Aurizon Operations Limited
ABN 47 564 947 264

Annual Financial Report
for the year ended 30 June 2024

This financial report is the consolidated financial statements of the Group consisting of Aurizon Operations Limited and its subsidiaries. A list of major subsidiaries is included in note 19.

The financial report is presented in Australian dollars.

Aurizon Operations Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Aurizon Operations Limited
Level 8, 900 Ann Street
Fortitude Valley QLD 4006

The financial report for the Group for the year ended 30 June 2024 has been authorised for issue in accordance with a resolution of the Directors on 12 August 2024.

Directors' Report

The Directors of Aurizon Operations Limited (the Company) present their report, together with the financial statements of the Company and its controlled entities (collectively referred to as the consolidated entity or the Group) for the financial year ended 30 June 2024 (FY2024). Aurizon Operations Limited is a subsidiary of Aurizon Holdings Limited. Aurizon Holdings Limited and its subsidiary entities are referred to as the Aurizon Group.

Directors

The following persons were Directors of Aurizon Operations Limited during the financial year and up to the date of this report:

D Wenck
G Lippiatt
A Harding

Principal activities

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

Coal

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

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 Australia. Bulk also manages the Tarcoola-to-Darwin rail infrastructure, the intrastate rail freight network in South Australia (SA), and containerised freight services between Adelaide and Darwin.

Other

Includes other Containerised Freight related to the National Interstate services, which is not considered a separate reportable segment, as well as other revenue and central costs not allocated such as Board, Managing Director & CEO, Company Secretary, strategy and investor relations.

Review of operations

Group Performance Overview

Underlying EBITDA from continuing operations is up $78.2 million or 12% to $704.2 million in FY2024 due to an increase in earnings across Coal and Bulk. Coal is up $73.5 million due to higher volumes revenue yield (customer/corridor mix and CPI) and Bulk is up $15.0 million due to minerals and iron ore volumes, offset by lower grain volumes, rail network impacts from weather and cessation of a rail maintenance contract in the Pilbara. This is partly offset by Other, which includes Containerised Freight, down $10.3 million, driven by the ramp-up of the full Containerised Freight schedule as costs were incurred ahead of volume growth, offset by the non-recurrence of long service leave adjustments in the prior year and reduction in the land rehabilitation provision.

Group revenue and other income from continuing operations increased $300.2 million or 11% due to increased volumes and revenue yield as a result of improved CPI and customer mix across Coal, volume growth across minerals and iron ore customers and insurance recoveries from significant derailment events that occurred in FY2023 for Bulk and revenue from the ramp-up of Containerised Freight services.

Operating costs increased $200.0 million or 11% with increased costs across all segments due to increased volume and escalation of labour and materials and higher access, partly offset by lower fuel costs.

Depreciation increased by $38.2 million or 12% due to capital expenditure in Bulk and Containerised Freight to support growth.

Dividends

Details of dividends paid are set out in note 14 of the financial report.

Significant changes in the state of affairs

Funding

During the period, Aurizon Finance Pty Ltd (a wholly owned subsidiary of the Company):

- Settled a ~$503.3 million US Private Placement (USPP) Note across tenors of 7, 10, 11 and 12 years on 26 July 2023. The proceeds from the settlement were used to repay the $350.0 million syndicated bridge loan facility.
- Reduced the syndicated term loan facility limit from $400.0 million to $200.0 million in February 2024 funded from a capital contribution from the parent.
- Reduced the bilateral facility limit by $15.0 million to $540.0 million with a $65.0 million tranche maturing November 2023 being offset by an additional $50.0 million established in July 2023 which matures in July 2026.

Capital structure

During the year, the Company received a capital contribution from the parent of $125 million.

Deed of Cross Guarantee

On 19 April 2024, Aurizon Port Services Pty Ltd was acceded to the Aurizon Operations Deed of Cross Guarantee. Refer to note 21 for further information.

Events since the end of the financial year

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

Likely developments

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

Environmental and Cultural Heritage regulation and performance

The Company is exposed to a range of environmental regulations as part of the Aurizon Group. The Aurizon Group has a centralised team which monitors compliance with, and performance against these regulations and 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, the Aurizon Group complies with all applicable laws and regulations that have an environmental or cultural heritage focus.

The *National Greenhouse and Energy Reporting Act 2007* (NGER) (Cth) requires the Group to report its annual greenhouse gas emissions and energy use. The Company has implemented systems and processes for the collection and calculation of the data required and is registered under the NGER Act. Effective from 1 July 2022, the Company successfully transitioned to a National Transport Facility. During FY2024, the Clean Energy Regulator confirmed that the emissions generated by the Company's National Transport Facility for FY2023 were below its baseline, in full compliance with the Safeguard Mechanism. The Company is undertaking appropriate steps to prepare for, and effectively manage its obligations under the Safeguard Mechanism's declining baseline which commenced in FY2024. The Aurizon Group continues to engage with the Federal Government regarding the emissions benefits associated with shifting freight from road to rail, which support the Government's transport sector decarbonisation roadmap.

