ~~16~~ August 2016

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 2016, and consolidated income statement and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 7.4 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.

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 2016 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

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 2016. 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 2016, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

SR Gatt

Caoimhe Toouli

Steven Gatt

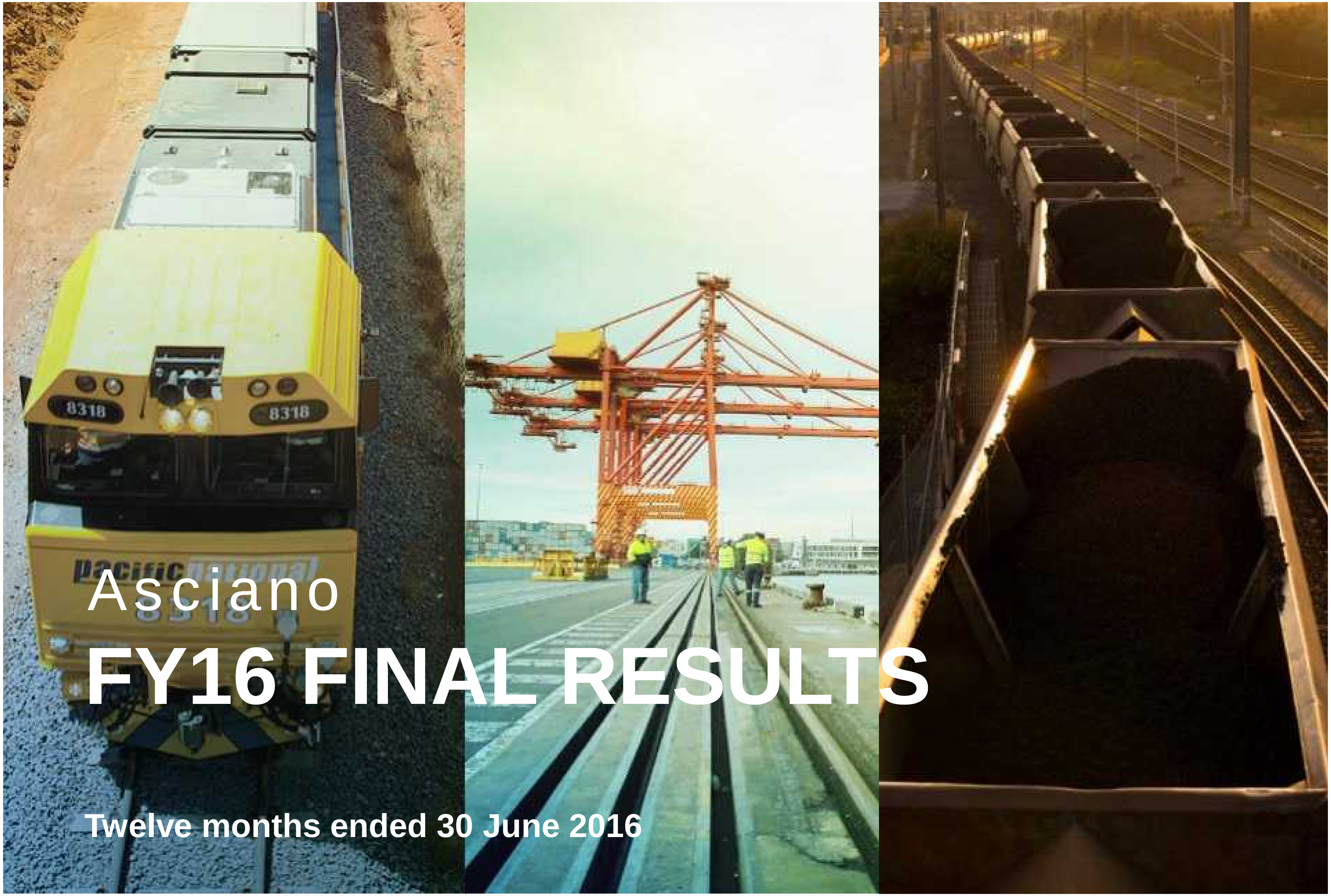
Sydney

15 August 2016

Caoimhe Toouli

Sydney

15 August 2016



Asciano

FY16 FINAL RESULTS

Twelve months ended 30 June 2016

AGENDA

DISCLAIMER

- 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.
- This presentation is not an offer or invitation for subscription or purchase of, or a recommendation of securities.
- 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 2016 which has been audited by the Group's Independent Auditor.

HIGHLIGHTS

EARNINGS **SUMMARY**

Year Ended June ($'m)	2015	2016	% chg
Revenue and other income	3,839.1	3,633.6	(5.4)
Underlying EBITDA[1]	1,142.0	1,149.3	0.6
Statutory EBITDA	1,071.9	973.0	(9.2)
Underlying EBIT[2]	790.2	771.4	(2.4)
Statutory EBIT	711.5	590.0	(17.1)
Underlying NPAT[3] after minority interests	414.7	408.8	(1.4)
Statutory NPAT after minority interests	359.6	272.0	(24.4)
Fully diluted underlying EPS after minority interests (¢)[3]	42.5	41.9	(1.4)
Fully diluted Statutory EPS (¢)	36.8	27.9	(24.2)

1. Underlying EBITDA excludes material items of $176.3m (FY15 $70.1m).
2. Underlying EBIT excludes material items of $181.4m (FY15 $78.7m).
3. Underlying NPAT excludes material items of $136.8m (FY15 $55.1m)

Further details on these adjustments are contained in the OFR and on slide 11.

