20|21 ANNUAL REPORT

AURIZON®

Contents

Our vision

To be the first choice for bulk commodity transport solutions.

Our purpose

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

Our values

SAFETY
We know safe, we choose safe.

PEOPLE
We seek diverse perspectives.

INTEGRITY
We have the courage to do the right thing.

CUSTOMER
We strive to be the first choice for customers.

EXCELLENCE
We set and achieve ambitious goals.

FY2021 in Review

Result highlights (Underlying and statutory continuing operations)

($M)	FY2021	FY2020	VARIANCE
Total revenue	3,019.3	3,064.6	(1%)
EBITDA	1,482.2	1,467.6	1%
EBIT	903.1	909.0	(1%)
Adjustments	8.2	105.4	(92%)
EBIT Statutory	911.3	1,014.4	(10%)
NPAT	533.2	531.3	-
NPAT Statutory	606.7	605.1	-
Free cash flow (FCF) (continuing and discontinued operations)	734.4	725.0	1%
Final dividend (cps)	14.4	13.7	5%
Total dividend (cps)	28.8	27.4	5%
Earnings per share (cps)	28.5	27.2	5%
Return on invested capital (ROIC)	10.7%	10.9%	(0.2ppt)
EBITDA margin (%)	49.1%	47.9%	1.2ppt
Operating ratio (OR) (%)	70.1%	70.3%	0.2ppt
Above Rail Tonnes (m)	253.2	262.0	(3%)
Above Rail opex/NTK (excluding access) ($/'000 NTK)	21.2	20.9	(1%)
Gearing (net debt/(net debt + equity)) (%)	45.6%	45.1%	(0.5ppt)

Performance overview

- EBITDA up 1% to $1,482.2m with:
  - Network up $50.7m (6%) with higher revenue from the commencement of Wiggins Island Rail Project (WIRP) fee billing offsetting volume-driven under-recoveries
  - Bulk up $29.8m (27%) with higher revenue through new contracts
  - Coal down $83.1m (13%) driven by a 6% reduction in volume
  - Other improved by $17.2m (30%) due to asset sales and lower project costs.
- FCF increased 1% to $734.4m consistent with EBITDA growth and inclusive of net proceeds from the sale of the Acacia Ridge Intermodal Terminal.
- Final dividend 14.4cps (70% franked) representing a payout ratio of 100% of underlying NPAT for the continuing operations, an increase of 5% and resulting in a total FY2021 dividends of 28.8cps.
- Completion of a $300.0m on market share buy-back.

Major items

- Network — EBITDA growth reflects commencement of WIRP fee billing more than offsetting volume-driven under-recoveries. Operating costs also reduced in line with lower volumes and reduced maintenance spend.
- Bulk — strong financial performance continues with full-year benefit of recent contract wins and ongoing operational efficiency improvements. Bulk now accounts for 32% of above rail revenue[1] and 26% of above rail EBIT.
- Coal — decline in EBITDA driven by 6% lower volumes, lower revenue quality and non-pass through of Take-or-Pay. Operating costs excluding access 4% lower with a reduction in fuel, traincrew and maintenance costs.
- Three debt market capital issuances representing $1.075bn with terms from 7.0-years to 10.5-years (and coupons of 2.9% to 3.3%) including an inaugural issuance for Aurizon Operations — 7.0-year A$500.0m Medium Term Note at a coupon of 3.0%.

Outlook

Underlying EBITDA guidance for FY2022 of $1,425m to $1,500m and sustaining capital expenditure of $475m to $525m. Key assumptions:

- Coal — ~5% volume growth and lower costs offset by lower contracted rates.
- Bulk — revenue growth from full year impact of recent contract wins and port acquisitions.
- Network — non-recurrence of retrospective WIRP fees ($49.8m) and Maximum Allowance Revenue (MAR) reduction due to capital recoveries.
- No material disruptions to commodity supply chains (such as adverse weather and/or impacts from COVID-19 related restrictions).

1 Above Rail Revenue is calculated excluding track access

Chairman's Report

A message from the Chairman

Dear fellow shareholders

Despite another very challenging year for the Australian economy and our communities, I am pleased to report that a resilient Aurizon business has delivered a solid performance for shareholders in FY2021.

Aurizon delivered Earnings Before Interest and Tax (EBIT) of $903m in FY2021, which was within our guidance range of $870 - $910m. In FY2021, Aurizon also generated free cash flow of $734m. In a year where our above rail and network volumes were lower, these results highlight the strength and resilience of our business, with stable and consistent cash flows enabling Aurizon to increase dividends and undertake another share buyback.

Aurizon has decided to pay out 100% of Underlying Net Profit After Tax as dividends. The Board has declared a final dividend of 14.4 cents per share, 70% franked. This will take total dividends in respect of FY2021 to 28.8 cents per share, 70% franked, an increase of 5% from FY2020. With the completion of the $300m share buyback in FY2021, distributions to shareholders have totalled more than $4 billion over the past six years.

Aurizon continued to make good progress on key priorities during FY2021, including:

- Continuing the successful execution of the Bulk business turnaround, with multiple paths for growth in volumes, revenue, EBITDA and EBIT. This includes the acquisitions of port and logistics businesses in Townsville (in FY2020) and Newcastle (FY2021) under the banner of Aurizon Port Services. Bulk now accounts for 32% of above rail revenue. We see a rebalancing of our portfolio in coming years as Bulk taps into the rapidly-expanding demand for Australian commodities as inputs for batteries, electric vehicles, telecommunications, solar panels and wind turbines; for urban and transport infrastructure; and high-quality Australian agricultural products, food and fertiliser.
- In October 2020, Aurizon released its Climate Strategy and Action Plan. This includes a target of net-zero operational emissions (scope 1 and 2) by 2050; a $50m investment over 10 years in low-carbon technologies for our locomotive fleet; and, the use of more renewable energy for our electrified rail network. Work has started on a project to develop battery-powered heavy-haul locomotives, and Aurizon is also assessing the longer-term opportunity for hydrogen-powered freight trains.
- The $205m sale of the Acacia Ridge Terminal in Queensland was completed in March 2021, following the High Court's dismissal of an application for special leave to appeal by the Australian Consumer and Competition Commission. This sale finalises Aurizon's staged exit from the loss-making Intermodal business that was commenced in 2017.
- The Queensland Court of Appeal dismissed the customers' appeal on the payment of fees for the Wiggins Island Rail Project. This resulted in $60m of fees being recognised by Aurizon in FY2021 (including retrospective payments for the period FY2016-FY2020), and ongoing annual fees of ~$11m payable until 2035.

Aurizon continues to refine our business strategy in response to the changing external environment and based on detailed market analysis. Our strategic aim is to ensure Aurizon's core business is highly efficient and resilient in this changing market environment, while positioning to seize the higher-growth opportunities that are emerging for Aurizon Bulk.

Aurizon Bulk provides integrated supply chain services, including rail and road transportation, port services and material handling for a range of mining, metal, industrial and agricultural customers throughout Queensland, New South Wales and Western Australia. We are also well-positioned in markets serving the global uptake of electric vehicles, telecommunications and renewable energy infrastructure that is driving demand for Australian resources such as cobalt, copper and lithium.

We are actively seeking further opportunities to grow our Bulk portfolio. This builds on the work in recent years to simplify our business and exit the non-profitable parts, so we can focus our core capabilities on delivering for customers. Transformation, productivity initiatives and continuing cost reduction in all of our businesses will also remain key drivers for Aurizon's financial and operational performance. Our teams are finding safer, simpler and more innovative solutions for our customers, particularly as we leverage the latest in information and operational technology.

Safety is a value for Aurizon. This year, the Board requested a specific Board Safety Strategy Day to review with management a refined Safety Strategy. The objective is to support continuous improvement of safety.

During FY2021 our Company Secretary, Dominic Smith, left Aurizon. Dominic worked with the Company through the ASX listing process in 2010 and has been the Company Secretary since that time. On behalf of the Board I would like to thank Dominic for his outstanding service and guidance and wish him well for the future.

In his report on the following page, our Managing Director & CEO Andrew Harding provides some detail on how we are supporting the nation's efforts in responding to the COVID-19 pandemic, including the ongoing operation of freight supply chains that are vital for our communities, farmers, manufacturers and the resource sector. The Board acknowledges the work of Andrew and our leadership team in guiding Aurizon's response during the pandemic and the outstanding commitment of our teams in serving customers during these difficult times.

Finally, I acknowledge the continued support of our shareholders. We have built solid foundations for our Company and are well-positioned in existing and emerging markets for continued success. With a resilient business, a strong balance sheet and good cash flows, we look forward to continuing to reward you on your investment.

Tim Poole

Chairman
9 August 2021

Managing Director & CEO's Report

A message from the Managing Director & CEO

Dear fellow shareholders

I begin my report to you on our business results by addressing operational safety performance and employee health and wellbeing during FY2021.

With the rapidly changing COVID-19 situation in Australia, Aurizon has maintained constant vigilance across our national footprint to protect the health of our employees together with the customers we serve in our freight supply chains. As an essential service, we have been fortunate to continue operating services throughout COVID-19 and have implemented additional health and hygiene protocols in our operations. We understand the responsibility that comes with continued operation, and the important role we play in delivering freight across Australia, as well as for export industries in the resource, manufacturing and agriculture sectors.

We have responded to the community COVID-19 outbreaks that have occurred, including imposing restrictions on non-essential travel and increasing preventative measures in workplaces, aligned with government advice. We have promoted flexible and remote working where it is possible and enhanced our IT and technical support to boost productivity and connectivity for employees. We are also fortunate that the vast majority of train services do not cross interstate borders and more than 80% of our employees live and work in regional communities of Australia which generally have been less impacted by COVID-19. Aurizon is actively encouraging employees to get vaccinated to protect themselves, work colleagues, their families and local communities.

Turning now to operational safety performance. Our results have been flat across the safety metrics of Total Recordable Injury Frequency Rate (TRIFR), Lost Time Injury Frequency Rate (LTIFR) and Rail Process Safety (RPS).

TRFIR has deteriorated 3% in comparison with last year's improvement of 10%. This deterioration has been the result of an increase in low-severity strain and sprain injuries. LTIFR has improved 8% year-on-year, which is a positive trend.

RPS, a measure designed by Aurizon to improve rail safety operations, including derailments, signals passed at danger and rollingstock collisions, has been flat in recent years. RPS deteriorated 8% in FY2021. This has been caused by an increase in low severity yard derailments.

During the year we continued the Safety Leadership program that equips operational leaders with skills to effectively lead our Safety Strategy and continually improve safety in their team. We are also focussing on initiatives to accelerate safety improvement through targeting the main contributors to TRIFR and RPS, and a specific focus on identifying and learning from events that have the potential for Serious Injury and Fatality.

In respect to the operational and financial performance, the Company has performed well despite the economic uncertainty and social disruption of COVID-19 for our industry and the economy.

The Bulk business has delivered another strong result in FY2021, with EBIT increasing 25% to $112m. Revenue has been driven higher with new contracts and growth with existing customers, together with extended services such as the acquisition of the ConPorts business at the Port of Newcastle. After year's end, in August 2021, we were pleased to announce a long-term rail haulage and maintenance agreement with CBH in Western Australia covering all rail requirements for CBH's Western Australian grain harvests. This contract underlines the capability and the potential opportunity for our Bulk business in providing integrated supply chain services for a range of mining, metal, industrial and agricultural customers across a national footprint. This opportunity not only includes traditional products such as iron ore, bauxite, alumina, base metals, grains and fertiliser but also the inputs for rapidly expanding markets for batteries, telecommunications and electric vehicles.

Above rail coal tonnages were down 6% in FY2021 against the prior period primarily as a result of COVID-19 and China import restrictions. Consequently, EBIT for Coal was down 21% to $325m, compared to FY2020. We expect to see haulage volumes to grow by around ~5% in FY2022. During FY2021, the Coal business was successful in extending its long-term contract book with a number of contract wins, including Anglo American (renewed contract for Dawson and securing additional tonnages from the Moranbah North, Grosvenor and German Creek mines, commencing early 2022) and Glencore (renewed contract as primary hauler for Newlands, Blackwater and Goonyella, excluding Hail Creek).

The Network business had another solid EBIT result in FY2021 of $509m, a 9% increase on the prior period, despite an 8% decrease in volumes. During FY2021, we were successful in recovering outstanding fees of $60m (including retrospective payments) for the Wiggins Island Rail Project.

As well as delivering products and commodities, Aurizon is committed to supporting the communities in which our employees live and work. Since 2011, we have supported more than 430 community groups through our Community Giving Fund. In FY2021, we provided grants to 46 charities and community organisations in the areas of health and wellbeing, community safety, environment and education.

During the year, we extended our reach into the community with two major partnerships. The first is a three-year partnership with Orange Sky Australia, which offers free laundry and shower services for people experiencing homelessness while providing a safe environment to connect with the community. As well as financial support, Aurizon employees are volunteering, individually and in teams, to support Orange Sky services across Australia.

Aurizon also became the new Principal Partner of the Queensland Firebirds who compete in the national Super Netball competition. Aurizon is committed to building a more inclusive, diverse team across our national operations and having a pipeline of young women leaders to support our future success. We see great alignment with the Firebirds in their championing of success and excellence in sport, with an ever-growing participation of young women in netball.

During FY2021, we had some changes to our senior leadership team. I would like to acknowledge the outstanding contribution of Group Executive Technical Services & Planning (TSP), Michael Carter who announced his retirement. Mike has been with the Company for 35 years and is highly regarded in the Australian rail industry. As a result of Mike leaving, we took the opportunity to streamline the Corporate and TSP areas under one executive and were pleased to appoint internal candidate Gareth Long as Group Executive Corporate.

Finally, my thanks go to our employees across our national footprint who are at the heart of the continuing success of our Company. They have shown dedication and discipline in carrying out their jobs during a very challenging period for the Australian community. This has been the foundation for continued safe, reliable service delivery for our customers and in looking after the health and wellbeing of themselves and work colleagues.

Andrew Harding

Managing Director & CEO
9 August 2021

Directors' Report

Aurizon Holdings Limited
For the year ended 30 June 2021

The Directors of Aurizon Holdings Limited present their Directors' Report together with the Financial Report of the Company and its controlled entities (collectively the **Consolidated Entity** or the **Group**) for the financial year ended 30 June 2021 and the Independent Auditors' Report thereon.

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

Board of Directors

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

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

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

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

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

M Fraser
(Appointed 15 February 2016)
(Independent Non-Executive Director)

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

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

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

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

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

T Poole

Experience: Mr Poole began his executive career in 1990 at PricewaterhouseCoopers (then Price Waterhouse) before joining Hastings Funds Management in 1995. He helped to build Hastings into a global investor in private market assets, principally equity and debt issued by infrastructure companies and was the Managing Director from 2005 to 2007.

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

Qualifications: BCom.

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

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

A Harding

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

At Aurizon, Mr Harding has implemented initiatives to leverage the core expertise of the business in heavy haulage and rail infrastructure. These include a new operating structure, a renewed leadership team and a refreshed Company strategy.

Prior to starting with Aurizon, Mr Harding was the global Chief Executive of Rio Tinto's Iron Ore business.

Mr Harding completed a Bachelor of Mining Engineering at the University of New South Wales and holds an MBA from Deakin University.

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

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

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

M Bastos

Experience: Mr Bastos has more than 30 years of experience globally in the mining industry. He has extensive experience in major project development, operations, logistics and senior leadership in most of the major sectors of the mining industry including iron ore, gold, copper, nickel, zinc and coal.

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

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

Mr Bastos is currently a Non-Executive Director of Iluka Resources Limited, Non-Executive Director of Anglo American PLC, and was an External Director (Non-Executive Independent) of Golder Associates from 2017 to 2021.

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

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

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

R Caplan

Experience: Mr Caplan has extensive international experience in the oil and gas industry. In a 42-year career with Shell, he held senior roles in the upstream and downstream operations, and corporate functions in Australia and overseas. From 1997 to 2006, he had senior international postings in the UK, Europe and the USA. From 2006 to July 2010, he was Chairman of the Shell Group of Companies in Australia.

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

Qualifications: LLB, FAICD, FAIM.

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

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

M Fraser

Experience: Mr Fraser has more than 35 years of experience in the Australian energy industry. He has held various executive positions at AGL Energy culminating in his role as Managing Director & Chief Executive Officer for a period of seven years until February 2015. Mr Fraser is currently Chairman and Non-Executive Director of the ASX-listed APA Group.

Mr Fraser is former Chairman of the Clean Energy Council, Elgas Limited, ActewAGL and the NEMMCo Participants Advisory Committee, as well as a former Director of Queensland Gas Company Limited, the Australian Gas Association, and the Energy Retailers Association of Australia.

Qualifications: BComm, FCPA, MAICD.

Special responsibilities: Chairman of Aurizon Network Pty Ltd. Member of Remuneration and People Committee.

Australian Listed Company Directorships held in the past three years: APA Group — Chairman and Non-Executive Director (1 September 2015 – ongoing).

Directors' Report (continued)

S Lewis

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

Ms Lewis has significant experience working with clients in the manufacturing, consumer business and energy sectors, and in addition to external audits, has provided accounting and transactional advisory services to other major organisations in Australia. Ms Lewis' expertise includes accounting, finance, auditing, risk management, corporate governance, capital markets and due diligence. Ms Lewis is currently a Non-Executive Director and Chairman of the Audit & Compliance Committee of Orora Limited, Chairman of APRA's Audit and Risk Committee, and a Non-Executive Director and Chairman of the Audit & Risk Committee of Nine Entertainment Co. Holdings Limited. Previously, Ms Lewis was an Assurance & Advisory partner from 2000 to 2014 with Deloitte Australia.

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

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

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

S Ryan

Experience: Dr Sarah Ryan has approximately 30 years of international experience in the oil and gas industry. Initially Sarah spent 20 years in various technical, operational and senior management positions, including 15 years with Schlumberger Limited both in Australia and overseas. Dr Ryan then spent 10 years as an equity analyst covering natural resources with institutional investment firm Earnest Partners, based in the US. Dr Ryan is currently a Non-Executive Director of ASX-listed Woodside Petroleum Limited, Viva Energy Group Limited and, OZ Minerals Limited, and a Non-Executive Director of Future Battery Industry Cooperative Research Centre. Dr Ryan is a former Non-Executive Director of Norwegian listed Akastor ASA. Dr Ryan is a Fellow of the Australian Academy of Technology and Engineering.

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

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

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

L Strambi

Experience: Mr Strambi was appointed CEO and Managing Director of Australia Pacific Airports Corporation (APAC) in September 2015. He is responsible for the operation and development of both the Melbourne and Launceston airports.

Mr Strambi has a wealth of experience in the aviation sector both in Australia and abroad, spanning 40 years. As APAC's leader, Mr Strambi is responsible for overseeing a direct workforce of 300 staff and assets valued in excess of $10 billion.

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

Mr Strambi is a Graduate and Fellow of the Australian Institute of Company Directors and a Member of the Australian Institute of Management. He holds a Bachelor of Business in Accounting and Finance.

As a Director, Mr Strambi has held positions with Star Track Express, Traveland and Southern Cross Distribution Systems and was President of the Royal Flying Doctors SE. Currently Mr Strambi is an APAC Board Member.

Qualifications: BBus (Accy), FAICD.

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

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

K Vidgen

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

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

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

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

Qualifications: LLB (Hons), BA, GAICD.

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

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

Company Secretary

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

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

Qualifications: Bachelor of Laws (Hons.), Graduate Diploma of Legal Practice (UTS), MAICD.

Deputy Company Secretary

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

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

Qualifications: LLB, BBus, GradDipLegalPrac.

Principal activities

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

Network

Manages the provision of access to, and operation of, the Central Queensland Coal Network (CQCN), provision of maintenance and renewal of network assets.

Coal

Transport of coal from mines in Queensland and New South Wales to end customers and ports.

Bulk

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

Review of operations

A review of the Group's operations for the financial year and the results of those operations, are contained in the Operating and Financial Review as set out on pages 11 to 25 of this report.

Dividends

A final dividend of 13.7 cents per fully paid ordinary share (70% franked) was paid on 21 September 2020 and an interim dividend of 14.4 cents per fully paid ordinary share (70% franked) was paid on 31 March 2021.

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

Since the end of the financial year, the Directors have declared to pay a final dividend of 14.4 cents per fully paid ordinary share.

The dividend will be 70% franked and is payable on 22 September 2021.

State of affairs

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

Events since the end of the financial year

The Directors are not aware of any events or developments which are not set out in this report or note 32 of the Financial Report that have, or would have, a significant effect on the Group's state of affairs, its operations or its expected results in future years.

Directors' Report (continued)

Likely developments

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

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

Effective governance for sustainability

Aurizon believes corporate governance is a critical pillar on which its business objectives and, in turn, shareholder value must be built. Aurizon Board members possess skills and experience from a range of sectors such as transport and logistics, mining, finance, strategy, technology, government relations, safety, health, and environment, among others. As such, the Board is well-equipped to consider a range of sustainability-related issues. The Board provides oversight and strategic direction to sustainability and has ultimate responsibility for the Company's consideration of climate-related risk. It is guided by the Audit, Governance and Risk Management Committee and Safety, Health and Environment Committee as part of Aurizon's risk framework and broader corporate strategy and planning.

Aurizon understands that climate change is one of the key interests to stakeholders. Aurizon accepts the scientific consensus on climate change and supports the objective of finding a pathway to limit global warming to less than 2°C, aligned to the Paris Agreement. It also acknowledges the Intergovernmental Panel on Climate Change's (IPCC) Special Report on the impacts of global warming of 1.5°C above pre-industrial levels.

During FY2021, Aurizon published its first Climate Strategy and Action Plan (CSAP). The CSAP establishes a target of net-zero operational emissions (scope 1 and 2) by 2050 and provides a foundation for Aurizon's long-term approach to climate change, underpinned by strategies and associated actions to mitigate climate risk and take advantage of climate-related opportunities. The CSAP is built on three key pillars:

1. Manage risk and build resilience.
2. Deliver decarbonisation.
3. Create carbon abatement opportunities.

Following the launch of the CSAP, Aurizon has progressed laying the foundations for its climate resilience and decarbonisation roadmap. This has involved establishing a cross-functional CSAP Steering Committee, responsible for guiding the implementation of the CSAP and aligning initiatives under the three key pillars.

Between 2010 and 2020 Aurizon achieved a 20% emissions intensity reduction across its locomotive operations. To support its long-term goal of net-zero operational emissions by 2050, Aurizon is targeting a further 10% emissions intensity reduction across its entire operational portfolio by 2030[2]. This approach places an emphasis on direct abatement through supporting the development and adoption of low-carbon technology across Aurizon's operations and Australia's freight sector. Performance against the 2030 target will be reported annually via Aurizon's Sustainability Report.

Aurizon also continues to adopt the recommendations of the Financial Stability Board's (FSB) *Final Report: Recommendations of the Taskforce on Climate-related Financial Disclosures* (TCFD), when considering climate-related risks (see pages 46 and 47 of this Annual Report). Although Aurizon's business is exposed to transition and physical risks, it is also well positioned to take advantage of climate-related opportunities.

Climate change risk is incorporated into Aurizon's Enterprise Risk Management Framework & Appetite and is therefore specifically considered when making investment decisions. The internal management process governing investment decisions, the Aurizon Investment Standard, has also been updated to ensure management considers climate change risk and carbon pricing on a materiality basis in decisions to recommend investment of capital.

Scenario analysis is conducted under the *Strategy in Uncertainty* framework, which takes climate-related transition risks into consideration. The Board is directly engaged in identifying the scenarios for consideration under this framework, as well as developing plans and initiatives to position the organisation to mitigate risks and take advantage of opportunities. This strategic process is repeated periodically to ensure that strategic priorities are continually updated to proactively respond to emerging market dynamics and opportunities. The key drivers used in scenario analysis are outlined in Aurizon's annual Sustainability Report.

For further information, refer to Aurizon's CSAP and Sustainability Report, available on the Aurizon website **aurizon.com.au/sustainability**.

Environmental regulation and performance

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

In 2019, the NSW government introduced legislation requiring Rolling Stock Operators (RSOs) to apply for an Environment Protection Licence (EPL). The mandatory EPLs were finalised in August 2020, and their requirements are being steadily integrated into operations. The NSW Environment Protection Authority (EPA) administer the EPLs. The EPA's key areas of concern are diesel emissions and rail noise, and initial thresholds for both were set as conditions of the EPLs. The EPA has recognised past efforts of RSOs, led by Aurizon, to develop the 2018 Rail Industry Safety and Standards Board's *Code of Practice – Management of Locomotive Exhaust Emissions.*

The NSW EPLs stipulate a range of annual testing, monitoring and remedial regimes for both locomotives and wagons to meet noise thresholds, along with progressive improvements to address current rail noise generated through horns, braking and idling. These measures are available to the public and are used to validate the EPA's commitment to reducing complaints. Aurizon recently submitted its first Annual Rolling Stock Performance Report to the EPA, confirming all locomotives that had major engine overhauls in 2020 were compliant with required noise thresholds, and that all Aurizon freight wagons in operation comply with specifications for Angle of Attack (a key contributor to wheel squeal).

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

At the close of the fourth Emissions Reduction Fund Safeguard Mechanism (Safeguard) compliance period (ended on 30 June 2020), three of Aurizon's NGER facilities were captured. Through effective management of the Company's emissions, Aurizon remained below its respective baselines and achieved full compliance with the Safeguard. Following amendments to *the National Greenhouse and Energy Reporting (Safeguard Mechanism) Rule 2015* in 2019, Aurizon is well positioned for a timely transition of its remaining reported baselines over the coming reporting period.

Further details of the Company's climate and environmental performance will be published in Aurizon's forthcoming Sustainability Report which will be published in October 2021.

2 From a 2021 baseline on a tonnes of carbon dioxide per net tonne kilometre basis.

Environmental prosecutions

In FY2021, Aurizon Port Services Pty Ltd incurred a monetary fine of $10,008, issued under the *Environmental Protection Act 1994* (Qld) related to the discharge of prescribed contaminants, namely wastewater generated from outdoor cleaning, to receiving waters at the Port of Cairns following a ship unloading event. The matter was investigated internally, and appropriate actions taken.

Risk management

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

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

The Audit, Governance & Risk Management Committee monitors management's performance against Aurizon's risk management framework, including whether it is operating within the risk appetite set by the Board (see page 46 of this Annual Report). The Company's Risk and Assurance Function is responsible for providing oversight of the risk management framework and assurance on the management of significant risks to the Managing Director & CEO and the Board.

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

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

Further details of risks and risk management are set out on pages 22 to 24 of the Directors' Report.

TABLE 1 – DIRECTORS' MEETINGS AS AT 30 JUNE 2021

DIRECTOR	AURIZON HOLDINGS BOARD		AUDIT, GOVERNANCE & RISK MANAGEMENT COMMITTEE		REMUNERATION AND PEOPLE COMMITTEE		SAFETY, HEALTH & ENVIRONMENT COMMITTEE		NOMINATION & SUCCESSION COMMITTEE	
	A	B	A	B	A	B	A	B	A	B
T Poole[1]	14	14	8	8	–	–	5	5	1	1
A Harding[1]	14	14	–	–	–	–	5	5	–	–
M Bastos	14	14	–	–	–	–	5	5	–	–
R Caplan	14	14	8	8	7	7	–	–	–	–
M Fraser	14	14	–	–	7	7	–	–	–	–
S Lewis	14	14	8	8	7	7	–	–	1	1
S Ryan	14	14	8	8	–	–	5	5	–	–
L Strambi	14	14	–	–	–	–	5	5	–	–
K Vidgen	14	13	–	–	7	7	–	–	1	1

A Number of meetings held while appointed as a Director or Member of a Committee.
B Number of meetings attended by the Director while appointed as a Director or Member of a Committee.
1 In addition to the meetings above, a Committee of the Board comprising of T Poole and A Harding met respectively on two occasions.

Directors' meetings

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

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

Directors' interests

Directors' interests are as at 30 June 2021.

TABLE 2 – DIRECTORS' INTERESTS AS AT 30 JUNE 2021

DIRECTOR	NUMBER OF ORDINARY SHARES
T Poole	135,500
A Harding	576,525
M Bastos	45,947
R Caplan	82,132
M Fraser	70,000
S Lewis	63,025
S Ryan	48,000
L Strambi	42,787
K Vidgen	40,000

Only Mr Harding, Managing Director & CEO receives performance rights, details of which are set out in the Remuneration Report.

Directors' Report (continued)

CEO and CFO declaration

The Managing Director & CEO and Chief Financial Officer (CFO) have provided a written statement to the Board in accordance with Section 295A of the *Corporations Act 2001*.

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

Indemnification and insurance of officers

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

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

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

Proceedings against the Company

The Directors are not aware of any current civil litigation proceedings, arbitration proceedings, administration appeals, or criminal or governmental prosecutions of a material nature which are not set out in this report or note 31 of the Financial Report in which Aurizon Holdings is directly or indirectly concerned which are likely to have a material adverse effect on the business or financial position of the Company.

Remuneration Report

The Remuneration Report is set out on pages 26 to 40 and forms part of the Directors' Report for the financial year ended 30 June 2021.

Rounding of amounts

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

Non-audit services

During the year, the Company's auditor PricewaterhouseCoopers (PwC), performed other services in addition to its audit responsibilities.

The Directors are satisfied that the provision of non-audit services by PwC during the reporting period did not compromise the auditor independence requirements set out in the *Corporations Act 2001*.

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

No officer of the Company was a former Partner or Director of PwC and a copy of the auditor's independence declaration as required under the *Corporations Act 2001* is set out in, and forms part of, this Directors' Report.

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

	2021 $'000
OTHER ASSURANCE SERVICES	
Total remuneration for other assurance services	60
OTHER SERVICES	
Total remuneration for other services	80

External audit services

PwC have been the Company's external auditor since December 2010.

Following completion of a tender process, the Company intends to recommend the appointment of Deloitte Touche Tohmatsu (Deloitte) as the Company's external auditor commencing for the year ending 30 June 2022, subject to regulatory and shareholder approval.

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

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 41.

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

Tim Poole

Chairman
9 August 2021

Directors' Report (continued)
OPERATING AND FINANCIAL REVIEW

CONSOLIDATED RESULTS (Underlying continuing operations unless stated)

The Group's financial performance is explained using measures that are not defined under IFRS and are therefore termed Non-IFRS measures. The Non-IFRS financial information contained within this Directors' Report and Notes to the Consolidated Financial Statements has not been audited in accordance with Australian Auditing Standards. The Non-IFRS measures used to monitor Group performance are EBITDA (Statutory and Underlying), EBITDA margin (Statutory and Underlying), EBIT (Statutory and Underlying), NPAT Underlying, Return on Invested Capital (ROIC), Net debt and Net gearing ratios. Each of these measures is discussed in more detail on page 107. Unless otherwise noted, the Operating and Financial Review information excludes discontinued operations being Intermodal.

1. Annual comparison

FINANCIAL SUMMARY

($M)	FY2021	FY2020	VARIANCE
Total revenue	**3,019.3**	**3,064.6**	**(1%)**
Operating costs			
Employee benefits	(836.2)	(791.6)	(6%)
Energy and fuel	(191.4)	(231.3)	17%
Track access	(81.1)	(107.2)	24%
Consumables	(416.2)	(440.7)	6%
Other	(12.2)	(26.2)	53%
EBITDA	**1,482.2**	**1,467.6**	**1%**
Statutory EBITDA	1,490.4	1,573.0	(5%)
Depreciation and amortisation	(579.1)	(558.6)	(4%)
EBIT	**903.1**	**909.0**	**(1%)**
Statutory EBIT	911.3	1,014.4	(10%)
Net finance costs	(145.3)	(148.5)	2%
Income tax expense	**(224.6)**	**(229.1)**	**2%**
Statutory Income tax expense	(159.3)	(260.8)	39%
NPAT	**533.2**	**531.3**	**-**
Statutory NPAT	606.7	605.1	-
Statutory NPAT from discontinued operations	123.6	10.8	1,044%
NPAT (group) Statutory	**730.3**	**615.9**	**19%**
Earnings per share[1]	**28.5**	**27.2**	**5%**
Statutory	32.5	31.0	5%
Earnings per share[1] (continuing and discontinued operations)	**29.1**	**27.7**	**5%**
Statutory	39.1	31.5	24%
Return on invested capital (ROIC)[2]	10.7%	10.9%	(0.2ppt)
Net cash flow from operating activities	1,277.0	1,237.5	3%
Total dividend per share (cps)	28.8	27.4	5%
Gearing (net debt/(net debt + equity)) (%) (group)	45.6%	45.1%	(0.5ppt)
Net tangible assets per share ($) (group)	2.3	2.2	5%
People (FTE)	4,825	4,883	1%
Labour costs[3]/Revenue	27.2%	25.3%	(1.9ppt)
Above Rail Tonnes (m)[4]	253.2	262.0	(3%)

EBITDA BY SEGMENT

($M)	FY2021	FY2020	VARIANCE
Coal	533.3	616.4	(13%)
Bulk	139.9	110.1	27%
Network	848.8	798.1	6%
Other	(39.8)	(57.0)	30%
Group (Continuing operations)	**1,482.2**	**1,467.6**	**1%**

1 Calculated on weighted average number of shares on issue — 1,869m FY2021 and 1,953m FY2020.
2 ROIC is defined as underlying rolling twelve-month EBIT divided by the average invested capital. The average invested capital is calculated as the rolling twelve-month average of net assets (excluding cash, borrowings, tax, derivative financial assets and liabilities).
3 FY2021 excludes $13.9m redundancy costs (FY2020 excludes $16.0m redundancy costs).
4 Includes both Coal and Bulk.