The Company has complied with obligations applicable to locomotive engine noise across its operational footprint. The Company also continues to work collaboratively with supply chain partners to minimise coal dust emissions associated with the Company's coal haulage operations and has complied with air quality criteria and dust generation.

Further details on the Company's climate and environmental performance will be published in the Aurizon Group's forthcoming Sustainability Report which will be published in October 2024.

Environmental and Cultural Heritage prosecutions

The Company did not incur any monetary fines, nor was it subject to any prosecutions related to environment or cultural heritage regulations in FY2024.

Indemnification and insurance of officers

The Company's Constitution provides 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 whilst acting as such officers to the maximum extent permitted by law.

The Company's holding Company, Aurizon Holdings Limited, 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 financial year.

The Company has paid a premium for insurance of 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.

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.

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 5.

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

A Harding
Director

Brisbane
12 August 2024

Deloitte.

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12 August 2024

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

Dear Board Members

Auditor's Independence Declaration to Aurizon Operations Limited

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

As lead audit partner for the audit of the financial report of Aurizon Operations Limited for the year ended 30 June 2024, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Matthew Donaldson
Partner
Chartered Accountants

Financial Report
for the year ended 30 June 2024

Consolidated income statement
for the year ended 30 June 2024

	Notes	**2024 $m**	2023 $m
Revenue from continuing operations	2	**2,909.5**	2,610.9
Other income		**3.4**	1.8
Total revenue and other income		**2,912.9**	2,612.7
Employee benefits expense	3	**(904.7)**	(817.8)
Energy and fuel		**(235.3)**	(232.0)
Track access		**(613.6)**	(505.5)
Consumables		**(449.1)**	(417.5)
Depreciation and amortisation	3	**(364.8)**	(326.6)
Impairment losses		**(1.1)**	(12.8)
Other expenses		**(5.5)**	(50.5)
Share of net profit of investments accounted for using the equity method		**0.6**	0.7
Operating profit		**339.4**	250.7
Finance income		**5.9**	4.4
Finance expenses	3	**(104.9)**	(95.2)
Net finance costs		**(99.0)**	(90.8)
Profit before income tax		**240.4**	159.9
Income tax expense	4	**(73.0)**	(57.9)
Profit for the year attributable to the owners of Aurizon Operations Limited		**167.4**	102.0

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

Consolidated statement of comprehensive income

for the year ended 30 June 2024

	Notes	**2024** **$m**	2023 $m
Profit for the year		**167.4**	102.0
Other comprehensive income			
Items that may be reclassified to profit or loss			
Changes in the fair value of cash flow hedges	15(b)	**(7.8)**	20.6
Income tax relating to changes in the fair value of cash flow hedges	15(b)	**2.3**	(6.2)
Exchange differences on translation of foreign operations	15(b)	**-**	4.2
Other comprehensive income for the year, net of tax		**(5.5)**	18.6
Total comprehensive income for the year attributable to the owners of Aurizon Operations Limited		**161.9**	120.6

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

Consolidated balance sheet
as at 30 June 2024

	Notes	**30 June 2024 $m**	30 June 2023 $m
ASSETS			
Current assets			
Cash and cash equivalents		**44.0**	62.3
Trade and other receivables	5	**537.8**	436.5
Inventories	6	**182.2**	166.5
Derivative financial instruments	17(a)	**0.1**	1.7
Current tax receivables		**-**	5.0
Other assets	9	**83.4**	161.8
Total current assets		**847.5**	833.8
Non-current assets			
Trade and other receivables	5	**7.8**	-
Inventories	6	**53.1**	48.1
Derivative financial instruments	17(a)	**23.0**	29.7
Property, plant and equipment	7	**4,912.8**	4,755.5
Intangible assets	8	**151.0**	149.9
Other assets	9	**81.0**	96.3
Investments accounted for using the equity method	18	**56.7**	56.2
Total non-current assets		**5,285.4**	5,135.7
Total assets		**6,132.9**	5,969.5
LIABILITIES			
Current liabilities			
Trade and other payables	10	**333.6**	318.2
Borrowings	16	**86.0**	106.0
Derivative financial instruments	17(a)	**0.2**	0.4
Current tax liabilities		**0.6**	-
Provisions	11	**242.6**	233.4
Other liabilities	12	**36.3**	40.5
Total current liabilities		**699.3**	698.5
Non-current liabilities			
Borrowings	16	**1,274.3**	1,404.0
Derivative financial instruments	17(a)	**62.1**	70.1
Deferred tax liabilities	4(c)	**261.3**	218.1
Provisions	11	**43.2**	48.4
Other liabilities	12	**170.5**	125.2
Total non-current liabilities		**1,811.4**	1,865.8
Total liabilities		**2,510.7**	2,564.3
Net assets		**3,622.2**	3,405.2
EQUITY			
Contributed equity	15(a)	**3,268.3**	3,141.1
Reserves	15(b)	**13.3**	18.8
Retained earnings		**340.6**	245.3
Total equity		**3,622.2**	3,405.2