FY16 GROUP HIGHLIGHTS

Soft top line growth and delays in Scheme process impact result

Financial Performance	• Revenue ↓ 5.4% on pcp reflecting ongoing soft market conditions in some segments • Underlying EBITDA[1] ↑ 0.6% on pcp; Underlying EBIT[1] ↓ 2.4% on pcp • BIP initiatives continued to make a positive contribution, 5 year plan yields $332.1m • Capex ↓ 48.8% to $290.4m below bottom end of forecast range • Free cash flow after capex ↑ 240.1% to $368.7m (after payment of $88m break fee) • Balance sheet further strengthened leverage at bottom end of range at 2.5x • Underlying EPS[1] ↓ 1.4% reflecting management of factors below EBIT line • No final dividend declared • Special dividend component of $9.15 takeover consideration, $0.87 per share fully franked
Factors Driving Result	• Coal producers continuing to haul coal at record levels; utilisation remains high • Scheme process slowed or halted a number of productivity and cost saving initiatives • Market share in container terminals improving despite strong competition and shipping consortia changes • EA negotiations impacted productivity at container terminals • Ongoing weakness in WA economy and resources impacted Intermodal and Stevedoring activities • Material items primarily relate to costs of Scheme process

1. Underlying - pre material items

HIGHLIGHTS – PACIFIC NATIONAL

Ongoing growth in Queensland bulk volumes and BIP initiatives underpin result

Financial Performance	• Revenue ↓ 2.3% to $2.4bn • Coal NTKs ↑ 3%; volumes very strong in Queensland ↑5.9% • Other Bulk NTKs ↓ 4.7%, Intermodal NTKs ↓ 6.4% on pcp • Bulk Revenue net of access and adjusted for fuel pass through↓ 1% • Underlying[1] EBITDA ↑ 2.3%; Underlying[1] EBIT ↑ 1.4% on pcp • BIP initiatives delivered a further $48.2m to the operating result • Material items after tax cost of $7.6m related to next phase of restructure • ROCE ↑ 49bps to 14.9% • Capital Expenditure ↓ 26.7% to $189.1m
Factors Driving Result	• Coal contract utilisation for the twelve month period remained high at 88% • Construction volumes increased reflecting new contracts • Grain and Mineral volumes below the pcp • Intermodal continued to be impacted by lower volumes East-West reflecting the soft Western Australian economy and relatively stronger volumes North-South • BIP initiatives included initial contribution from the rationalisation of the Non Coal Bulk business in NSW/Vic in response to a downturn in activity levels • BIP initiatives slowed due to delays in Scheme process

1. Underlying – pre material items

HIGHLIGHTS – PATRICK

Growth in East Coast volumes offset by weakness in WA economy & resources related activity

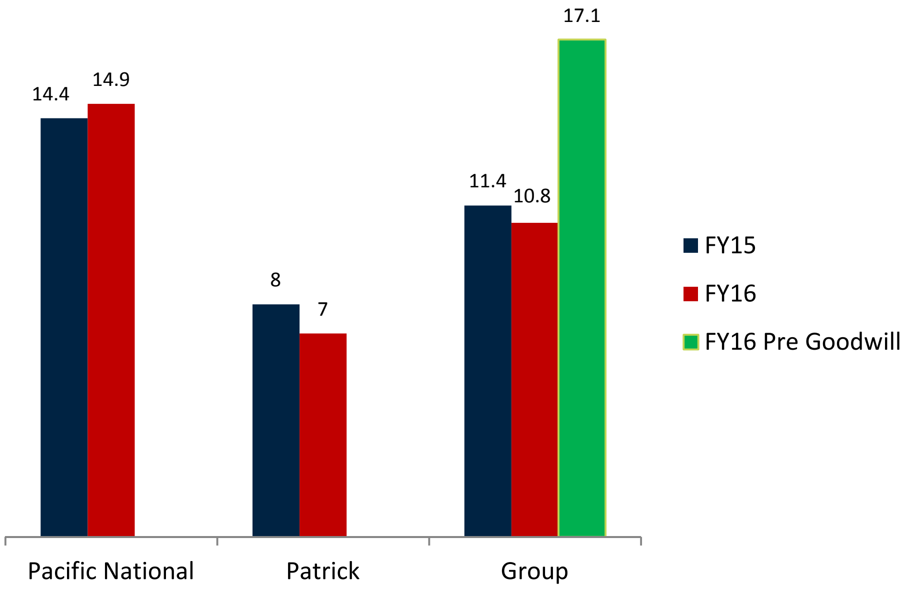
Financial Performance	• Revenue ↓ 9.9%; revenue adjusted for creation of logistics joint venture↓1.7% • Container Lifts ↑ 1.3%; TEUs ↑ 2% on pcp • Vehicles processed ↑ 10.6%; storage days ↑ 23%; bulk tonnes stevedored ↓3.8% • Underlying[1] EBITDA ↓ 3.8%; Underlying[1] EBIT ↓ 8.9% • BIP initiatives $25.8m including initial benefits from Port Botany redevelopment • Material items cost after tax of $33.6m, relating to restructure of the business and adjustments to the carrying value of certain investments as part of Scheme process • Capital expenditure ↓ 71.8% to $83.2m
Factors Driving Result	• Container terminal market share 48.3% for 12 mths; 50.6% on rolling 3 mth basis • Container volumes declined materially in Fremantle reflecting weak WA economy • Successfully rolled over two major shipping line contracts for a further two years • Volumes across Bulk Port sites soft reflecting wind down of resources contracts • Growth in Autocare and C3 volumes assisted by new contracts • Profit of $16.6m on asset sales following a review of requirements • 15.2% increase in depreciation reflects Port Botany moving into operation[2]

1. Underlying - Pre material items
2. Removing the impact of the ACSF logistics joint venture on D&A in FY15 and FY16, Patrick D&A increased 22.3%

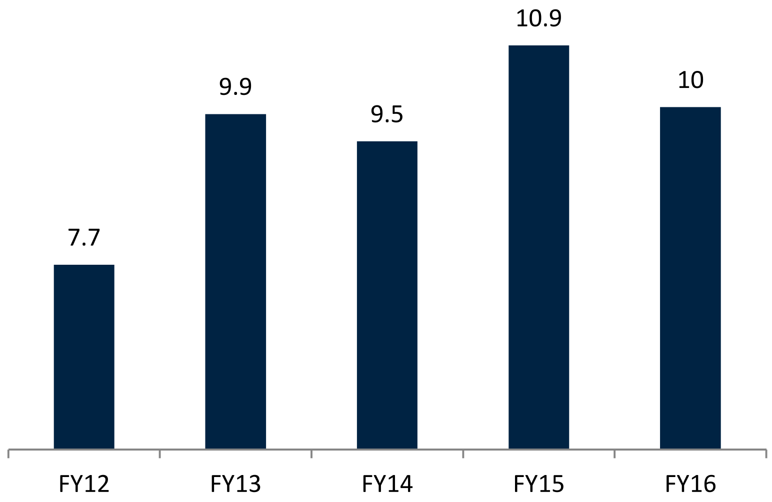
FINANCIAL RETURNS

Pacific National continues to improve returns; Group performance ex goodwill remained strong