Directors' Report (continued)
OPERATING AND FINANCIAL REVIEW

EBIT BY SEGMENT

($M)	FY2021	FY2020	VARIANCE
Coal	324.6	410.6	(21%)
Bulk	112.0	89.9	25%
Network	509.1	468.8	9%
Other	(42.6)	(60.3)	29%
Group (Continuing operations)	**903.1**	**909.0**	**(1%)**

Group performance overview

Group EBITDA improved $14.6m or 1% due to higher revenue in Network from the commencement of WIRP fee billing and volume growth in Bulk. The increase in Network and Bulk more than offset the decline in Coal EBITDA which was principally due to a 6% decrease in volumes and a 2% decrease in above rail revenue per NTK. The improvement in Other EBITDA is principally due to asset sales and lower project costs.

The increase in Network and Bulk revenue, combined with the reduction in net central costs (Other), more than offset lower revenue in Coal.

Operating costs decreased $59.9m or 4% with reductions in all Business Units due to transformation benefits and lower fuel and access costs more than offsetting an increase in labour costs.

Depreciation increased $20.5m or 4% primarily due to capital expenditure in Bulk to support growth and increased ballast and rail renewals in Network. With the increase in depreciation, EBIT declined $5.9m or 1%.

ROIC was 0.2ppts lower with the decreased EBIT and slightly higher invested capital.

Reconciliation to statutory earnings

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

($M)	FY2021	FY2020
Continuing operations		
Underlying EBITDA	**1,482.2**	**1,467.6**
Depreciation and amortisation	579.1	558.6
Underlying EBIT	**903.1**	**909.0**
Significant items	**8.2**	**105.4**
Net gain on sale of shares in Aquila	8.2	-
Net gain on sale of Rail Grinding business	-	105.4
Statutory EBIT	911.3	1,014.4
Net finance costs	(145.3)	(148.5)
Statutory Profit before tax	766.0	865.9
Income tax expense	(159.3)	(260.8)
Statutory NPAT – Continuing operations	**606.7**	**605.1**
Significant items, net of tax	5.7	73.8
Significant items – Aquila income tax benefit	67.8	-
Underlying NPAT – Continuing operations	**533.2**	**531.3**
Discontinued operations		
Underlying EBIT	**14.9**	**12.7**
Significant items	**161.1**	**2.5**
Net gain on sale of Acacia Ridge Intermodal Terminal	161.1	-
Intermodal closure benefit	-	2.5
Income tax expense	(52.4)	(4.4)
Statutory NPAT – Discontinued operations	**123.6**	**10.8**
Significant items, net of tax	112.8	1.8
Underlying NPAT – Discontinued operations	**10.8**	**9.0**
Statutory NPAT – Continuing and discontinued operations	**730.3**	**615.9**
Underlying NPAT – Continuing and discontinued operations	**544.0**	**540.3**

2. Other financial information

BALANCE SHEET SUMMARY

($M)	30 JUNE 2021	30 JUNE 2020
Assets classified as held for sale	5.0	65.1
Other current assets	806.9	650.2
Total current assets	**811.9**	**715.3**
Property, plant and equipment (PP&E)	8,483.2	8,537.1
Other non-current assets	469.5	519.6
Total non-current assets	**8,952.7**	**9,056.7**
Total Assets	**9,764.6**	**9,772.0**
Liabilities classified as held for sale	-	(0.7)
Other current liabilities	(658.2)	(814.1)
Total borrowings	(3,738.0)	(3,607.2)
Other non-current liabilities	(1,093.8)	(992.3)
Total Liabilities	**(5,490.0)**	**(5,414.3)**
Net Assets	**4,274.6**	**4,357.7**
Gearing (net debt/(net debt + equity)) (%)	**45.6%**	**45.1%**

Balance sheet movements

Total current assets increased by $96.6m largely due to:

- increase in cash and cash equivalents of $119.5m
- increase in trade and other receivables of $23.7m predominantly due to a higher Take-or-Pay accrual.

This was partly offset by a net reduction of $60.1m in assets classified as held for sale due to the completion of the Acacia Ridge Intermodal Terminal sale and the partial divestment of the Forrestfield Intermodal Terminal.

Total non-current assets decreased by $104.0m largely due to a $95.8m unfavourable valuation of derivative financial instruments and decrease of $53.9m in the carrying value of property, plant and equipment. This was partly offset by an increase in investments accounted for using the equity method of $23.4m due to the investment in Ox Mountain Limited.

Total current liabilities, excluding borrowings, decreased by $155.9m largely due to:

- decrease in current tax liabilities of $83.4m, primarily due to tax associated with the sale of the Acacia Ridge Intermodal Terminal ($32.5m) and the Rail Grinding business ($38.7m)
- decrease in trade and other payables of $53.9m due to a reduction in trade creditors
- decrease in derivative financial instruments of $34.5m due to the settlement of interest rate swaps in June 2021.

Total borrowings increased by $130.8m due to the Company's strategy to increase leverage in the above rail business in order to create a more efficient balance sheet structure.

Other non-current liabilities increased by $101.5m largely due to a $100.6m increase in net deferred tax liabilities.

Gearing (net debt/(net debt + equity)) was 45.6% as at 30 June 2021.

Directors' Report (continued)
OPERATING AND FINANCIAL REVIEW

CASH FLOW SUMMARY

($M)	FY2021	FY2020
Statutory EBITDA (Continuing operations)	**1,490.4**	**1,572.8**
Working capital and other movements	(43.4)	(97.6)
Net gain on sale of shares in Aquila	(8.2)	-
Net gain on sale of Rail Grinding business	-	(105.4)
Non-cash adjustments - asset impairments	3.1	5.7
Net cash inflow from Continuing operations	**1,441.9**	**1,375.5**
Interest received	4.2	2.8
Income taxes paid	(175.6)	(146.5)
Principal elements of lease receipts	6.5	5.7
Net cash inflow from operating activities from Continuing operations	**1,277.0**	**1,237.5**
Net operating cash flows from Discontinued operations	(23.0)	9.9
Net operating cash flows	**1,254.0**	**1,247.4**
Cash flows from investing activities		
Payments for PP&E and intangibles, net of interest paid on qualifying assets	(518.5)	(528.3)
Payments for acquisitions of subsidiary and investment in joint venture	(63.5)	(24.5)
Proceeds from sale of business and shares held in associate	10.0	165.3
Distributions from joint ventures and proceeds from sale of PP&E	38.9	15.8
Net cash outflow from investing activities from Continuing operations	**(533.1)**	**(371.7)**
Net investing cash flows from Discontinued operations	168.8	0.4
Net investing cash flows	**(364.3)**	**(371.3)**
Cash flows from financing activities		
Net proceeds from borrowings, net of transaction costs	236.2	211.2
Payment for share buy-back, share-based payments and transaction costs	(306.0)	(403.6)
Interest paid	(155.3)	(151.1)
Dividends paid to Company shareholders	(528.8)	(513.8)
Principal elements of lease payments	(16.4)	(14.6)
Net cash outflow from financing activities from Continuing operations	**(770.3)**	**(871.9)**
Net financing cash flows from Discontinued operations	-	-
Net financing cash flows	**(770.3)**	**(871.9)**
Net decrease in cash from Continuing operations	**(26.4)**	**(6.1)**
Net increase in cash from Discontinued operations	**145.8**	**10.3**
Free Cash Flow (FCF)[5] from Continuing operations	**588.6**	**714.7**
Free Cash Flow (FCF)[5] from Discontinued operations	**145.8**	**10.3**

Cash flow movements

Net cash inflow from operating activities from continuing operations increased by $39.5m (3%) to $1,277.0m due to an improvement in working capital movements of $54.2m (mainly due to trade and other receivables) and improved EBITDA (excluding the sale of Aquila and the Rail Grinding business) partly offset by additional income taxes paid in FY2021 relating to the sale of the Rail Grinding business.

Net cash outflow from investing activities from continuing operations increased by $161.4m (43%) to $533.1m, driven by the acquisition of ConPorts Pty Ltd (renamed Aurizon Port Services NSW Pty Ltd) and the investment in Ox Mountain Limited, partly offset by the sale of PP&E of $23.1m. In addition, FY2020 included $164.5m of proceeds from the sale of the Rail Grinding business.

Net cash outflow from financing activities from continuing operations reduced by $101.6m (12%) to $770.3m due to an increase in net proceeds from borrowings of $25.0m and lower share buy-back expenditure of $97.6m, partly offset by higher dividend payments of $15.0m.

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

Funding

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

During FY2021 Aurizon Network:

- Issued a 10.0-year, $500.0 million A$ Medium Term Note (AMTN) in September 2020, at a coupon of 2.9%. The proceeds were used to repay a $525.0 million AMTN maturing in October 2020.
- Cancelled $100.0 million from the existing $850.0 million bank debt bilateral facilities expiring in June 2023.
- Issued a 10.5-year, $75.0m A$ Private Placement at a coupon of 3.3%.

During FY2021, Aurizon Operations:

- Added $175.0 million of bank debt to the existing $450.0m bilateral facilities expiring in 2023 and 2025
- Issued a 7.0-year $500.0m AMTN in March 2021 at a coupon of 3.0%. This represented the debut capital markets issuance for Aurizon Finance (the financing entity for Aurizon Operations).

In respect of FY2021:

- Weighted average debt maturity tenor was 4.4 years as at 30 June 2021. This was higher than FY2020 (3.8 years) due to replacing the existing AMTN expiring in October 2020 with the new 10.0-year AMTN, the issuance of a 10.5-year Private Placement in Network and the issuance of a 7.0-year AMTN in Operations, partly offset by the debt portfolio's duration reducing by 12 months.
- Group interest cost on drawn debt was 4.1% (FY2020 4.5%).
- Available liquidity (undrawn facilities plus cash) as at 30 June 2021 was $1,618.2m.
- Group gearing (net debt/(net debt + equity)) as at 30 June 2021 was 45.6% (FY2020 45.1%).
- Aurizon Network's gearing (net debt/ Regulatory Asset Base (excluding Access Facilitation Deeds)) as at 30 June 2021 was 60.8% (FY2020 59.7%).
- Aurizon Operations' gearing (net debt/(net debt + equity)) as at 30 June 2021 was 10.5% (FY2020 10.2%).
- Aurizon Operations' and Aurizon Network's credit ratings have each been maintained at BBB+/Baa1.

Dividend

The Board has declared a final dividend for FY2021 of 14.4cps (70% franked) based on a payout ratio of 100% in respect of underlying NPAT from continuing operations.

The relevant final dividend dates are:

- 23 August 2021 — ex-dividend date
- 24 August 2021 — record date
- 22 September 2021 — payment date.

Share buy-back

On 10 August 2020, Aurizon announced its intention to undertake an on-market share buy-back of up to $300.0m during FY2021. During the year 73,938,850 shares at a total consideration of $300.0m were bought back and subsequently cancelled.

Tax

Underlying income tax expense from continuing operations was $224.6m and the statutory income tax expense was $159.3m due to a net income tax benefit of $65.3m recognised as a significant item as a result of the sale of the shares held in Aquila Resources Limited (Aquila). The net income tax benefit includes $67.8m relating to an unrecognised deferred tax asset associated with the impairment of the carrying amount of the shares held in Aquila in FY2016 partly offset by the tax effect of the net gain of sale of $2.5m. Statutory income tax expense for the Group (continuing and discontinued operations) was $211.7m. The Group underlying effective tax rate[6] was 29.6% which is less than 30% due to the recognition of other previously unrecognised deferred tax assets and a prior year research and development tax incentive.

The Group underlying cash tax rate[7] was 19.3%, which is less than 30% primarily due to accelerated fixed asset related adjustments.

The underlying effective tax rate for FY2022 is expected to be in the range of 29-31% and the underlying cash tax rate is expected to be less than 25% for the short to medium term.

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

Discontinued operations

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

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

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

Directors' Report (continued)
OPERATING AND FINANCIAL REVIEW

BUSINESS UNIT REVIEW

COAL

Aurizon's Coal business provides a critical supply chain link for the majority of Australia's coal producers. The coal transport operation connects mines in the Newlands, Goonyella, Blackwater, Moura and West Moreton systems in Queensland (QLD) and the Hunter Valley and Illawarra coal systems in New South Wales (NSW), with domestic customers and coal export terminals.

FINANCIAL SUMMARY

($M)	FY2021	FY2020	VARIANCE
Revenue			
Above Rail	1,163.6	1,260.3	(8%)
Track access	445.1	512.8	(13%)
Other	3.4	2.2	55%
Total revenue	**1,612.1**	**1,775.3**	**(9%)**
Track access costs	(451.0)	(507.6)	11%
Operating costs	(627.8)	(651.3)	4%
EBITDA	**533.3**	**616.4**	**(13%)**
Depreciation and amortisation	(208.7)	(205.8)	(1%)
EBIT	**324.6**	**410.6**	**(21%)**

METRICS

	FY2021	FY2020	VARIANCE
Total tonnes hauled (m)	202.1	213.9	(6%)
CQCN	143.7	150.1	(4%)
NSW & SEQ	58.4	63.8	(8%)
Contract utilisation	83%	86%	(3ppt)
Total NTK (bn)	47.1	50.0	(6%)
CQCN	35.8	37.8	(5%)
NSW & SEQ	11.3	12.2	(7%)
Average haul length (km)	233	234	–
Total revenue/NTK ($/'000 NTK)	34.2	35.5	(4%)
Above Rail Revenue/NTK ($/'000 NTK)	24.7	25.2	(2%)
Operating ratio (%)	79.9%	76.9%	(3.0ppt)
Opex/NTK ($/'000 NTK)	27.3	27.3	–
Opex/NTK (excluding access costs) ($/'000 NTK)	17.8	17.1	(4%)
Locomotive productivity ('000 NTK/Active locomotive day)	390.5	405.5	(4%)
Active locomotives (as at 30 June)	329	332	(1%)
Wagon productivity ('000 NTK/Active wagon day)	14.9	15.7	(5%)
Active wagons (as at 30 June)	8,723	8,721	–
Payload (tonnes)	7,887	7,676	3%
Velocity (km/hr)	23.9	23.5	2%
Fuel consumption (l/d GTK)	2.86	2.86	–

Coal performance overview

Coal EBITDA decreased $83.1m (13%) to $533.3m primarily due to a reduction in above rail and access revenue from lower volumes and a reduction in revenue quality. This was partly offset by lower expenses primarily associated with lower access and fuel costs.

Volumes decreased 11.8mt or 6% to 202.1mt with reductions in the Central Queensland Coal Network (CQCN), NSW and South-East Queensland (SEQ).

› Across the CQCN, volumes decreased by 6.4mt (4%) to 143.7mt due to lower end-market demand impacted by COVID-19 and the challenging trade environment with China, end-of-contract impacts and customer-specific maintenance and production issues. This was partly offset by increased railings for the new Peabody contract and small increases for a number of other mines
› In NSW and SEQ, volumes decreased by 5.4mt (8%) to 58.4mt due to the ramp-down of the New Acland mine as it approaches end of mine life, customer maintenance and production issues and weather impacts. This was partly offset by railings from the new BlueScope contract in the Illawarra.

Coal revenue decreased by $163.2m (9%) to $1,612.1m due to the 11.8mt reduction in volumes, lower revenue quality and lower fuel revenue resulting from a decrease in price. In addition, track access revenue decreased with the lower volumes, access rights being transferred to end users and tariff reductions partly offset by higher Take-or-Pay revenue. Above rail revenue per NTK decreased by 2% due to reduced average rates per tonne including a reduced proportion of revenue from capacity charges.

Total operating costs decreased $80.1m (7%) to $1,078.8m with lower track access, fuel, traincrew and maintenance costs. The major drivers of these movements are:

- Track access costs decreased by $56.6m (11%) due to the decrease in volumes, access rights being transferred to end users and tariff reductions partly offset by higher Take-or-Pay expense.
- Other operating costs decreased $23.5m (4%) due to lower fuel (largely price related), traincrew and maintenance costs. Traincrew costs reduced from lower overtime, FTEs and increased annual leave partly offset by CPI impacts. Maintenance slightly reduced due to volume reductions and lower corrective maintenance partly offset by CPI labour impacts.

Depreciation increased $2.9m (1%) relating to the additional installed fleet and overhauls of existing rollingstock. Accordingly, EBIT decreased 21% compared to a 13% decrease in EBITDA.

Operationally, key productivity metrics deteriorated with lower volumes and NTKs. However, average payloads and velocity have increased as a result of successful efficiency initiatives, including increasing train set lengths in the Hunter Valley and SEQ, implementing improved driver methodologies and a reduction in empty wagons on the CQCN.

Market update

Australia exported 363mt of coal in FY2021, down 7% against the prior year. Although import restrictions remain for Australian export volume into China, alternative markets continue to be found for Australian coal. For the June quarter, despite zero export volume to China, total Australian export volume was just 1% lower than the prior year.

Australia exported 171mt of metallurgical coal in FY2021, down 4% against the prior year. India remained Australia's largest metallurgical coal export market with record high export volume of 56mt (33% share), followed by Japan at 36mt (21% share) and South Korea at 20mt (12% share). In the six months to June, crude steel production in China increased by 11%, India increased by 31% and Japan increased by 14% against the same period of the prior year as economies recover from the impact of COVID-19 related restrictions. The average hard coking coal (Premium Low Vol) price in FY2021 fell by 15% (compared to the prior year) to US$122/t. At 30 June 2021, the hard coking coal (Premium Low Vol) price was US$194/t.

Australia exported 192mt of thermal coal in FY2021, down 10% against the prior year. Japan remained Australia's largest thermal coal export market with export volume of 73mt (38% share), followed by South Korea at 34mt (18% share) and Taiwan at 23mt (12% share). The average Newcastle benchmark thermal coal price in FY2021 increased by 20% (compared to the prior year) to US$78/t. At 30 June 2021, the thermal coal price was US$135/t.

Contract update

- Glencore — existing agreement as primary hauler for Queensland mines extended for Newlands, Goonyella (excluding Hail Creek) and Blackwater mines.
- Anglo: Goonyella — new agreement across various mines; Blackwater — new agreement for German Creek mine; Moura — extension of Dawson mine.
- Stanwell — unsuccessful in retaining 3.2mtpa domestic contract (ended December 2020).
- New Hope — New Acland contract ends December 2021 (end of mine life).

Directors' Report (continued)

OPERATING AND FINANCIAL REVIEW

BULK

Aurizon's Bulk business provides integrated supply chain services, including rail and road transportation, port services and material handling for a range of mining, metal, industrial and agricultural customers throughout QLD, NSW and Western Australia (WA).

FINANCIAL SUMMARY

($M)	FY2021	FY2020	VARIANCE
Revenue			
Freight transport	612.2	583.4	5%
Other	22.6	25.4	(11%)
Total revenue	**634.8**	**608.8**	**4%**
Operating costs	(494.9)	(498.7)	1%
EBITDA	**139.9**	**110.1**	**27%**
Depreciation and amortisation	(27.9)	(20.2)	(38%)
EBIT	**112.0**	**89.9**	**25%**
Total tonnes hauled (m)	51.1	48.1	6%
Operating ratio (%)	82.4%	85.2%	2.8ppt

Bulk performance overview

Bulk EBITDA increased $29.8m (27%) to $139.9m due to the full-year impact of volume growth commencing during FY2020 and ongoing operational efficiencies. Revenue increased $26.0m (4%) to $634.8m with:

- the commencement of the Rio Tinto contract for the operation and maintenance of Rio Tinto's ballast cleaning machine on its WA Pilbara network in February 2020
- the commencement of the Mineral Resources contract for the lease of rollingstock, provision of mainline crew and Esperance yard operations during 2HFY2020
- a full year of contribution from the acquisition of Townsville Bulk Storage and Handling (Aurizon Port Services Pty Ltd) following the acquisition in 2HFY2020
- the acquisition of ConPorts Pty Ltd (renamed Aurizon Port Services NSW Pty Ltd) on 31 December 2020
- marginal revenue yield improvement despite lower CPI.

Partly offsetting this was lower access costs due to a customer transitioning to an to an end-user arrangement on the Mt Isa corridor during 2HFY2020 and lower average fuel prices compared to the prior year.

In Bulk East, volumes increased by 0.1mt driven by stronger grain volumes in NSW and QLD, partly offset by lower livestock volumes. In Bulk West, iron ore volume was up 3.0mt driven by the ramp-up of Mineral Resources volumes partly offset by lower Mt Gibson volumes due to end of mine life. Non-iron ore Bulk West volumes decreased by 0.1mt largely due to lower volumes on the Kalgoorlie freighter service.

Operating costs decreased $3.8m (1%) despite increased costs associated with the new volumes from Rio Tinto and Mineral Resources and the Aurizon Port Services acquisitions. This was due to ongoing cost benefits from the Bulk transformation program, lower average fuel prices compared to the prior year and lower access costs due to a customer transitioning to an end-user agreement on the Mt Isa corridor during 2HFY2020.

Depreciation increased $7.7m or 38% with increased capital expenditure supporting the growth in revenue and EBITDA. Therefore, EBIT increased 25% compared to a 27% increase in EBITDA.

Market update

Aurizon's Bulk business includes haulage of a range of bulk commodities such as iron ore, bauxite, alumina, base metals, grain and livestock across WA, NSW and QLD. In addition to commodities required to build infrastructure, opportunities are coming from new markets such as renewables and batteries, and growing food consumption. In terms of batteries, the global uptake of electric vehicles is expected to drive demand for commodities such as nickel, cobalt, copper and lithium. This is supported by increased exploration expenditure in Australia — in the March 2021 quarter, nickel (including cobalt) exploration expenditure rose by 24% (compared to the same period of the prior year) and copper exploration expenditure increased by 8% across the same period. Australian metal ore mining capital expenditure increased in the March quarter by 22% against the prior year to A$4.5bn, the 14th consecutive quarter of year-on-year growth for the sector.

Contract update

- CBH — 10-year grain haulage contract commencing August 2021.
- South32 Worsley — three-year contract extension for alumina and associated inputs.
- Mineral Resources — expansion of services (beyond Esperance) with additional iron ore services into Kwinana.
- BHP Nickel West — railing ceased in March 2021.

NETWORK

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

FINANCIAL SUMMARY

($M)	FY2021	FY2020	VARIANCE
Revenue			
Track access	1,178.9	1,131.7	4%
Services and other	46.0	56.8	(19%)
Total revenue	**1,224.9**	**1,188.5**	**3%**
Operating costs	(376.1)	(390.4)	4%
EBITDA	**848.8**	**798.1**	**6%**
Depreciation and amortisation	(339.7)	(329.3)	(3%)
EBIT	**509.1**	**468.8**	**9%**

METRICS

	FY2021	FY2020	VARIANCE
Tonnes (m)	208.3	226.9	(8%)
NTK (bn)	52.4	56.2	(7%)
Operating ratio (%)	58.4%	60.6%	2.2ppt
Maintenance/NTK ($/'000 NTK)	2.4	2.3	(4%)
Opex/NTK ($/'000 NTK)	13.7	12.8	(7%)
Cycle velocity (km/hr)	23.0	23.3	(1%)
System availability (%)	84.1%	83.3%	0.8ppt
Average haul length (km)	252	248	2%

Network performance overview

Network EBITDA improved $50.7m (6%) to $848.8m in FY2021, with increased revenue of $36.4m (3%) and reduced operating costs of $14.3m (4%).

Regulatory access revenue has been accounted for based on actual railed tonnes using tariffs approved by the Queensland Competition Authority (QCA) on 17 December 2020. Actual net tonnes were 208.3mt compared to the regulatory system forecast of 239.7mt. Total Access Revenue increased by $47.2m (4%):

- Allowable Revenue was lower by $3.9m in FY2021.
- Reduced volumes compared to the regulatory forecast resulted in an under-recovery after Take-or-Pay of $34.6m in FY2021 (Access Revenue in FY2021 included the recognition of $88.2m Take-or-Pay revenue in relation to the Blackwater, Goonyella, Moura and Newlands systems). This compares to an under-recovery of $22.6m in FY2020.
- Customer-funded infrastructure rebates were also higher by $6.2m in FY2021 compared to FY2020, as a result of the true-up adjustment in FY2020 partly offset by the impact of lower volumes in FY2021.
- FY2021 Access Revenue benefited from favourable Revenue Cap movements of $13.0m. FY2020 included a repayment of $0.8m in relation to FY2018 and $12.2m in relation to FY2019.
- Other Access Revenue was lower by $4.0m. This included lower pass-through Energy Costs (EC) revenue due to the lower volumes, offset in lower expenses.
- The above movements were more than offset by the recognition of WIRP fees of $60.3m in FY2021, including recovery of historical fees following the successful Supreme Court decision in September 2020. No WIRP fees were recognised in FY2020.

Services and other revenue was $10.8m (19%) lower in FY2021. This was primarily due to lower external construction revenue in FY2021 and insurance recoveries that were received in FY2020.

Operating costs decreased by $14.3m (4%) primarily due to lower external construction costs associated with the lower revenue, reduced electric traction charges (offset in Access Revenue and EC revenue) and lower maintenance costs partially offset by expenditure incurred on the Precision railroading initiative.

Depreciation increased $10.4m (3%) primarily due to historic rail renewal and ballast undercutting investment.

Network's 2019-2020 Regulatory Asset Base (RAB) roll-forward is estimated to be $5.3bn[8] (excluding Access Facilitation Deeds of $0.4bn).

8 Includes deferred capital.

Directors' Report (continued)

OPERATING AND FINANCIAL REVIEW

Regulation update

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

- The Independent Expert (IE), Coal Network Capacity Co, continues the development of the Initial Capacity Assessment Report (ICAR) with the assistance of external consultants. The current expectation is that the ICAR will be completed at the end of Q1FY2022. Following delivery of the ICAR, should a capacity deficit be identified Aurizon Network has 20 business days to provide its initial views on potential transitional arrangements that could be implemented to address the deficit.
- While the IE continues to progress the ICAR, Network's Weighted Average Cost of Capital (WACC) remains at 5.9%. The increase to 6.3% will apply upon the completion of specific milestones by both the IE and Network (Report Date).
- Current QCA-approved reference tariffs continue to assume the 6.3% WACC from 1 March 2020. Future tariffs will be adjusted to reflect the actual Report Date.
- The Performance Rebate mechanism was not applicable for FY2021. The rebate will come into effect once the Report Date is reached. Transitional arrangements may be in effect depending on the outcomes of the ICAR and any resulting remedial requirements.

On 14 February 2021, the Rail Industry Group (RIG) notified Network that End Users had elected to approve the Maintenance and Renewal Strategy and Budgets for each coal system except for:

- The Maintenance Strategy and Budget for Newlands which was subsequently approved by the QCA on 26 May 2021; and
- The Renewals Strategy and Budget for both Newlands and GAPE. As required under UT5, the draft renewals budget for Newlands and GAPE were incorporated into the FY2022 Annual Review of Reference Tariffs which were approved by the QCA on 22 June 2021. Renewals expenditure in Newlands and GAPE in FY2022 will be reviewed by the QCA for prudency and efficiency as part of the Annual Capital Claim process.

Network's FY2020 Capital Expenditure Claim for $238m was approved by the QCA on 19 February 2021 and this amount was subsequently approved for entry into the RAB on 8 April 2021.

The QCA approved Network's FY2022 Annual Review of Reference Tariffs including FY2022 coal volumes for the CQCN at 226.9mt.

Operational update

Network maintained strong operational performance during FY2021 despite challenges presented by wet weather and the COVID-19 related restrictions and disruptions.

- As a result of lower end-market demand impacted by COVID-19 and the challenging trade environment with China, in addition to mine-specific maintenance and production issues, CQCN volumes declined by 8% to 208.3mt. Notwithstanding the reduced demand, all-time haulage records were achieved in the GAPE system.
- Total System Availability was 84.1%. As FY2021 utilises a new capacity model, it is noted that the System Availability measure is not directly comparable to prior years.
- Cancellations due to the Network rail infrastructure decreased from 2.5% to 1.6%.
- Cycle velocity declined marginally from 23.3km/h to 23.0km/h.

The RM902, Network's new ballast cleaning machine, is completing in-service commissioning. It is expected that the machine will be fully operational in Q1FY2022.

Wiggins Island Rail Project (WIRP)

On 1 September 2020, the Queensland Court of Appeal affirmed the Supreme Court decision in Network's favour and the WIRP customers did not seek leave to appeal that decision. As a result, Network is able to charge customers non-regulatory WIRP fees with effect from March 2016 and commenced billing in November 2020.

The WIRP customers previously initiated other disputes under their respective WIRP Deeds which were the subject of an Expert Determination in February 2019. The Expert's Determination was issued on 4 June 2019 and found that the WIRP Fee should be partially reduced. Network lodged proceedings against the WIRP customers in the Supreme Court of Queensland on 18 December 2020 to appeal the Expert's Determination and the WIRP customers filed their defence on 1 March 2021.

OTHER

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

($M)	FY2021	FY2020	VARIANCE
Total revenue	**32.4**	**40.7**	**(20%)**
Operating costs	(72.2)	(97.7)	26%
EBITDA	**(39.8)**	**(57.0)**	**30%**
Depreciation and amortisation	(2.8)	(3.3)	15%
EBIT	**(42.6)**	**(60.3)**	**29%**

Other performance overview

EBITDA improved by $17.2m (30%) mainly due to asset sales and lower project costs.

INTERMODAL – DISCONTINUED OPERATION

($M)	FY2021	FY2020	VARIANCE
Total revenue	**21.6**	**25.0**	**(14%)**
Operating costs	(6.7)	(12.1)	45%
EBITDA – Underlying	**14.9**	**12.9**	**16%**
Depreciation and amortisation	–	(0.2)	100%
EBIT – Underlying	**14.9**	**12.7**	**17%**
Significant items	161.1	2.5	nm
Income tax expense	(52.4)	(4.4)	nm
NPAT – Statutory	**123.6**	**10.8**	nm

Intermodal performance overview

The EBITDA position for Intermodal improved $2.0m to $14.9m ahead of the completion of the sale of the Acacia Ridge Intermodal Terminal in March 2021.

OPERATIONAL EFFICIENCY IMPROVEMENT UPDATE

As part of Aurizon's Strategy In Action, particularly the Optimise and Excel levers, Aurizon continues to focus on operational efficiency to continuously improve its operational performance, asset efficiency and cost competitiveness. Through the Optimise and Excel levers, Aurizon is making targeted investments in technology on the journey to continuous improvement. Outlined below are the major initiatives being pursued in the business.

Precision railroading operations

Project Precision is a multi-year supply chain efficiency program led by Network. The objective is to deliver more volume with existing capital for all users, through faster turnaround time and Disciplined Train Operations (DTO) — a process designed to remove the variability and improve schedule adherence and on-time running performance of all trains on the network.

Built upon modern scheduling techniques, integrated planning determines the optimal distribution of trains on the Network. In periods of high demand, this approach can result in additional services compared to conventional techniques. In periods of low demand, modern scheduling optimises the train sets deployed in the system to maximise capital productivity while meeting customer demand.

Supported by all rail operators in CQCN, a trial took place in FY2021 where Network undertook planning on behalf of all operators. This enabled Network to optimise planned throughput in line with the weekly train-ordering process. Taking into account the respective operators' access entitlements, an additional benefit of the integrated planning was the removal of contested access requests whereby two or more operators seek the same path on the Network.

In FY2021, DTO was implemented in all systems on the CQCN, with the following results[9] for Aurizon Above Rail:

In Newlands:

- on time (or early) departure from origin improved from 90% to 97%
- on time (or early) arrival at mine improved from 48% to 56%; and
- on time (or early) arrival port improved from 26% to 48%.

In Goonyella:

- on time (or early) departure from origin improved from 80% to 95%
- on time (or early) arrival at mine improved from 41% to 57%; and
- on time (or early) arrival port improved from 19% to 34%.