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 2024

	Notes	Contributed equity $m	Reserves $m	Retained earnings $m	Total equity $m
		Attributable to the owners of Aurizon Operations Limited			
Balance at 30 June 2023		**3,141.1**	**18.8**	**245.3**	**3,405.2**
Adjustment on adoption of AASB 17	27	**-**	**-**	**(0.6)**	**(0.6)**
Restated balance at 1 July 2023		**3,141.1**	**18.8**	**244.7**	**3,404.6**
Profit for the year		**-**	**-**	**167.4**	**167.4**
Other comprehensive income	15(b)	**-**	**(5.5)**	**-**	**(5.5)**
Total comprehensive income for the year		**-**	**(5.5)**	**167.4**	**161.9**
Transactions with owners in their capacity as owners:					
Dividends paid	14	**-**	**-**	**(71.5)**	**(71.5)**
Capital contribution from the parent for proceeds from the divestment	15(a)	**125.0**	**-**	**-**	**125.0**
Capital contribution from the parent for share-based payments	15(a)	**2.2**	**-**	**-**	**2.2**
		127.2	**-**	**(71.5)**	**55.7**
Balance at 30 June 2024		**3,268.3**	**13.3**	**340.6**	**3,622.2**
Balance at 1 July 2022		2,720.0	0.2	279.7	2,999.9
Profit for the year		-	-	102.0	102.0
Other comprehensive income	15(b)	-	18.6	-	18.6
Total comprehensive income for the year		-	18.6	102.0	120.6
Transactions with owners in their capacity as owners:					
Dividends paid	14	-	-	(136.4)	(136.4)
Return of capital to the parent for acquisition of subsidiary	15(a)	(165.7)	-	-	(165.7)
Capital contribution from the parent for acquisition of subsidiary	15(a)	50.0	-	-	50.0
Return of capital to the parent for sale and divestment costs	15(a)	(26.0)	-	-	(26.0)
Capital contribution from the parent for proceeds from the divestment	15(a)	317.7	-	-	317.7
Return of capital to the parent from completion adjustment on divestment	15(a)	(4.6)	-	-	(4.6)
Capital contribution from the parent	15(a)	250.0	-	-	250.0
Return of capital to the parent for share-based payments	15(a)	(0.3)	-	-	(0.3)
		421.1	-	(136.4)	284.7
Balance at 30 June 2023		3,141.1	18.8	245.3	3,405.2

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 2024

	Notes	**2024 $m**	2023 $m
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**3,151.1**	2,795.6
Payments to suppliers and employees (inclusive of GST)		**(2,509.6)**	(2,279.4)
Interest received		**5.1**	4.4
Income tax refund received/(tax paid)		**58.2**	(82.6)
Principal elements of lease receipts		**7.7**	7.5
Net cash inflow from operating activities	23	**712.5**	445.5
Cash flows from investing activities			
Payments for business acquisitions (net of cash acquired) and investment in joint venture	22	**-**	(1,434.0)
Payments for property, plant and equipment		**(425.6)**	(402.9)
Proceeds from sale of property, plant and equipment		**11.0**	7.6
Payments for intangibles		**(21.8)**	(15.3)
(Payment to)/proceeds from related parties under the Intra Group Loan Agreement		**(53.5)**	93.0
Interest paid on qualifying assets	3	**(2.2)**	(4.2)
Distributions from joint ventures		**-**	0.7
Net cash outflow from investing activities		**(492.1)**	(1,755.1)
Cash flows from financing activities			
Proceeds from external borrowings		**548.2**	1,376.0
Repayment of external borrowings		**(705.0)**	(300.0)
Principal elements of lease payments		**(25.6)**	(19.9)
Proceeds from settlement of derivatives		**0.7**	-
Payments of transaction costs related to borrowings		**(3.4)**	(10.5)
Interest paid		**(103.7)**	(83.6)
Return of capital to parent for share based payments		**(3.3)**	(6.2)
Capital contribution from parent		**124.2**	396.4
Dividends paid to Company's shareholder	14	**(71.5)**	(136.4)
Net cash (outflow)/inflow from financing activities		**(239.4)**	1,215.8
Net decrease in cash and cash equivalents		**(19.0)**	(93.8)
Cash and cash equivalents at the beginning of the financial year		**62.3**	157.1
Effects of exchange rate changes on cash and cash equivalents		**0.7**	(1.0)
Cash and cash equivalents at the end of the financial year		**44.0**	62.3

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

Notes to the consolidated financial statements

30 June 2024

About this report

Aurizon Operations Limited (the Company) is a for-profit entity for the purpose of preparing this financial report and is a company limited by shares, incorporated and domiciled in Australia. The consolidated financial report comprises the financial statement of the Company and its subsidiaries (collectively referred to as the Group or Aurizon Operations).

The financial report is a general purpose financial report which:

- has been prepared on the going concern basis of accounting;
- has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and IFRS Accounting Standards 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, which is the functional and presentation currency of the Company, 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 2023; 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 2024 (FY2024) has been authorised for issue in accordance with a resolution of the Directors on 12 August 2024.