ROCE performance %



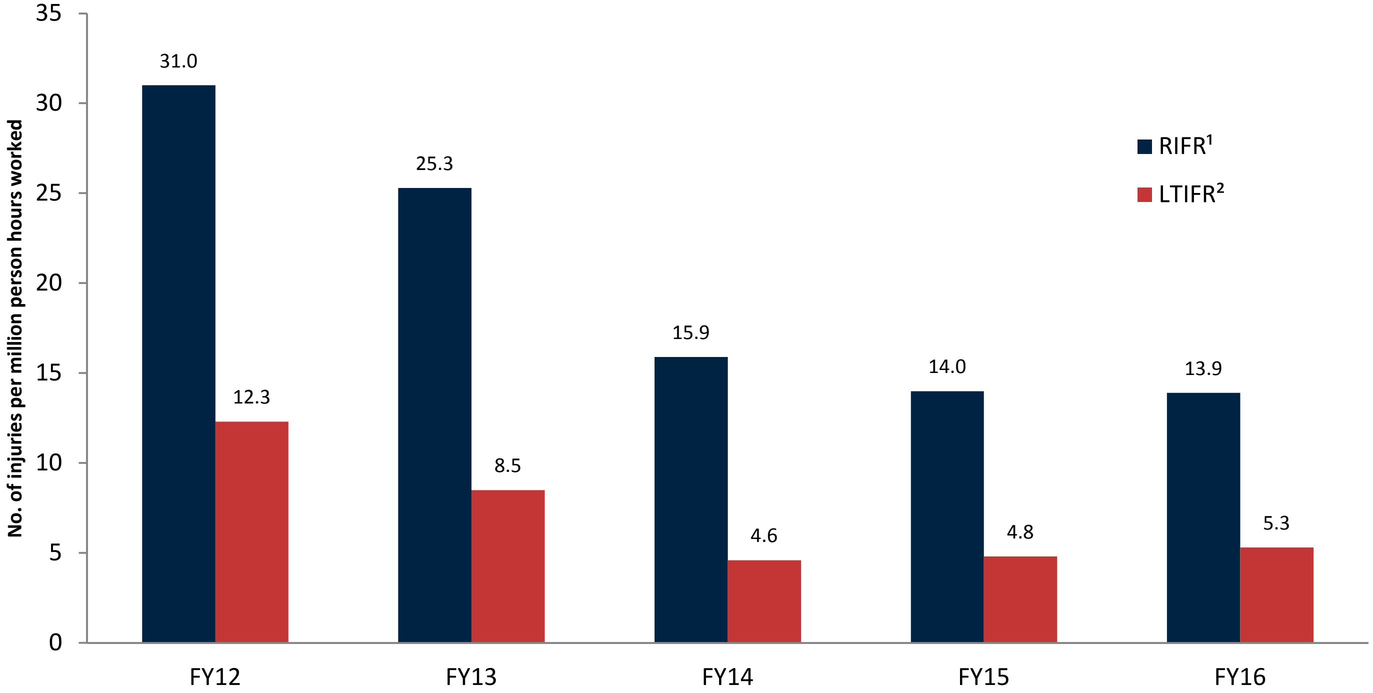
ROE performance[1] %



[1]Pre material items

HOME SAFELY

Spotlight on safety continues to drive improvement in metrics across most divisions; key focus on high potential severity rate



1. Recordable Injury Frequency Rate
2. Lost Time Injury Frequency Rate

FINANCIAL ANALYSIS

EARNINGS RECONCILIATION

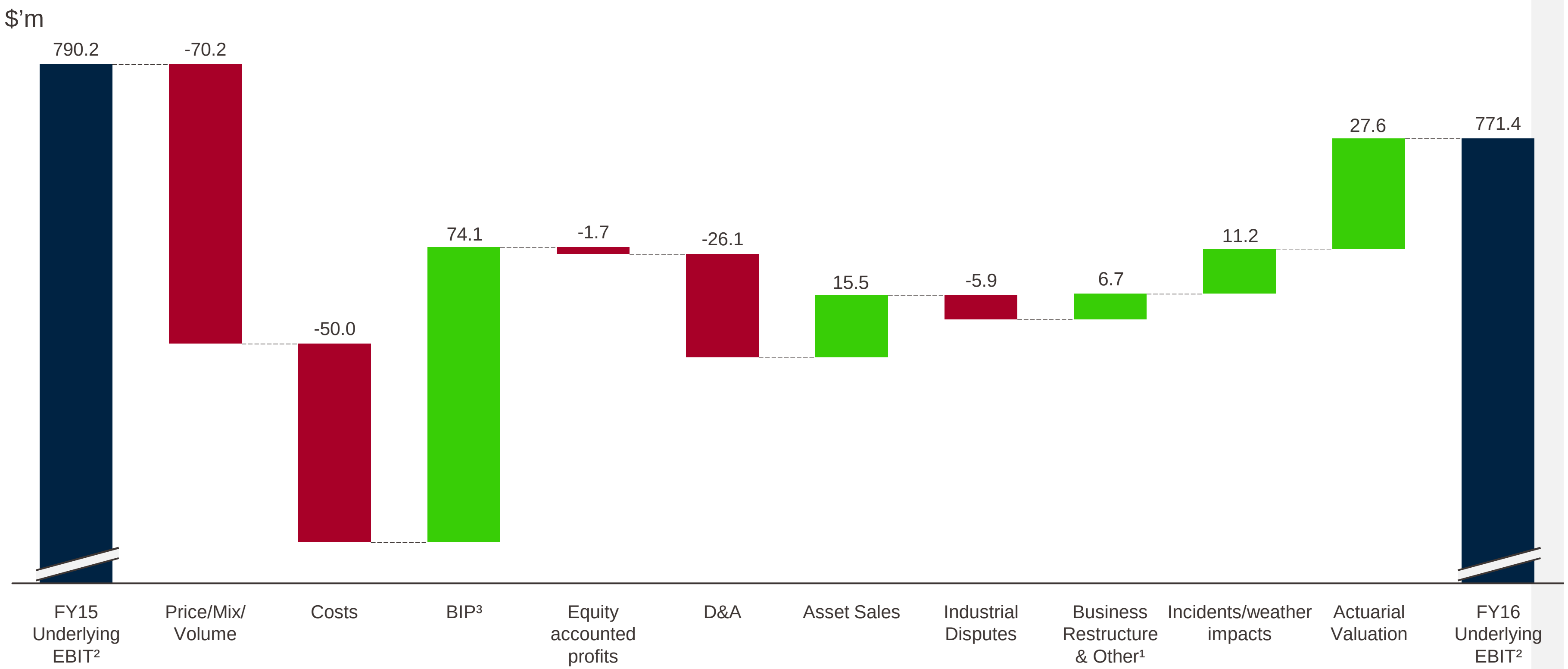
Year Ended June 2016 ($'m)	Revenue	EBITDA	EBIT	NPAT
Underlying Result[1]	3,633.6	1,149.3	771.4	408.8
Material items:	-			
• Patrick restructuring charges	-	8.3	11.2	7.8
• Pacific National restructuring charges	-	10.4	10.4	7.3
• Costs associated with Scheme process[2]	-	157.6	159.8	121.7
Total material items	-	**176.3**	**181.4**	**136.8**
Statutory Result	3,633.6	973.0	590.0	272.0