In Blackwater:

- on time (or early) departure from origin improved from 87% to 99%
- on time (or early) arrival at mine improved from 53% to 64%; and
- on time (or early) arrival port improved from 22% to 46%.

In Moura:

- on time (or early) departure from origin improved from 74% to 97%
- on time (or early) arrival at mine improved from 22% to 61%; and
- on time (or early) arrival port improved from 11% to 51%.

9 FY2021: 29 June 2020 to 27 June 2021. Prior period: Blackwater (11 March 2019 to 8 September 2019), Moura (7 January 2019 to 19 May 2019), Newlands and Goonyella (1 July 2019 to 28 June 2020).

Directors' Report (continued)

OPERATING AND FINANCIAL REVIEW

Automated Track Inspection System (ATIS)

The ATIS initiative seeks to measure track and overhead line alignment via locomotive-mounted equipment using lasers to achieve precise measurements at line speed. Network currently uses a track-recording car to obtain these measurements, with the service provided by a third party and consuming paths that would otherwise be used by train services.

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

During FY2021, the project team trialled the use of a Track Geometry Measurement System (TGMS) that was installed on a diesel locomotive based in Callemondah. The trial successfully proved that track geometry information could be captured via an autonomous device mounted to a locomotive at a quality level comparable to the track-recording car. This unit continues to provide track geometry measurements across the Blackwater and Moura systems.

Network is currently trialling an overhead Wire Geometry Measurement System (WGMS) and Pantograph Collision Detection System (PCDS). The trial seeks to confirm that overhead wire alignment information can also be captured via automated means.

Assuming the WGMS and PCDS trials are successful, Network will look to roll out the technology into other systems subject to customer approval.

TrainGuard

TrainGuard is a platform utilising ETCS (European Train Control System) technology to support driver decision-making, particularly in relation to speed control and signal enforcement. TrainGuard will support safer and more efficient train operations with reduced rail process safety issues and improved train handling. TrainGuard is also a pathway to expanding our driver-only operations in Central Queensland. Operational demonstration of TrainGuard was completed as planned in FY2020. Following this, the business decision to proceed with deployment of TrainGuard across Blackwater and Goonyella has been communicated to stakeholders. Preparations continue for TrainGuard's deployment on the Blackwater mainline (Callemondah to Bluff) which is now scheduled for 2HFY2022.

Asset maintenance

Above Rail Asset Management (ARAM) is a multi-year transformation project and has progressed with the dedicated project team working in close collaboration with the various business stakeholders.

The program of work has matured Aurizon supply chain and vendor management processes, standardised planning processes across the business, improved depot work execution efficiency and is now transitioning Aurizon's major rollingstock fleets from simple time-based to more mature condition-based maintenance strategies.

FY2021 has seen the first of four major rollingstock fleets transition towards condition-based maintenance with the others planned from FY2022. In addition, traditional maintenance tasks are being removed by leveraging advances in condition monitoring technology such as Aurizon-owned Wayside Equipment and on-board locomotive monitoring equipment resulting from TrainHealth.

TrainHealth

TrainHealth provides Aurizon with capability to monitor performance of locomotives and train handling/utilisation in real-time. This initiative enables access to real-time asset data that is being used to inform the health of the locomotive, enhance asset reliability and maintenance decisions for the fleet, in addition to providing greater visibility on driver variability and support business decisions for on-time running. With installation completed for 99% of the CQCN Siemens electric locomotive fleet, installation across the CQCN diesel fleet is scheduled to commence in August 2021.

ADDITIONAL INFORMATION

Senior management changes

Gareth Long was appointed to the role of Group Executive Corporate in May 2021. Gareth's appointment follows the decision to amalgamate the majority of activities in Technical Services and Planning and Corporate under the leadership of one role. Accordingly, Mike Carter (previously Group Executive Technical Services and Planning) will leave the Company during FY2022.

Risk

Aurizon promotes a risk-aware culture with an emphasis on frontline accountability for effective risk management. Aurizon's thinking is heavily informed by risk, from the framing of strategy through to informing decision-making. The Board approved Enterprise Risk Management Framework and Appetite encompasses consideration not only of risks related to operational, legal, financial, safety, health and environment but also strategy execution, climate change, reputational and culture and conduct-related risks, ensuring that Aurizon continues to consider and develop strategies to manage the full scope of risks faced by our business.

Risk reporting provided both to our Board and supporting Committees, facilitates the early identification and proactive management of emerging risks where the impacts and opportunities are continually evolving. Risk management procedures and templates deployed throughout the business, further integrate the assessment of safety and non-safety risks, as well as supporting a consistent approach to the management of risks in a manner which is comprehensive and user-friendly.

Risks to the delivery of strategy have been categorised into the three strategic levers of Optimise, Excel and Extend.

Optimise strategic lever

Delivery of Optimise initiatives

Aurizon maintains a pipeline of efficiency initiatives that are expected to deliver a cost effective and customer aligned model. Failure to be the lowest cost or highest service provider may occur due to a lack of definition in the target state or unsuccessful implementation of the associated action plans. Impacts of non-delivery include not achieving budget, failure to maximise volumes within customer contracts, and sub-optimal return on capital deployed.

Operational agility

A lack of operational agility would result in Aurizon's inability to flex operations and support an alignment between costs and revenue. If operational agility is not achieved it may result in missed revenue during market upturns due to a lag in accessing the required resources, or static costs during downturns eroding financial performance.

Business interruption
Aurizon may experience business interruption and consequential financial impacts from a range of circumstances including, but not limited to:

- Road vehicle incident — death or injuries to our people from operating road vehicles.
- Process safety incident — major process safety event leading to death or injuries to our people, significant distraction or loss of licence to operate.
- Illegal protest activity — safety risks to employees and individuals due to anti-coal protesters illegally entering the rail corridor and danger zone to conduct blockades.
- Cyber-security incidents from external penetration of Aurizon's corporate and operational systems.
- Technology incidents — failure of technical infrastructure impacting technology-dependent systems and operations.
- Adverse weather events could impact Aurizon's operations, assets or customers.

Pandemic — COVID-19
The global Coronavirus pandemic exposes Aurizon to two primary risks:

- Reduced demand — due to export markets requiring less of the commodities we haul which could reduce Aurizon's profitability.
- Service delivery — employee health issues limiting our ability to provide services to customers. This risk extends to other supply chain participants such as mines and ports, and their ability to provide continuity of service.

Excel strategic lever

Competition in current markets
Aurizon may face competition from parties willing to compete at reduced margins and/or accept lower returns and greater risk positions than Aurizon. This may potentially negatively impact Aurizon's competitiveness. Most of Aurizon's significant customer contracts are secured on long-dated terms, however failure to win or retain customer contracts at acceptable rates will be a risk to future financial performance. Increased competition may be experienced from new entrants to Aurizon's core markets in both above and below rail and includes existing customers in-sourcing Aurizon's services. Competitors may also deploy technology or innovation more rapidly than Aurizon.

General regulatory risk
Aurizon's operations and financial performance are subject to legislative and regulatory oversight. Unfavourable changes may be experienced with respect to access regimes, safety accreditation, taxation, carbon reduction, environmental and industrial (including occupational health and safety) regulation, government policy, and approval processes. Implementation of these changes may have a material adverse impact on project investment, Aurizon's profitability and business in general, as well as Aurizon's customers.

Continued delays in the implementation of the UT5 obligation to publish an ICAR may also result in adverse financial outcomes.

Aurizon is also exposed to the risk of material regulatory breaches resulting in the loss of operating licences and financial penalties. In the event of a loss of licence, critical business operations may not be supplied to customers, impacting profitability and reputation.

Counterparty risk
Aurizon's earnings are concentrated in commodity markets across a relatively small number of customers and may be impacted by deterioration in counterparty credit quality, mine sale to a lower-tier party, mine profitability, contract renewals, supply chain disruptions and/or macro-industry issues.

General economic conditions
Aurizon develops its own position regarding future coal demand through our *Strategy in Uncertainty* framework which includes a broad range of scenario analysis and portfolio stress-testing. This process considers both short-term impacts as well as risks that emerge over the medium to long term, where the timing and magnitude are less certain. In developing our own scenario analysis, we assess global seaborne demand for metallurgical and thermal coal, driven primarily by steel production and energy generation respectively. Based on this addressable market, Australian supply is assessed considering the risks and opportunities for both current and future coal production. Given our customers' exposure (almost entirely) to export markets, trade, net-zero emission strategies and geopolitical risk may impact demand for Aurizon services.

Geopolitical risk
Recent geopolitical developments, particularly in relation to Australia's trade relationship with China, have the potential to impact Australian coal and other bulk commodity exports to China. Prolonged uncertainty as to when Australian coal exports to China will resume could result in adverse financial impacts if export volumes cannot be reallocated to alternative markets.

Extend strategic lever

Growth strategy execution risk
Aurizon faces risks associated with the successful execution and delivery of the Enterprise Strategy and the ability to realise the future non-coal growth aspirations of the business. The recent non-coal investor day held in June 2021, signalled Aurizon's intent to double the size of the Bulk business by 2030, which will largely depend upon Aurizon's ability to identify and capitalise on suitable growth opportunities, both organic and inorganic, in an increasingly competitive environment.

Modern slavery risk
Aurizon understands that modern slavery and human trafficking can occur in many forms and recognises that we may be exposed to modern-day slavery risks in our supply chain that we may not be able to fully mitigate. The Company is committed to operating responsibly and ensuring that robust standards and processes are in place to minimise and address modern slavery risks. Aurizon is also committed to providing transparency on its modern slavery risks and how they are being addressed.

In October 2020, Aurizon published its first Modern Slavery Statement, which addresses the Company's obligations contained in the *Modern Slavery Act 2018* (Cth). The purpose of the statement is to:

- describe the risk of modern slavery in Aurizon's operations and supply chains
- explain actions taken to address those risks
- introduce the Company's continuous improvement framework, against which the effectiveness of its actions will be assessed, and future commitments outlined.

Directors' Report (continued)
OPERATING AND FINANCIAL REVIEW

Climate change risk
Aurizon acknowledges that climate change is affecting a wide range of industries around the world, resulting in financial implications. Through our Climate Strategy and Action Plan (CSAP) we are focusing on specific targets, initiatives and investments to reduce our carbon footprint. Transition risks, related to energy policy, regulation, technology, and market shifts (that are necessary to achieve the transition to a low-carbon economy) will affect the demand for the commodities that Aurizon hauls. Physical risks related to extreme weather events will also continue to affect Aurizon through supply chain disruptions. Along with the transition and physical risks of climate change, Aurizon faces the risk of not delivering on our commitments under the CSAP.

The long-term implications of climate change may impact Aurizon on several fronts. For example:

Transition risks

- demand for seaborne thermal coal is subject to energy policy and fuel-mix decisions driven by energy costs, energy security, and regulation of GHG emissions (including carbon pricing mechanisms) in coal import nations
- demand for seaborne metallurgical coal is subject to factors such as economic development, steel-intensive growth, method of steel production (including emerging lower-carbon processes), import reliance, and regulation of GHG emissions (including carbon-pricing mechanisms) in coal import nations
- Australia's supply of both metallurgical and thermal coal to seaborne export markets is subject to factors such as global competitiveness, operating coal mine production, and domestic climate policies
- investor concern over climate-related risks may result in an inability for our business and customers to gain licences, funding or insurance for coal mining and transport and/or an increased risk of litigation/social action against our business and customers
- carbon liability under the Safeguard Mechanism Rule and potential penalties for inappropriate carbon reporting under the *National Greenhouse and Energy Reporting (NGER) Act 2007* (Cth).

Physical risks

- current and future disruption arising from increased severity and/or frequency of extreme weather events (higher temperatures, strong winds, flooding and associated erosion, bushfires, and others).

Since 2017, Aurizon has incorporated recommendations from the Financial Stability Board's *Final Report: Recommendation of the Task Force on Climate-related Financial Disclosures* (TCFD), in the Company's annual Sustainability Report. In October 2020, Aurizon published its first CSAP, outlining the Company's position on climate change, underpinned by long-term strategies and associated actions to mitigate climate risk and take advantage of climate-related opportunities, including a target of net-zero operational emissions by 2050.

Progress towards Aurizon's CSAP initiatives will be made available through the annual Sustainability Report.

Sustainability

Aurizon takes a direct approach to reporting Environmental, Social and Governance (ESG) disclosures to stakeholders with the publication of its annual Sustainability Report. This Report is prepared with reference to the Global Reporting Initiative's (GRI) standards to provide investors with comparable information relating to ESG performance.

In May 2021, Aurizon maintained a 'Leading' rating for the seventh consecutive year by the Australian Council of Superannuation Investors (ACSI) for Corporate Sustainability Reporting in Australia. Having received this rating for five or more consecutive years, Aurizon has again been considered a 'Leader' by ACSI. Further information on Aurizon's approach to sustainability is included on page 8.

Safety

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

During FY2021, we have continued to embed an operational Critical Control Management (CCM) framework. CCM forms part of our enterprise approach to risk management. Combined with other safety, leadership and technical processes, it ensures we apply an effective and integrated approach.

In FY2021, we have retained two primary safety metrics to measure safety outcomes across the enterprise including Total Recordable Injury Frequency Rate (TRIFR) and Rail Process Safety (RPS).

RPS, which measures operational safety including derailments, signals passed at danger and rollingstock collisions deteriorated 8% against the prior year to 5.13. Aurizon continues to progress several initiatives, including TrainGuard, to strengthen RPS, along with improving yard safety interfaces to reduce the number of yard incidents, a major contributor to RPS in FY2021.

TRIFR was 10.21 injuries per million hours worked, which was a 3% deterioration against the prior period. This deterioration has been the result of an increase in low-severity strain and sprain injuries. These injuries are commonly caused by a high number of lower body strains and sprains while walking on uneven surfaces in the rail corridor, and an increase in upper body manual handling strains caused by lifting equipment, setting points, applying handbrakes and accessing/egressing locomotives. Aurizon is committed to a reduction in these types of injuries. We will be delivering a program using technology to review high-risk body stressing tasks, developing approaches to reduce risk exposure, and in FY2022 reviewing our injury management program holistically to improve our proactive and reactive injury management strategies. Lost time injuries continue to show improvements, with an 8% decrease in the frequency of these type of injuries (LTIFR) against the prior period.

In FY2022, we have a strong focus on initiatives to accelerate safety performance improvement through targeting the main contributors to TRIFR and RPS, and a specific focus on identifying and learning from events that have the potential for SIF.

Environment

Aurizon's vision is to deliver environmental value through effective management of material environmental risks and improved enterprise environmental performance. This vision is driven by proactive and evidence-based management measures covering key environmental issues such as, climate change, rail noise, and clean air.

Aurizon continues to work collaboratively with supply chain partners to minimise coal dust emissions associated with Aurizon's coal haulage operations. For further detail in relation to coal dust management and monitoring processes, refer to Aurizon's annual Sustainability Report.

As Bulk expands its service offering beyond core rail capacity into stevedoring at key locations along the East Coast, Aurizon's environmental risk profile has changed. Accordingly, Aurizon's management measures have been adapted to cater for additional activities (such as loading of bulk mineral concentrates) and compliance requirements following extensive due diligence.

In FY2021 Aurizon had three notifiable environmental incidents. Remediation actions have been implemented as required and no ongoing environmental impacts are anticipated.

People

At Aurizon, our people are our greatest asset. We have more than 4,800 employees, with more than 80% living and working in regional Australia, including over a quarter of our senior management. Our Aurizon values (Safety, People, Integrity, Customer and Excellence) guide our people's work, in delivering bulk commodities to the world, and are underpinned by a workplace culture of connection.

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

› the continued roll-out of our three core Leadership programs designed to embed a safe and high performing culture where our people live our values and are engaged and enabled to do their best work
› further improvements to our people, processes and systems with a focus on embedding a quality performance management cycle through the organisation
› continuing to strive towards creating an inclusive work environment by embedding flexible work practices, creating awareness and driving action for inclusion through employee representative groups (across gender, Aboriginal and Torres Strait Islander and LGBTIQ inclusion), meeting workforce representation targets, actively reducing the gender pay gap and our continued commitment to employment of Veterans.

Directors' Report (continued)
REMUNERATION REPORT

Dear fellow shareholders

On behalf of the Board, we are pleased to present Aurizon's Financial Year (FY) 2021 Remuneration Report. The Board believes that the Company has performed well and wishes to recognise the Leadership Team's performance in executing our business strategy and for achieving key milestones during the year. The Board would also like to thank all employees for their commitment and contributions throughout the year.

Aurizon delivered Underlying Earnings Before Interest and Tax (EBIT) in FY2021 of $903 million, including net earnings of $37 million relating to the favourable Queensland Court of Appeal decision on the Wiggins Island Rail Project (WIRP) fees. This was a solid result given the uncertain business environment. Aurizon's ability to deliver at the top end of guidance demonstrates the resilience of our Company, and the ongoing efforts and dedication of our employees at a challenging time.

The turnaround of the operational and financial performance of the Bulk business has continued during FY2021. The Aurizon Port Services business was expanded with the acquisition of ConPorts in Newcastle, volume growth has continued and ongoing efficiency improvements have been implemented. In the space of four years, Bulk has improved its EBIT by more than $100 million, from negative $14 million in FY2017 to $112 million in FY2021.

The Coal business delivered 202 million tonnes (mt) for customers during FY2021 and an EBIT of $325 million.

The Network business achieved an EBIT of $509 million in FY2021, including WIRP fees. Network achieved lower operating and maintenance costs compared to the prior comparative period despite increased Project Precision, legal and technology costs. Network achieved improved operational performance with below rail cancellations reducing to 1.6% in FY2021 from 2.5% in FY2020.

At Aurizon, we are committed to protecting ourselves, each other, and our communities. In FY2021, we have retained two primary safety metrics in our framework to measure safety outcomes across the enterprise including Total Recordable Injury Frequency Rate (TRIFR) and Rail Process Safety (RPS), which measures operational safety including derailments, signals passed at danger and rollingstock collisions. There has been a deterioration in both TRIFR and RPS during the year. While there was a significant improvement in TRIFR in the second half of the year, it is appropriate that no reward has been allocated for Safety performance in FY2021. Although not a primary measure, the Board notes the improvement in our Lost Time Injury Frequency Rate (LTIFR) which saw an 8% improvement in the frequency of injuries against the prior period.

A number of safety, health and wellbeing initiatives were delivered during the year, focusing on safety leadership and culture. Initiatives included the implementation of the new Safety Operating Model, a new second line of defense assurance program, our Leading for Safety leadership program, development of a new modern safety, health and environment reporting system, improvements in safety investigations, and the introduction of Aurizon's first mental wellbeing survey. In FY2022, we aim to accelerate safety performance improvement by targeting the main contributors to TRIFR and RPS, with a specific focus on identifying, preventing and learning from events that have the potential for Serious Injury and Fatality. In line with the execution of the Safety Strategy, the Board will consider measures that drive improved safety performance for future Awards.

The Short Term Incentive (STI) Award for FY2021 continued to be based on annual performance measures of Underlying EBIT, Safety and Individual Key Deliverables. Business Unit earnings metrics also continue to be used for Bulk, Coal and Network.

For the purposes of the FY2021 STI Award targets, the Board determined the receipt of retrospective WIRP fees would not contribute to FY2021 Underlying EBIT but would be assessed separately as noted below. As such, group Underlying EBIT in FY2021 was slightly above Target performance with EBIT outcomes varying across the Business Units. Network achieved an Underlying EBIT outcome of Stretch, Bulk achieved above Target whilst Coal performance was between Threshold and Target.

The mixed performance across the Enterprise and Business Unit earnings measures and individual measures is reflected directly in the STI payments for our Key Management Personnel (KMP). The Board has determined that an overall outcome above Target will be awarded to Bulk and Network participants; an overall outcome below Target will be awarded to Coal participants with the remaining participants receiving an overall outcome around Target.

In assessing the overall performance for FY2021, the Board acknowledged the receipt of the WIRP fees which were payable following the decision of the Queensland Court of Appeal. As a result, the FY2021 STI Award payment will include a separate amount related to the FY2016-FY2020 WIRP fees, collected and recognised in FY2021. This payment rewards current participants for lower past STI Award outcomes due to WIRP fees not being collected or recognised in those years. This amount does not exceed what would have been paid if the WIRP fees had been received in the respective periods (FY2016-FY2020). These retrospective cash payments amounted to 30% of eligible employees Target STI Award. In line with the framework, a cap has been applied where participants STI Award reached the maximum potential award (150% of target percentage). Any future collection of WIRP fees will be treated as Underlying Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA).

The Long Term Incentive (LTI) Award performance measures are Return on Invested Capital (ROIC) and relative Total Shareholder Return (TSR). During FY2021, the 2017 (4 year) Long Term Incentive (LTI) Award was subject to testing. No portion of the award will vest and these rights will lapse.

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

During FY2021, the Board continued to review and refine Aurizon's remuneration framework. To further align incentive structures with business strategy, a strategic transformation measure has been added to the 2021 LTI Award to reflect the growth aspirations of the Bulk business and other non-Coal investments. In addition, the Board is adopting EBITDA from FY2022 in place of EBIT in the STI Award to align with a similar shift in how guidance will be provided and the Company's focus on cash flow. Further changes may be implemented from FY2023 to ensure the framework continues to deliver against our remuneration principles, long-term strategic outlook and to ensure it remains effective in driving strong performance.

We are grateful for your ongoing support.

Yours faithfully,

Tim Poole

Tim Poole
Chairman

Kate Vidgen
Chair, Remuneration and People Committee

1. Remuneration Report Introduction

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

The Remuneration Report for the year ended 30 June 2021 is set out as per Table 1. The information in this Report has been audited.

TABLE 1 – TABLE OF CONTENTS

2. Directors and Executives

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

The Non-Executive Directors and Executives that formed part of the KMP for the Financial Year (FY) as at 30 June 2021 are identified in Table 2.

TABLE 2 – KEY MANAGEMENT PERSONNEL

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

3. Remuneration Framework Components

Total Potential Remuneration

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

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

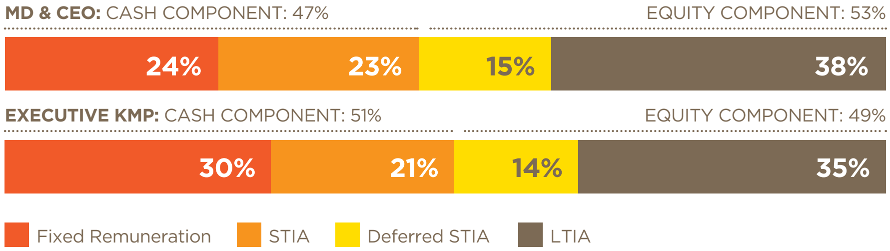
The structure is intended to provide an appropriate mix of fixed and variable remuneration, and provide a combination of incentives intended to drive performance against the Company's short and longer-term business objectives.

The mix of potential remuneration components for FY2021 for the MD & CEO and Executive KMP is set out in Figure 1: Total Potential Remuneration. This diagram demonstrates the revised remuneration mix for the MD & CEO that was implemented in FY2021 where a greater portion of the total potential remuneration is weighted towards the LTIA (from 120% to 150%). The remuneration mix for the other Executive KMP remains unchanged.

Executive Remuneration Governance

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

FIGURE 1 – TOTAL POTENTIAL REMUNERATION[1,2]



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

2 Does not include the WIRP fee component payable in FY2021 as cash

FIGURE 2 – REMUNERATION GOVERNANCE FRAMEWORK

BOARD

The Board:

- Approves the overall remuneration policy and ensures it is competitive, fair and aligned with the long-term interests of the Company
- Approves Non-Executive Director remuneration, MD & CEO and Executive Committee remuneration
- Assesses the performance of, and determines the STIA outcome for, the MD & CEO giving due weight to objective performance measures while retaining discretion to determine final outcomes
- Considers and determines the STIA outcomes of the Executive Committee based on the recommendations of the MD & CEO.

REMUNERATION AND PEOPLE COMMITTEE

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

- The remuneration policies and framework for the Company
- Non-Executive Director remuneration
- Remuneration for MD & CEO and Executive Committee
- Executive incentive arrangements.

MANAGEMENT

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

CONSULTATION WITH SHAREHOLDERS AND OTHER STAKEHOLDERS

REMUNERATION CONSULTANTS AND OTHER EXTERNAL ADVISORS

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

These advisors:

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

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

Remuneration Framework and objectives Financial Year 2021

The Board is continuing to review and refine Aurizon's remuneration framework. Summarised in Figure 3 are the changes that were implemented in FY2021 and the changes being implemented in FY2022. Further changes may be implemented from FY2023 to ensure the framework continues to deliver against our remuneration principles, long-term strategic outlook and to ensure it remains effective in driving strong performance.

FIGURE 3 – REMUNERATION FRAMEWORK AND OBJECTIVES FOR FINANCIAL YEAR 2021

	PERFORMANCE MEASURE	STRATEGIC OBJECTIVES AND LINK TO PERFORMANCE	FY2021 AND FY2022 FRAMEWORK CHANGES
FIXED REMUNERATION	Considerations: › Experience and qualifications › Role and responsibility › Retain key capability › Reference to remuneration paid by similar sized companies in similar industry sectors › Internal and external relativities.	› To attract and retain Executives with the right capability to achieve results.	› The Executive KMP did not receive a fixed remuneration increase in FY2021.
SHORT TERM INCENTIVE AWARD	› Underlying EBIT (Enterprise and, if applicable, Business Unit) (60%) › Safety (10%) › Individual (30%) Measured over a one-year performance period Participants can earn up to a maximum of 150% of "at-target" percentage STIA at Risk: **MD & CEO:** Target 100% of Fixed Remuneration and maximum 150% of Fixed Remuneration **Other Executive KMP:** Target 75% of Fixed Remuneration and maximum 112.5% of Fixed Remuneration.	The financial and non-financial performance measures were chosen because: › **Underlying EBIT** delivers direct financial benefits to shareholders › **Safety** drives a continuous safety improvement culture and embeds safe, efficient and effective processes across all aspects of a heavy industry business › **Individual** aligns employee contribution to the achievement of Aurizon's strategy. At the start of the performance year the Board determines the MD & CEO individual deliverables. Relevant measures are cascaded to the Executive Committee and throughout the organisation.	› From FY2022 the financial performance measure will be adjusted to Underlying EBITDA in place of EBIT in line with guidance reporting.
LONG TERM INCENTIVE AWARD	› Relative Total Shareholder Return (TSR) (50%) › Return on Invested Capital (ROIC) (50%) Measured over a four-year performance period LTIA at Risk (Maximum): **MD & CEO:** 150% of Fixed Remuneration **Other Executive KMP:** 112.5% of Fixed Remuneration.	› **Relative TSR** is a measure of the return generated for Aurizon's shareholders over the performance period relative to a specific peer group of companies (from the ASX100 Index) › **ROIC** reflects the fact that Aurizon operates a capital-intensive business and our focus should be on maximising the level of return generated on the capital we invest Note: Minimum shareholding requirements for Executive KMP and the remainder of the Executive Committee encourages retention of shares and alignment with shareholder interests.	› For the MD & CEO, from FY2021, the maximum opportunity of the LTI was increased from 120% to 150% of Fixed Remuneration › From the 2021 Award, the Relative TSR peer group has been adjusted from company classification to industry sectors. Peer group will now include companies in the Industrials, Energy, Materials, Real Estate and Utilities Industry Sectors › From the 2021 Award, introduction of a strategic transformation measure (25% weighting) reducing the portion of the award weighted towards Relative TSR (from 50% to 25% weighting). ROIC weighting remains at 50%.

Total Remuneration

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

4. Company Performance for Financial Year 2021

Aurizon reported Group Underlying Earnings Before Interest and Tax (EBIT) of $903 million for continuing operations for year ended 30 June 2021.

As an essential service provider to the Australian economy, Aurizon has also continued to operate throughout the challenging coronavirus pandemic (COVID-19) period, with the health and wellbeing of our employees our highest priority. Progress in refining and executing the business strategy and achieving key milestones during FY2021 has provided long-term certainty for the business.

Table 3 shows historical Company performance across a range of key measures. Performance across earnings and individual measures is reflected directly in STIA payments. Detail related to performance against the FY2021 STIA performance measures is provided in Table 5 (page 33). Table 7 (page 34) provides additional information related to the LTIA performance outcomes.

TABLE 3 – HISTORICAL COMPANY PERFORMANCE AGAINST KEY MEASURES

KEY PERFORMANCE MEASURES	DESCRIPTION	FY2021	FY2020	FY2019	FY2018	FY2017
Group Underlying EBIT[1]	$m	903	909	829	941	884
Bulk Underlying EBIT[2]	$m	112	90	37	50	
Coal Underlying EBIT[2]	$m	325	411	415	429	
Network Underlying EBIT[2]	$m	509	469	400	481	
Return on invested capital	%	10.7	10.9	9.7	10.9	9.3
Total Recordable Injury Frequency Rate (TRIFR)[3]	per million work hours	10.21	9.92	11.07	10.02	7.12
Rail Process Safety (RPS)[4]	per million train kilometres	5.13	4.74	4.38	5.08	
Total Shareholder Return (TSR)	%	-14.9	-9.6	28.2	-13.6	15.8
3-year TSR	%	1.2	6.0	25.5	-5.5	26.3
4-year TSR[5]	%	-11.1				
Share Buy Back	$m	300	400	–	300	–
Dividends[6]	$m	533	529	474	540	462

1 Continuing operations
2 Business Unit model was introduced from FY2018
3 From FY2018, TRIFR definition has been redefined and contractor statistics have been included. Performance unaudited prior to FY2018.
4 Rail Process Safety (Total Accident Rate and Signals Passed at Danger) was introduced from FY2018
5 Reporting on 4-year TSR was aligned with the commencement of a 4-year performance period from the 2017 LTIA
6 Dividends for each Financial Year (the final dividend is paid in the following financial year)

5. Take Home Pay

Table 4 identifies the actual remuneration earned during FY2021 for Executive KMP.

The table has not been prepared in accordance with accounting standards but has been provided to ensure shareholders are able to clearly understand the remuneration outcomes for Executive KMP. Remuneration outcomes, which are prepared in accordance with the accounting standards, are provided in Section 10 (page 38).

The Executive KMP did not receive a fixed remuneration increase during FY2021.

The remuneration outcomes identified in Table 4 are directly linked to the Company performance described in Section 6 (page 32) and Section 7 (page 34).

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

In assessing the overall performance for FY2021, the Board acknowledged the receipt of the WIRP fees which were payable following the decision of the Queensland Court of Appeal. Further information in relation to the WIRP Component can be found in Section 6.

Varying performance across our key measures is also reflected directly in the payments for our Executive KMP, which range from 79% to 100% of their potential maximum.

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

During FY2021, the 2017 Award (4 year) was subject to testing. However, Aurizon's performance resulted in no portion of this Award vesting.

Movement in the Aurizon share price over the various performance periods is reflected in the remuneration outcomes for Executive KMP through the deferred portion of the STIA into equity. This aligns the Executive KMP outcomes with the shareholder experience.

TABLE 4 – REMUNERATION EARNED IN FINANCIAL YEAR 2021

NAME	FIXED REMUNERATION $'000	NON-MONETARY BENEFITS[1] $'000	STIA CASH[2] $'000	STIA DEFERRED FROM PRIOR YEAR[3] $'000	WIRP COMPONENT[4] $'000	LTIA VESTING[5] $'000	SHARE PRICE DEPRECIATION[6] $'000	ACTUAL FY2021 REMUNERATION OUTCOMES $'000
EXECUTIVE KMP								
A Harding	1,717	-	1,139	654	515	-	(88)	3,937
P Bains	788	-	469	218	105	-	(29)	1,551
G Lippiatt	700	-	334	-	158	-	-	1,192
C McDonald	667	10	385	263	109	-	(35)	1,399
E McKeiver	683	4	274	134	154	-	(18)	1,231

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

2 The amount relates to the cash component (60%) of the FY2021 STIA which will be paid in September 2021

3 The amount relates to the deferred component (40%) of the FY2020 STIA which was awarded in performance rights and will become unrestricted in September 2021 (calculation assumes a share price of $4.30 at time of award). G Lippiatt was not remunerated as an Executive KMP for FY2020 therefore his STIA was awarded entirely as cash

4 In assessing the overall performance for FY2021, the Board acknowledged the receipt of the WIRP fees which were payable following the decision of the Queensland Court of Appeal. The Board determined that a cash payment would be made to recognise the WIRP fees payable between FY2016 – FY2020 but collected in FY2021. This amounted to 30% of eligible employees Target STIA

5 The amount is the value of rights from the 2017 Award (4-year) which would have vested in August 2021. As the performance hurdles were not met no rights vested

6 The amount is the number of rights from the deferred FY2020 STIA which vest multiplied by the decrease in the Aurizon share price over the period ended 30 June 2021 (calculation assumes share price depreciation of $0.58)

Directors' Report (continued)
REMUNERATION REPORT

6. Short Term Incentive Award

What is the STIA and who participates?