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
Useful lives of rollingstock	7
Recoverable amount of property, plant and equipment	7
Impairment tests for goodwill	8

Other material accounting policies

Other material 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) Debt financing

On 26 July 2023, Aurizon Finance Pty Ltd (Finance) settled the US Private Placement Notes (USPP) that included both USD and AUD tranches, totalling approximately $503.3 million (referred to as Finance USPP). The funds raised via the Finance USPP were allocated to repay the $350.0 million bridge facility that was utilised to purchase One Rail Australia, previously reduced from $650.0 million. The Finance USPP comprised several parts: a $50.0 million tranche maturing July 2033, another $50.0 million tranche maturing July 2034, a US$133.0 million tranche maturing July 2030, a US$70 million tranche maturing July 2033, and a US$70.0 million tranche maturing July 2035. To convert the total US$273.0 million fixed rate debt issued in USD to AUD floating rate debt, cross-currency interest rate swaps were executed.

The facility limit of the Finance Syndicated Term Loan maturing July 2027 was reduced from $400.0 million to $200.0 million in February 2024, following a capital contribution from the parent.

The Finance Bilateral Facility limit was reduced by $15.0 million to $540.0 million with an $65.0 million tranche maturing November 2023 being offset by an additional $50.0 million established in July 2023 which matures in July 2026.

(b) Capital structure

The Company received a capital contribution from the parent of $125.0 million on 19 February 2024. The Company issued 125.0 million ordinary shares to the parent as consideration.

Results for the year

IN THIS SECTION

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

1 Segment information

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

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

(a) Description of reportable segments

The following summary describes the operations of each reportable segment:

Coal

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

Bulk

This segment provides integrated supply chain services, including rail and road transportation, port services and material handling for a range of mining, metal, industrial and agricultural customers throughout Australia. This segment also manages the Tarcoola-to-Darwin rail infrastructure, the intrastate rail freight network in South Australia, and containerised freight services between Adelaide and Darwin.

Other

This segment includes other Containerised Freight related to the National Interstate services, which is not considered a separate reportable segment, as well as other revenue and central costs not allocated such as Board, Managing Director & CEO, Company Secretary, strategy and investor relations.

1 Segment information (continued)

(b) Segment information

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

30 June 2024	Coal $m	Bulk $m	Other $m	Total $m
External revenue				
Revenue from external customers				
Services revenue				
Track access	459.8	-	-	459.8
Freight transport	1,266.5	1,060.8	60.9	2,388.2
Other services	-	11.7	-	11.7
Other revenue	16.8	20.9	12.1	49.8
Total revenue from external customers[1]	1,743.1	1,093.4	73.0	2,909.5
Internal revenue				
Services revenue				
Other services	-	0.8	-	0.8
Total internal revenue	-	0.8	-	0.8
Total external and internal revenue	1,743.1	1,094.2	73.0	2,910.3
Other income	-	1.6	1.8	3.4
Total revenue and other income	1,743.1	1,095.8	74.8	2,913.7
Internal elimination				(0.8)
Consolidated revenue and other income				2,912.9
EBITDA (Underlying)	528.4	229.2	(53.4)	704.2
Depreciation and amortisation	(213.3)	(128.3)	(23.2)	(364.8)
EBIT (Underlying)	315.1	100.9	(76.6)	339.4
EBIT				339.4
Net finance costs				(99.0)
Profit before income tax				240.4

[1] Includes $21.9 million of related party revenue.

1 Segment information (continued)

(b) Segment information (continued)

30 June 2023	Coal $m	Bulk $m	Other $m	Total $m
External revenue				
Revenue from external customers				
Services revenue				
Track access	349.9	-	-	349.9
Freight transport	1,175.5	1,034.9	5.5	2,215.9
Other services	-	10.8	-	10.8
Other revenue	5.7	15.6	13.0	34.3
Total revenue from external customers[1]	1,531.1	1,061.3	18.5	2,610.9
Internal revenue				
Services revenue				
Other services	-	0.6	-	0.6
Total internal revenue	-	0.6	-	0.6
Total external and internal revenue	1,531.1	1,061.9	18.5	2,611.5
Other income	-	0.4	1.4	1.8
Total revenue and other income	1,531.1	1,062.3	19.9	2,613.3
Internal elimination				(0.6)
Consolidated revenue and other income				2,612.7
EBITDA (Underlying)	454.9	214.2	(43.1)	626.0
Depreciation and amortisation	(203.6)	(108.0)	(15.0)	(326.6)
EBIT (Underlying)	251.3	106.2	(58.1)	299.4
Significant items (note 1(c))				(48.7)
EBIT				250.7
Net finance costs				(90.8)
Profit before income tax				159.9

[1] Includes $22.4 million of related party revenue.

1 Segment information (continued)

(c) Significant items

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

	2024 $m	2023 $m
Acquisition costs for One Rail Australia[1]	**-**	(48.7)

[1] Acquisition costs have been expensed to profit or loss and classified in other expenses.

(d) Customer disclosure

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

	2024 $m	2023 $m	**2024 Credit Rating**	2023 Credit Rating
Customer 1	**336.8**	366.9	**A-**	A-
Customer 2	**317.0**	325.0	**BBB+**	BBB+
Customer 3	**236.1**	183.2	**Unrated**	Unrated
Total	**889.9**	875.1		

2 Revenue

The Group recognises revenue from the provision of freight haulage services across Australia.