1. Underlying - pre material items
2. Includes payment of break fee and adjustment to the carrying value of certain investments as of part of the Scheme process

- Material items totalled to a loss of $136.8m after tax ($55.1m after tax in FY15)
- Material items included costs related to the Scheme of Arrangement process including a break fee of $88m paid in February 2016 and the adjustment to the carrying value of certain investments

GROUP – UNDERLYING EBIT BRIDGE

Underlying EBIT² impacted by the soft top line growth and increase in D&A; underpinned by BIP initiatives



1. Further detail on "Other" in Management Discussion & Analysis paragraph 1.4.5 Group Underlying EBIT Bridge
2. Underlying - Pre material items
3. Business Improvement Program

NET FINANCING COSTS

Twelve months ended 30 June $('m)	2015	2016
Statutory net[1] financing costs	**204.5**	**219.6**
Net accrued interest and borrowing costs	0.6	12.2
Capitalised interest	21.5	-
CVA[2] adjustment on derivatives	6.9	(1.6)
Fair value of derivatives not in a hedge relationship	(13.7)	(10.3)
Other non-cash	(7.3)	(2.0)
Cash net[1] financing costs	**212.5**	**217.9**

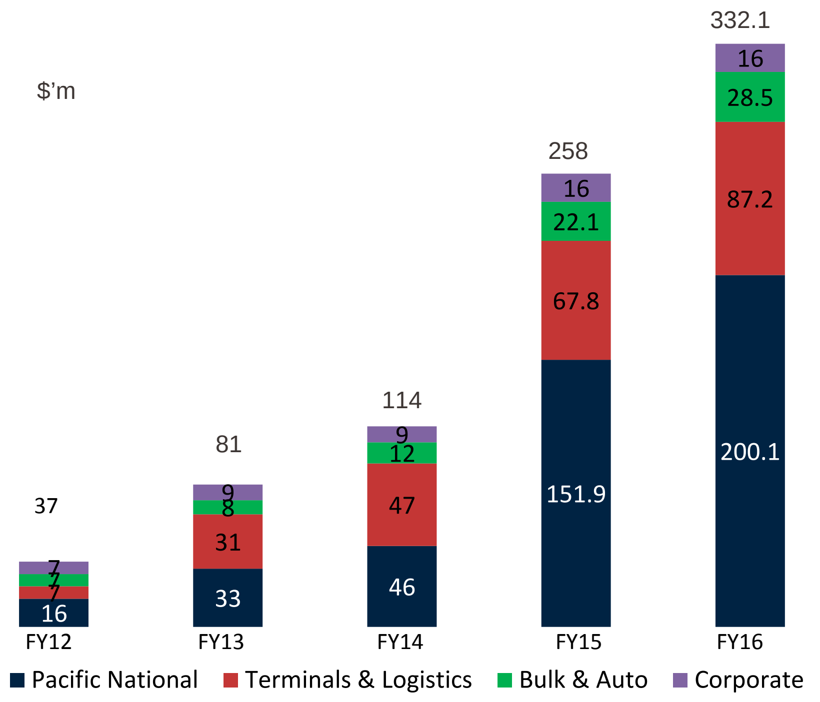
- Cash net financing costs increased 2.5% over the pcp to $217.9m
- The key difference between statutory and cash financing costs over the period relates to:
  - Payment of prior year accrued interest
  - Capitalised interest in FY15 related to the Port Botany project completed in April 2015