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

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

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

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

What are the Company performance measures?

The performance measures which apply to all participants are Underlying EBIT, Safety and Individual performance.

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

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

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

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

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

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

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

What are the outcomes for FY2021?

Table 5 identifies the performance measures, relevant weightings and outcomes for FY2021. These measures were assessed excluding net earnings of $37 million related to WIRP fees payable between FY2016 – FY2020. An outcome slightly above Target performance was achieved for Group Underlying EBIT.

Underlying EBIT outcomes varied across the Business Units, with Network achieving Stretch performance, Bulk achieving an outcome just below Stretch performance while Coal performance was between Threshold and Target.

There has been a deterioration in both TRIFR and RPS during the year. While there was a significant improvement in TRIFR in the second half of the year, it is appropriate that no reward has been allocated for Safety performance in FY2021. Aurizon continues to progress a number of initiatives to accelerate safety performance improvement.

In assessing the overall performance for FY2021, the Board acknowledged the receipt of the WIRP fees which were payable following the decision of the Queensland Court of Appeal. As a result, the FY2021 STIA payment will include a separate amount related to the WIRP fees payable during FY2016 – FY2020, collected and recognised in FY2021. This payment rewards current participants for lower past STIA outcomes due to WIRP fees not being collected or recognised in those years.

This amount does not exceed what would have been paid if the WIRP fees had been received in the respective periods (FY2016-FY2020). These respective cash payments amounted to 30% of the eligible employees Target STIA. In line with the framework, a cap has been applied, where participants STIA reached the maximum potential award (150% of target percentage).

Any future collection of WIRP fees will be treated as Underlying Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA).

The FY2021 actual outcomes for Executive KMP are identified within Table 6. Figure 6 provides an example of how the WIRP fees will be applied on top of the STIA performance outcome calculation.

FIGURE 4 – STRATEGIC MEASURES CASCADING PROCESS

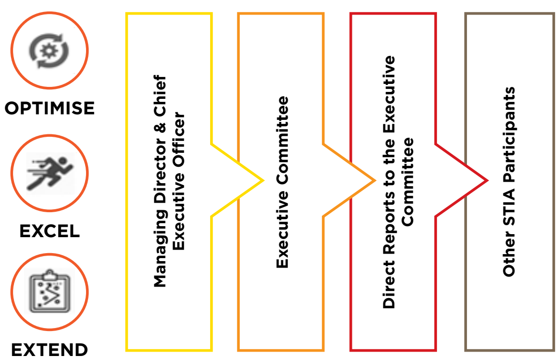


FIGURE 5 – STIA PERFORMANCE OUTCOME CALCULATION

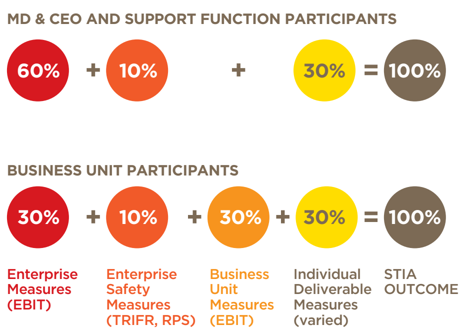


FIGURE 6 – STIA + WIRP PAYMENT

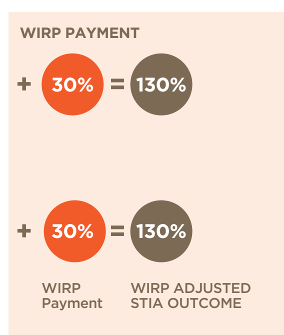


TABLE 5 – SHORT TERM INCENTIVE AWARD FINANCIAL YEAR 2021 OBJECTIVES[1,2]

PERFORMANCE MEASURE	WEIGHTING: MD & CEO & CFO	WEIGHTING: COAL, BULK & NETWORK	TARGET	FY2021 PERFORMANCE OUTCOME
ENTERPRISE				
Group EBIT: Underlying EBIT delivers financial benefit to shareholder through the achievement of underlying operating earnings	60%	30%	$863m	$866m
Group Safety: The measures drive a commitment to delivering a continuous safety improvement culture across all of the Company measured through equally weighted parameters which include:				
› Total Reportable Injury Frequency Rate (TRIFR)	5%	5%	8.43	10.21
› Rail Process Safety (Total Accident Rate and Signals Passed at Danger)	5%	5%	4.03	5.13
BUSINESS UNIT				
Coal EBIT:			$344m	$325m
Bulk EBIT:	–	30%	$101m	$112m
Network EBIT:			$419m	$460m
INDIVIDUAL: At the start of the performance year the Board determines the MD & CEO individual deliverables. These individual deliverables are based on the Aurizon strategy of continuing to optimise, excel and extend the business. Relevant measures are subsequently cascaded to the Executive Committee and throughout the organisation. During FY2021 some of the key deliverables for the MD & CEO and across the organisation were: › Deliver key operational efficiency improvement programs (including Project Precision and Network Optimisation Program) › Implement Aurizon climate & ESG response plan › Grow Bulk contract book › Continue inorganic growth › Continue safety and performance culture transformation plan	30%	30%	Individual performance targets vary for each specific role	Personal outcomes for MD & CEO and Executive KMP varied between above Target and Stretch depending on performance against individual KPIs
TOTAL OUTCOME	100%	100%		MD & CEO, CFO, Bulk & Network Coal

1 Company performance hurdles relate to continuing operations

2 Underlying EBIT for the purpose of the scorecard excludes WIRP fees

● Stretch ● Between Target & Stretch ● Target ● Between Threshold & Target ● Threshold ● Below Threshold

TABLE 6 – SHORT TERM INCENTIVE AWARDED IN FINANCIAL YEAR 2021

NAME	TARGET STIA $'000	MAXIMUM POTENTIAL STIA $'000	AWARDED FY2021 $'000: STIA CASH COMPONENT	AWARDED FY2021 $'000: STIA DEFERRED SHARE COMPONENT[1]	AWARDED FY2021 $'000: WIRP COMPONENT[2]	AWARDED FY2021 $'000: TOTAL STIA PAYMENT	% OF TARGET STIA	% OF MAXIMUM STIA[3]
EXECUTIVE KMP								
A Harding	1,717	2,576	1,139	760	515	2,414	141	94
P Bains	591	887	469	313	105	887	150	100
G Lippiatt	525	788	334	223	158	715	136	91
C McDonald	500	750	385	256	109	750	150	100
E McKeiver	512	768	274	182	154	610	119	79

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

2 In assessing the overall performance for FY2021, the Board acknowledged the receipt of the WIRP fees which were payable following the decision of the Queensland Court of Appeal. The Board determined that a cash payment would be made to recognise the WIRP fees payable between FY2016 – FY2020 but collected in FY2021. The value of this cash payment equates to 30% of the Executives Target STIA, with a cap applied where participants STIA reached the maximum potential award (150% of target percentage)

3 Executives have forfeited between 0% and 21% of their maximum potential outcomes

7. Long Term Incentive Award

What is the LTIA and who participates?

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

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

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

What is the performance period?

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

What are the performance hurdles?

The outstanding LTIA (2017 Award – 2020 Award) have two performance hurdles - Relative Total Shareholder Return and Average Return on Invested Capital. From the 2021 Award an additional Non-Coal Gross Revenue Growth measure has been introduced as outlined in Table 8.

How is the LTIA determined?

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

Each performance right is a right to receive one share in Aurizon upon vesting. The number of performance rights that vest is determined by performance outcomes compared against predetermined company hurdles as described in Table 7 and Table 8.

What happens when performance rights vest?

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

Company performance and vesting outcomes for the 2017 LTIA (4 year) is identified in Table 7. Aurizon's performance resulted in no component of this Award vesting.

TABLE 7 – COMPANY PERFORMANCE AGAINST LONG TERM INCENTIVE AWARDS SUBJECT TO TESTING IN FINANCIAL YEAR 2021

COMPANY HURDLE AND PERFORMANCE MEASUREMENT PERIOD		WEIGHTING	RESULT	% VESTED	% LAPSED
2017 AWARD (4 YEAR): 01 JULY 2017 – 30 JUNE 2021[1]					
Relative TSR: against peer group within ASX100 Index	30% of rights vest at the 50th percentile, 75% at the 62.5th percentile up to 100% at the 75th percentile	50%	Below Median ●	0%	100%
ROIC: average annual ROIC FY2018 – FY2021[2]	50% of rights vest with an average ROIC of 10.5%, up to 100% at 11.5%	50%	9.5% ●	0%	100%

1 From the 2017 Award, company hurdles are measured over an extended performance period, which increased from a three-year performance period to a four-year performance period. In order to facilitate this transition two awards were issued at 75% of the maximum vesting opportunity in FY2018

2 Following the expected Network regulatory outcomes, the Board has determined that no adjustment will be made to the hurdles for 2017 and 2018 Awards

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

TABLE 8 – LONG TERM INCENTIVE AWARD PERFORMANCE OVERVIEW AND HURDLES FOR FUTURE AWARDS

DEFINITION	VESTING THRESHOLDS

RELATIVE TOTAL SHAREHOLDER RETURN

Measures the growth in share price plus cash distributions notionally reinvested in shares and is:

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

Vesting Thresholds are consistent across all outstanding Awards

	WEIGHTING	MINIMUM VESTING		MAXIMUM VESTING
Outstanding				
2018 Award	50%	30% of rights vest at the 50th percentile	75% of rights vest at the 62.5th percentile	100% of rights vest at the 75th percentile
2019 Award	50%			
2020 Award	50%			
Future				
2021 Award	25%			

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

RETURN ON INVESTED CAPITAL

For the purposes of LTIA, ROIC is underlying EBIT divided by Invested Capital and will be calculated on the same basis as published ROIC with the following exceptions:

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

Vesting Thresholds vary across outstanding Awards

	WEIGHTING	MINIMUM VESTING	MAXIMUM VESTING
		50% of Rights vest with an average ROIC of:	100% of Rights vest with an average ROIC of:
Outstanding			
2018 Award[2]	50%	9%	10%
2019 Award[3,4]	50%	9.5%	10.5%
2020 Award[3,4]	50%	9.5%	10.5%
Future			
2021 Award[3,4]	50%	9.5%	10.5%

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

NON-COAL GROSS REVENUE GROWTH

Measures the growth of revenue in the bulk business and other revenues not driven by coal markets.

Aligns with the long-term strategic direction to double the size of the bulk business by expanding across the bulk commodities supply chain.

Determined by reference to non-coal gross revenue growth over the performance period in line with strategic objective for FY2030.

	WEIGHTING	MINIMUM VESTING	MAXIMUM VESTING
Future			
2021 Award	25%	50% of Rights vest with non-coal gross revenue growth of 29%	100% of Rights vest with non-coal gross revenue growth of 43%

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

1 An adjustment was made to the peer group in the 2021 Award which resulted in a shift from company classifications to industry sectors. Companies in the financial, healthcare, biotechnology, casinos and gaming companies were excluded from the peer group for the 2018 Award, 2019 Award and 2020 Award

2 Following the expected Network regulatory outcomes, the Board has determined that no adjustment will be made to the hurdles for 2017 Award and 2018 Awards

3 With the introduction of the new lease accounting standard effective from 1 July 2019 which had the effect of bringing leases on balance sheet, in FY2020 we completed a review the ROIC calculation and simplified the definition of invested capital

4 ROIC hurdles have been set taking into account the current business outlook and the expected Network regulatory outcomes

How does Aurizon utilise Retention awards?

In some circumstances, as approved by the Board, Management may recommend using retention awards where the services of an individual are considered critical to Aurizon over the short-to-medium term and the existing remuneration arrangements are thought to be insufficient to retain those services. Retention awards may be time-based or project-based and are governed by stringent performance conditions and may be cash-based or equity-based. In FY2018, an award was issued to an Executive who has subsequently been appointed to the Executive Committee (CFO & GE Strategy) and which subsequently vested during FY2021. During FY2021, no retention awards were issued to Executive KMP and 46,296 performance rights were issued to one employee. Further information is available in note 28 of the Financial Report (page 94).

8. Executive Employment Agreements

Executive Employment Agreements

Remuneration and other terms of employment for the MD & CEO and Executive KMP are formalised in an Employment Agreement as summarised in Table 9.

Minimum Shareholding policy for Executives

To align KMP and the Executive Committee (direct reports to the MD & CEO) with shareholders, the Company requires:

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

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

Details of KMP shareholdings as at 30 June 2021 are set out in Table 10.

Hedging and margin lending policies

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

TABLE 9 – EMPLOYMENT AGREEMENTS

NAME	DURATION OF EMPLOYMENT AGREEMENT	FIXED REMUNERATION AT END OF FINANCIAL YEAR 2021[1]	NOTICE PERIOD[2]	
			BY EXECUTIVE	BY COMPANY[3]
EXECUTIVE KMP				
A Harding	Ongoing	1,717,000	6 months	12 months
P Bains	Ongoing	788,000	3 months	6 months
G Lippiatt	Ongoing	700,000	3 months	6 months
C McDonald	Ongoing	667,000	3 months	6 months
E McKeiver	Ongoing	683,000	3 months	6 months

1 Fixed remuneration includes a superannuation component
2 Post employment restraints in any competitor business in Australia is aligned to the notice period
3 Any termination payment will be subject to compliance with the *Corporations Act 2001* and will not exceed 12 months

TABLE 10 - KMP SHAREHOLDINGS AS AT 30 JUNE 2021

NAME	BALANCE AT THE START OF THE YEAR	RECEIVED DURING THE YEAR ON VESTING	OTHER CHANGES DURING THE YEAR	BALANCE AT THE END OF THE YEAR	% OF FIXED REMUNERATION[1]
NON-EXECUTIVE DIRECTORS					
T Poole[2]	110,500	-	25,000	135,500	103%
M Bastos	25,947	-	20,000	45,947	76%
R Caplan[2]	82,132	-	-	82,132	147%
M Fraser[2]	70,000	-	-	70,000	114%
S Lewis[2]	43,025	-	20,000	63,025	103%
S Ryan	13,000	-	35,000	48,000	86%
L Strambi	5,355	-	37,432	42,787	77%
K Vidgen	40,000	-	-	40,000	66%
EXECUTIVE KMP					
A Harding	316,997	219,528	40,000	576,525	125%
P Bains	51,369	74,763	-	126,132	60%
G Lippiatt	11,935	51,024	5,000	67,959	36%
C McDonald	94,410	61,332	259	156,001	87%
E McKeiver	56,929	63,152	-	120,081	65%

1 Assumes Total Directors' Fees and Fixed Remuneration as at 30 June 2021 and the calculation assumes a share price of $3.72
2 KMP required to meet the minimum shareholding requirement due to length of service in a KMP role being longer than six years

9. Non-Executive Director Remuneration

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

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

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

Fee Structure

The current annual base fees for the Non-Executive Directors are set out in Table 11.

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

In addition, to the base Directors' fee, the other Non-Executive Directors receive the applicable fee component for chairperson and/or membership responsibilities. These Committee fees are set out in Table 12.

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

The actual remuneration outcomes for the Non-Executive Directors of the Company is summarised in Table 13. Details of the Non-Executive Director membership is disclosed on page 9.

What are the aggregate fees approved by shareholders?

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

TABLE 11 – DIRECTORS' FEES

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

TABLE 12 – COMMITTEE FEES

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

TABLE 13 – NON-EXECUTIVE DIRECTORS' REMUNERATION

		SHORT-TERM EMPLOYEE BENEFITS		POST-EMPLOYMENT BENEFITS	
NAME	YEAR	SALARY AND FEES[1] $'000	NON-MONETARY BENEFITS[2] $'000	SUPERANNUATION $'000	TOTAL REMUNERATION $'000
NON-EXECUTIVE DIRECTORS					
T Poole	**2021**	**468**	**-**	**22**	**490**
	2020	479	3	11	493
M Bastos	**2021**	**205**	**-**	**20**	**225**
	2020	205	-	20	225
R Caplan	**2021**	**208**	**-**	**-**	**208**
	2020	200	-	9	209
M Fraser	**2021**	**208**	**-**	**20**	**228**
	2020	208	-	20	228
S Lewis	**2021**	**222**	**-**	**6**	**228**
	2020	208	3	20	231
S Ryan	**2021**	**208**	**-**	**-**	**208**
	2020	115	-	1	116
L Strambi	**2021**	**189**	**-**	**18**	**207**
	2020	102	-	10	112
K Vidgen	**2021**	**205**	**-**	**20**	**225**
	2020	203	-	19	222
Total	**2021**	**1,913**	**-**	**106**	**2,019**
	2020	1,720	6	110	1,836

1 Salary and fees include any salary sacrificed benefits

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

10. Executive Remuneration for Financial Year 2021

The table below details the number and value of movements in equity awards during FY2021.

TABLE 14 – RIGHTS GRANTED AS COMPENSATION

NAME	INCENTIVE PLAN	BALANCE AT BEGINNING OF YEAR	RIGHTS AWARDED DURING THE YEAR[1]	VALUE OF RIGHTS GRANTED IN YEAR	VESTED IN YEAR	EXERCISED DURING THE YEAR	FORFEITED IN YEAR	FORFEITED IN YEAR
		NO.	NO.	$'000	%	NO.	NO.	%
EXECUTIVE KMP								
A Harding	**2017 (3 year)[2]**	295,938			16%	(48,682)	(247,256)	84%
	2017 (4 year)[3]	295,938						
	2018	459,911						
	2019 STIAD[4]	170,846			100%	(170,846)		
	2019	347,454						
	2020 STIAD[5]	-	152,134	654				
	2020	-	556,263	1,396				
P Bains	**2017 (3 year)[2]**	114,241			16%	(18,793)	(95,448)	84%
	2017 (4 year)[3]	114,241						
	2018	188,337						
	2019 STIAD[4]	55,970			100%	(55,970)		
	2019	149,494						
	2020 STIAD[5]	-	50,754	218				
	2020	-	191,469	481				
G Lippiatt	**2017 (3 year)[2]**	37,573			16%	(6,181)	(31,392)	84%
	2017 (4 year)[3]	37,573						
	2018 – Ret[6]	44,843			100%	(44,843)		
	2018	62,500						
	2019	48,799						
	2020	-	170,086	427				
C McDonald	**2017 (3 year)[2]**	97,921			16%	(16,108)	(81,813)	84%
	2017 (4 year)[3]	97,921						
	2018	152,176						
	2019 STIAD[4]	45,224			100%	(45,224)		
	2019	126,539						
	2020 STIAD[5]	-	61,077	263				
	2020	-	162,068	407				
E McKeiver	**2017 (3 year)[2]**	104,449			16%	(17,182)	(87,267)	84%
	2017 (4 year)[3]	104,449						
	2018	165,737						
	2019 STIAD[4]	45,970			100%	(45,970)		
	2019	129,574						
	2020 STIAD[5]	-	31,092	134				
	2020	-	165,956	417				

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

2 Details of the vesting outcomes are described in Table 8 in the FY2020 Remuneration Report

3 Details of the vesting outcomes are described in Table 7

4 Deferred STIA component as described in Section 3 and Section 5 of this report and Table 6 in the FY2019 Remuneration Report

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

6 Retention Award as described in Section 7 in the FY2018 Remuneration Report

VALUE OF RIGHTS FORFEITED IN YEAR $'000	BALANCE AT END OF YEAR NO.	WEIGHTED FAIR VALUE PER RIGHT AT GRANT DATE $	GRANT DATE	DATE ON WHICH GRANT VESTS	EXPIRY DATE
764	-	3.09	18-Oct-17	18-Oct-20	31-Dec-20
	295,938	2.99	18-Oct-17	18-Oct-21	31-Dec-21
	459,911	2.58	18-Oct-18	18-Oct-22	31-Dec-22
	-	6.03	30-Sept-19	30-Sept-20	31-Dec-20
	347,454	3.95	17-Oct-19	17-Oct-23	31-Dec-23
	152,134	4.30	28-Sep-20	28-Sep-21	31-Dec-21
	556,263	2.51	14-Oct-20	14-Oct-24	31-Dec-24
304	-	3.18	6-Oct-17	6-Oct-20	31-Dec-20
	114,241	3.07	6-Oct 17	6-Oct 21	31-Dec-21
	188,337	2.56	5-Oct-18	5-Oct-22	31-Dec-22
	-	6.03	30-Sept-19	30-Sept-20	31-Dec-20
	149,494	3.95	17-Oct-19	17-Oct-23	31-Dec-23
	50,754	4.30	28-Sep-20	28-Sep-21	31-Dec-21
	191,469	2.51	14-Oct-20	14-Oct-24	31-Dec-24
100	-	3.18	6-Oct-17	6-Oct-20	31-Dec-20
	37,573	3.07	6-Oct 17	6-Oct 21	31-Dec-21
	-	4.46	10-Aug-18	13-Aug-20	31-Dec-20
	62,500	2.56	5-Oct-18	5-Oct-22	31-Dec-22
	48,799	3.95	17-Oct-19	17-Oct-23	31-Dec-23
	170,086	2.51	14-Oct-20	14-Oct-24	31-Dec-24
260	-	3.18	6-Oct-17	6-Oct-20	31-Dec-20
	97,921	3.07	6-Oct 17	6-Oct 21	31-Dec-21
	152,176	2.56	5-Oct-18	5-Oct-22	31-Dec-22
	-	6.03	30-Sept-19	30-Sept-20	31-Dec-20
	126,539	3.95	17-Oct-19	17-Oct-23	31-Dec-23
	61,077	4.30	28-Sep-20	28-Sep-21	31-Dec-21
	162,068	2.51	14-Oct-20	14-Oct-24	31-Dec-24
278	-	3.18	6-Oct-17	6-Oct-20	31-Dec-20
	104,449	3.07	6-Oct 17	6-Oct 21	31-Dec-21
	165,737	2.56	5-Oct-18	5-Oct-22	31-Dec-22
	-	6.03	30-Sept-19	30-Sept-20	31-Dec-20
	129,574	3.95	17-Oct-19	17-Oct-23	31-Dec-23
	31,092	4.30	28-Sep-20	28-Sep-21	31-Dec-21
	165,956	2.51	14-Oct-20	14-Oct-24	31-Dec-24

Directors' Report (continued)

REMUNERATION REPORT

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

TABLE 15 – EXECUTIVE REMUNERATION

		SHORT-TERM EMPLOYEE BENEFITS					POST-EMPLOYMENT BENEFITS	LONG-TERM BENEFITS	EQUITY-SETTLED SHARE-BASED PAYMENTS			
NAME	YEAR	CASH SALARY AND FEES[1] $'000	CASH BONUS $'000	ANNUAL LEAVE[2] $'000	NON-MONETARY BENEFITS[3] $'000	OTHER[4] $'000	SUPER-ANNUATION[5] $'000	LONG-SERVICE LEAVE $'000	RIGHTS[6] $'000	TOTAL $'000	PROPORTION OF COMPENSATION PERFORMANCE RELATED[7] %	REMUNERATION CONSISTING OF RIGHTS FOR THE YEAR %
EXECUTIVE KMP		**A**	**B**	**C**	**D**	**E**	**F**	**G**	**H**	**I**	**J**	**K**
A Harding	**2021**	**1,695**	**1,139**	**98**	**-**	**515**	**22**	**44**	**1,426**	**4,939**	**62**	**29**
	2020	1,696	981	51	-	-	21	32	1,560	4,341	59	36
P Bains	**2021**	**763**	**469**	**(28)**	**-**	**105**	**25**	**18**	**528**	**1,880**	**59**	**28**
	2020	764	328	22	5	-	24	46	543	1,732	50	31
G Lippiatt[8]	**2021**	**678**	**334**	**35**	**-**	**158**	**22**	**68**	**165**	**1,460**	**45**	**11**
	2020	122	61	(6)	-	-	7	28	32	244	38	13
C McDonald	**2021**	**645**	**385**	**10**	**10**	**109**	**22**	**13**	**482**	**1,676**	**58**	**29**
	2020	646	394	34	29	-	21	24	461	1,609	53	29
E McKeiver	**2021**	**661**	**274**	**(21)**	**4**	**154**	**22**	**11**	**393**	**1,498**	**55**	**26**
	2020	662	200	(2)	3	-	21	(23)	477	1,338	51	36
Total Executive KMP compensation (group)	**2021**	**4,442**	**2,601**	**94**	**14**	**1,041**	**113**	**154**	**2,995**	**11,454**	**58**	**26**
	2020	3,890	1,964	99	37	-	94	107	3,073	9,264	54	33

1 Cash salary and fees include any salary sacrifice benefits

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

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

4 In assessing the overall performance for FY2021, the Board acknowledged the receipt of the WIRP fees which were payable following the decision of the Queensland Court of Appeal. The Board determined that a cash payment would be made to recognise the WIRP fees payable between FY2016 – FY2020 but collected in FY2021.

5 Superannuation amounts represent employers' contribution to superannuation

6 The accounting expense recognised in relation to rights granted in the year is the fair value independently calculated at grant date using an expected outcome model. This was consistent with the Monte-Carlo simulation conducted in the prior year and resulted in similar outcomes. This amount is progressively expensed over the vesting period. Refer to note 28 for further details regarding the fair value of Rights. These values may not represent the future value that the Executive will receive, as the vesting of the Rights is subject to the achievement of performance conditions. This includes the cost of deferred short-term incentives and long-term incentives

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

8 G Lippiatt was appointed Chief Financial Officer & Group Executive Strategy on 9 March 2020 in an acting capacity, and permanently on 30 June 2020. The FY2020 cash salary and fees (column A) and cash bonus (column B) reflect the salary and STIA attributable to the Chief Financial Officer & Group Executive Strategy role

Auditor's Independence Declaration

As lead auditor for the audit of Aurizon Holdings Limited for the year ended 30 June 2021, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

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

This declaration is in respect of Aurizon Holdings Limited and the entities it controlled during the period.

Nadia Carlin
Partner
PricewaterhouseCoopers

Brisbane
9 August 2021

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Corporate Governance Statement

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

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

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

This Statement was adopted by the Board on 6 August 2021.

Principle 1: Lay solid foundations for management and oversight

RECOMMENDATION	AURIZON HOLDINGS' COMPLIANCE WITH RECOMMENDATIONS	
1.1 Role of Board and management which is set out in a Board Charter	The Board has established a clear distinction between the functions and responsibilities reserved for the Board and those delegated to management, which are set out in the Aurizon Holdings Board Charter (Charter). The Charter also provides an overview of the roles of the Chairman, individual Directors, the Managing Director & CEO and the Company Secretary. A copy of the Charter is available in the Governance section of the Company's website **aurizon.com.au**.	✓
1.2 Information regarding election and re-election of Director candidates and appropriate checks are undertaken on Director and senior executive appointments	Aurizon carefully considers the character, experience, education, skill set as well as interests and associations of potential candidates for appointment to the Board and conducts appropriate checks to verify the suitability of each candidate prior to their appointment. Aurizon has appropriate procedures in place to ensure material information relevant to a decision to elect or re-elect a Director is disclosed in the Notice of Meeting provided to shareholders. Aurizon also conducts checks in relation to character, experience, education, criminal records and bankruptcy history of each candidate before appointing a new Director or a senior executive (eg. the Managing Director & CEO and their direct reports).	✓
1.3 Written agreements setting out terms of appointment	In addition to being set out in the Charter, the roles and responsibilities of Directors are also formalised in a letter of appointment which each Director receives and commits to on their appointment. The letters of appointment specify the term of appointment, time commitment envisaged, expectations in relation to committee work and any other special duties attached to the position (if any), reporting lines, remuneration arrangements, disclosure obligations in relation to personal interests, confidentiality obligations, insurance and indemnity entitlements and details of the Company's key governance policies, such as the Securities Dealing Policy. A copy of the Company's key governance policies can be found on the Company's website **aurizon.com.au**. Each senior executive enters into a service contract which sets out the material terms of employment, including a description of the senior executive's position and duties, reporting lines, remuneration arrangements, termination rights and entitlements. The details and experience of each senior executive (known as the Executive Committee) is listed in the Leadership section of the Company's website **aurizon.com.au**. The material terms of the appointment of those senior executives who are Key Management Personnel can be found on page 36 of the Annual Report.	✓
1.4 Company Secretary	Each Company Secretary is directly accountable to the Board, through the Chairman, for facilitating and advising on the Company's corporate governance processes and on all matters to do with the proper functioning of the Board. Each Director is entitled to access the advice and services of each Company Secretary. The Board Charter also sets out the responsibilities of the Company Secretary. In accordance with the Company's Constitution and Board Charter, the appointment or removal of a Company Secretary is a matter for the Board as a whole. Details of each Company Secretary's experience and qualifications are set out on page 7 of the Annual Report.	✓

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

RECOMMENDATION	AURIZON HOLDINGS' COMPLIANCE WITH RECOMMENDATIONS	
1.5 Diversity	Aurizon Holdings has had a Diversity and Inclusion Policy since 2011 which is reviewed periodically, and which sets out its objectives including its stated values and reporting practices with respect to inclusion and diversity and is available in the Governance section of the Company's website **aurizon.com.au**. Executive Committee movements during FY2021 have resulted in a reduction of female representation in senior roles from 33.3% to 20%. The Board and Management remain committed to increasing female representation at all levels within the Company. The measurable objectives and outcomes for diversity, agreed by the Aurizon Holdings Board for FY2021, are set out below:	✓

ENTERPRISE MEASURES	FY21 TARGET	FY21 ACTUAL
Gender representation on the Board	Minimum 30% (each gender)	38% women/62% men
Representation of women in senior executive roles (direct reports to the MD & CEO)	30%	20%
Representation of women in the workforce	23%	23%
Representation of Aboriginal and Torres Strait Islander men and women in Aurizon	5.5%	6.6%

	In compliance with the *Workplace Gender Equality Act 2012*, Aurizon Holdings submitted its annual compliance reports to the Workplace Gender Equality Agency in 2021. Aurizon's most recent Gender Equality Indicators (as defined in the WGE Act) are available on the Workplace Gender Equality Agency website. Further details on the Company's inclusion and diversity performance and activities can be found on the Company website **aurizon.com.au,** including within Aurizon's Sustainability Report.	
1.6 Board reviews	A performance review is undertaken annually in relation to the Board and the Board Committees. Periodically the Board reviews the individual performance of the Directors (including the Chairman) and engages a professional independent consultant experienced in Board reviews to conduct a review of the Board and its Committees, and the effectiveness of the Board as a whole. In relation to FY21 the Board conducted an internal review of its Board (and its Chairman) and Committees and their effectiveness, with the findings presented to Board.	✓
1.7 Management reviews	Each year the Board sets financial, operational, management and individual targets for the Managing Director & CEO. The Managing Director & CEO (in consultation with the Board) in turn, sets targets for senior executives. Performance against these targets is assessed periodically throughout the year, and a formal performance evaluation for senior executives is completed for the year-end. The Company's Remuneration and People Committee reviews the remuneration and performance management frameworks during the year. In addition, the Managing Director & CEO and each senior executive presents to the Board on the status, progress made and their performance against their set key deliverables. A performance evaluation as described was undertaken for all senior executives in FY21. In respect of the Managing Director & CEO, the evaluation was led by the Chair and discussed with the Remuneration and People Committee.	✓

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

RECOMMENDATION	AURIZON HOLDINGS' COMPLIANCE WITH RECOMMENDATIONS	
2.1 Nominations Committee	The Nomination & Succession Committee comprises three members (including the Chairman), all of whom are Independent Non-Executive Directors. Details of the membership of the Nomination & Succession Committee, including the names and qualifications of the Committee members, are set out on pages 4 to 7 of the Annual Report. The number of meetings held and attended by each member of the Nomination & Succession Committee during the financial year are set out on page 9 of the Directors' Report within the Annual Report. The Charter governing the conduct of the Nomination & Succession Committee is reviewed annually and is available in the Governance section of the Company's website **aurizon.com.au**. Aurizon also has in place a policy on election and appointment of Non-Executive Directors, which is reviewed annually.	✓
2.2 Board skills	The skills listed below have been identified as the optimum skills Aurizon Holdings seeks to achieve across its Board membership. The Aurizon Holdings Board possesses a good blend of these skills.	✓

Corporate Governance Statement
(continued)