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

	2024 $m	2023 $m
Services revenue		
Track access	**459.8**	349.9
Freight transport	**2,388.2**	2,215.9
Other services	**11.7**	10.8
Other revenue[1]	**49.8**	34.3
Total revenue from continuing operations	**2,909.5**	2,610.9

[1] Other revenue includes revenue from property leases.

(a) Disaggregation of revenue from contracts with customers

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

2 Revenue (continued)

(b) Contract assets and liabilities

(i) Contract assets

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

	2024 $m	2023 $m
Current		
Contract assets for freight transport	**13.4**	11.5
Non-current		
Contract assets for freight transport	**63.8**	74.5

Contract assets primarily represent amounts paid to customers 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 contract assets has been recognised, refer to accounting policy in note 5 (2023: $nil).

	2024 $m	2023 $m
Within one year	**13.4**	11.5
Later than one year but not later than five years	**42.3**	49.6
Later than five years	**21.5**	24.9
	77.2	86.0

(ii) Contract liabilities

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

	2024 $m	2023 $m
Current		
Advances for freight transport	**9.0**	9.1
Non-current		
Advances for freight transport	**7.8**	9.7

Contract liabilities primarily represent amounts received from customers as advances for future rail haulage services. These amounts are recognised in revenue either as volumes are delivered or on a straight line basis over the contract term as performance obligations are satisfied over time.

	2024 $m	2023 $m
Within one year	**9.0**	9.1
Later than one year but not later than five years	**5.7**	6.0
Later than five years	**2.1**	3.7
	16.8	18.8

The decrease in contract liabilities represents revenue recognised for rail haulage services.

2 Revenue (continued)

(b) Contract assets and liabilities (continued)

(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.

	2024 **$m**	2023 $m
Revenue recognised that was included in the contract liability balance at the beginning of the year		
Advances for freight transport	**9.1**	2.8

(iv) Unsatisfied performance obligations

The Group has a number of long-term contracts to provide services to customers in future periods. Revenue in most contracts is recognised on an as-invoice basis because the right to consideration corresponds directly to the Group's performance obligations completed to date. As a result the Group applies the practical expedient in AASB 15 *Revenue from Contracts with Customers* (AASB 15), paragraph 121 and does not disclose information in respect of future contracted revenues for these contracts.

For the other contracts, future contract revenues relating to freight transport and other services at 30 June 2024 are approximately $1,519.3 million (2023: $1,672.9 million), of which $412.9 million is expected to be recognised in FY2025. Amounts have been determined in FY2024 dollars and exclude variable revenue. As such, the future contract revenues described represent only part of the Group's forecast revenues for FY2025 and beyond.

(c) Accounting policies

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

(i) 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 in Bulk, which relates to the integrated bulk rail haulage and general freight assets in South Australia and the Northern Territory, includes track access which is not separately invoiced to customers.

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.

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 additional distinct services are not at market rates and therefore the contract modification is not a separate contract, the weighted-average contract rates related to the remaining performance obligations are applied to recognise revenue. This may result in the recognition of a contract asset or 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.

3 Expenses

Profit before income tax includes the following specific expenses:

	2024 $m	2023 $m
Employee benefits expense		
Salaries, wages and allowances including on-costs	**823.2**	747.8
Defined contribution superannuation expense	**76.4**	65.3
Redundancies	**5.1**	4.7
	904.7	817.8
Depreciation and amortisation		
Depreciation of property, plant and equipment	**348.8**	310.3
Amortisation of intangibles	**16.0**	16.3
	364.8	326.6
Finance expenses		
Interest and finance charges paid/payable	**93.8**	86.4
Discounting of land rehabilitation provision	**0.6**	0.8
Interest paid on lease liabilities	**10.1**	5.9
Amortisation of capitalised borrowing costs	**4.6**	4.2
Hedge ineffectiveness[1]	**(2.0)**	2.1
	107.1	99.4
Capitalised interest paid on qualifying assets	**(2.2)**	(4.2)
	104.9	95.2

[1] Refer to the accounting policy in note 17.

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

	2024 **$m**	2023 $m
Current tax	**23.6**	(40.5)
Deferred tax	**51.6**	98.3
Current tax relating to prior periods	**2.3**	(8.8)
Deferred tax relating to prior periods	**(4.5)**	8.9
	73.0	57.9

Deferred income tax expense included in income tax expense comprises:		
(Increase)/decrease in deferred tax assets	**(14.1)**	2.1
Increase in deferred tax liabilities	**61.2**	105.1
	47.1	107.2

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

	2024 **$m**	2023 $m
Profit before income tax expense	**240.4**	159.9
Tax at the Australian tax rate of 30% (2023: 30%)	**72.1**	48.0
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-deductible acquisition costs	**-**	8.7
Other	**3.1**	1.1
Adjustments for tax of prior periods	**(2.2)**	0.1
	73.0	57.9