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

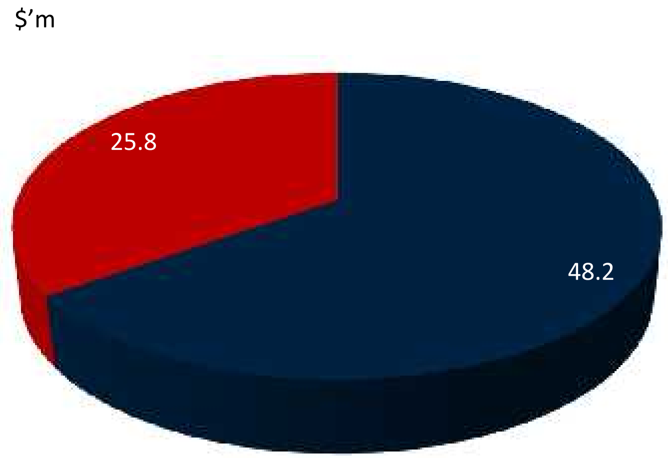
BUSINESS IMPROVEMENT PROGRAM

Business Improvement Program (BIP) delivered a further $74.1m in benefits

Cumulative BIP Savings Under 5 Year Plan



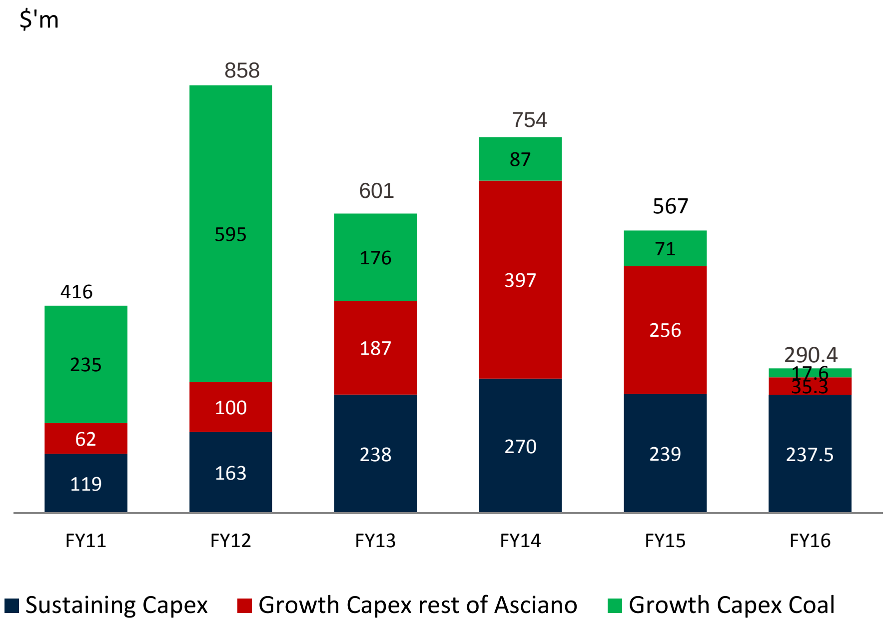
FY16 BIP divisional split



- BIP initiatives delivered a further $74.1m in benefits over the 12 month period taking cumulative benefits over the five year plan to $332.1m
- A number of planned BIP initiatives were halted or delayed as a result of the Scheme process

CAPITAL EXPENDITURE

FY16 capital expenditure was primarily sustaining the current business platform

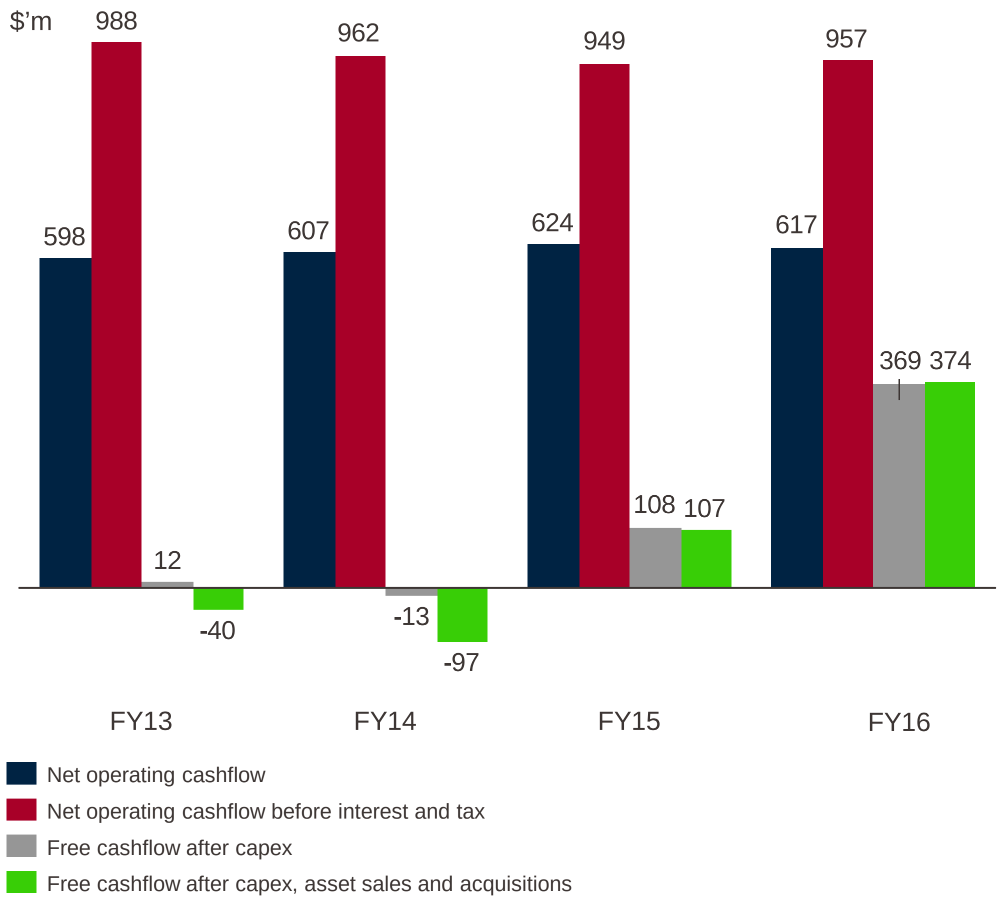


- FY16 capital expenditure was below the bottom end of the forecast range at $290m down 48.8% on pcp
- The majority of capital expenditure over the period was sustaining capital expenditure as opposed to new growth projects. Some projects were delayed as a result of the M&A process
- Key projects in FY16 included:
  - The ongoing mid life component change out of the NR class locomotive fleet
  - The upgrades of the Melbourne and Adelaide rail freight terminals
  - IT systems upgrade