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

RECOMMENDATION	AURIZON HOLDINGS' COMPLIANCE WITH RECOMMENDATIONS	
	General › Board experience › Senior management experience › ASX-listed company governance › Risk management. **Industry** › Transport and logistics › Mining and resources › Government relations › Safety, health and environment. **Technical** › Finance and accounting › Regulatory › Corporate strategy › Capital allocation including acquisitions and divestments › Information and operational technology › Capital markets › Engineering and construction › Human resources. Further details regarding the skills and experience of each Director are included on pages 4 to 7 of the Report.	✓
2.3 Disclose independence and length of service	Details regarding which Directors are considered independent and the length of their service are set out on page 4 of the Annual Report. In FY2021, Mr Caplan will have served as a Director of Aurizon Holdings for over 10 years. The Board remains satisfied that the interests of security holders are well served as Mr Caplan continues to bring independent judgment and deep operational understanding of the Company to bear on issues before the Board. Only the Managing Director & CEO is not considered independent, by virtue of the role being an Executive of the Company.	✓
2.4 Majority of Directors independent	In accordance with the Board Charter, the majority of Directors are considered to be independent, and Directors abstain from participating in discussion or voting on matters in which they have a material personal interest. Details regarding which Directors are considered independent and the length of their service are set out on page 4 of the Annual Report and in response to Recommendation 2.3 above..	✓
2.5 Chair independent	The Chairman, Tim Poole, is an Independent Non-Executive Director. The role of Managing Director & CEO is performed by another Director. Further details regarding the Directors are set out on pages 4 to 7 of the Annual Report.	✓
2.6 Induction and professional development	An induction process including appointment letters and ongoing education exists to promote early, active and relevant involvement of new and existing members of the Board. In addition to peer review, interaction and networking with other Directors and industry leaders, Aurizon Holdings' Directors participate, from time-to-time, in Aurizon Holdings' leadership forums and actively engage with Aurizon Holdings' employees by visiting operational sites to gain an understanding of the Company's operating environment. During the year, Directors receive accounting policy updates, especially around the time the Board considers the half-year and full-year financial statements. The Board also receives briefings from time-to-time on legal, accounting, regulation, developments in communication and human resource management and technology. Directors are encouraged and given the opportunity to broaden their knowledge of the business by visiting offices and sites in different locations. During the financial year, Directors made visits to operational sites in Queensland and virtually in New South Wales.	✓

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

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

Principle 4: Safeguard the integrity of corporate reports

RECOMMENDATION	AURIZON HOLDINGS' COMPLIANCE WITH RECOMMENDATIONS	
4.1 Audit Committee	The Audit, Governance & Risk Management Committee comprises four members, all of whom are Independent Non-Executive Directors. Details of the membership of the Audit, Governance & Risk Management Committee, including the names and qualifications of the Committee members, are set out on pages 4 to 7 of the Annual Report. In addition to the Audit, Governance & Risk Management Committee members, the Managing Director & CEO, CFO, Head of Risk & Assurance, external auditors and each Company Secretary attend the Audit, Governance & Risk Management Committee meetings. The number of meetings held and attended by each member of the Audit, Governance & Risk Management Committee during the financial year are set out on page 9 of the Annual Report. The Audit, Governance & Risk Management Committee Charter is reviewed annually and is available on the Company's website **aurizon.com.au**. Among other things, the Audit, Governance & Risk Management Committee reviews the processes that validate the Directors' Report and the Annual Report. The Board, as a whole, has oversight of other corporate reporting, such as investor presentations prepared for full-year and half-year results briefings or at other times.	✓
4.2 CEO and CFO certification of financial statements	The Board has obtained a written assurance from the Managing Director & CEO and CFO that the declaration provided under Section 295A of the *Corporations Act 2001* (and for the purposes of Recommendation 4.2) is founded on a sound system of risk management and internal control, and that the system is operating effectively in all material respects in relation to financial reporting and material business risks.	✓
4.3 Disclose processes to verify the integrity of periodic corporate reports released to the market	The periodic corporate reports, being the half-year and full-year financial statements, including the Company's Annual Report, are underpinned by a certification process whereby each Group Executive and finance partner for each Business Unit responds to set questionnaires and signs a certification. This process provides verification and sign off for the Managing Director & CEO and CFO then to provide a signed representation letter to the external auditors and also a signed declaration to the Board that supports that the accounts provide a true and fair view, and that there is integrity in the statements that the financial statements comply with the *Corporations Act 2001* and relevant Accounting standards. The certification process is reviewed annually with the view that it remains current having regard to any changes in the *Corporations Act 2001,* accountings standards or governance. In FY2021, the Company also provided quarterly above rail volume reports to the market. These reports are verified by each of the respective business unit Group Executives. For other types of periodic corporate reports (including the annual Director's Report), the Company conducts an internal review and verification process to ensure that such reports, are materially accurate, balanced and provide investors with appropriate information. Where applicable, the relevant reports will be approved in accordance with the Company's Disclosure and Communication Policy. The annual Sustainability Report draws upon information that is verified by respective Business Units through existing verification processes as described above, and undergoes an internal review process. In addition, Aurizon's greenhouse gas emissions data (scope 1, 2 and 3) provided in the Sustainability Report also undergoes an external, independent assurance process. A statement of limited assurance is provided in the annual Sustainability Report.	✓

Principle 5: Make timely and balanced disclosure

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

Corporate Governance Statement (continued)

Principle 6: Respect the rights of security holders

RECOMMENDATION	AURIZON HOLDINGS' COMPLIANCE WITH RECOMMENDATIONS	
6.1 Information on website	Aurizon Holdings keeps investors informed of its corporate governance, financial performance and prospects via announcements to the ASX and Aurizon's website. Investors can access copies of all announcements to the ASX, notices of meetings, annual reports, investor presentations, webcasts and/or transcripts of those presentations and a key event calendar via the 'Investors' tab. Investors can access general information regarding the Company and the structure of its business under the 'Company', 'What we deliver' and 'Sustainability' tabs.	✓
6.2 Investor relations programs	Aurizon Holdings conducts regular market briefings including in relation to its half-year and full-year results announcements, investor days, site visits, and attends regional and industry-specific conferences in order to facilitate effective two-way communication with investors and other financial markets participants. Access to senior executives and operational management is provided to investors and analysts at these events, with separate one-on-one or group meetings offered, whenever possible. The presentation material provided at these events is sent to the ASX prior to commencement and subsequently posted on the 'Investors' tab on Aurizon's website, including the webcast and transcript, if applicable.	✓
6.3 Facilitate and encourage participation at meetings of security holders	Aurizon Holdings uses technology to facilitate the participation of security holders in meetings including webcasting of the Annual General Meeting. In 2020, Aurizon Holdings hosted the Annual General Meeting virtually giving security holders the opportunity to attend, ask questions and vote online or by proxy. Shareholders are encouraged to participate and are given an opportunity to ask questions of the Company and its auditor at the Annual General Meeting.	✓
6.4 Resolutions decided by Poll	All resolutions put to shareholders at the Company's Annual General Meeting are determined by Poll.	✓
6.5 Option to receive communications electronically	Aurizon provides shareholders the option to receive communications from, and send communications to, the Company and the share registry electronically.	✓

Principle 7: Recognise and manage risk

RECOMMENDATION	AURIZON HOLDINGS' COMPLIANCE WITH RECOMMENDATIONS	
7.1 Risk Committee	Aurizon Holdings' Audit, Governance & Risk Management Committee oversees the process for identifying and managing material risks faced by the Company in accordance with the Aurizon Risk Management Framework (Risk Policy), and undertakes the functions of a risk committee as set out in the ASX Principles and Recommendations. Further details regarding the Committee, its membership, charter, and the number of meetings held during the financial year and attendence at those meetings, is set out in response to Recommendation 4.1 and on page 9 of the Annual Report.	✓
7.2 Annual risk review	The Board reviews Aurizon Holdings' Enterprise Risk Management Framework and Appetite at least annually to approve updates, where required. In FY2021, the Board considered updates to and reviewed the Enterprise Risk Management Framework. The Audit, Governance & Risk Management Committee also monitors management's performance against the Company's Enterprise Risk Management Framework, including whether it is operating within the risk appetite set by the Board. The Executive Committee regularly reviews and updates the enterprise risk profile to satisfy itself that Aurizon is operating with due regard to the risk appetite set by the Board. The Company's Risk and Assurance Function is responsible for providing oversight of the risk management framework and assurance on the management of significant risks to the Managing Director & CEO and the Board.	✓
7.3 Internal audit	The Company has an Assurance (internal audit) function that operates under a Board-approved Internal Audit Charter. The Assurance function is independent of management and the external auditor and is overseen by the Audit, Governance & Risk Management Committee. In accordance with the Committee Charter, the Committe's role includes making recommendations to the Board in relation to the appointment or removal of the Head of Risk & Assurance. The Head of Risk & Assurance provides ongoing Assurance reports to the Audit, Governance & Risk Management Committee, as well as an annual assessment of the adequacy and effectiveness of the Company's control processes and risk management procedures.	✓
7.4 Sustainability risks	Aurizon Holdings discloses material exposures to environmental, social and governance (ESG) risks and associated risk management strategies through our annual Sustainability Report. During FY2021, the Company published its seventh Sustainability Report (for the period ended 30 June 2020). A copy of this report is available in the Sustainability section of the Company's website **aurizon.com.au**. Aurizon Holdings' FY2021 Sustainability Report will be published in October 2021. This will be the fifth reporting period in which Aurizon incorporates recommendations from the Financial Stability Board's (FSB) Final Report: Recommendation of the Task Force on Climate-related Financial Disclosures (TCFD), released in June 2017. Aurizon Holdings acknowledges and supports the objectives of the Paris Agreement to find a pathway to limiting global warming to below 2°C. Aurizon Holdings also acknowledges the objectives of the Paris Agreement to pursue efforts to limit the temperature increase even further to 1.5°C. Climate change is affecting a wide range of industries globally, resulting in financial implications. Transition risks, related to energy policy, regulation, technology and market shifts (that are necessary to achieve the transition to a low-carbon economy) will affect the demand for the commodities that Aurizon Holdings hauls.	✓

Principle 7: Recognise and manage risk (continued)

RECOMMENDATION	AURIZON HOLDINGS' COMPLIANCE WITH RECOMMENDATIONS	
7.4 Sustainability risks (continued)	Physical risks related to extreme weather events will also continue to affect Aurizon Holdings through supply chain disruptions. The Company's primary channel for engaging with stakeholders on all ESG matters, including our climate-related disclosures, is through the publication of our Sustainability Report, which is updated and issued annually. During FY2021, Aurizon Holdings published its inaugural *Climate Strategy and Action Plan* which consolidated Aurizon's position on climate change underpinned by long-term strategies, actions and targets to mitigate climate risk and leverage emerging opportunities. A copy of the Company's Climate Strategy and Action Plan is available in the Sustainability section of the Company's website. Aurizon Holdings commits to supporting and respecting the protection of internationally proclaimed human rights, as set out in the Universal Declaration of Human Rights and the 10 principles of the United Nations Global Compact. Aurizon Holdings understands its responsibility to respect human rights and has committed to providing transparency on any risks that exist in the Company's supply chain and how they are being addressed. In accordance with legislation, in FY2021, the Company published its first Modern Slavery Statement, which described the modern slavery risks associated with its business activities and actions taken to address those risks. A copy of the Modern Slavery Statement is available in the Sustainability section of the Aurizon website.	

Principle 8: Remunerate fairly and responsibly

RECOMMENDATION	AURIZON HOLDINGS' COMPLIANCE WITH RECOMMENDATIONS	
8.1 Remuneration Committee	Aurizon Holdings' remuneration function is performed by the Remuneration and People Committee, comprising four members, all of whom are Independent Non-Executive Directors. Details of the membership of the Remuneration and People Committee, including the names and qualifications of the Committee members, are set out on pages 4 to 7 of the Annual Report. The number of meetings held and attended by each member of the Remuneration and People Committee during the financial year are set out on page 9 of the Annual Report. The Charter governing the conduct of the Remuneration and People Committee is reviewed annually and is available in the Governance section of the Company's website **aurizon.com.au**.	✓
8.2 Disclosure of Executive and Non-Executive Director remuneration policy	The Company seeks to attract and retain high performing Directors and senior executives with appropriate skills, qualifications and experience to add value to the Company and fulfil the roles and responsibilities required. It reviews requirements for additional capabilities at least annually. Executive remuneration is to reflect performance and accordingly, remuneration is structured with a fixed component and a performance-based component. Non-Executive Directors are paid fixed fees for their services in accordance with the Company's Constitution. The Chairman's fee is inclusive of fees for Committee membership and the other Non-Executive Directors are paid a fixed base fee plus Committee fees, as applicable. Further detail is set out in the Remuneration Report on page 37. The Company has in place a Share Holding and Retention Policy which applies to Non-Executive Directors, the Managing Director & CEO and the direct reports of the Managing Director & CEO. Further details regarding remuneration and share retention policies, and the remuneration of senior executives and Non-Executive Directors, are set out on pages 26 to 40 of the Annual Report. The Company also has in place a Related Party Transaction Policy. The policy and disclosures under that policy are reviewed annually by the Board. During the year, there were no agreements entered for the provision of consulting or similar services by a Director or senior executive, or by a related party of a Director or senior executive.	✓
8.3 Policy on hedging equity incentive schemes	Aurizon Holdings' Executives must not enter into any hedge arrangement in relation to any performance rights they may be granted or otherwise entitled to under an incentive scheme or plan, prior to exercising those rights or, once exercised, while the securities are subject to a transfer restriction. For the purposes of this policy, hedging includes the entry into any transaction, arrangement or financial product which operates to limit the economic risk of a security holding in the Company and includes financial instruments such as equity swaps and contracts for differences. The term 'Executive' is broadly defined to include the Managing Director & CEO and his direct reports and any other person entitled to participate in an Aurizon Holdings performance rights plan. Further details regarding the Company's hedging policy are set out in the Company's Securities Dealing Policy which is available on the Governance section of the website **aurizon.com.au**.	✓

Principle 9: Additional recommendations

RECOMMENDATION	AURIZON HOLDINGS' COMPLIANCE WITH RECOMMENDATIONS
9.1 – 9.3 Additional recommendations	Recommendations 9.1 – 9.3 of the ASX Principle and Recommendations do not apply to Aurizon Holdings, and did not at any stage during FY21, and are therefore not relevant to the period.

Financial Report
for the year ended 30 June 2021

FINANCIAL STATEMENTS

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Consolidated income statement

for the year ended 30 June 2021

	Notes	2021 $m	2020 $m
Revenue from continuing operations	2	**3,005.9**	3,061.6
Other income		**21.6**	108.4
Total revenue and other income		**3,027.5**	**3,170.0**
Employee benefits expense	3	**(836.2)**	(791.6)
Energy and fuel		**(191.4)**	(231.3)
Track access		**(81.1)**	(107.2)
Consumables		**(416.2)**	(440.7)
Depreciation and amortisation	3	**(579.1)**	(558.6)
Impairment losses		**(3.1)**	(5.7)
Other expenses		**(9.4)**	(20.4)
Share of net profit/(loss) of associates and joint ventures accounted for using the equity method		**0.3**	(0.1)
Operating profit		**911.3**	1,014.4
Finance income		**4.1**	2.5
Finance expenses	3	**(149.4)**	(151.0)
Net finance costs		**(145.3)**	(148.5)
Profit before income tax		**766.0**	865.9
Income tax expense	4	**(159.3)**	(260.8)
Profit from continuing operations after tax		**606.7**	605.1
Profit from discontinued operations after tax	23	**123.6**	10.8
Profit for the year attributable to owners of Aurizon Holdings Limited		**730.3**	**615.9**

		Cents	Cents
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of Aurizon Holdings Limited	5		
Basic earnings per share		**32.5**	31.0
Diluted earnings per share		**32.4**	30.9
Earnings per share for profit attributable to the ordinary equity holders of Aurizon Holdings Limited	5		
Basic earnings per share		**39.1**	31.5
Diluted earnings per share		**39.0**	31.5

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

Consolidated statement of comprehensive income

for the year ended 30 June 2021

	Notes	2021 $m	2020 $m
Profit for the year		**730.3**	615.9
Other comprehensive income/(expense)			
Items that may be reclassified to profit or loss:			
Changes in the fair value of cash flow hedges	16(b)	**22.1**	(35.7)
Income tax relating to changes in fair value of cash flow hedges	16(b)	**(6.6)**	10.7
Exchange differences on translation of foreign operations	16(b)	**(0.1)**	–
Reclassification to profit or loss on disposal of shares in associate	16(b)	**1.8**	–
Other comprehensive income/(expense) for the year, net of tax		**17.2**	(25.0)
Total comprehensive income for the year attributable to owners of Aurizon Holdings Limited		**747.5**	**590.9**

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

Consolidated balance sheet
as at 30 June 2021

	Notes	2021 $m	2020 $m
ASSETS			
Current assets			
Cash and cash equivalents		**148.8**	29.3
Trade and other receivables	6	**483.8**	460.1
Inventories	7	**150.4**	145.8
Derivative financial instruments	18(a)	**0.1**	0.2
Current tax receivables		**8.5**	–
Other assets	10	**15.3**	14.8
Assets classified as held for sale	24	**5.0**	65.1
Total current assets		**811.9**	715.3
Non-current assets			
Inventories	7	**45.9**	38.1
Derivative financial instruments	18(a)	**125.0**	220.8
Property, plant and equipment	8	**8,483.2**	8,537.1
Intangible assets	9	**193.9**	187.5
Other assets	10	**78.6**	70.5
Investments accounted for using the equity method	19	**26.1**	2.7
Total non-current assets		**8,952.7**	9,056.7
Total assets		**9,764.6**	9,772.0
LIABILITIES			
Current liabilities			
Trade and other payables	11	**269.1**	323.0
Borrowings	17	**59.0**	657.6
Derivative financial instruments	18(a)	**0.6**	35.1
Current tax liabilities		**–**	83.4
Provisions	12	**296.9**	271.3
Other liabilities	13	**91.6**	101.3
Liabilities directly associated with assets classified as held for sale		**–**	0.7
Total current liabilities		**717.2**	1,472.4
Non-current liabilities			
Borrowings	17	**3,679.0**	2,949.6
Derivative financial instruments	18(a)	**66.6**	45.7
Deferred tax liabilities	4(c)	**705.9**	605.3
Provisions	12	**64.2**	64.0
Other liabilities	13	**257.1**	277.3
Total non-current liabilities		**4,772.8**	3,941.9
Total liabilities		**5,490.0**	5,414.3
Net assets		**4,274.6**	**4,357.7**
EQUITY			
Contributed equity	16(a)	**206.6**	506.6
Reserves	16(b)	**3,410.5**	3,395.1
Retained earnings		**657.5**	456.0
Total equity		**4,274.6**	**4,357.7**

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

Consolidated statement of changes in equity

for the year ended 30 June 2021

		Attributable to owners of Aurizon Holdings Limited			
	Notes	Contributed equity $m	Reserves $m	Retained earnings $m	Total equity $m
Balance at 1 July 2020		**506.6**	**3,395.1**	**456.0**	**4,357.7**
Profit for the year		**–**	**–**	**730.3**	**730.3**
Other comprehensive income	16(b)	**–**	**17.2**	**–**	**17.2**
Total comprehensive income for the year		**–**	**17.2**	**730.3**	**747.5**
Transactions with owners in their capacity as owners:					
Buy-back of ordinary shares	16(a)	**(300.0)**	**–**	**–**	**(300.0)**
Dividends provided for or paid	15	**–**	**–**	**(528.8)**	**(528.8)**
Share-based payments	16(b)	**–**	**(1.8)**	**–**	**(1.8)**
		(300.0)	**(1.8)**	**(528.8)**	**(830.6)**
Balance at 30 June 2021		**206.6**	**3,410.5**	**657.5**	**4,274.6**
Balance at 1 July 2019		906.6	3,418.5	352.3	4,677.4
Adjustment on adoption of AASB 16		–	–	1.6	1.6
Total equity at the beginning of the financial year		906.6	3,418.5	353.9	4,679.0
Profit for the year		–	–	615.9	615.9
Other comprehensive expense	16(b)	–	(25.0)	–	(25.0)
Total comprehensive income/(expense) for the year		–	(25.0)	615.9	590.9
Transactions with owners in their capacity as owners:					
Buy-back of ordinary shares	16(a)	(400.0)	(0.4)	–	(400.4)
Dividends provided for or paid	15	–	–	(513.8)	(513.8)
Share-based payments	16(b)	–	2.0	–	2.0
		(400.0)	1.6	(513.8)	(912.2)
Balance at 30 June 2020		506.6	3,395.1	456.0	4,357.7

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 2021

	Notes	2021 $m	2020 $m
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**3,326.3**	3,407.6
Payments to suppliers and employees (inclusive of GST)		**(1,884.4)**	(2,032.1)
Interest received		**4.2**	2.8
Income taxes paid		**(175.6)**	(146.5)
Principal elements of lease receipts		**6.5**	5.7
Net cash inflow from operating activities from continuing operations	25	**1,277.0**	1,237.5
Net cash (outflow)/inflow from operating activities from discontinued operations	23	**(23.0)**	9.9
Net cash inflow from operating activities		**1,254.0**	**1,247.4**
Cash flows from investing activities			
Payment for acquisition of subsidiary (net of cash acquired) and investment in joint venture	22	**(63.5)**	(24.5)
Payments for property, plant and equipment		**(496.6)**	(492.3)
Proceeds from sale of business and shares held in associate		**10.0**	165.3
Proceeds from sale of property, plant and equipment		**38.5**	15.8
Payments for intangibles		**(18.2)**	(32.1)
Interest paid on qualifying assets	3	**(3.7)**	(3.9)
Distributions received from associates		**0.4**	–
Net cash outflow from investing activities from continuing operations		**(533.1)**	(371.7)
Net cash inflow from investing activities from discontinued operations	23	**168.8**	0.4
Net cash outflow from investing activities		**(364.3)**	**(371.3)**
Cash flows from financing activities			
Proceeds from borrowings		**1,130.6**	702.0
Repayment of borrowings		**(889.0)**	(486.0)
Payments of transaction costs related to borrowings		**(5.4)**	(4.8)
Principal elements of lease payments		**(16.4)**	(14.6)
Interest paid		**(155.3)**	(151.1)
Payments for buy-back of ordinary shares		**(300.0)**	(400.0)
Payments of transaction costs for buy-back of ordinary shares		**(0.3)**	(0.4)
Payments for shares acquired for share-based payments		**(5.7)**	(3.2)
Dividends paid to Company's shareholders	15	**(528.8)**	(513.8)
Net cash outflow from financing activities from continuing operations		**(770.3)**	(871.9)
Net cash inflow/(outflow) from financing activities from discontinued operations	23	**–**	–
Net cash outflow from financing activities		**(770.3)**	**(871.9)**
Net decrease in cash and cash equivalents from continuing operations		**(26.4)**	(6.1)
Net increase in cash and cash equivalents from discontinued operations	23	**145.8**	10.3
Cash and cash equivalents at the beginning of the financial year		**29.3**	25.2
Effects of exchange rate changes on cash and cash equivalents		**0.1**	(0.1)
Cash and cash equivalents at end of the financial year		**148.8**	**29.3**

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

Notes to the consolidated financial statements
30 June 2021

About this report

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

The financial report is a general purpose financial report which:

- has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB);
- has been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value;
- is presented in Australian dollars, with values rounded to the nearest $100,000 unless otherwise stated, in accordance with the *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191;*
- presents reclassified comparative information where required for consistency with current year presentation;
- adopts all new and amended Accounting Standards and Interpretations issued by the AASB that are relevant to the operations of the Group and effective for reporting periods beginning on or after 1 July 2020; and
- has applied the Group accounting policies consistently to all periods presented.

The general purpose financial report for the Group for the year ended 30 June 2021 (FY2021) has been authorised for issue in accordance with a resolution of the Directors on 9 August 2021. The Directors have the power to amend and reissue the financial report.

SIGNIFICANT JUDGEMENTS AND ESTIMATES

The preparation of the financial statements requires management to exercise judgement in applying the Group's accounting policies. It also requires the use of estimates and assumptions of assets, liabilities, income and expense.
The areas involving a higher degree of judgement or complexity are set out below and in more detail in the related notes:

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

Other accounting policies

Significant and other accounting policies that summarise the measurement basis used, and are relevant to an understanding of the financial statements, are provided throughout the notes to the financial statements.

The notes to the financial statements

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

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

Key events and transactions for the reporting period

(a) Access revenue

2017 Access Undertaking

The Weighted Average Cost of Capital (WACC) applied under the 2017 Access Undertaking is 5.90%, increasing to 6.30% upon completion of an independent capacity assessment of the Central Queensland Coal Network (CQCN). In the event that a capacity deficit is identified, the WACC increase to 6.30% will commence when Aurizon Network Pty Ltd (a wholly owned subsidiary of the Group) notifies relevant parties of proposed options to address the deficit. The Independent Expert continues the development of the Initial Capacity Assessment Report (ICAR) with the assistance of external consultants. The Independent Expert has advised that the ICAR is expected to be completed at the end of September 2021.

The 2017 Access Undertaking assumed the independent capacity assessment would be complete by 1 March 2020 and therefore, a WACC of 6.30% applied for FY2021. As a result of the delay in the independent capacity assessment, there has been an over-collection of access charges in FY2021 (the difference between 5.90% and 6.30%). The over-collection of access charges in FY2021 has been partially offset by lower revenue resulting from reduced actual volumes (net of Take-or-Pay triggering in four rail network systems). A net under or over recovery of access charges by system after adjustments forms part of the revenue adjustment amount (revenue cap). The FY2021 net revenue cap adjustment is a recovery by customers of up to $16.0 million through tariff adjustments in FY2023. The FY2021 revenue cap adjustment is subject to approval by the Queensland Competition Authority (QCA).

Access revenue for the period has been recognised based on the 2017 Access Undertaking applying a WACC rate of 6.30% (2020: average WACC rate of 6.03%).

Notes to the consolidated financial statements

30 June 2021 (continued)

Key events and transactions for reporting period (continued)

(a) Access revenue (continued)

Wiggins Island Rail Project (WIRP)

On 1 September 2020, the Queensland Court of Appeal affirmed the Supreme Court decision in the Group's favour and the WIRP customers did not seek leave to appeal that decision. As a result, the Group was able to charge customers non-regulated WIRP fees with effect from March 2016 and commenced billing in November 2020.

The WIRP customers previously initiated other disputes under their respective WIRP Deeds which were the subject of an Expert Determination in February 2019. The Expert's Determination was issued on 4 June 2019 and found that the WIRP fee should be partially reduced. Aurizon Network Pty Ltd lodged proceedings against the WIRP customers in the Supreme Court of Queensland on 18 December 2020 to appeal the Expert's Determination and the WIRP customers filed their defence on 1 March 2021.

The amount of WIRP fees ultimately payable by WIRP customers will be dependent upon finalisation of the appeal of the Expert's Determination and finalisation of a cost variation factor related to WIRP project costs. WIRP fees of $60.3 million, including $48.9 million of historical fees (relating to FY2016 – FY2020), have been recognised in FY2021 (2020: $nil).

(b) Disposals

- On 26 March 2021, the Group completed the sale of the Acacia Ridge Intermodal Terminal to Pacific National. The net gain on sale before income tax of $161.1 million has been classified as a significant item in discontinued operations.
- On 26 May 2021, the Group sold its shares held in Aquila Resources Limited to Mineral Resources Limited for $10.0 million. As a result of the sale, the Group has recognised a tax benefit of $67.8 million for a previously unrecognised deferred tax asset associated with the impairment of the carrying amount of the shares held in FY2016. The net gain on sale before income tax of $8.2 million has been classified as a significant item in earnings before income tax (EBIT). The net income tax benefit of $65.3 million has been recognised as a significant item in profit after tax.

(c) Acquisition of subsidiaries and interests in joint ventures

During the year, the Group:

- acquired a 41.67% investment in Ox Mountain Limited (UK registered), a maintenance software developer and provider, for consideration of $22.4 million on 28 August 2020. The investment is accounted for using the equity method of accounting; and
- acquired 100% of the issued shares in ConPorts Pty Ltd (renamed to Aurizon Port Services NSW Pty Ltd), a shiploading services provider in Newcastle, for consideration of $42.7 million on 31 December 2020. The acquisition includes long-term leases at the Port of Newcastle with shiploading facilities adjacent to rail lines.

Refer to note 22 for further information.

(d) Debt refinancing

During the year, Aurizon Network Pty Ltd:

- issued a $500.0 million 10-year fixed Medium-Term Note (Network AMTN 4) maturing 2 September 2030;
- repaid a $525.0 million fixed Medium-Term Note (Network AMTN 1) maturing 28 October 2020;
- reduced the $850.0 million Bilateral Facility maturing 5 June 2023 by $100.0 million to $750.0 million;
- issued a $75.0 million 10.5-year fixed Private Placement (Network AMTN 5) maturing 15 December 2031; and
- re-financed an existing $100.0 million Working Capital Facility in December 2020 until June 2021, which was subsequently extended to June 2022 at a limit of $75.0 million.

During the year, Aurizon Finance Pty Ltd:

- added $175.0 million to the existing $450.0 million Bilateral Facilities in November 2020, increasing total limits across the facilities to $625.0 million. The existing $450.0 million facilities mature 26 November 2023. The additional facilities mature 5 June 2023 ($50.0 million), 3 November 2023 ($50.0 million) and 3 November 2025 ($75.0 million);
- issued a $500.0 million seven-year fixed Medium-Term Note (Finance AMTN 1) maturing 9 March 2028; and
- re-financed an existing $150.0 million Working Capital Facility in December 2020 until June 2021, which was subsequently extended to June 2022 at a limit of $125.0 million.

(e) On-market share buy-back scheme

The Group completed an on-market share buy-back program on 15 March 2021. The Group acquired 73.9 million shares for total consideration of $300.0 million.

Results for the year

IN THIS SECTION

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

Notes to the consolidated financial statements
30 June 2021 (continued)

1 Segment information

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

The following segment information has been presented for continuing operations only. Refer to note 23 for the financial results of the divested Intermodal business.

(a) Description of reportable segments

The following summary describes the operations of each reportable segment:

Network

This segment manages the provision of access to, and operation of, the CQCN, provision of maintenance and renewal of Network assets.

Coal

This segment provides transport of coal from mines in Queensland and New South Wales to end customers and ports.

Bulk

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

Other

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

1 Segment information (continued)

(b) Segment information

The results of the reportable segments are set out as below:

	Network $m	Coal $m	Bulk $m	Other $m	Total continuing operations $m
30 June 2021					
External revenue					
Revenue from external customers					
Services revenue					
Track access	**721.3**	**445.1**	**–**	**–**	**1,166.4**
Freight transport	**–**	**1,163.6**	**594.8**	**–**	**1,758.4**
Other services	**9.3**	**–**	**20.3**	**6.0**	**35.6**
Other revenue	**31.2**	**3.4**	**1.3**	**9.6**	**45.5**
Total revenue from external customers	**761.8**	**1,612.1**	**616.4**	**15.6**	**3,005.9**
Internal revenue					
Services revenue					
Track access	**457.6**	**–**	**–**	**–**	**457.6**
Freight transport	**–**	**–**	**17.4**	**–**	**17.4**
Other services	**5.5**	**–**	**1.0**	**3.4**	**9.9**
Total internal revenue	**463.1**	**–**	**18.4**	**3.4**	**484.9**
Total external and internal revenue	**1,224.9**	**1,612.1**	**634.8**	**19.0**	**3,490.8**
Other income	**–**	**–**	**–**	**13.4**	**13.4**
Total revenue and other income	**1,224.9**	**1,612.1**	**634.8**	**32.4**	**3,504.2**
Internal revenue elimination					**(484.9)**
Consolidated revenue and other income					**3,019.3**
Continuing EBITDA (Underlying)[1]	**848.8**	**533.3**	**139.9**	**(39.8)**	**1,482.2**
Depreciation and amortisation	**(339.7)**	**(208.7)**	**(27.9)**	**(2.8)**	**(579.1)**
Continuing EBIT (Underlying)[1]	**509.1**	**324.6**	**112.0**	**(42.6)**	**903.1**
Significant adjustments (note 1(c))					**8.2**
EBIT[1]					**911.3**
Net finance costs					**(145.3)**
Profit before income tax from continuing operations					**766.0**

1 Refer to page 107 for Non-IFRS Financial Information.

1 Segment information (continued)

(b) Segment information (continued)

	Network $m	Coal $m	Bulk $m	Other $m	Total continuing operations $m
30 June 2020					
External revenue					
Revenue from external customers					
Services revenue					
Track access	617.4	512.8	–	–	1,130.2
Freight transport	–	1,260.3	568.8	–	1,829.1
Other services	18.7	–	23.1	16.2	58.0
Other revenue	29.0	2.2	1.0	12.1	44.3
Total revenue from external customers	665.1	1,775.3	592.9	28.3	3,061.6
Internal revenue					
Services revenue					
Track access	514.3	–	–	–	514.3
Freight transport	–	–	14.6	–	14.6
Other services	9.1	–	1.3	9.4	19.8
Total internal revenue	523.4	–	15.9	9.4	548.7
Total external and internal revenue	1,188.5	1,775.3	608.8	37.7	3,610.3
Other income	–	–	–	3.0	3.0
Total revenue and other income	1,188.5	1,775.3	608.8	40.7	3,613.3
Internal revenue elimination					(548.7)
Consolidated revenue and other income					3,064.6
Continuing EBITDA (Underlying)[1]	798.1	616.4	110.1	(57.0)	1,467.6
Depreciation and amortisation	(329.3)	(205.8)	(20.2)	(3.3)	(558.6)
Continuing EBIT (Underlying)[1]	468.8	410.6	89.9	(60.3)	909.0
Significant adjustments (note 1(c))					105.4
EBIT[1]					1,014.4
Net finance costs					(148.5)
Profit before income tax from continuing operations					865.9

1 Refer to page 107 for Non-IFRS Financial Information.

Notes to the consolidated financial statements

30 June 2021 (continued)

1 Segment information (continued)

(c) Significant adjustments

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

	2021 $m	2020 $m
Net gain on sale of shares in Aquila (before income tax)	**8.2**	–
Net gain on sale of Rail Grinding business (before income tax)	**–**	105.4
	8.2	105.4

Total significant adjustments from continuing operations net of tax is $73.5 million (2020: $73.8 million) and is reconciled in the Non-IFRS Financial Information on page 107.