4 Income tax (continued)

(c) Deferred tax balances

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

2024	**Opening balance $m**	**Charged to income $m**	**Charged to equity $m**	**Acquisition of subsidiary $m**	**Total $m**
Deferred tax assets					
Provisions and accruals	**88.2**	**(0.3)**	**-**	**-**	**87.9**
Contract liabilities	**4.1**	**(0.5)**	**-**	**-**	**3.6**
Financial instruments	**8.7**	**(1.0)**	**(0.4)**	**-**	**7.3**
Lease liabilities	**40.3**	**16.0**	**-**	**-**	**56.3**
Other items	**17.9**	**(0.1)**	**1.6**	**-**	**19.4**
Total deferred tax assets	**159.2**	**14.1**	**1.2**	**-**	**174.5**
Deferred tax liabilities					
Inventories	**(4.4)**	**(1.3)**	**-**	**-**	**(5.7)**
Property, plant and equipment	**(306.2)**	**(61.3)**	**-**	**-**	**(367.5)**
Intangible assets	**(15.2)**	**(3.9)**	**-**	**-**	**(19.1)**
Financial instruments	**(28.2)**	**0.1**	**2.7**	**-**	**(25.4)**
Other items	**(23.3)**	**5.2**	**-**	**-**	**(18.1)**
Total deferred tax liabilities	**(377.3)**	**(61.2)**	**2.7**	**-**	**(435.8)**
Net deferred tax liabilities	**(218.1)**	**(47.1)**	**3.9**	**-**	**(261.3)**
2023					
Deferred tax assets					
Provisions and accruals	80.2	(1.5)	-	9.5	88.2
Contract liabilities	4.3	(0.2)	-	-	4.1
Financial instruments	5.5	(1.1)	4.3	-	8.7
Lease liabilities	37.2	(2.8)	-	5.9	40.3
Other items	13.1	3.5	(0.2)	1.5	17.9
Total deferred tax assets	140.3	(2.1)	4.1	16.9	159.2
Deferred tax liabilities					
Inventories	(4.0)	(0.4)	-	-	(4.4)
Property, plant and equipment	(184.2)	(95.0)	-	(27.0)	(306.2)
Intangible assets	(9.4)	(5.8)	-	-	(15.2)
Financial instruments	(18.6)	14.2	(10.4)	(13.4)	(28.2)
Other items	(5.2)	(18.1)	-	-	(23.3)
Total deferred tax liabilities	(221.4)	(105.1)	(10.4)	(40.4)	(377.3)
Net deferred tax liabilities	(81.1)	(107.2)	(6.3)	(23.5)	(218.1)

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

(i) Current tax

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

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

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

(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 is a member of a tax consolidated group of which Aurizon Holdings Limited is the head entity.

The Company accounts for its own current and deferred tax amounts. These tax amounts are measured as if the Company continues to be a stand-alone taxpayer in its own right. However, the current tax liabilities and deferred tax assets arising from unused tax losses and unused tax credits are subsequently assumed by Aurizon Holdings Limited.

The members of the tax consolidated group have also entered into tax funding and tax sharing agreements. The tax funding agreement sets out the funding obligations of members in respect of income tax amounts and allocates tax liabilities using the standalone taxpayer approach. These tax funding arrangements result in the Company recognising a current inter-entity receivable or payable equal in amount to the tax liability or tax asset assumed by the head entity on behalf of the Company.

The tax sharing agreement limits the joint and several liability of the Company in the case of a default by the head entity.

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.

5 Trade and other receivables

	2024 $m	2023 $m
Current		
Trade receivables	**372.3**	304.6
Related party receivables	**20.1**	15.4
Provision for impairment of receivables	**(6.8)**	(1.7)
Net trade receivables	**385.6**	318.3
Loans receivable from related parties	**53.5**	-
Other receivables	**98.7**	118.2
	537.8	436.5
Non-current		
Other receivables	**7.8**	-
	7.8	-

The Group has recognised a net increase of $5.1 million (2023: net increase of $1.1 million) in the provision for impairment of trade receivables. No amounts were written off in the financial year (2023: $nil).

(a) Accounting policies

(i) Trade receivables

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

(ii) Provision for impairment

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

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

(b) Credit risks related to receivables

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

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.

6 Inventories

	2024 $m	2023 $m
Current		
Raw materials and stores - at cost	**191.0**	175.6
Provision for inventory obsolescence	**(10.8)**	(11.1)
Other inventories	**2.0**	2.0
	182.2	166.5

	2024 $m	2023 $m
Non-current		
Raw materials and stores - at cost	**59.0**	54.4
Provision for inventory obsolescence	**(5.9)**	(6.3)
	53.1	48.1