* Includes capital expenditure recorded as inventory on the balance sheet

FREE CASH GENERATION

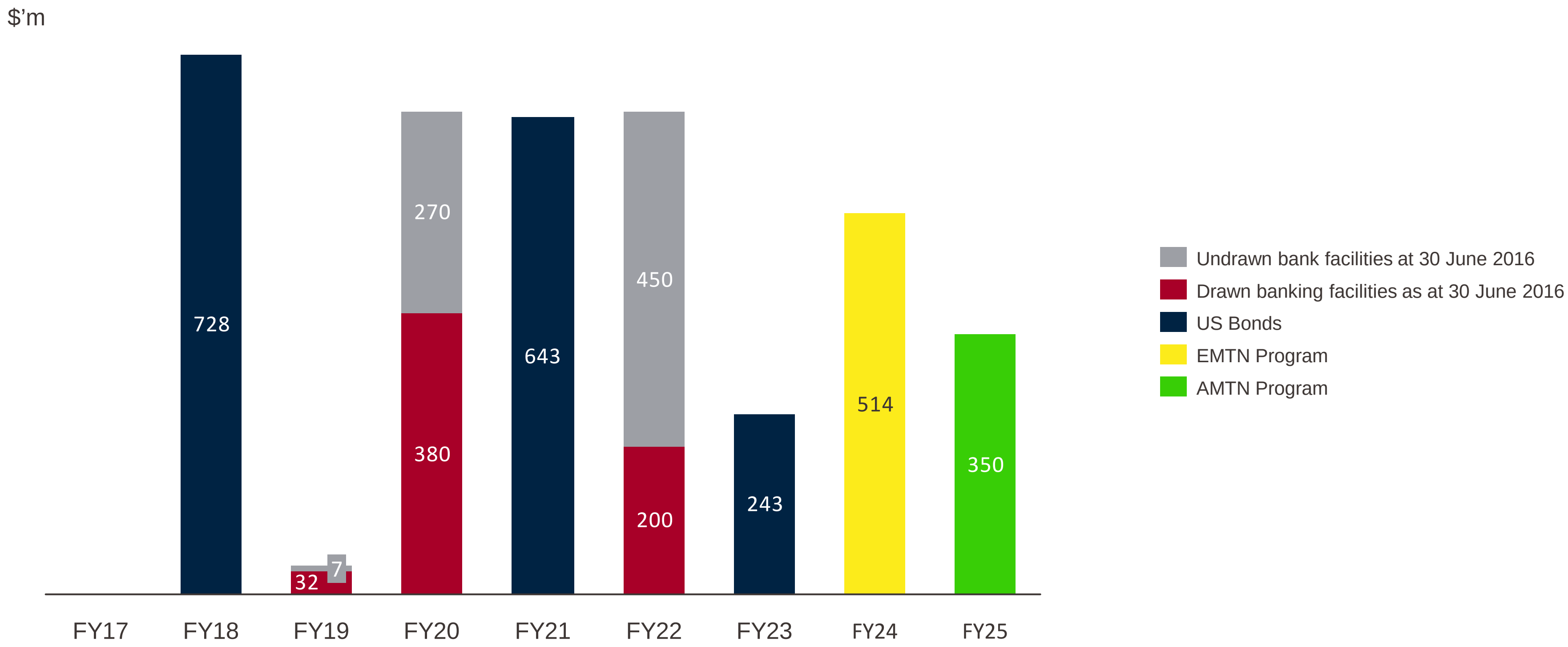
Free cash flow continued to improve as capital expenditure declined to normalised levels



- Asciano generated free cash flow after capital expenditure of $369m an increase of 240.3% on the pcp
- Net operating cash flow was impacted by the costs associated with the Scheme process including the payment of an $88m break fee
- The increase in free cash flow was driven by the 51.2% decline in net capital expenditure

* Includes capital expenditure recorded as inventory on the balance sheet

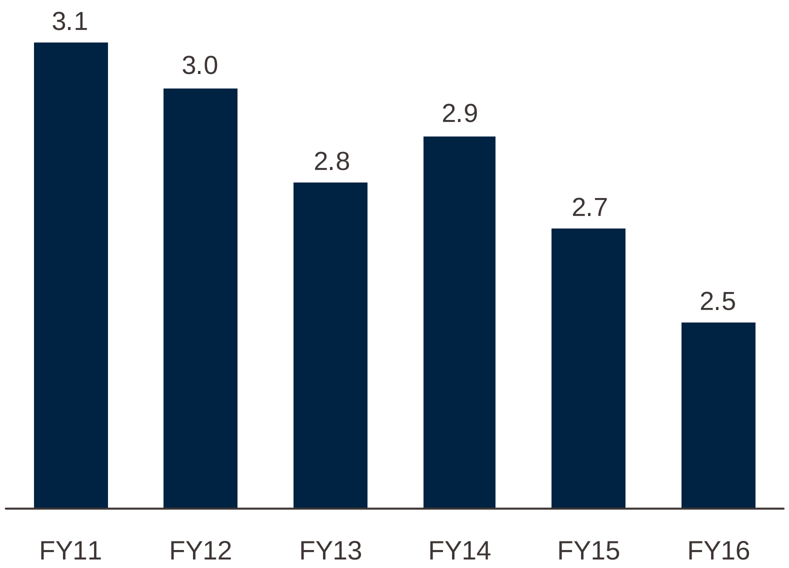
DEBT MATURITY PROFILE



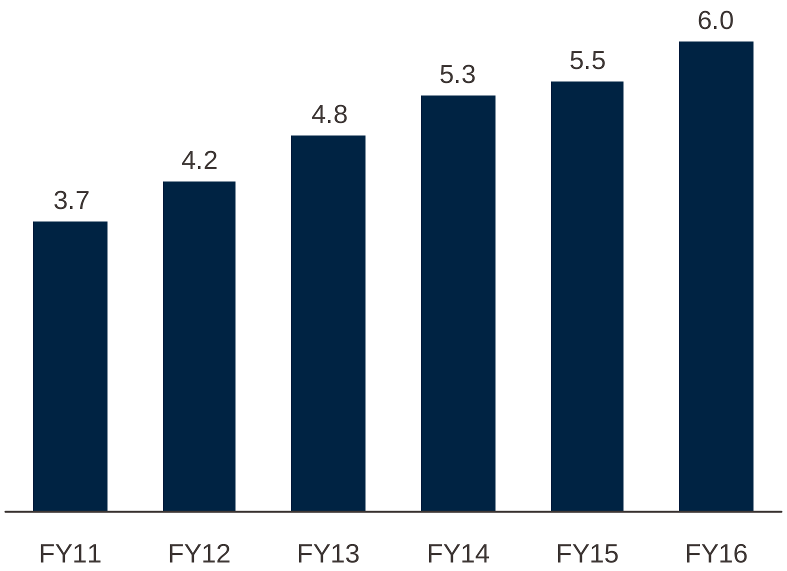
- At 30 June 2016 Asciano had a weighted average debt maturity of 4.8 years
- At 30 June 2016 the interest rate on approximately 72% of the Company's debt was fixed

LEVERAGE AND INTEREST COVER METRICS STRONG

Net debt to EBITDA (x)[1]



EBITDA to net interest (x)[1]