(d) Customer disclosure

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

	2021 $m	2020 $m	2021 credit rating	2020 credit rating
Customer 1	**530.5**	522.2	**A**	A
Customer 2	**418.8**	438.2	**BBB+**	BBB+
Total	**949.3**	960.4		

2 Revenue

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

The Group derives the following types of revenue:

	2021 $m	2020 $m
Services revenue		
Track access	**1,166.4**	1,130.2
Freight transport	**1,758.4**	1,829.1
Other services	**35.6**	58.0
Other revenue	**45.5**	44.3
Total revenue from continuing operations	**3,005.9**	3,061.6

(a) Disaggregation of revenue from contracts with customers

The Group derives revenue from the provision of services over time. Revenue is disaggregated by the Group's reportable segments, refer to note 1(b).

(b) Contract assets and liabilities

(i) Contract assets

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

	2021 $m	2020 $m
Current		
Contract assets for freight transport	**2.1**	1.3
Non-current		
Contract assets for freight transport	**37.1**	21.9

Contract assets primarily represent incremental costs incurred to secure new, or extensions to existing, customer contracts. These amounts are capitalised and amortised against revenue as the performance obligations are satisfied over time. No provision for impairment of contracts assets has been recognised, refer to accounting policy in note 6 (2020: $nil).

	2021 $m	2020 $m
Within one year	**2.1**	1.3
Later than one year but not later than five years	**32.9**	16.3
Later than five years	**4.2**	5.6
	39.2	23.2

(ii) Contract liabilities

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

	2021 $m	2020 $m
Current		
Advances for track access	**26.3**	–
Advances for freight transport	**4.8**	2.0
Advances for other services	**25.4**	26.5
	56.5	28.5
Non-current		
Advances for freight transport	**11.8**	14.4
Advances for other services	**123.2**	136.0
	135.0	150.4

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

2 Revenue (continued)

(b) Contract assets and liabilities (continued)

(ii) Contract liabilities (continued)

	2021 $m	2020 $m
Within one year	**56.5**	28.5
Later than one year but not later than five years	**99.8**	109.7
Later than five years	**35.2**	40.7
	191.5	178.9

The increase in contract liabilities represents revenue received in advance for non-regulated track access charges, offset by revenue recognised for prepayments from future access charges in previous financial years.

(iii) Revenue recognised in relation to contract liabilities

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

	2021 $m	2020 $m
Revenue recognised that was included in the contract liability balance at the beginning of the year		
Advances for freight transport	**4.5**	0.4
Advances for other services	**26.5**	26.8
	31.0	27.2

(iv) Unsatisfied performance obligations

The Group has a number of long-term contracts to provide services to customers in future periods. Revenue is recognised on an as-invoiced basis, except for contracts that have a contract asset or a contract liability balance. For all other contracts, the right to consideration from a customer corresponds directly with the Group's performance obligations completed to date.

Long-term track access and freight transport contracts are considered to be a series of annual performance obligations that are satisfied within each financial year. Any amounts received in advance are recognised over the term of the agreement as performance obligations are satisfied. The Group applies the practical expedient in paragraph 121 of AASB 15 *Revenue from Contracts with Customers* (AASB 15) and does not disclose information on the transaction price allocated to performance obligations that are unsatisfied.

All other track access and freight transport contracts for periods of one year or less are billed monthly based on the services provided. As permitted under AASB 15 the transaction price allocated to these unsatisfied performance obligations are not disclosed.

SIGNIFICANT JUDGEMENTS AND ESTIMATES

Take-or-Pay revenue

Aurizon Network Pty Ltd is able to recover in the financial year part of an Allowable Revenue shortfall through Take-or-Pay clauses which may trigger when annual volumes railed are less than the regulatory forecast. Take-or-Pay is calculated based on management's judgement of below rail cause and above rail operator and/or mine cancellations. This judgement impacts the calculation of Take-or-Pay and the receivable recognised in the year that the contractual railings were not achieved. Take-or-Pay revenue of $77.5 million has been recognised at 30 June 2021 (2020: $25.6 million).

Wiggins Island Rail Project (WIRP) Access Revenue

On 1 September 2020, the Queensland Court of Appeal affirmed the Supreme Court decision in the Group's favour and the WIRP customers did not seek leave to appeal that decision. As a result, the Group was able to charge customers non-regulated WIRP fees with effect from March 2016 and commenced billing in November 2020.

The WIRP customers previously initiated other disputes under their respective WIRP Deeds which were the subject of an Expert Determination in February 2019. The Expert's Determination was issued on 4 June 2019 and found that the WIRP fee should be partially reduced. Aurizon Network Pty Ltd lodged proceedings against the WIRP customers in the Supreme Court of Queensland on 18 December 2020 to appeal the Expert's Determination and the WIRP customers filed their defence on 1 March 2021.

The amount of WIRP fees ultimately payable by WIRP customers will be dependent upon finalisation of the appeal of the Expert's Determination and finalisation of a cost variation factor related to the WIRP project costs. WIRP fees of $60.3 million, including $48.9 million of historical fees (relating to FY2016 – FY2020), have been recognised in FY2021 (2020: $nil).

Freight Transport Contract Modifications

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

(c) Accounting policies

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

(i) Track access

Track access revenue is generated from the provision of access to, and operation of, the CQCN under an approved Access Undertaking. Track access revenue is recognised over time as access to the rail network is provided and is measured on a number of operating parameters including volumes hauled applied to regulator approved tariffs.

Notes to the consolidated financial statements
30 June 2021 (continued)

2 Revenue (continued)

(c) Accounting policies (continued)

(i) Track access (continued)

The tariffs charged are determined with reference to the total allowable revenue, applied to the regulatory approved annual volume forecast for each rail system. At each balance date, track access revenue includes an amount of revenue for which performance obligations have been met under the respective contract but have not yet settled. These amounts are recognised as trade receivables.

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

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

Access revenue for the financial year has been recognised based on the 2017 Access Undertaking applying a WACC rate of 6.30% (2020: average WACC rate of 6.03%). Refer to key events and transactions for the reporting period for further information.

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

(ii) Freight transport

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

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

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

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

(iii) Capitalisation of customer contract costs

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

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

3 Expenses

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

	2021 $m	2020 $m
Employee benefits expense		
Salaries, wages and allowances including on-costs	**753.2**	707.5
Defined contribution superannuation expense	**59.4**	57.9
Defined benefit superannuation expense	**9.7**	10.2
Redundancies	**13.9**	16.0
	836.2	791.6
Depreciation and amortisation		
Depreciation of property, plant and equipment	**547.8**	530.8
Amortisation of intangibles	**31.3**	27.8
	579.1	558.6
Finance expenses		
Interest and finance charges paid/payable	**149.8**	152.3
Discounting on land rehabilitation provision	**0.2**	–
Interest paid on lease liability	**5.1**	5.1
Amortisation of capitalised borrowing costs	**4.2**	3.8
Amortisation of AMTN 2 fair value adjustment	**(2.4)**	(2.4)
Counterparty credit risk adjustments	**(3.8)**	(3.9)
	153.1	154.9
Capitalised interest paid on qualifying assets	**(3.7)**	(3.9)
	149.4	151.0

Notes to the consolidated financial statements
30 June 2021 (continued)

4 Income tax

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

(a) Income tax expense

	2021 $m	2020 $m
Current tax	**153.4**	186.6
Deferred tax	**60.2**	81.2
Current tax relating to prior periods	**(31.5)**	1.1
Deferred tax relating to prior periods	**29.6**	(3.7)
	211.7	265.2
Income tax expense is attributable to:		
Profit from continuing operations	**159.3**	260.8
Profit from discontinued operations (note 23(b))	**52.4**	4.4
	211.7	265.2
Deferred income tax expense included in income tax expense comprises:		
Decrease in deferred tax assets	**43.6**	11.8
Increase in deferred tax liabilities	**46.2**	65.7
	89.8	77.5

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

	2021 $m	2020 $m
Profit before income tax expense from continuing operations	**766.0**	865.9
Profit before income tax expense from discontinued operations	**176.0**	15.2
	942.0	881.1
Tax at the Australian tax rate of 30% (2020: 30%)	**282.6**	264.3
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Capital losses not recognised	**-**	1.1
Unrecognised deferred tax asset arising from previous impairment[1]	**(67.8)**	-
Other	**(1.2)**	2.4
Adjustments for current tax of prior periods	**(1.9)**	(2.6)
	211.7	265.2

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

(c) Deferred tax balances

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

	2021 $m	2020 $m
Deferred tax assets		
Inventories	**0.2**	9.1
Provisions and accruals	**112.2**	106.3
Contract liabilities and income received in advance	**4.4**	9.0
Financial instruments	**63.6**	100.9
Lease liabilities	**41.8**	43.0
Other items	**10.6**	15.4
Total deferred tax assets	**232.8**	283.7
Set-off against deferred tax liabilities	**(232.8)**	(283.7)
Net deferred tax assets	**-**	-
Deferred tax liabilities		
Property, plant and equipment	**848.4**	768.2
Intangible assets	**32.9**	33.3
Financial instruments	**37.5**	66.3
Other items	**19.9**	21.2
Total deferred tax liabilities	**938.7**	889.0
Set-off of deferred tax assets	**(232.8)**	(283.7)
Net deferred tax liabilities	**705.9**	605.3

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

	2021 $m	2020 $m
Inventories	**8.9**	(2.1)
Provisions and accruals	**(5.6)**	2.6
Customer contracts	**-**	7.3
Contract liabilities and income received in advance	**4.6**	3.2
Financial instruments	**30.7**	(5.1)
Lease liabilities	**4.1**	1.8
Other items	**0.9**	4.1
Decrease in deferred tax assets	**43.6**	11.8
Property, plant and equipment	**76.7**	38.0
Intangible assets	**(0.4)**	20.4
Financial instruments	**(28.8)**	7.0
Other items	**(1.3)**	0.3
Increase in deferred tax liabilities	**46.2**	65.7
Net deferred income tax expense	**89.8**	77.5

Notes to the consolidated financial statements
30 June 2021 (continued)

4 Income tax (continued)

(d) Accounting policies

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

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

(i) Current tax

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

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

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

(ii) Deferred tax

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

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

(iii) Offsetting deferred tax balances

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

(iv) Tax consolidation legislation

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

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

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

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

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

5 Earnings per share

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

	2021 Cents	2020 Cents
Earnings per share for continuing operations		
Basic earnings per share	**32.5**	31.0
Diluted earnings per share	**32.4**	30.9
Earnings per share		
Basic earnings per share	**39.1**	31.5
Diluted earnings per share	**39.0**	31.5

	2021 Number '000	2020 Number '000
Weighted average number of ordinary shares for basic earnings per share	**1,868,553**	1,952,895
Dilution due to rights issued pursuant to performance rights plans	**1,909**	2,918
Weighted average number of ordinary shares for diluted earnings per share	**1,870,462**	1,955,813

Operating assets and liabilities

IN THIS SECTION

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

Notes to the consolidated financial statements

30 June 2021 (continued)

6 Trade and other receivables

	2021 $m	2020 $m
Current		
Trade receivables	**329.0**	352.1
Provision for impairment	**(2.4)**	(7.7)
Net trade receivables	**326.6**	344.4
Other receivables[1]	**157.2**	115.7
	483.8	460.1

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

The Group has recognised a net reduction of $5.3 million (2020: net increase of $1.9 million) in the provision for impairment of trade receivables, including $3.0 million (2020: $nil) written off in the financial year.

(a) Accounting policies

(i) Trade receivables

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

(ii) Provision for impairment

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

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

(b) Credit risks related to receivables

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

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

7 Inventories

	2021 $m	2020 $m
Current		
Raw materials and stores – at cost	**160.0**	155.9
Provision for inventory obsolescence	**(9.6)**	(10.1)
	150.4	145.8
Non-current		
Raw materials and stores – at cost	**59.0**	50.5
Provision for inventory obsolescence	**(13.1)**	(12.4)
	45.9	38.1

(a) Accounting policies

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

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

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

Notes to the consolidated financial statements

30 June 2021 (continued)

8 Property, plant and equipment

	Assets under construction $m	Land $m	Buildings $m	Plant and equipment $m	Rollingstock $m	Infrastructure $m	Right-of-use $m	Total $m
2021								
Opening net book amount	**301.1**	**124.3**	**211.4**	**270.1**	**2,178.9**	**5,356.9**	**94.4**	**8,537.1**
Additions	**482.3**	**–**	**–**	**–**	**0.7**	**–**	**3.4**	**486.4**
Transfers between asset classes	**(514.0)**	**2.5**	**31.3**	**31.8**	**163.9**	**281.9**	**–**	**(2.6)**
Acquisition of subsidiary	**0.1**	**–**	**9.3**	**10.7**	**–**	**2.7**	**9.7**	**32.5**
Disposals	**–**	**(2.8)**	**(2.2)**	**(2.3)**	**(3.6)**	**(5.2)**	**–**	**(16.1)**
Adjustments to leased assets	**–**	**–**	**–**	**–**	**–**	**–**	**(0.3)**	**(0.3)**
Assets classified as held for sale	**(1.2)**	**–**	**–**	**–**	**–**	**(1.7)**	**–**	**(2.9)**
Depreciation	**–**	**–**	**(12.7)**	**(41.5)**	**(169.1)**	**(311.8)**	**(12.7)**	**(547.8)**
Impairment	**–**	**–**	**(1.5)**	**(0.3)**	**–**	**(1.3)**	**–**	**(3.1)**
Closing net book amount	**268.3**	**124.0**	**235.6**	**268.5**	**2,170.8**	**5,321.5**	**94.5**	**8,483.2**
At 30 June 2021								
Cost	**268.3**	**124.0**	**494.2**	**699.3**	**5,432.7**	**8,177.3**	**133.3**	**15,329.1**
Accumulated depreciation and impairment	**–**	**–**	**(258.6)**	**(430.8)**	**(3,261.9)**	**(2,855.8)**	**(38.8)**	**(6,845.9)**
Net book amount	**268.3**	**124.0**	**235.6**	**268.5**	**2,170.8**	**5,321.5**	**94.5**	**8,483.2**
2020								
Opening net book amount	281.7	138.9	266.1	285.7	2,202.0	5,361.9	–	8,536.3
Adjustment for change in accounting policy	–	–	(48.9)	–	–	–	102.2	53.3
Restated opening net book amount	281.7	138.9	217.2	285.7	2,202.0	5,361.9	102.2	8,589.6
Additions	494.6	–	–	–	–	–	0.3	494.6
Transfers between asset classes	(473.9)	0.3	10.5	20.5	139.4	303.3	–	0.1
Acquisition of subsidiary	–	–	6.1	11.6	–	0.9	14.6	33.2
Disposals	–	(1.1)	(2.6)	(1.9)	(0.1)	(5.4)	(4.7)	(15.8)
Assets classified as held for sale	(1.3)	(13.8)	(7.2)	(0.1)	–	(5.8)	–	(28.2)
Depreciation[1]	–	–	(12.6)	(43.8)	(162.4)	(298.0)	(14.2)	(531.0)
Impairment	–	–	–	(1.9)	–	–	(3.8)	(5.7)
Closing net book amount	301.1	124.3	211.4	270.1	2,178.9	5,356.9	94.4	8,537.1
At 30 June 2020								
Cost	301.1	124.3	461.1	670.1	5,284.7	7,917.6	120.0	14,878.9
Accumulated depreciation and impairment	–	–	(249.7)	(400.0)	(3,105.8)	(2,560.7)	(25.6)	(6,341.8)
Net book amount	301.1	124.3	211.4	270.1	2,178.9	5,356.9	94.4	8,537.1

1 Depreciation includes continuing operations $530.8 million (note 3) and discontinued operations $0.2 million (note 23).

8 Property, plant and equipment (continued)

SIGNIFICANT JUDGEMENTS AND ESTIMATES

Useful lives

Context of judgements

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

Useful lives of infrastructure assets

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

Access to the rail network is managed under a process approved by the QCA. The QCA determines Network's access pricing based on the estimated value of our assets, which is known as the Regulatory Asset Base (RAB). Economic depreciation considered for regulatory purposes within Allowable Revenue varies from depreciation applied for statutory reporting purposes as a result of an accelerated depreciation profile and differences in applied asset lives. For example, under the 2017 Access Undertaking, the QCA determined that the existing depreciation approach would be retained, including 20-year rolling depreciation for assets included in the RAB post 1 July 2009.

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

During the period, major import nations of Australian coal have set net-zero emissions targets and include China (2060), Japan (2050) and South Korea (2050). India, who is also a significant export market for Australian coal, is yet to set a long-term emissions target.

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

- Asian GDP growth and steel-related demand
- crude steel production method and scrap metal availability
- global supply competitiveness and Australian supply constraints for metallurgical coal
- climate policy targets and how they are intended to be met at both a country and corporate level
- the viability of new and alternative technologies that are developed to reduce emissions targets such as carbon capture, utilisation and storage (CCUS), and hydrogen-based steel making, that may positively or negatively impact future coal demand
- the ability of customers to gain regulatory approvals and raise funding to support development of their resource base.

The impact of the above indicators and other factors that may emerge on global coal demand and Australian coal supply are uncertain at this time and difficult to predict. Consequently, there is a risk that the engineering useful lives assigned to infrastructure assets may require revision to an alternate benchmark in the future, resulting in a change in depreciation rates on a prospective basis. As an indication of sensitivity, if the useful life of assets with a remaining life greater than 50 years were capped at 60 to 70 years, annual depreciation would increase by $4.0 – $9.0 million per annum.

Useful lives of rollingstock

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

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

- long-term market and commodity demand under six scenarios developed under our *Strategy in Uncertainty* framework
- our contract position in key markets
- flexibility of fleet capacity, including the ability to shift standard gauge fleet between New South Wales and Western Australia (WA), narrow gauge fleet between Queensland and WA, and between commodities within states
- competitors fleet mix and their associated investment profile over time
- the risk of obsolescence as alternative technologies are developed
- continuous improvement in fleet investment strategies such as those predicated on condition-based and preventative maintenance approaches, as well as advancements in component change-out models.

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

Impairment tests for property, plant and equipment

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

Notes to the consolidated financial statements

30 June 2021 (continued)

8 Property, plant and equipment (continued)

(a) Leases

Right-of-use assets

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

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

Coal infrastructure

The Group leases infrastructure assets including:

- CQCN from the State of Queensland; and
- North Coast Line owned by Queensland Rail.

The coal infrastructure assets are leased to Aurizon Network Pty Ltd. The term of each lease is 99 years, expiring on 30 June 2109, at a rental of $1 per year if demanded. The State of Queensland and Queensland Rail (Infrastructure Lessors) have an option to extend the infrastructure leases by a further 99 years, with at least 20 years notice prior to expiry of the existing term. As the rental is only payable if demanded, no lease liability is recognised on the balance sheet for coal infrastructure assets.

Corridor land and buildings

Aurizon Network Pty Ltd, leases corridor land and buildings owned by the State of Queensland. The leases expire on 30 June 2109 and rental is $1 per year if demanded. As the total rental is minimal and only payable if demanded, no lease liability is recognised on the balance sheet for corridor land and buildings.

(i) Amounts recognised in the consolidated balance sheet

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

	2021 $m	2020 $m
Right-of-use assets		
Buildings	**91.5**	88.8
Equipment	**3.0**	5.6
	94.5	94.4
Other leased assets[1]		
Coal infrastructure	**4,341.1**	4,371.4
Corridor land	**25.8**	25.8
Buildings	**1.8**	1.9
	4,368.7	4,399.1
Total leased assets	**4,463.2**	4,493.5
Lease liabilities		
Current	**17.0**	17.4
Non-current	**120.7**	125.4
	137.7	142.8

1 CQCN and North Coast Line assets.

(ii) Amounts recognised in consolidated income statement

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

	2021 $m	2020 $m
Depreciation of right-of-use assets		
Buildings	**10.1**	13.5
Equipment	**2.6**	0.7
	12.7	14.2
Depreciation of other leased assets		
Coal infrastructure	**257.3**	245.7
Buildings	**0.2**	0.2
	257.5	245.9
Total leased assets depreciation	**270.2**	260.1
Interest expense	**5.1**	5.1
Expenses relating to short-term leases	**1.6**	1.4
Expenses relating to variable lease payments not included in lease liabilities	**5.9**	4.8

The total cash outflow for leases during the financial year was $29.0 million (2020: $25.9 million).

8 Property, plant and equipment (continued)

(b) Accounting policies

(i) Property, plant and equipment

Carrying value

Property, plant and equipment (including leased coal infrastructure, corridor land and buildings) is stated at historical cost, less any accumulated depreciation and impairment. Costs include expenditure that is directly attributable to the acquisition of the items and borrowing costs that are related to the acquisition or construction of an asset. Costs may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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

Depreciation

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

The useful lives applied for each class of assets are:

Infrastructure, including:	
– Tracks	7 – 50 years
– Track turnouts	20 – 25 years
– Ballast	8 – 20 years
– Civil works	20 – 88 years
– Bridges	30 – 88 years
– Electrification	20 – 50 years
– Field signals	15 – 40 years
Buildings	10 – 40 years
Rollingstock, including:	
– Locomotives	25 – 35 years
– Locomotives componentisation	8 – 12 years
– Wagons	25 – 35 years
– Wagon componentisation	10 – 17 years
Plant and equipment	3 – 20 years

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

(ii) Leases

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

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

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

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

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

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

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

(iii) Impairment tests for property, plant and equipment

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

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

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

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

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

Notes to the consolidated financial statements

30 June 2021 (continued)

9 Intangible assets

	Goodwill $m	Software $m	Software under development $m	Total $m
2021				
Opening net book amount	**5.2**	**160.1**	**22.2**	**187.5**
Additions	–	–	**15.4**	**15.4**
Transfers between asset classes	–	**33.8**	**(31.2)**	**2.6**
Acquisition of subsidiary (note 22)	**19.7**	–	–	**19.7**
Amortisation	–	**(31.3)**	–	**(31.3)**
Closing net book amount	**24.9**	**162.6**	**6.4**	**193.9**
At 30 June 2021				
Cost	**24.9**	**404.4**	**6.4**	**435.7**
Accumulated amortisation and impairment	–	**(241.8)**	–	**(241.8)**
Net book amount	**24.9**	**162.6**	**6.4**	**193.9**
2020				
Opening net book amount	–	158.2	18.7	176.9
Additions	–	–	33.3	33.3
Transfers between asset classes	–	29.7	(29.8)	(0.1)
Acquisition of subsidiary (note 22)	5.2	–	–	5.2
Amortisation	–	(27.8)	–	(27.8)
Closing net book amount	5.2	160.1	22.2	187.5
At 30 June 2020				
Cost	5.2	371.3	22.2	398.7
Accumulated amortisation and impairment	–	(211.2)	–	(211.2)
Net book amount	5.2	160.1	22.2	187.5

9 Intangible assets (continued)

(a) Impairment tests for goodwill

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

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

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

	Bulk NSW	Bulk QLD
2021		
Goodwill allocation ($m)	**19.7**	**5.2**
Valuation approach	**FVLCD**	**VIU**
Discount rate basis	**Post-tax**	**Pre-tax**
Discount rate (%)	**8.5**	**10.8**
Cash flow projection (years)	**20**	**4**
Long-term growth rate (%)	**2.0**	**2.0**
2020		
Goodwill allocation ($m)	–	5.2
Valuation approach	–	VIU
Discount rate basis	–	Pre-tax
Discount rate (%)	–	10.4
Cash flow projection (years)	–	4
Long-term growth rate (%)	–	2.0

SIGNIFICANT JUDGEMENTS AND ESTIMATES

Impairment tests for cash generating units (CGUs) and goodwill

Following the acquisition of ConPorts Pty Ltd on 31 December 2020 (refer to note 22(a)), the existing NSW CGU was separated into Bulk NSW and Coal NSW, and the existing Bulk East CGU was renamed Bulk QLD.

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

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

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

Western Australia CGU

The recoverable amount of the Western Australia CGU has been determined based on VIU methodology. The calculation uses a four-year cash flow projection, a pre-tax discount rate of 10.8% (2020: 10.4%) and a long-term growth rate of 2.0% (2020: 2.0%). The Western Australia CGU was tested for sensitivity of the pre-tax discount rate as well as other factors noted below.

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

Bulk QLD CGU

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

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

Bulk NSW CGU

The Bulk NSW CGU includes goodwill recognised on acquisition of a subsidiary (refer to note 22(a)) in FY2021. The recoverable amount of the CGU has been determined based on FVLCD methodology and the cash flow projection, post-tax discount rate and a long-term growth rate as described in note 9(a). The recoverable amount of the CGU supports the carrying amount, therefore no impairment has been recognised.

(b) Accounting policies

(i) Goodwill

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

(ii) Software

Costs incurred in developing products or systems, and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and service, employee costs and an appropriate portion of relevant overheads. Software development costs include only those costs directly attributable to the development phase, and are only recognised following completion of technical feasibility and where the Group has an intention and ability to use the asset.

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

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

10 Other assets

	2021 $m	2020 $m
Current		
Contract assets (a)	**2.1**	1.3
Lease receivable (b)	**7.2**	6.5
Other current assets	**6.0**	7.0
	15.3	14.8
Non-current		
Contract assets (a)	**37.1**	21.9
Lease receivable (b)	**41.5**	48.6
	78.6	70.5

(a) Contract assets

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

(b) Lease receivable

Lease receivables represent the present value of future lease payments receivable on sub-lease arrangements where the expiry of the term of the sub-lease is the same as the head lease.

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

	2021 $m	2020 $m
Within one year	**8.7**	8.2
Later than one year but not later than five years	**28.6**	32.9
Later than five years	**18.2**	22.6
	55.5	63.7
Less: Unearned interest income	**(6.8)**	(8.6)
Total lease receivables	**48.7**	55.1
Interest income relating to sub-lease arrangements	**1.8**	1.9
Income relating to variable lease payments received	**7.1**	7.6

The total cash inflow for sub-leases in the financial year was $15.4 million (2020: $15.2 million).

11 Trade and other payables

	2021 $m	2020 $m
Current		
Trade payables	**234.0**	289.0
Other payables	**35.1**	34.0
	269.1	323.0

(a) Accounting policies

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

12 Provisions

	2021 $m	2020 $m
Current		
Employee benefits (a)	**255.1**	229.3
Provision for insurance claims	**13.7**	8.6
Litigation and workers compensation provision	**25.0**	20.9
Other provisions	**3.1**	12.5
	296.9	271.3
Non-current		
Employee benefits (a)	**13.9**	13.4
Litigation and workers compensation provision	**12.3**	9.7
Decommissioning/make good	**2.7**	2.9
Land rehabilitation	**35.3**	38.0
	64.2	64.0
Total provisions	**361.1**	335.3

(a) Employee benefits

	2021 $m	2020 $m
Annual leave	**68.0**	67.1
Long service leave	**117.8**	112.0
Other	**83.2**	63.6
	269.0	242.7

Long service leave includes all unconditional entitlements where employees have completed the required period of service and a provision for the probability that employees will reach the required period of service. The Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months based on past experience. The current provision for employee benefits includes $109.5 million (2020: $105.6 million) that is not expected to be taken or paid within the next 12 months.

(i) Superannuation

The Group pays an employer subsidy to the Government Superannuation Office in respect of employees who are contributors to the Public Sector Superannuation (QSuper) scheme.

Employer contributions to the QSuper Defined Benefit Fund are determined by the State of Queensland Treasurer having regard to advice from the State Actuary. The primary obligation to fund the defined benefits obligations are that of the State, however the Treasurer has the discretion to request contributions from employers that contribute to the defined benefit category of QSuper. No liability is recognised for accruing superannuation benefits as this liability is held on a whole-of-Government basis and reported in the whole-of-Government financial statements. The State Actuary performs a full actuarial valuation of the assets and liabilities of the fund at least every three years. The latest valuation was completed as at 30 June 2020 and the State Actuary found the fund was in surplus from a whole-of-Government perspective. The Defined Benefit Fund was closed to new members in 2007, therefore any potential future deficit would be diluted as membership decreases. Accordingly, no asset or liability is recognised for the Group's share of any potential surplus or deficit of the QSuper Defined Benefit Fund. The State has provided the Group with an indemnity if the Treasurer requires the Group to pay any amounts required to meet any potential deficit. The indemnity is subject to the Group not taking any unilateral action, other than with the approval of the State that causes a significant increase in unfunded liabilities.

The Group also makes superannuation guarantee payments into the QSuper Accumulation Fund (Non-Contributory) and QSuper Accumulation Fund (Contributory) administered by the Government Superannuation Office and to other complying Superannuation Funds designated by employees nominating Choice of Fund.

(b) Accounting policies

A provision is recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are measured at the present value of the best estimate of the expenditure required to settle the present obligation at the reporting date.

12 Provisions (continued)

(b) Accounting policies (continued)

(i) Employee benefits

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

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

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

A liability for short-term incentive plans is recognised based on a formula that takes into consideration the Group and individual key performance indicators. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

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

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

(ii) Provision for insurance claims

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

(iii) Litigation and workers compensation provision

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

(iv) Land rehabilitation

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

An inflation rate of 2.4% (2020: 1.6%) is applied to estimate future land rehabilitation costs. This estimate is discounted at a weighted average discount rate of 2.0% (2020: 1.2%) to determine the present value of the provision. The unwinding of the discount is recognised in profit or loss in finance costs.

13 Other liabilities

	2021 $m	2020 $m
Current		
Contract liabilities (a)	**56.5**	28.5
Income received in advance	**1.3**	36.9
Lease liabilities (b)	**17.0**	17.4
Other current liabilities	**16.8**	18.5
	91.6	101.3
Non-current		
Contract liabilities (a)	**135.0**	150.4
Lease liabilities (b)	**120.7**	125.4
Other non-current liabilities	**1.4**	1.5
	257.1	277.3

(a) Contract liabilities

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

(b) Lease liabilities

Lease liabilities represent the present value of future lease payments.

Minimum lease payments are as follows:

	2021 $m	2020 $m
Within one year	**21.8**	22.3
Later than one year but not later than five years	**70.4**	72.6
Later than five years	**71.7**	75.8
	163.9	170.7
Less: Discounted using Group's incremental borrowing rate	**(26.2)**	(27.9)
Total lease liabilities	**137.7**	142.8

Capital and financial risk management

IN THIS SECTION

Capital and financial risk management provides information about the capital management practices of the Group and shareholder returns for the year, and discusses the Group's exposure to various financial risks, explains how these affect the Group's financial position and performance, and what the Group does to manage these risks.

14 Capital risk management

The Group's objective is to maintain a strong capital base so as to maintain investor, creditor and market confidence, and to sustain future development of the business. The Group and the Company monitor its capital structure by reference to its gearing ratio, ability to generate free cash flow and credit rating.

Net debt consists of borrowings (both current and non-current) less cash and cash equivalents. Net debt excludes lease liabilities. Net gearing ratio is defined as Net debt divided by Net debt plus Equity. Net debt and Net gearing ratio are measures of the Group's indebtedness and provides an indicator of the balance sheet strength. An alternative net gearing ratio is also disclosed and includes derivative financial instruments used to hedge market risk on borrowings and is reconciled in the Non-IFRS Financial Information on page 107.