(a) Accounting policies

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

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

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

7 Property, plant and equipment

	Assets under construction $m	Land $m	Buildings $m	Plant and equipment $m	Rollingstock $m	Infrastructure $m	Other leased assets $m	Total $m
2024								
Opening net book amount	211.1	204.0	204.8	189.1	2,423.2	1,422.7	100.6	4,755.5
Additions	446.1	-	0.1	-	0.3	-	86.3	532.8
Transfers between asset classes	(406.8)	-	15.7	109.5	229.7	51.1	0.8	-
Adjustments to leased assets	-	-	-	-	-	-	(6.3)	(6.3)
Disposals	(5.3)	(0.3)	(0.1)	(2.5)	(10.0)	-	(1.1)	(19.3)
Depreciation	-	(2.4)	(12.1)	(41.7)	(213.5)	(54.6)	(24.5)	(348.8)
Impairment	-	-	-	-	(1.1)	-	-	(1.1)
Closing net book amount	245.1	201.3	208.4	254.4	2,428.6	1,419.2	155.8	4,912.8
At 30 June 2024								
Cost	245.1	206.4	460.5	607.6	6,161.0	1,816.3	222.5	9,719.4
Accumulated depreciation and impairment	-	(5.1)	(252.1)	(353.2)	(3,732.4)	(397.1)	(66.7)	(4,806.6)
Net book amount	245.1	201.3	208.4	254.4	2,428.6	1,419.2	155.8	4,912.8

7 Property, plant and equipment (continued)

	Assets under construction $m	Land $m	Buildings $m	Plant and equipment $m	Rollingstock $m	Infrastructure $m	Other leased assets $m	Total $m
2023								
Opening net book amount	206.6	99.8	209.9	137.3	2,107.1	392.3	83.9	3,236.9
Additions	423.7	-	-	-	-	-	11.2	434.9
Transfers between asset classes	(454.0)	28.5	4.4	73.8	292.0	55.0	-	(0.3)
Acquisitions through business combinations (note 22)	37.4	78.4	3.8	15.9	226.7	1,026.5	20.6	1,409.3
Disposals	(2.6)	(0.4)	(0.3)	(2.3)	(1.0)	(0.2)	-	(6.8)
Depreciation	-	(2.3)	(13.0)	(35.6)	(193.8)	(50.5)	(15.1)	(310.3)
Impairment	-	-	-	-	(7.8)	(0.4)	-	(8.2)
Closing net book amount	211.1	204.0	204.8	189.1	2,423.2	1,422.7	100.6	4,755.5

	Assets under construction $m	Land $m	Buildings $m	Plant and equipment $m	Rollingstock $m	Infrastructure $m	Other leased assets $m	Total $m
At 30 June 2023								
Cost	211.1	206.6	445.5	522.4	6,020.3	1,765.2	159.6	9,330.7
Accumulated depreciation and impairment	-	(2.6)	(240.7)	(333.3)	(3,597.1)	(342.5)	(59.0)	(4,575.2)
Net book amount	211.1	204.0	204.8	189.1	2,423.2	1,422.7	100.6	4,755.5

7 Property, plant and equipment (continued)

Significant judgements and estimates

Useful lives of rollingstock

The Group has approximately 600 active locomotives and 14,000 active wagons, including a mix of electric narrow gauge locomotives and standard and narrow gauge diesel locomotives and wagons. The useful life of rollingstock is determined based on the expected engineering life.

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

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

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

Recoverable amount of property, plant and equipment

The Containerised Freight CGU, which is part of the Other operating segment, provides rail line haul services for customers in Australia's growing interstate east-west (Brisbane, Sydney and Melbourne to Perth) and north-south (Brisbane to Melbourne) containerised freight market. This includes the transport of vital supplies for communities across Australia, including retail and supermarket goods, perishables and refrigerated goods, machinery and equipment. The Containerised Freight CGU has a carrying amount of $317.6 million and includes primarily rollingstock, right-of-use assets (i.e. leased assets) and working capital.

The recoverable amount of the Containerised Freight CGU has been estimated on a fair value less costs of disposal basis. The estimate uses a 10-year cash flow projection based on a pipeline of known opportunities, an estimated cost of carbon for an Australian Carbon Credit Unit (ACCU), a long term growth rate of 2.5% and a post-tax discount rate of 8.4%.

The recoverable amount of the CGU supports the carrying amount, therefore no impairment has been recognised. If the timing of future growth opportunities is delayed or forecast growth in volumes is not achieved, it may lead to a future impairment of the Containerised Freight CGU.

7 Property, plant and equipment (continued)

(a) Leases

Bulk leased assets

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

The following table summarises the infrastructure and land leases:

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

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

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

Other leased assets

The Group primarily leases buildings with terms mostly ranging from one to 30 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.

7 Property, plant and equipment (continued)

(a) Leases (continued)

(i) Amounts recognised in the consolidated balance sheet

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

	2024 $m	2023 $m
Bulk leased assets		
Bulk infrastructure	**996.9**	996.1
Land	**63.6**	66.1
Buildings	**2.5**	2.2
Plant and equipment	**1.8**	1.9
	1,064.8	1,066.3
Other leased assets		
Land	**4.7**	4.9
Buildings	**123.5**	82.5
Plant and equipment	**8.0**	6.7
Rollingstock	**19.6**	6.5
	155.8	100.6
Total leased assets	**1,220.6**	1,166.9

The lease liabilities are significantly smaller than the value of leased assets as the majority of the leased assets were prepaid.