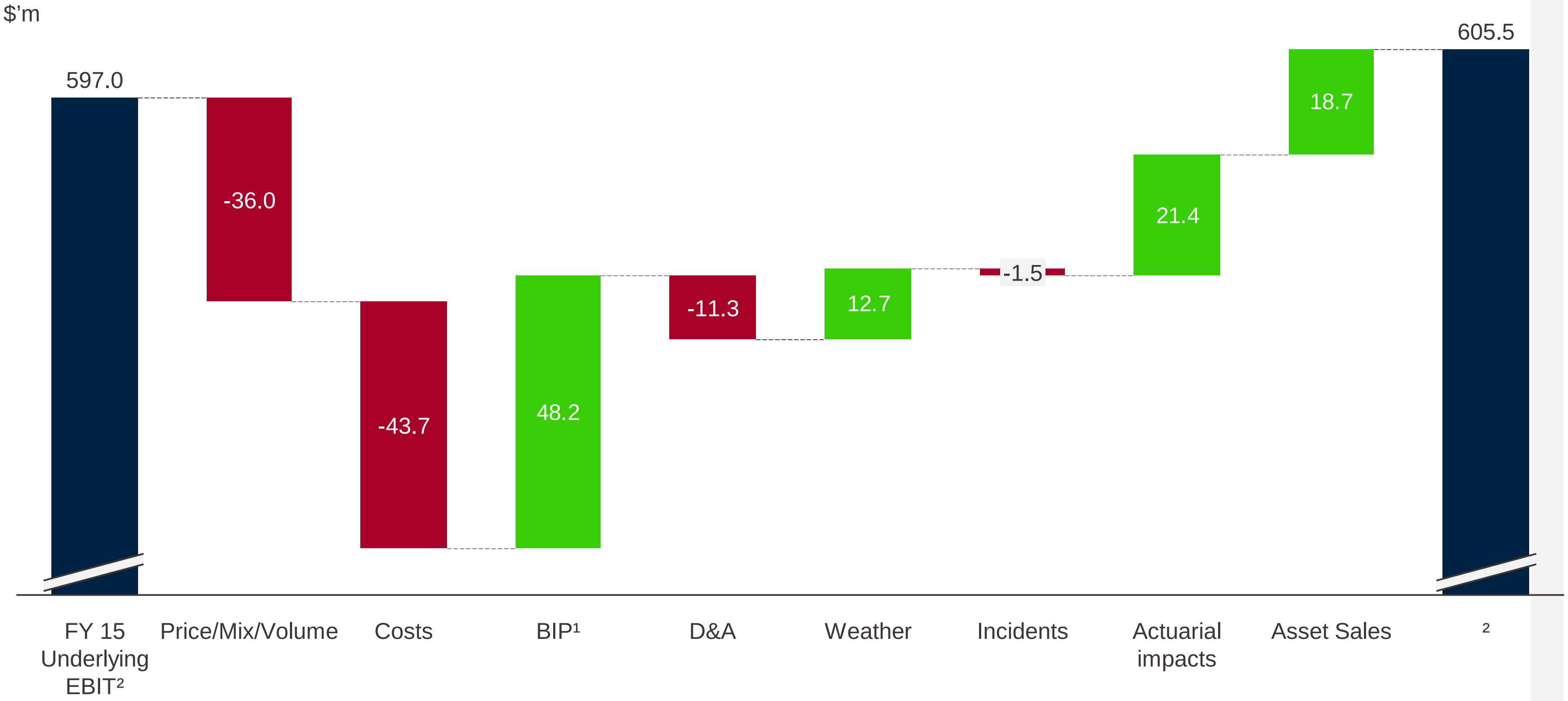
- Leverage at the bottom end of the target range at the ned of the period

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

APPENDICES

PACIFIC NATIONAL – EBIT BRIDGE

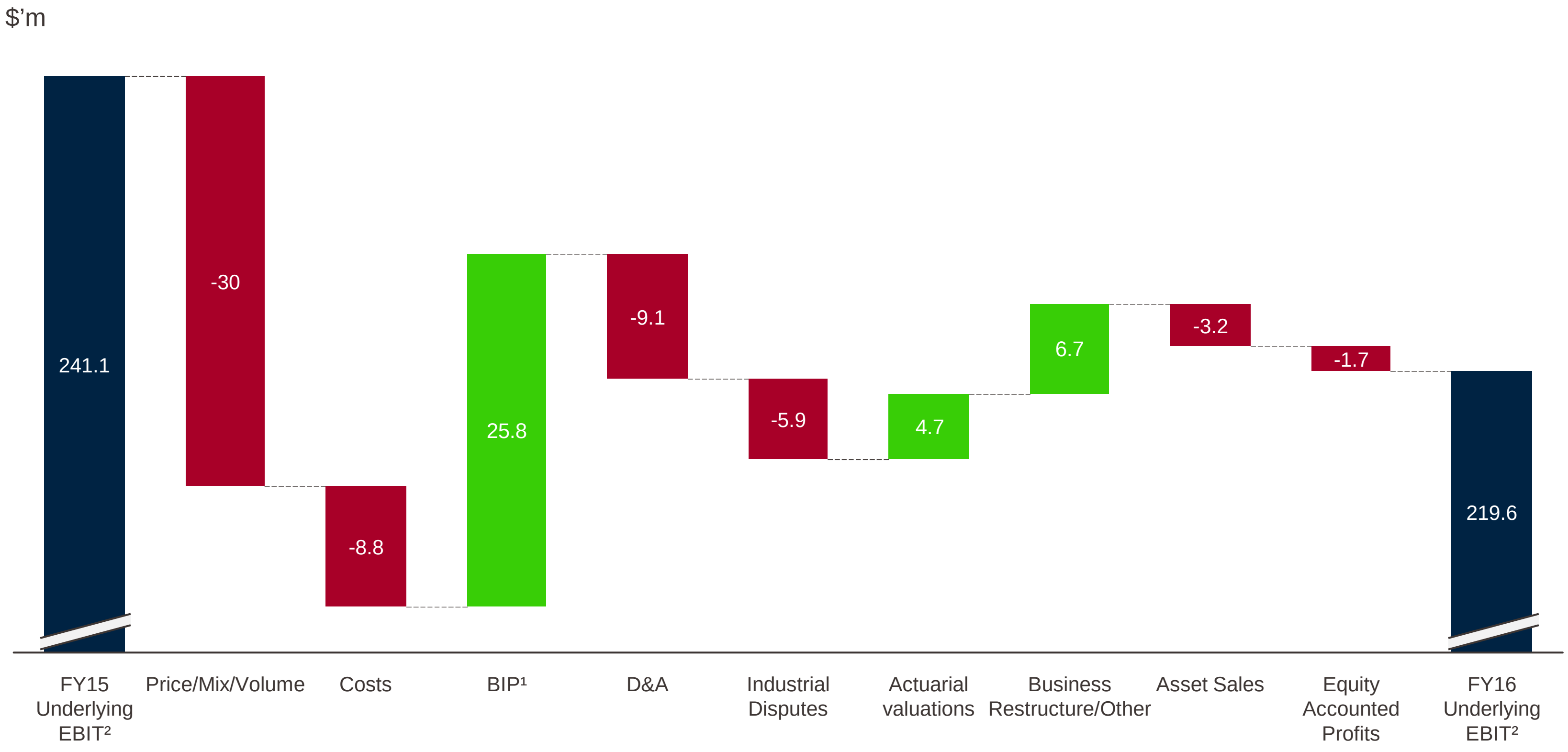
Underlying EBIT² growth driven by increase in coal volume and the benefit of BIP initiatives