	Notes	2021 $m	2020 $m
Total borrowings	17	**3,738.0**	3,607.2
Less: cash and cash equivalents		**(148.8)**	(29.3)
Net debt		**3,589.2**	3,577.9
Total equity		**4,274.6**	4,357.7
Total capital		**7,863.8**	7,935.6
Net gearing ratio		**45.6%**	45.1%
Alternative net gearing ratio		**44.6%**	43.2%

15 Dividends

	Cents per share	$m
Declared and paid during the period		
For the year ended 30 June 2021		
Final dividend for 2020 (70% franked)	**13.7**	**262.3**
Interim dividend for 2021 (70% franked)	**14.4**	**266.5**
		528.8
For the year ended 30 June 2020		
Final dividend for 2019 (70% franked)	12.4	246.8
Interim dividend for 2020 (70% franked)	13.7	267.0
		513.8
Proposed and unrecognised at period end		
For the year ended 30 June 2021		
Final dividend for 2021 (70% franked)	**14.4**	**266.2**
For the year ended 30 June 2020		
Final dividend for 2020 (70% franked)	13.7	262.3

Franked dividends

Franking credits are available to shareholders of the Company at the 30% (2020: 30%) corporate tax rate. The balance of franking credits available as at 30 June 2021 is $57.2 million (2020: $92.6 million). The amounts are calculated from the balance of the franking account as at the end of the reporting period, adjusted for franking credits that will arise from the payment or refund of the amount of the provision for income tax.

16 Equity

(a) Contributed equity

	Number of shares '000	$m
At 1 July 2019	1,990,128	906.6
On-market share buy-back	(75,485)	(400.0)
At 30 June 2020	1,914,643	506.6
On-market share buy-back	(73,939)	(300.0)
At 30 June 2021	**1,840,704**	**206.6**

Ordinary shares

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

At 30 June the Company held 407,694 treasury shares to satisfy performance rights plans, which are reported in contributed equity (2020: nil).

16 Equity (continued)

(b) Reserves

	Notes	Share of an associate's OCI $m	Cash flow hedges $m	Share-based payments $m	Capital reserves $m	Foreign currency translation $m	Total $m
Balance at 1 July 2020		**(1.8)**	**(72.0)**	**1.4**	**3,467.1**	**0.4**	**3,395.1**
Fair value gains/(losses) taken to equity		**–**	**25.7**	**–**	**–**	**–**	**25.7**
Fair value (gains)/losses transferred to property, plant and equipment		**–**	**(3.6)**	**–**	**–**	**–**	**(3.6)**
Tax expense/(benefit) relating to items of other comprehensive income		**–**	**(6.6)**	**–**	**–**	**–**	**(6.6)**
Other currency translation differences		**–**	**–**	**–**	**–**	**(0.1)**	**(0.1)**
Reclassification to profit or loss on disposal of shares in associate		**1.8**	**–**	**–**	**–**	**–**	**1.8**
Other comprehensive income		**1.8**	**15.5**	**–**	**–**	**(0.1)**	**17.2**
Transactions with owners in their capacity as owners:							
Buy-back of ordinary shares		**–**	**–**	**–**	**(0.3)**	**–**	**(0.3)**
Share-based payments expense	28	**–**	**–**	**4.9**	**–**	**–**	**4.9**
Purchase of share for performance rights plans		**–**	**–**	**(5.7)**	**–**	**–**	**(5.7)**
Aggregate deferred tax debited/(credited) to equity		**–**	**–**	**(1.0)**	**0.3**	**–**	**(0.7)**
Balance at 30 June 2021		**–**	**(56.5)**	**(0.4)**	**3,467.1**	**0.3**	**3,410.5**
Balance at 1 July 2019		(1.8)	(47.0)	(0.6)	3,467.5	0.4	3,418.5
Fair value gains/(losses) taken to equity		–	(39.3)	–	–	–	(39.3)
Fair value (gains)/losses transferred to property, plant and equipment		–	3.6	–	–	–	3.6
Tax expense/(benefit) relating to items of other comprehensive income		–	10.7	–	–	–	10.7
Other comprehensive income		–	(25.0)	–	–	–	(25.0)
Transactions with owners in their capacity as owners:							
Buy-back of ordinary shares		–	–	–	(0.4)	–	(0.4)
Share-based payments expense	28	–	–	5.9	–	–	5.9
Purchase of share for performance rights plans		–	–	(3.2)	–	–	(3.2)
Aggregate deferred tax debited/(credited) to equity		–	–	(0.7)	–	–	(0.7)
Balance at 30 June 2020		(1.8)	(72.0)	1.4	3,467.1	0.4	3,395.1

16 Equity (continued)

(i) Cash flow hedge reserve

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

(ii) Share-based payment reserve

The share-based payment reserve is used to recognise the fair value of rights recognised as an expense. Refer to note 28 for further details of the Group's performance rights plans.

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

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

(iii) Capital reserve

The capital reserve represents capital contributions from the Queensland State Government prior to the listing of the Company on the ASX. Incremental costs attributable to share buy-backs and certain on-market share buy-backs are deducted from capital reserves.

(iv) Foreign currency translation reserve

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

17 Borrowings

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

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

	2021 $m	2020 $m
Current — Unsecured		
Medium-Term Notes	**–**	524.6
Bank debt facilities	**59.0**	133.0
	59.0	657.6
Non-current — Unsecured		
Medium-Term Notes	**3,210.4**	2,249.8
Bank debt facilities	**480.0**	710.0
Capitalised borrowing costs	**(11.4)**	(10.2)
	3,679.0	2,949.6
Total borrowings	**3,738.0**	3,607.2

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

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

Details of changes to the Group's financing arrangements during the reporting period are outlined in key events and transactions.

(a) Accounting policies

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

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

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

18 Financial risk management

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

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

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

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

18 Financial risk management (continued)

(a) Market risk

(i) Interest rate risk

Exposure

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

	Weighted average interest rate %	Balance $m
2021		
Variable rate exposure	**2.4**	**3,109.8**
Interest rate swaps (including debt credit margins)	**1.8**	**(2,775.0)**
Net exposure to interest rate risk		**334.8**
2020		
Variable rate exposure	3.4	2,331.8
Interest rate swaps (including debt credit margins)	1.9	(2,175.0)
Net exposure to interest rate risk		156.8

Interest rate derivatives used for hedging

The Group currently has interest rate swaps in place to cover 89% (2020: 93%) of the variable rate borrowings, including fixed rate borrowings converted to variable rate borrowings as a result of fair value hedge relationships outlined in note 18(a)(ii). The weighted average maturity of interest rate swaps is 1.8 years (2020: 2.0 years).

Sensitivity

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

	Increase $m	Decrease $m
2021		
Effect on profit	**(3.3)**	**3.3**
Effect on equity	**44.6**	**(45.6)**
2020		
Effect on profit	(1.6)	1.6
Effect on equity	68.1	(69.8)

Amounts recognised in profit or loss

The Group recognised a net realised loss arising from interest rate swaps of $40.1 million (2020: $25.9 million) as a result of market interest rates closing lower than the average interest rate hedged. The total realised loss represents the effective portion of hedges which have been recognised in finance expense.

(ii) Effects of hedge accounting

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

	2021 $m	2020 $m
Current assets		
Foreign exchange contracts	**0.1**	0.2
Non-current assets		
Interest rate swaps – Finance AMTN 1	**1.9**	–
Interest rate swaps – Network AMTN 3	**–**	3.2
CCIRS – Network EMTN 1	**109.2**	155.3
CCIRS – Network EMTN 2	**13.9**	62.3
	125.0	220.8
Total derivative financial instrument assets	**125.1**	221.0
Current liabilities		
Foreign exchange contracts	**(0.5)**	(1.5)
Interest rate swaps	**(0.1)**	(33.6)
	(0.6)	(35.1)
Non-current liabilities		
Foreign exchange contracts	**–**	(0.2)
Interest rate swaps	**(40.2)**	(45.5)
Interest rate swaps – Network AMTN 3	**(0.4)**	–
Interest rate swaps – Network AMTN 4	**(26.0)**	–
	(66.6)	(45.7)
Total derivative financial instrument liabilities	**(67.2)**	(80.8)

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

Notes to the consolidated financial statements
30 June 2021 (continued)

18 Financial risk management (continued)

(a) Market risk (continued)

(ii) Effects of hedge accounting (continued)

The following table summarises the impact of hedging instruments designated in hedging relationships on the consolidated balance sheet:

	Notional amount		Carrying amount assets/(liabilities)		Change in fair value used for measuring ineffectiveness for the year	
	2021	2020	2021 $m	2020 $m	2021 $m	2020 $m
Cash flow hedges						
Foreign exchange risk						
Forward contracts	**US$4.5m**	US$4.0m	**(0.1)**	(0.7)	**0.6**	(1.2)
Forward contracts	**€2.5m**	€13.0m	**(0.3)**	(0.8)	**0.5**	(1.1)
Interest rate risk						
Interest rate swaps[1]	**A$2,775.0m**	A$4,725.0m	**(40.3)**	(79.1)	**38.8**	(30.0)
Foreign exchange and interest rate risks						
CCIRS – Network EMTN 1	**€500.0m**	€500.0m	**(1.0)**	0.2	**(1.2)**	(0.7)
CCIRS – Network EMTN 2	**€500.0m**	€500.0m	**(10.8)**	(6.8)	**(4.0)**	(2.5)
Fair value hedges						
Interest rate risk						
Interest rate swaps – Finance AMTN 1	**A$500.0m**	–	**1.9**	–	**1.6**	–
Interest rate swaps – Network AMTN 3	**A$82.0m**	A$82.0m	**(0.4)**	3.2	**(3.9)**	3.4
Interest rate swaps – Network AMTN 4	**A$500.0m**	–	**(26.0)**	–	**(27.3)**	–
Foreign exchange and interest rate risks						
CCIRS – Network EMTN 1	**€500.0m**	€500.0m	**110.2**	155.1	**(41.2)**	2.9
CCIRS – Network EMTN 2	**€500.0m**	€500.0m	**24.7**	69.1	**(38.9)**	15.7

1 Amounts for FY2020 include forward dated interest rate swaps for a notional amount of A$2,550.0 million which commenced in June 2021.

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

	Cash flow hedge reserve[1]		Change in fair value used for measuring ineffectiveness for the year		Hedging gain/(loss) recognised in comprehensive income[1]	
	2021 $m	2020 $m	2021 $m	2020 $m	2021 $m	2020 $m
Cash flow hedges (before tax)						
Foreign exchange risk						
Firm commitments	**0.4**	1.5	**(1.1)**	2.3	**1.1**	(2.3)
Interest rate risk						
Forecast floating interest payments	**40.3**	79.1	**(38.8)**	30.0	**39.1**	(30.0)
Foreign exchange and interest rate risks						
Network EMTN 1	**11.8**	5.2	**1.2**	0.7	**(6.6)**	(0.7)
Network EMTN 2	**28.0**	16.5	**4.0**	2.5	**(11.5)**	(2.7)

1 Cash flow hedge reserve includes the cumulative impact of cross-currency basis relating to EMTN 1 and EMTN 2 of $19.4 million (2020:$19.3 million). The hedging loss recognised in other comprehensive income includes the cross-currency basis relating to EMTN 1 and EMTN 2 of $13.1 million (2020: $0.3 million).

18 Financial risk management (continued)

(a) Market risk (continued)

(ii) Effects of hedge accounting (continued)

The following table summarises the impact of hedged items designated in fair value hedging relationships on the consolidated balance sheet:

	Carrying amount[1]		Accumulated fair value adjustment		Change in fair value used for measuring ineffectiveness for the year	
	2021 $m	2020 $m	2021 $m	2020 $m	2021 $m	2020 $m
Fair value hedges (before tax)						
Interest rate risk						
Finance AMTN 1	**(501.6)**	–	**(1.6)**	–	**(1.6)**	–
Network AMTN 2	**–**	–	**(7.1)**	(9.5)	**–**	–
Network AMTN 3	**(81.5)**	(85.4)	**0.5**	(3.4)	**3.9**	(3.4)
Network AMTN 4	**(472.7)**	–	**27.3**	–	**27.3**	–
	(1,055.8)	(85.4)	**19.1**	(12.9)	**29.6**	(3.4)
Foreign exchange and interest rate risks						
Network EMTN 1	**(832.6)**	(873.9)	**(122.0)**	(163.2)	**41.2**	(2.9)
Network EMTN 2	**(824.3)**	(863.2)	**(46.1)**	(85.0)	**38.9**	(15.7)
	(1,656.9)	(1,737.1)	**(168.1)**	(248.2)	**80.1**	(18.6)
Total borrowings subject to fair value hedges	**(2,712.7)**	(1,822.5)	**(149.0)**	(261.1)	**109.7**	(22.0)

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

Notes to the consolidated financial statements
30 June 2021 (continued)

18 Financial risk management (continued)

(b) Liquidity and funding risk

(i) Financing arrangements

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

		Utilised[1]		Facility limit	
	Maturity	2021 $m	2020 $m	2021 $m	2020 $m
Aurizon Finance Pty Ltd					
Working capital facility	Jun-22	**15.1**	83.3	**125.0**	150.0
Bilateral facility	Jun-23	**–**	–	**50.0**	–
Bilateral facility	Nov-23	**–**	290.0	**500.0**	450.0
Bilateral facility	Nov-25	**–**	–	**75.0**	–
Finance AMTN 1[2]	Mar-28	**500.0**	–	**500.0**	–
		515.1	373.3	**1,250.0**	600.0
Aurizon Network Pty Ltd					
Working capital facility	Jun-22	**60.5**	67.5	**75.0**	100.0
Bilateral facility	Jun-23	**370.0**	420.0	**750.0**	850.0
Bilateral facility	Jun-24	**110.0**	–	**300.0**	300.0
Bilateral facility	Jun-25	**–**	–	**150.0**	150.0
Network AMTN 1	Oct-20	**–**	525.0	**–**	525.0
Network AMTN 2[2]	Jun-24	**425.0**	425.0	**425.0**	425.0
Network AMTN 3[2]	Mar-30	**82.0**	82.0	**82.0**	82.0
Network AMTN 4[2]	Sept-30	**500.0**	–	**500.0**	–
Network AMTN 5[2]	Dec-31	**75.0**	–	**75.0**	–
Network EMTN 1[2]	Sept-24	**710.6**	710.6	**710.6**	710.6
Network EMTN 2[2]	Jun-26	**778.2**	778.2	**778.2**	778.2
		3,111.3	3,008.3	**3,845.8**	3,920.8
Total Group financing arrangements		**3,626.4**	3,381.6	**5,095.8**	4,520.8

1 Amount utilised includes bank guarantees of $16.6 million (2020: $17.8 million) and excludes capitalised borrowing costs of $11.4 million (2020: $10.2 million) and discounts on Medium-Term Notes of $9.5 million (2020: $7.1 million).

2 Amounts utilised on EMTNs and AMTNs excludes accumulated fair value adjustments of $149.0 million (2020: $261.1 million).

The Group has access to working capital facilities totalling $200.0 million (2020: $250.0 million) which can be utilised for short-term working capital and financial bank guarantees. At 30 June, the Group utilised $16.6 million (2020: $17.8 million) for financial bank guarantees.

Notes to the consolidated financial statements
30 June 2021 (continued)

18 Financial risk management (continued)

(b) Liquidity and funding risk (continued)

(ii) Maturities of financial liabilities

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

	1 year or less $m	1 – 5 years $m	More than 5 years $m	Total contractual cash flows $m	Carrying amount (assets)/ liabilities $m
2021					
Non-derivative financial instruments					
Trade payables	**269.1**	**–**	**–**	**269.1**	**269.1**
Borrowings (excluding the effect of CCIRS)	**159.0**	**2,817.9**	**1,273.8**	**4,250.7**	**3,738.0**
Financial guarantees	**16.6**	**–**	**–**	**16.6**	**–**
Lease liabilities	**21.8**	**70.4**	**71.7**	**163.9**	**137.7**
Total non-derivative financial instruments	**466.5**	**2,888.3**	**1,345.5**	**4,700.3**	**4,144.8**
Derivatives					
Interest rate swaps	**24.7**	**16.8**	**–**	**41.5**	**40.3**
Interest rate swaps – Finance AMTN 1	**(5.7)**	**(4.5)**	**2.2**	**(8.0)**	**(1.9)**
Interest rate swaps – Network AMTN 3	**–**	**(0.5)**	**0.4**	**(0.1)**	**0.4**
Interest rate swaps – Network AMTN 4	**(3.8)**	**2.9**	**21.9**	**21.0**	**26.0**
CCIRS – Network EMTN 1	**(2.2)**	**(88.3)**	**–**	**(90.5)**	**(109.2)**
CCIRS – Network EMTN 2	**6.5**	**42.5**	**–**	**49.0**	**(13.9)**
Gross settled forward exchange contracts (inflow)	**(0.5)**	**–**	**–**	**(0.5)**	**0.4**
Total derivatives	**19.0**	**(31.1)**	**24.5**	**12.4**	**(57.9)**
2020					
Non-derivative financial instruments					
Trade payables	323.0	–	–	323.0	323.0
Borrowings (excluding the effect of CCIRS)	745.9	2,207.7	938.4	3,892.0	3,607.2
Financial guarantees	17.8	–	–	17.8	–
Lease liabilities	22.3	72.6	75.8	170.7	142.8
Total non-derivative financial instruments	1,109.0	2,280.3	1,014.2	4,403.5	4,073.0
Derivatives					
Interest rate swaps	43.1	38.0	–	81.1	79.1
Interest rate swaps – Network AMTN 3	–	(1.1)	(2.2)	(3.3)	(3.2)
CCIRS – Network EMTN 1	(2.4)	(123.3)	–	(125.7)	(155.3)
CCIRS – Network EMTN 2	6.2	33.6	(28.6)	11.2	(62.3)
Gross settled forward exchange contracts	–	–	–	–	1.5
(inflow)	(1.5)	(0.3)	–	(1.8)	–
outflow	0.2	–	–	0.2	–
Total gross settled forward exchange contracts	(1.3)	(0.3)	–	(1.6)	–
Total derivatives	45.6	(53.1)	(30.8)	(38.3)	(140.2)

18 Financial risk management (continued)

(c) Hedging instruments

(i) Accounting policies

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

Hedge accounting

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

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

Rebalancing

If the hedge ratio for risk management purposes is no longer optimal but the risk management objective remains unchanged and the hedge continues to qualify for hedge accounting, the hedge relationship will be rebalanced by adjusting either the volume of the hedging instrument or the volume of the hedged item so that the hedge ratio aligns with the ratio used for risk management purposes. Any hedge ineffectiveness is calculated and accounted for at the time of the hedge relationship rebalancing.

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

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

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

18 Financial risk management (continued)

(c) Hedging instruments

(i) Accounting policies (continued)

Netting of payments

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

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

(d) Fair value measurement

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

The fair value of borrowings is estimated by discounting future contractual cash flows at the current market interest rates that are available to the Group for similar financial instruments. The market interest rates were determined to be between 1.0% and 3.2% (2020: 0.9% and 3.0%) depending on the type of facility.

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

Level 1: Quoted prices for an identical asset or liability in an active market
Level 2: Directly or indirectly observable market data
Level 3: Unobservable market data.

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

The fair value of CCIRS is determined as the net present value of contract cash flows. The future probable exposure method is applied to the estimated future cash flows to reflect the credit risk of the Group and relevant counterparties.

The Group's derivative financial instruments are classified as Level 2 (2020: Level 2). During the period, there were no transfers between Level 1, Level 2 or Level 3 in the fair value hierarchy (2020: nil).

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

		Carrying amount		Fair value	
	Notes	2021 $m	2020 $m	2021 $m	2020 $m
Financial assets carried at fair value					
Foreign exchange contracts		**0.1**	0.2	**0.1**	0.2
Interest rate swaps – Finance AMTN 1		**1.9**	–	**1.9**	–
Interest rate swaps – Network AMTN 3		**–**	3.2	**–**	3.2
CCIRS – Network EMTN 1		**109.2**	155.3	**109.2**	155.3
CCIRS – Network EMTN 2		**13.9**	62.3	**13.9**	62.3
		125.1	221.0	**125.1**	221.0
Financial assets carried at amortised cost					
Cash and cash equivalents		**148.8**	29.3	**148.8**	29.3
Trade and other receivables	6	**483.8**	460.1	**483.8**	460.1
		632.6	489.4	**632.6**	489.4
Financial liabilities carried at fair value					
Foreign exchange contracts		**(0.5)**	(1.7)	**(0.5)**	(1.7)
Interest rate swaps		**(40.3)**	(79.1)	**(40.3)**	(79.1)
Interest rate swaps – Network AMTN 3		**(0.4)**	–	**(0.4)**	–
Interest rate swaps – Network AMTN 4		**(26.0)**	–	**(26.0)**	–
		(67.2)	(80.8)	**(67.2)**	(80.8)
Financial liabilities carried at amortised cost					
Trade and other payables	11	**(269.1)**	(323.0)	**(269.1)**	(323.0)
Borrowings[1]	17	**(3,738.0)**	(3,607.2)	**(3,912.6)**	(3,688.6)
		(4,007.1)	(3,930.2)	**(4,181.7)**	(4,011.6)
Off-balance sheet					
Unrecognised financial assets					
Third party guarantees		**–**	–	**19.1**	19.1
Bank guarantees		**–**	–	**299.0**	315.6
Insurance company guarantees		**–**	–	**0.8**	2.3
Unrecognised financial liabilities					
Bank guarantees		**–**	–	**(16.6)**	(17.8)
		–	–	**302.3**	319.2

1 Borrowings includes $2,712.7 million (2020: $1,822.5 million) subject to fair value hedges.

Group structure

IN THIS SECTION

Group structure provides information about particular subsidiaries and associates, and how changes have affected the financial position and performance of the Group.

Notes to the consolidated financial statements

30 June 2021 (continued)

19 Associates and joint ventures

The Group has an interest in the following associates and joint ventures:

Name	Country of operation	Ownership interest 2021 %	Ownership interest 2020 %	Principal activity
Associates				
Aquila Resources Limited[1]	Australia	**–**	15	Exploration and mining
Joint ventures				
Coal Network Capacity Co Pty Ltd	Australia	**8**	8	Independent Expert
Ox Mountain Limited[2]	United Kingdom	**42**	–	Software
Chun Wo/CRGL	China – Hong Kong	**17**	17	Construction
ARG Risk Management Limited	Bermuda	**50**	50	Insurance
Integrated Logistics Company Pty Ltd	Australia	**14**	14	Consulting
ACN 169 052 288	Australia	**15**	15	Dormant

1 The sale of the shares held in Aquila Resources Limited completed on 26 May 2021.

2 Refer to note 22 for further information.

The Group's share of net profit from investments in joint ventures in the period is $0.3 million (2020: net loss $0.1 million). The Group's share of net assets from investment in joint ventures at reporting date are $26.1 million (2020: $2.7 million) and are not considered material.

(a) Accounting policies

Investments in associates and joint ventures are accounted for using the equity method of accounting. Investments are initially recognised at cost and subsequently adjusted for the Group's share of net profit or loss. The carrying value of an investment is reduced by the value of dividends received from the associate or joint venture.

When the Group's share of losses in an associate equals or exceeds its interest, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The carrying amount of investments are tested for impairment in accordance with the policy described in note 8.

20 Material subsidiaries

The ultimate parent of the Group is Aurizon Holdings Limited. The companies listed below are those whose results, in addition to the parent entity, principally affect the amounts shown in the financial report:

Controlled entities	Country of incorporation	Ownership interest 2021 %	Ownership interest 2020 %
Aurizon Operations Limited	Australia	**100**	100
Australia Eastern Railroad Pty Ltd	Australia	**100**	100
Australia Western Railroad Pty Ltd	Australia	**100**	100
Aurizon Network Pty Ltd	Australia	**100**	100
Aurizon Property Pty Ltd	Australia	**100**	100
Aurizon Finance Pty Ltd	Australia	**100**	100
Aurizon Port Services Pty Ltd	Australia	**100**	100
Aurizon Port Service NSW Pty Ltd	Australia	**100**	–
Iron Horse Insurance Company Pte Ltd	Singapore	**100**	100

(a) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Group as at reporting date and the results of all subsidiaries for the financial year.

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and de-consolidated from the date that control ceases. Transactions between continuing and discontinued operations are treated as external from the date that the operation was discontinued. Where arrangements between the continuing and discontinued operations will continue subsequent to disposal, transactions including revenue and expenses are included in continuing operations profit or loss with elimination entries recognised in profit or loss of the discontinued operation.

Inter-company transactions and balances are eliminated on consolidation.

(b) Changes in ownership interest

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The re-measured fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest of an associate, joint venture or financial asset. Any amounts previously recognised in other comprehensive income are accounted for as if the Group had directly disposed of the related assets or liabilities and may result in amounts previously recognised in other comprehensive income being reclassified to profit or loss.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

Notes to the consolidated financial statements
30 June 2021 (continued)

21 Parent entity disclosures

The financial information for the parent entity Aurizon Holdings Limited has been prepared on the same basis as the consolidated financial statements, except for investments in subsidiaries which are carried at cost less accumulated impairment losses.

(a) Summary financial information

	2021 $m	2020 $m
Current assets	**8.4**	83.4
Non-current assets	**3,703.2**	4,004.5
Total assets	**3,711.6**	4,087.9
Current liabilities	**(7.6)**	(83.2)
Non-current liabilities	**(0.4)**	(42.6)
Total liabilities	**(8.0)**	(125.8)
Net assets	**3,703.6**	3,962.1
Equity		
Contributed equity	**206.7**	506.6
Reserves	**3,452.7**	3,453.5
Retained earnings	**44.2**	2.0
Total equity	**3,703.6**	3,962.1
Profit for the year	**571.0**	513.8
Total comprehensive income	**571.0**	513.8

All costs associated with employees of the parent entity are borne by a subsidiary and recharged by the parent entity as they are settled. The parent entity disclosure includes employee benefit provisions and other labour accruals for these employees.

(b) Guarantees entered into by the parent entity

Aurizon Holdings Limited has provided a Parent Company Guarantee (PCG) in favour of Moorebank Intermodal Company (MIC) as a residual obligation in relation to 50% of the cost to complete construction of Terminal Works, and 25% of the contract sum for design and construction of Rail Access. The estimated maximum exposure under the guarantee is $93.3 million (2020: $65.8 million), however Aurizon Holdings Limited has obtained a 100% cross indemnity guarantee from Qube Holdings Ltd in respect of any call under the Aurizon Holdings Limited PCG.

The parent entity did not have any material contingent liabilities or contractual commitments for the acquisition of property, plant and equipment as at 30 June 2021 (2020: $nil).

22 Acquisition of subsidiaries and interests in joint ventures

(a) Summary of acquisitions in 2021

(i) Ox Mountain Limited

The Group acquired a 41.67% investment in Ox Mountain Limited (UK registered), a maintenance software developer and distributor, for consideration of $22.4 million on 28 August 2020. The investment is accounted for using the equity method of accounting.

(ii) ConPorts Pty Ltd

The Group acquired 100% of the issued shares in ConPorts Pty Ltd, a shiploading services provider in Newcastle, for consideration of $42.7 million on 31 December 2020. The company was renamed Aurizon Port Services NSW Pty Ltd. The acquisition includes long-term leases at the Port of Newcastle with shiploading facilities adjacent to rail lines.

Details of the provisional purchase consideration, the net assets acquired and goodwill are as follows:

	$m
Cash paid	**41.7**
Contingent consideration	**1.0**
Total purchase consideration	**42.7**

	Fair value $m
Total assets	**34.4**
Total liabilities	**(11.4)**
Net identifiable assets acquired	**23.0**
Add: Goodwill	**19.7**
Net assets acquired	**42.7**

Goodwill is attributable to future customer growth and has been allocated to the Bulk NSW CGU, refer to note 9 for further information. None of the goodwill is expected to be deductible for tax purposes.

Acquisition costs of $2.1 million were expensed to profit or loss. Net cash outflow from investing activities for the acquisition was $41.1 million, representing cash paid of $41.7 million net of cash acquired of $0.6 million.

(b) Summary of acquisitions in 2020

(i) Flinders TBSH Pty Ltd

The Group acquired 100% of the issued shares in Flinders TBSH Pty Ltd, a bulk transport, handling and stevedoring service provider in North Queensland, for consideration of $24.8 million on 20 March 2020. The company was renamed to Aurizon Port Services Pty Ltd. The acquisition included long-term leases at the Port of Townsville with bulk storage warehouses and handling facilities adjacent to rail lines. The business is complementary to the Bulk QLD rail operation as it is located at the end of the Mt Isa rail line connecting the Port of Townsville to the commodity-rich North West Minerals Province.

The fair value of the net identifiable assets acquired was $19.6 million resulting in goodwill of $5.2 million. Goodwill is attributable to future customer growth and was allocated to the Bulk QLD CGU. Net cash outflow from investing activities for the acquisition was $24.5 million, representing cash paid of $24.8 million net of cash acquired of $0.3 million.

Notes to the consolidated financial statements
30 June 2021 (continued)

23 Discontinued operations

(a) Description

Closure and sale of Intermodal

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

(b) Financial performance and cash flow information

The financial information relating to the discontinued operations is set out below.

	2021 $m	2020 $m
Revenue	**21.5**	25.0
Other income	**161.2**	2.5
Employee benefits expense	**(2.4)**	(3.6)
Energy and fuel	**(0.1)**	(0.2)
Consumables	**(3.9)**	(8.4)
Depreciation	**–**	(0.2)
Other expenses	**(0.3)**	0.1
Profit before income tax	**176.0**	15.2
Income tax expense	**(52.4)**	(4.4)
Profit from discontinued operations after tax	**123.6**	10.8
Net cash (outflow)/inflow from operating activities	**(23.0)**	9.9
Net cash inflow from investing activities	**168.8**	0.4
Net cash inflow/(outflow) from financing activities	**–**	–
Net increase in cash generated by the discontinued operations	**145.8**	10.3

(c) Significant items

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

	2021 $m	2020 $m
Significant items		
Net gain on sale of Acacia Ridge Intermodal Terminal (before income tax)	**161.1**	–
Net gain on sale of assets	**–**	2.5
	161.1	2.5

Net gain on sale (before income tax) includes proceeds received of $209.0 million less net assets at the date of disposal of $45.4 million and disposal costs of $2.5 million.

24 Assets classified as held for sale

	2021 $m	2020 $m
Property, plant and equipment	**5.0**	61.2
Trade and other receivables	**–**	3.9
Total assets held for sale	**5.0**	65.1

Other notes

IN THIS SECTION

Other notes provides information on other items which require disclosure to comply with Australian Accounting Standards and other regulatory pronouncements, however are not considered critical in understanding the financial performance or position of the Group.

Notes to the consolidated financial statements
30 June 2021 (continued)

25 Notes to the consolidated statement of cash flows

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

	2021 $m	2020 $m
Profit from continuing operations	**606.7**	605.1
Depreciation and amortisation	**579.1**	558.6
Impairment of non-financial assets	**3.1**	5.7
Net finance costs	**149.4**	151.0
Non-cash employee incentive expense	**4.9**	5.8
Net (gain)/loss on disposal of assets	**(16.5)**	1.1
Net gain on sale of business	**–**	(105.4)
Share of profits/(loss) of associates and joint ventures	**(0.3)**	0.1
Net exchange differences	**(0.1)**	(0.1)
Change in operating assets and liabilities:		
(Increase)/Decrease in trade and other receivables	**(20.2)**	25.9
(Increase)/Decrease in inventories	**(12.2)**	(26.2)
(Increase)/Decrease in other operating assets	**(8.5)**	(19.2)
Increase/(Decrease) in trade and other payables	**(25.5)**	(77.3)
Increase/(Decrease) in other liabilities	**8.8**	(3.5)
Increase/(Decrease) in current tax liabilities	**(91.8)**	39.9
Increase/(Decrease) in deferred tax liabilities	**75.7**	74.4
Increase/(Decrease) in provisions	**24.4**	1.6
Net cash inflow from operating activities from continuing operations	**1,277.0**	1,237.5

(b) Reconciliation of liabilities arising from financing activities to financing cash flows

	Current borrowings $m	Non-current borrowings $m	Liabilities held to hedge borrowings[1] $m	Assets held to hedge borrowings[1] $m	Total $m
Balance as at 1 July 2020	**(657.6)**	**(2,949.6)**	**(79.1)**	**220.8**	**(3,465.5)**
Financing cash flows[2]	**599.0**	**(835.2)**	**–**	**–**	**(236.2)**
Effect of changes in exchange rates	**–**	**53.7**	**–**	**(53.7)**	**–**
Other changes in fair values	**(0.4)**	**53.9**	**12.4**	**(42.1)**	**23.8**
Other non-cash movements	**–**	**(1.8)**	**–**	**–**	**(1.8)**
Balance as at 30 June 2021	**(59.0)**	**(3,679.0)**	**(66.7)**	**125.0**	**(3,679.7)**
Balance as at 1 July 2019	(149.0)	(3,220.8)	(49.1)	196.8	(3,222.1)
Reclassification	(523.5)	523.5	–	–	–
Financing cash flows[2]	16.0	(227.2)	–	–	(211.2)
Effect of changes in exchange rates	–	(14.1)	–	14.1	–
Other changes in fair values	(1.1)	(9.6)	(30.0)	9.9	(30.8)
Other non-cash movements	–	(1.4)	–	–	(1.4)
Balance as at 30 June 2020	(657.6)	(2,949.6)	(79.1)	220.8	(3,465.5)

1 Assets and liabilities held to hedge borrowings exclude foreign exchange contracts included in note 18(a).

2 Financing cash flows consists of the net amount of proceeds from borrowings, repayment of borrowings and payments of transaction costs related to borrowings.

Notes to the consolidated financial statements
30 June 2021 (continued)

26 Related party transactions

Related parties include investments and Key Management Personnel (KMP). There were no transactions with related parties during the financial year (2020: $nil).

27 Key Management Personnel

KMP include the Non-Executive Directors and those Executives who have the authority and responsibility for planning, directing and controlling the activities of the Group.

	2021 $'000	2020 $'000
Short-term employee benefits	**9,064**	8,054
Long-term employee benefits	**154**	119
Post-employment benefits	**218**	214
Other benefits	**1,041**	386
Share-based payments expense	**2,995**	2,662
	13,472	11,435

Detailed remuneration disclosures are provided in the Remuneration Report section of the Directors' Report. Apart from the information disclosed in this note, no Director has entered into a material contract with the Group in the financial year and there were no material contracts involving Directors' interests existing at year end (2020: nil).

28 Share-based payments

The Group provides benefits to employees (including senior executives) of the Group in the form of share-based payment incentives. The performance rights plans were established by the Board to motivate and incentivise employees to develop and successfully execute against short and long-term strategies that grow the business and generate shareholder returns. The schemes under the plan include a Short-term Incentive Award (STIA), a Long-term Incentive Award (LTIA) and a Retention award. The schemes have various terms and performance measures.

This note should be read in conjunction with the Remuneration Report, as set out in the Directors' Report, which contains detailed information regarding the setting of remuneration for KMP.

The table below summarises the total movements in the performance rights issued by the Group:

	Balance at start of the year Number '000	Granted during the year Number '000	Exercised during the year Number '000	Forfeited during the year Number '000	Balance at end of the year[1] Number '000
2021					
STIA	**428**	**391**	**(428)**	**–**	**391**
LTIA	**7,990**	**2,958**	**(267)**	**(2,169)**	**8,512**
Retention	**281**	**46**	**(264)**	**–**	**63**
Total	**8,699**	**3,395**	**(959)**	**(2,169)**	**8,966**
2020					
STIA	546	480	(546)	(52)	428
LTIA	10,679	2,354	–	(5,043)	7,990
Retention	263	18	–	–	281
Total	11,488	2,852	(546)	(5,095)	8,699

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

During the period, the Group recognised a share-based payment expense of $4.9 million (2020: $5.9 million).

The weighted average share price at the date performance rights were exercised during the period was $4.40 (2020: $5.79). The weighted average remaining contractual life of unvested rights at 30 June 2021 was 1.9 years (2020: 1.6 years).

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

Scheme	Fair Value	2021 $	2020 $
STIA	Share price at grant date	**4.30**	6.03
Retention	Share price at grant date	**4.32**	5.85
LTIA			
– ROIC	Share price at grant date less estimated dividend yield	**3.15**	4.77
– TSR	Monte-Carlo simulation technique	**1.86**	3.12

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

Inputs	2021	2020
Expected dividend yield (%)	**6.40**	5.30
Expected price volatility of the Company's shares (%)	**39.20**	17.80
Share price at grant date ($)	**4.07**	5.80
Risk-free interest rate (%)	**0.20**	0.80
Expected life of rights (years)	**4.00**	4.00

The expected price volatility of the Company's shares reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

Notes to the consolidated financial statements
30 June 2021 (continued)

29 Auditor's remuneration

During the year, the following fees were paid or payable for services provided by the auditor of the parent entity and its related practices:

PwC Australia

	2021 $'000	2020 $'000
Audit and review of financial statements		
Group	**423**	393
Controlled subsidiaries	**767**	797
	1,190	1,190
Other assurance services	**60**	34
Tax advisory services	**–**	11
Other advisory services	**80**	59
Total remuneration of PwC Australia	**1,330**	1,294

30 Summary of other significant accounting policies

Other significant accounting policies adopted in the preparation of the consolidated financial statements are set out below.

(a) Basis of preparation

(i) New and amended standards adopted by the Group

The IFRS Interpretations Committee (IFRIC) issued agenda decisions relating to the accounting for SaaS arrangements. The Group has implemented this guidance and determined that there is no material impact as a result of the change in accounting policy.

The Group has applied the following standards and amendments for the first time for the reporting period commencing 1 July 2020:

- AASB 2018-7 *Amendments to Australian Accounting Standards – Definition of Material*
- AASB 2018-6 *Amendments to Australian Accounting Standards – Definition of a Business*
- AASB 2019-3 *Amendments to Australia Accounting Standards – Interest Rate Benchmark Reform*
- AASB 2019-5 *Amendments to Australian Accounting Standards – Disclosures of the Effect of New IFRS Standards Not Yet issued in Australia*
- AASB 2019-1 *Amendments to Australia Accounting Standards – References to the Conceptual Framework.*

The Group also elected to adopt the following amendments early:

- AASB 2020-8 A*mendments to Australia Accounting Standards – Interest Rate Benchmark Reform Phase 2.*

The Interest Rate Benchmark Reform amendments modify specific hedge accounting requirements to allow hedge accounting to continue during the period of uncertainty relating to the benchmark reforms for affected cash flow and fair value hedges related to the Group's EMTNs. The Interest Rate Benchmark Reform and other amendments listed above did not have any impact on the amounts recognised in prior years and are not expected to significantly affect the current or future years.

(ii) New standards and interpretations not yet adopted

Certain new accounting standards and amendments to standards have been published that are not mandatory for reporting periods commencing 1 July 2020 and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(b) Cash and cash equivalents

Cash and cash equivalents include cash at-bank and on-hand, and short-term money market investments with an original maturity of three months or less and are classified as financial assets held at amortised cost.

Cash at-bank earns interest at floating rates based on daily bank deposits. Short-term deposits are made for varying periods, depending on the immediate cash requirements of the Group and earn interest at the respective short-term deposit rates.

(c) Foreign currency and commodity transactions

Items included in the financial statements of each of the entities included within the Group are measured using the currency of the economic environment in which the entity primarily generates and expends cash. These financial statements are presented in Australian dollars, which is the functional and presentation currency of the Company.

Transactions in foreign currencies are initially recorded in the functional currency of the entity using the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Foreign exchange gains and losses arising from the translation of the monetary assets and liabilities, or from the settlement of foreign currency translations, are recognised in profit or loss, except when deferred in equity as qualifying cash flow hedges. The amounts deferred in equity in respect of cash flow hedges are recognised in profit or loss when the hedged item affects profit or loss.

As at the reporting date, the assets and liabilities of entities within the Group that have a functional currency different from the presentation currency, are translated into Australian dollar at the rate of exchange at the balance sheet date and profit or loss are translated at the average exchange for the year. The exchange differences arising on the balance sheet translation are taken directly to a separate component in equity in the foreign currency translation reserve.

(d) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. In accordance with the acquisition method, the Group measures goodwill, at acquisition date, as the fair value of the consideration transferred less the fair value of the identifiable assets and liabilities acquired. The fair value of the consideration transferred comprises the initial cash paid and an estimate for any future contingent or deferred payments the Group may be liable to pay.

The application of the acquisition method requires certain estimates and assumptions to be made particularly around the determination of fair value of any contingent or deferred consideration, the acquired intangible assets, property, plant and equipment, and liabilities assumed. Such estimates are based on information available at acquisition date.

Acquisition-related costs are expensed as incurred.

Predecessor value method of accounting is used to account for all business combinations that involve entities under common control. Acquired assets and liabilities are recorded at their existing carrying values and no goodwill is recorded. Retrospective presentation of the acquired entity's results and balance sheet are incorporated as if both entities had always been combined.

(e) Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less cost of disposal, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less cost of disposal. A gain is recognised for any subsequent increases in fair value less cost of disposal of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the consolidated income statement.

(f) Financial instruments

(i) Non-derivative financial assets

The Group initially recognises financial assets on the trade date at which the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred, and the Group has transferred substantially all the risks and rewards of ownership.

Financial assets are initially measured at fair value. If the financial asset is not subsequently accounted for at fair value through profit or loss, then the initial measurement includes transaction costs that are directly attributable to the asset's acquisition or origination. On initial recognition, the Group classifies its financial assets as subsequently measured at either amortised cost or fair value, depending on its business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

(ii) Financial assets measured at amortised cost

A financial asset is subsequently measured at amortised cost, using the effective interest method and net of any impairment loss, if:

› the asset is held within the business model whose objective is to hold assets in order to collect contractual cash flows; and
› the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest.

The Group assesses at each reporting date whether there is objective evidence that a financial asset (or group of financial assets) is impaired.

(iii) Non-derivative liabilities

The Group initially recognises loans and debt securities issued on the date when they originate. Other financial liabilities are initially recognised on the trade date. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Non-derivative financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

(g) Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of the amount of associated GST, unless the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In this case, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the balance sheet.

Cash flows are presented in the cash flow statement on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the ATO, are presented as operating cash flows.

The Company and its subsidiaries are grouped for GST purposes. Therefore, any inter-company transactions within the Group do not attract GST.

Unrecognised items and events after reporting date

IN THIS SECTION

Unrecognised items provides information about items that are not recognised in the financial statements but could potentially have a significant impact on the Group's financial position and performance. This section also includes events occurring after the reporting date.

Notes to the consolidated financial statements
30 June 2021 (continued)

31 Commitments and contingencies

(a) Contingent liabilities

Issues relating to common law claims, product warranties and regulatory breaches are dealt with as they arise. There were no material contingent liabilities requiring disclosure in the financial statements, other than as set out below.

Guarantees and letters of credit

For information about guarantees and letters of credit given by the Group, refer to note 18(d). For information about the MIC Parent Company Guarantee, refer to note 21(b).

Transfer duty exemption

The transfer of ownership of Aurizon Network Pty Ltd from Aurizon Operations Limited to Aurizon Holdings Limited in FY2019 qualified for an exemption from transfer duty under the *Queensland Duties Act 2001.* Should duty become payable in respect of the restructure (for example, due to a change in ownership of Aurizon Network Pty Ltd within three years of the transfer of the shares in FY2019), Aurizon estimates the duty liability may be approximately $295 million.

(b) Contingent assets

Guarantees and letters of credit

For information about guarantees given to the Group, refer to note 18(d).

Wiggins Island Rail Project (WIRP)

The amount of WIRP fees ultimately payable by WIRP customers will be dependent upon finalisation of the appeal of the Expert's Determination and finalisation of a cost variation factor related to WIRP project costs. WIRP fees of $60.3 million, including $48.9 million of historical fees (relating to FY2016 – FY2020), have been recognised in FY2021 (2020: $nil).

(c) Capital commitments

At 30 June 2021, the Group has capital commitments contracted but not provided for in respect of the acquisition of property, plant and equipment of $77.3 million (2020: $102.6 million) which are due within one year.

32 Events occurring after the reporting period

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

Directors' Declaration
30 June 2021

In accordance with a resolution of the Directors of the Company, I state that:

In the opinion of the Directors of the Company:

(a) the financial statements and notes set out on pages 48 to 98 are in accordance with the *Corporations Act 2001*, including:

(i) complying with Accounting Standards and other mandatory professional reporting requirements as detailed above, and the *Corporations Regulations 2001*,

(ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2021 and of its performance for the financial year ended on that date, and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Page 54 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Managing Director & Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

Tim Poole

Tim Poole
Chairman

Brisbane
9 August 2021

Independent auditors' report

To the members of Aurizon Holdings Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Aurizon Holdings Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year then ended

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

What we have audited

The Group financial report comprises:

- the consolidated balance sheet as at 30 June 2021
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated income statement for the year then ended
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if

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individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.

Materiality	***Audit scope***	***Key audit matters***
• For the purpose of our audit we used overall Group materiality of $35 million, which represents approximately 5% of the Group's adjusted profit before income tax. • We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole. • We chose Group adjusted profit before income tax because, in our view, it is the benchmark against which the performance of the Group is most commonly measured. To calculate materiality, we adjusted profit before income tax for significant unusual items such as the sale of an interest in an equity-accounted investment and discontinued operations. These adjustments were tested separately using a specific materiality level. • We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.	• Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. • The Group is a large rail-based freight operator and transports coal, iron ore and other bulk commodities across Australia. • The Group also owns and operates the Central Queensland Coal Network (CQCN) which is a multi-user track network that comprises four major coal systems and one connecting system serving Queensland's Bowen Basin coal region.	• Amongst other relevant topics, we communicated the following key audit matters to the Audit, Governance and Risk Management Committee: – Access revenue recognition – Recoverability of the Western Australia and Bulk Queensland cash generating units (CGUs) – Assessment of useful lives of assets • These are further described in the *Key audit matters* section of our report.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

Key audit matter	***How our audit addressed the key audit matter***
Access revenue recognition *(Refer to note 2 and Key events and transactions for the reporting period)*	
Take-or-Pay access revenue recognition - $77.5m During the year ended 30 June 2021 (FY2021), the Group recorded track access revenue of $1,166.4m. Track access revenue is recognised over time as access to the Central Queensland Rail Network (CQCN) is provided and is measured on a number of operating parameters, including the volume hauled and regulator (Queensland Competition Authority (QCA)) approved pricing tariffs. The tariffs are determined with reference to the total allowable revenue, applied to the regulatory approved annual volume forecast for each rail system. Where annual volumes railed are less than the regulatory forecast, Take-or-Pay clauses may be triggered. Take-or-Pay is calculated based on the Group's judgement of below rail cause versus above rail operator/mine cancellations. In FY2021, the Group determined Take-or-Pay clauses have been triggered under the 2017 Access Undertaking resulting in $77.5m of revenue being recognised where the Group considered that customers have not railed their nominated forecast volumes and the reason for the shortfall was not due to Aurizon Network's management of the CQCN. There is judgement by the Group involved in respect of the revenue recognised in accordance with the Take-or-Pay clauses in determining whether the shortfall to nominated forecast volumes is due to below rail cause or above rail operator/mine cancellations.	The following procedures, amongst others, were performed in relation to Take-or-Pay access revenue recognition: • Obtained the computation for the Take-or-Pay revenue and compared the basis of the calculations to the 2017 Access Undertaking. • Agreed on a sample basis the Take-or-Pay calculation inputs (including operational units such as tonnages hauled, train paths, consist configuration, kilometres travelled etc.) to underlying customer contracts and other relevant documentation. • Tested the mathematical accuracy of the Take-or-Pay calculations. • Compared the QCA approved tariffs and forecast volumes to actual volumes and revenue recognised during the financial year to assess the shortfall and whether Take-or-Pay clauses were triggered. • Evaluated on a sample basis the evidence in respect of the service cancellations considered for Take or Pay calculations and assessed the Group's determination of whether the cause for the resulting volume shortfall was due to below rail or any other cause.

Wiggins Island Rail Project (WIRP) revenue recognition - $60.3m

In FY2021, the Queensland Court of Appeal affirmed a Supreme Court decision on the Group charging customers non-regulated WIRP fees dating back to March 2016.

Other disputes have been initiated by the customers and were subject to expert determination. The Expert's determination was issued in June 2019 and found that the WIRP fee should be partially reduced however the Group has appealed this decision. Due to this, the fee payable by the customers and revenue recognised by the Group is dependent on the finalisation of the appeal and finalisation of a cost variation factor related to the project costs.

We considered revenue recognition to be a key audit matter due to the complexity and judgement in the determination of Take-or-Pay and WIRP revenue.

Wiggins Island Rail Project (WIRP) revenue recognition

- Obtained the computation for WIRP revenue and on a sample basis, agreed the inputs (target costs, base fee applicable to each of the customers etc.) of the calculation to the underlying WIRP Deeds and relevant documentation.
- Tested the mathematical accuracy of the WIRP revenue calculation.
- Obtained an understanding of the Group's assessment and determination of the revenue recognised in relation to the historical and current year's fees in light of the ongoing dispute between the parties to the WIRP Deed.
- Evaluated the appropriateness of the judgements made by the Group in relation to the Expert's determination and the pending finalisation of the cost variation factor related to WIRP project costs.

Recoverability of the Western Australia and Bulk Queensland cash generating units (CGUs)
(Refer to note 9)

Western Australia (WA) and Bulk Queensland (QLD) CGUs

The WA and Bulk QLD CGUs have been impaired from FY2017 to FY2019 due to the loss of key customers, challenging and competitive Bulk markets and operational performance issues.

During FY2021, impairment reversal indicators have been identified by the Group for the WA and Bulk QLD CGUs.

The recoverable amounts of the CGUs have been estimated using value in use (VIU) methodology utilising a discounted cash flow model.

In estimating the recoverable amounts, the Group has made the following key judgements:

- Current contractual arrangements with key customers are complied with taking into consideration the expected expiry and/or renewal of the contracts; and
- A terminal value growth rate of 2.0% and the pre-tax discount rate of 10.8%.

To evaluate the Group's assessment of the recoverable amount of the WA and QLD CGUs, we performed a number of procedures including the following:

- Assessed whether the division of the Group's property, plant and equipment assets into CGUs was consistent with our knowledge of the Group's operations and internal Group reporting.
- Assessed whether the carrying value of the CGUs included all assets and liabilities directly attributable to the CGU and that the model included all cash flows directly attributable to the CGU and a reasonable allocation of corporate overheads.
- Evaluated the Group's historical ability to forecast future cash flows by comparing budgets with reported prior years' actual results.

Given the judgements incorporated by the Group, the assessments of the recoverability of assets in relation to the WA and Bulk QLD CGUs is considered to be a key audit matter.

- Tested that forecast cash flows used in the models were derived from the most up-to-date corporate plan formally approved by the Board.
- Evaluated the appropriateness of the judgements made by the Group in relation to key customers' current and future contractual arrangements.
- Assessed, with assistance from PwC valuation experts:
  - the forecast terminal value growth rate of 2.0% by comparing it to economic forecasts;
  - that the pre-tax discount rate applied in the model reflects the risks of the CGU; and
  - the mathematical accuracy of the model.
- Evaluated the Group's sensitivity analysis to assess whether a reasonably possible change in underlying assumptions would give rise to a further impairment or reversal of previous impairments.

Assessment of useful lives of assets
(Refer to note 8)

During FY2021, the useful lives of assets used in the Queensland Coal, New South Wales Coal and Network cash generating units (CGUs) were reviewed by the Group.

The useful lives of assets are determined based on the expected engineering life and, where necessary, capped at the remaining term of the applicable leases.

In determining whether the current useful lives remain appropriate, the Group has reviewed a number of indicators which are described in note 8 to consider short-term impacts, as well as risks that may emerge over the medium to long term, where the timing and magnitude are less certain.

Given the judgements incorporated by the Group as well as the magnitude of the asset balance, the assessment of useful lives of assets is considered to be a key audit matter.

To evaluate the Group's assessment of the useful lives of assets, we performed the following procedures amongst others:

- Evaluated the appropriateness of the judgements made by the Group by considering and/or assessing:
  - external reports including selected reports on the future demand for and supply of thermal and metallurgical coal and forecast global iron and steel production;
  - existing regulation regarding coal mining in Queensland and New South Wales;
  - selected reports on current metallurgical coal reserves and forecast production in Queensland;
  - current useful lives of selected coal exposed businesses in Queensland and New South Wales as well as Global rail businesses; and

- commitments to selected climate-change policies of certain territories and jurisdictions to which Australian coal is exported and used in the generation of electricity and steel production.

- Evaluated the Group's sensitivity analysis to assess reasonable possible changes in the useful lives that may give rise to additional depreciation in the future.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2021, but does not include the financial report and our auditors' report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditors' report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 26 to 40 of the directors' report for the year ended 30 June 2021.

In our opinion, the remuneration report of Aurizon Holdings Limited for the year ended 30 June 2021 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of *the Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

Nadia Carlin
Partner

Tim Allman
Partner

Brisbane
9 August 2021

Non-IFRS Financial Information in FY2021 Annual Report

In addition to using profit as a measure of the Group and its segments' financial performance, Aurizon uses EBITDA (Statutory and Underlying), EBITDA margin – Underlying, EBIT (Statutory and Underlying), NPAT – Underlying, Return On Invested Capital (ROIC), Net debt and Net gearing ratio. These measurements are not defined under IFRS and are, therefore, termed 'Non-IFRS' measures.

EBITDA – Statutory is Group profit before net finance costs, tax, depreciation and amortisation, while EBIT – Statutory is defined as Group profit before net finance costs and tax. EBIT – Underlying can differ from EBIT – Statutory due to exclusion of significant items that permits a more appropriate and meaningful analysis of the underlying performance on a comparative basis. EBITDA margin is calculated by dividing underlying EBITDA by total revenue. These measures are considered to be useful measures of the Group's operating performance because they approximate the underlying operating cash flows by eliminating depreciation and amortisation.

NPAT – Underlying represents underlying EBIT less finance costs, tax expense and the tax impact of significant adjustments.

ROIC is defined as underlying rolling 12-month EBIT divided by average invested capital. Average invested capital is calculated as the rolling twelve-month average of net assets (excluding cash, borrowings, tax, derivative financial assets and liabilities). This measure is intended to ensure there is alignment between investment in infrastructure and superior returns for shareholders.

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

These above mentioned measures are commonly used by management, investors and financial analysts to evaluate companies' performance.

A reconciliation of the Non-IFRS measures and specific items to the nearest measure prepared in accordance with IFRS is included in the table. The Non-IFRS financial information contained within this Directors' report and Notes to the Financial Statements has not been audited in accordance with Australian Auditing Standards.

	2021		2020	
	Continuing operations $m	Discontinued operations $m	Continuing operations $m	Discontinued operations $m
NPAT – Underlying	**533.2**	**10.8**	531.3	9.0
Significant adjustments, net of tax	**5.7**	**112.8**	73.8	1.8
Significant adjustment — Aquila income tax benefit	**67.8**	**-**	-	-
NPAT – Statutory	**606.7**	**123.6**	605.1	10.8
Income tax expense	**159.3**	**52.4**	260.8	4.4
Profit before income tax	**766.0**	**176.0**	865.9	15.2
Net finance costs	**145.3**	**-**	148.5	-
EBIT – Statutory	**911.3**	**176.0**	1,014.4	15.2
Add back significant adjustments:				
– Net gain on sale of shares in Aquila	**(8.2)**	**-**	-	-
– Net gain on sale of Acacia Ridge Intermodal Terminal	**-**	**(161.1)**	-	-
– Net gain on sale of Rail Grinding business	**-**	**-**	(105.4)	-
– Intermodal closure benefit	**-**	**-**	-	(2.5)
EBIT – Underlying	**903.1**	**14.9**	909.0	12.7
Depreciation and amortisation	**579.1**	**-**	558.6	0.2
EBITDA – Underlying	**1,482.2**	**14.9**	1,467.6	12.9
Average invested capital	**8,418**		8,364	
ROIC	**10.7%**		10.9%	

Net Gearing Ratio	2021 $m	2020 $m
Total borrowings	**3,738.0**	3,607.2
Less: cash and cash equivalents	**(148.8)**	(29.3)
Net debt	**3,589.2**	3,577.9
Total equity	**4,274.6**	4,357.7
Total capital	**7,863.8**	7,935.6
Net Gearing Ratio	**45.6%**	45.1%

Alternative Net Gearing Ratio	2020 $m	2019 $m
Net debt	**3,589.2**	3,577.9
Accumulated fair value adjustments[1]	**(149.0)**	(261.1)
Alternative Net Debt	**3,440.2**	3,316.8
Total equity	**4,274.6**	4,357.7
Total capital	**7,714.8**	7,674.5
Alternative Net Gearing Ratio	**44.6%**	43.2%

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

Shareholder Information

RANGE OF FULLY PAID ORDINARY SHARES AS AT 2 AUGUST 2021

RANGE	TOTAL HOLDERS	UNITS	% OF ISSUED CAPITAL
1–1,000	21,835	13,172,827	0.72
1,001 – 5,000	30,187	71,521,411	3.89
5,001 – 10,000	6,613	48,466,381	2.63
10,001 – 100,000	4,935	106,234,500	5.77
100,001 Over	165	1,601,308,863	86.99
Total	**63,735**	**1,840,703,982**	**100.00**

UNMARKETABLE PARCELS AS AT 2 AUGUST 2021

	MINIMUM PARCEL SIZE	HOLDERS	UNITS
Minimum $500.00 parcel at $3.88 per unit	129	1,200	77,198

The number of shareholders holding less than the marketable parcel of shares is 1,200 (shares: 77,198).

SUBSTANTIAL HOLDERS OF 5% OR MORE OF FULLY PAID ORDINARY SHARES AS AT 2 AUGUST 2021*

NAME	NOTICE DATE	SHARES
The Vanguard Group Inc	20/12/2017	108,337,155
BlackRock Group	28/01/2019	141,036,686
State Street Corporation	28/07/2021	92,689,091

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

INVESTOR CALENDAR

2022 DATES	DETAILS
14 February 2022	Half Year results and interim dividend announcement
30 March 2022	Interim dividend payment date
8 August 2022	Full Year results and final dividend announcement
21 September 2022	Final dividend payment date
13 October 2022	Annual General Meeting

The payment of a dividend is subject to the *Corporations Act* and Board discretion.
The timing of any event listed above may change. Please refer to the Company website, **aurizon.com.au**, for an up-to-date list of upcoming events.

ASX code: AZJ

Contact details

Aurizon
GPO Box 456
Brisbane QLD 4001

For general enquiries, please call 13 23 32 within Australia. If you are calling from outside Australia, please dial +61 7 3019 9000.

aurizon.com.au

Investor Relations

For all information about your shareholding, including employee shareholdings, dividend statements and change of address, contact the share registry Computershare on 1800 776 476 or visit **investorcentre.com**.

To request information relating to Investor Relations please contact our Investor Relations team on +61 7 3019 1127 or email: **investor.relations@aurizon.com.au**.

TOP 20 HOLDERS OF FULLY PAID ORDINARY SHARES AS AT 2 AUGUST 2021

NAME	UNITS	% OF UNITS
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	660,619,760	35.89
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	353,330,669	19.20
CITICORP NOMINEES PTY LIMITED	269,592,982	14.65
NATIONAL NOMINEES LIMITED	69,221,196	3.76
BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	45,508,348	2.47
BNP PARIBAS NOMS PTY LTD <DRP>	29,111,038	1.58
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NTCOMNWLTH SUPER CORP A/C>	23,644,787	1.28
CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	20,150,837	1.09
CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	16,662,018	0.91
ARGO INVESTMENTS LTD	14,223,772	0.77
BNP PARIBAS NOMINEES PTY LTD SIX SIS LTD <DRP A/C>	13,143,389	0.71
BNP PARIBAS SECURITIES SERVICES < BP2S PROPLEND ASSETS DRP A/C>	9,089,815	0.49
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	6,073,719	0.33
BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C>	4,153,023	0.23
AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED	4,000,000	0.22
BNP PARIBAS NOMS (NZ) LTD <DRP>	3,379,311	0.18
AMP LIFE LIMITED	3,358,000	0.18
BNP PARIBAS NOMINEES PTY LTD <IOOF INSTMT MGT LTD DRP>	3,174,550	0.17
WOODROSS NOMINEES PTY LTD	2,728,329	0.15
NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	2,624,059	0.14
Totals: Top 20 holders of ORDINARY FULLY PAID SHARES (Total)	**1,553,789,602**	**84.41**
Total Remaining Holders Balance	**286,914,380**	**15.59**

Glossary

Some terms and abbreviations used in this document, together with industry specific terms, have defined meanings.

These terms and abbreviations are set out in this glossary and are used throughout this document.

A reference to dollars, $ or cents in this document is a reference to Australian currency unless otherwise stated. Any reference to a statute, ordinance, code or other law includes regulations and any other instruments under it and consolidations, amendments, re-enactments or replacements of any of them. Any reference to Annual Report is a reference to this document.

ABN
Australian Business Number

Above Rail
Includes the business unit segments of Coal, Bulk and Other of Aurizon Holdings Limited

ACN
Australian Company Number

ASIC
Australian Securities and Investments Commission

ASX
Australian Securities Exchange operated by ASX Limited (ABN 98 008 624 691)

ASX Listing Rules
The official listing rules of ASX

Aurizon
Aurizon Holdings Limited (ABN 14 146 335 622) and where the context requires, includes any of its subsidiaries and controlled entities

Below Rail
The business unit segment of Network – Aurizon Network Pty Ltd (ACN 132 181116) a wholly owned subsidiary of Aurizon Holdings Limited

Board
The Board of Directors of Aurizon Holdings Limited

Bulk
The Above Rail freight haulage operating division of Aurizon Holdings Limited

CAGR
Compound Annual Growth Rate, expressed as a percentage per year

CAPEX
Capital Expenditure

CGT
Capital Gains Tax

Coal
The Above Rail coal haulage operating division of Aurizon Holdings Limited

Company or Aurizon Holdings
Aurizon Holdings Limited (ACN 146 335 622) and where the context requires, includes any of its subsidiaries and controlled entities

Company Secretary
Each Company Secretary of Aurizon Holdings Limited

Constitution
The constitution of Aurizon Holdings Limited

Corporations Act
Corporations Act 2001 (Cth)

CPS
Cents Per Share

CQCN
Central Queensland Coal Network

CSAP
Climate Strategy and Action Plan

EBIT
Earnings Before Interest and Tax

EBITDA
Earnings Before Interest, Tax, Depreciation and Amortisation

EBIT Margin
Underlying Earnings Before Interest and Tax divided by total revenue and other income

EPA
Environment Protection Agency

EPL
Environment Protection Licence

EPS
Earnings Per Share

FSB
Financial Stability Board

FY
Financial Year ended 30 June, as the context requires

GAPE
Goonyella to Abbot Point Expansion

GAAP
Generally Accepted Accounting Principles

IFRS
International Financial Reporting Standards

km
Kilometre

LTIA
Long Term Incentive Awards

M
Million

MAR
Maximum Allowable Revenue that Aurizon Network Pty Ltd is entitled to earn from the provision of coal carrying train services in the CQCN across the term of an access undertaking

mt
Millions of tonnes

mtpa
Millions of tonnes per annum

Network
Aurizon Network Pty Ltd (ACN 132 181116) a wholly-owned subsidiary of Aurizon Holdings

NGER Act
National Greenhouse Energy Reporting Act 2007 (Cth)

ntk
Net tonne kilometre, unit of measure representing the movement over a distance of one kilometre of one tonne of contents excluding the weight of the locomotive and wagons

OPEX
Operating Expense including depreciation and amortisation

OTHER
A business unit segment of Aurizon Holdings Limited

PPT
Percentage Point

QCA
Queensland Competition Authority

RAB
Regulatory Asset Base, the value of the asset base on which pricing is determined by the price regulator

Rail Process Safety
The cumulative number of SPAD, derailment and rollingstock to rollingstock collision incidents, per million train kilometres, over a given recording period

ROIC
Return on Invested Capital

RSO
Rolling Stock Operator

Share
A fully paid ordinary share in Aurizon Holdings

SPAD
Signal Passed At Danger

STIA
Short Term Incentive Award

tonne
One metric tonne, being 1,000 kilograms

tonne kilometres
The product of tonnes and distance

TCFD
Taskforce on Climate-related Financial Disclosures

TRIFR
The cumulative number of Lost Time Injuries, Medical Treatment Injuries and Restricted Work Injuries sustained by employees and contractors, per million hours worked, over a given recording period

WACC
Weighted Average Cost of Capital, expressed as a percentage

WICET
Wiggins Island Coal Export Terminal

WIRP
Wiggins Island Rail Project

Corporate Information

Aurizon Holdings Limited
ABN 14 146 335 622

Directors
Tim Poole
Andrew Harding
Marcelo Bastos
Russell Caplan
Michael Fraser
Samantha Lewis
Sarah Ryan
Lyell Strambi
Kate Vidgen

Company Secretaries
David Wenck
Naomi Wecker

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AURIZON

Aurizon Holdings Limited
ABN 14 146 335 622