1. Business improvement program
2. Underlying - Pre material items

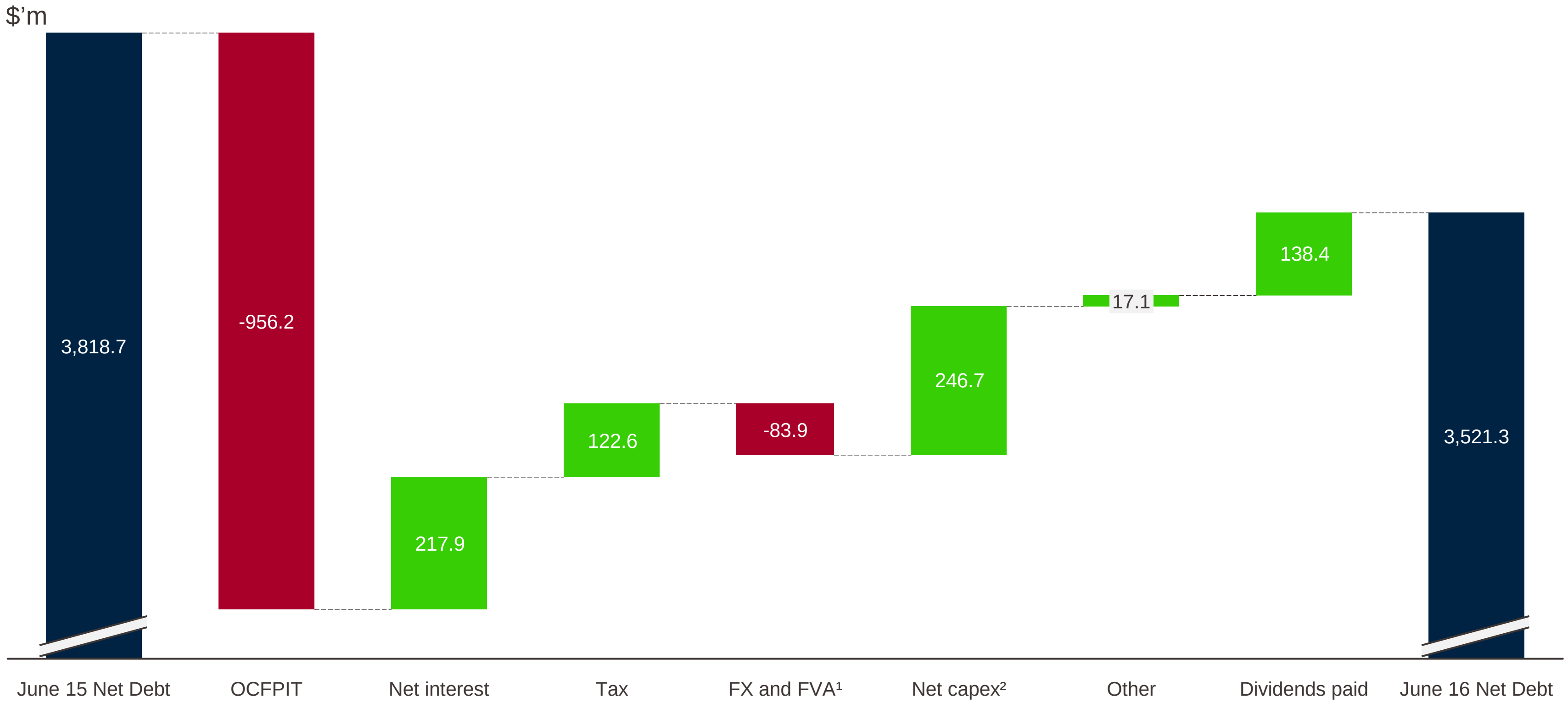
PATRICK– EBIT BRIDGE

Underlying EBIT² driven by growth in container lifts and ongoing focus on BIP and cost reduction offset by a material reduction in activity levels in Bulk Ports



1. Business improvement program
2. Underlying - Pre material items

CASH FLOW TO NET DEBT



1. Non cash foreign exchange and fair value adjustments associated with USD and GBP bonds
2. Includes capital expenditure recorded as inventory on the balance sheet. Net of the proceeds from the sale of PPE - $66.4m

FINANCIAL PROFILE

Reconciliation of Loans and Borrowings

Facility	Type	Maturity	Drawn A$'m	Undrawn A$'m
Syndicated bank facility	Revolving cash advance	Sep-21	200.0	450.0
Syndicated bank facility	Revolving cash advance	Oct-19	380.0	270.0
C3 NZD Bank Facility	Cash advance	Jun-19	31.8	6.5
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	
AUD bonds	AMTN	May-25	350.0	
Total hedged A$ equivalent balance			**3,089.2**	**726.5**
Less: Unamortised Discount on US$ bonds, AUD & GBP notes			(7.6)	
Less: Unamortised Debt issuance costs			(17.6)	
Add: Unrealized foreign exchange loss on US$ bond and GBP notes			556.0	
Add: Fair Value adjustments to US$ bonds			93.5	
Add : C3 Finance Lease			0.7	
Add: Loan from minority owner			10.0	
Loans & Borrowings as per statutory balance sheet at 30 June 16			**3,724.2**	
Cash and liquid assets as at 30 June 16			(202.9)	202.9
Net Debt/available liquidity as at 30 June 16			**3,521.3**	**929.5**

•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