Other liabilities includes the following amounts relating to lease liabilities:

	2024 $m	2023 $m
Lease liabilities		
Current	**25.4**	19.9
Non-current	**161.1**	114.0
Total lease liabilities	**186.5**	133.9

7 Property, plant and equipment (continued)

(a) Leases (continued)

(ii) Amounts recognised in the consolidated income statement

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

	2024 $m	2023 $m
Depreciation of Bulk leased assets	**39.0**	34.0
Depreciation of other leased assets		
Land	**0.2**	0.2
Buildings	**14.8**	11.3
Plant and equipment	**1.5**	1.8
Rollingstock	**8.0**	1.8
	24.5	15.1
Total leased assets depreciation	**63.5**	49.1
Interest expense	**10.1**	5.9
Expenses relating to short-term leases	**0.4**	0.4
Expenses relating to variable lease payments not included in lease liabilities	**7.1**	4.6

The total cash outflow for leases during the financial year was $43.8 million (2023: $30.4 million).

(b) Accounting policies

(i) Property, plant and equipment

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

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

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.

7 Property, plant and equipment (continued)

(b) Accounting policies (continued)

(i) Property, plant and equipment (continued)

The useful lives applied for each class of assets are:

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

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

(ii) Leases

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

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

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

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

Other leased assets are measured at cost comprising the following:

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

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

(iii) Impairment tests for property, plant and equipment

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

In testing for impairment, the recoverable amount is estimated for an individual asset or, if it is not possible to estimate the recoverable amount for the individual asset, the recoverable amount for the 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.

7 Property, plant and equipment (continued)

(b) Accounting policies (continued)

(iii) Impairment tests for property, plant and equipment (continued)

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

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

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

8 Intangible assets

	Goodwill $m	Software $m	Software under development $m	Total $m
2024				
Opening net book amount	**49.6**	**83.6**	**16.7**	**149.9**
Additions	**-**	**-**	**17.1**	**17.1**
Transfers between asset classes	**-**	**18.8**	**(18.8)**	**-**
Amortisation	**-**	**(16.0)**	**-**	**(16.0)**
Closing net book amount	**49.6**	**86.4**	**15.0**	**151.0**
At 30 June 2024				
Cost	**49.6**	**307.6**	**15.0**	**372.2**
Accumulated amortisation and impairment	**-**	**(221.2)**	**-**	**(221.2)**
Net book amount	**49.6**	**86.4**	**15.0**	**151.0**
2023				
Opening net book amount	26.7	61.3	38.6	126.6
Additions	-	-	16.4	16.4
Transfers between asset classes	-	38.6	(38.3)	0.3
Acquisitions through business combinations (note 22)	23.5	-	-	23.5
Disposals	(0.6)	-	-	(0.6)
Amortisation	-	(16.3)	-	(16.3)
Closing net book amount	49.6	83.6	16.7	149.9
At 30 June 2023				
Cost	49.6	308.1	16.7	374.4
Accumulated amortisation and impairment	-	(224.5)	-	(224.5)
Net book amount	49.6	83.6	16.7	149.9

8 Intangible assets (continued)

(a) Impairment tests for goodwill

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

The recoverable amount of a CGU is determined based on the higher of fair value less costs of disposal or value-in-use calculations which require the use of assumptions. The calculations use cash flow projections extrapolated using the estimated growth rates. The cash flow projections are developed using the Group's own information with benchmarking to external sources and are therefore Level 3 inputs in the fair value hierarchy (unobservable market data).

The following table presents a summary of the goodwill allocation:

CGU	**2024** **$m**	2023[1] $m
Bulk	**49.6**	49.6

[1] The FY2023 Bulk CGU is comprised of $5.2 million Bulk QLD, $20.9 million Bulk NSW and $23.5 million Bulk Central.

Significant judgements and estimates

Impairment tests for goodwill

The Bulk reportable segment has historically been made up of several geographically centric CGUs, some of which have previously been impaired. The acquisition of Bulk Central in FY2023 accelerated the transformation of Bulk from a regionally based centric business, with operations largely in Western Australia, Queensland and New South Wales, to a national operation. This has led to changes in the operational and management structure and Bulk now makes decisions about the prioritisation of contracts, allocation of capital, and service/solution design at a national level.

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

The Bulk reportable segment has been reassessed to be the smallest identifiable group of assets that generate cash inflows that are largely independent of cash inflows from other assets or group of assets. As the prior period assessment was performed under different groupings, please refer to the FY2023 Annual Report for details on the calculations and assumptions applied.

The Bulk CGU has a carrying amount of $2,142.6 million (2023: $2,177.5 million) and primarily includes infrastructure, rollingstock, other property, plant and equipment, goodwill and working capital. The recoverable amount of the Bulk CGU has been determined based on a fair value less costs of disposal calculation. The estimate uses a 10-year cash flow projection based on a pipeline of known opportunities in the first four years and estimated volume growth rates between nil and 3.3% per annum in the later six years, an estimated cost of carbon with reference to the average Australian market price for an ACCU, a long-term growth rate of 2.5% and a post-tax discount rate of 8.4%.

The recoverable amount of the CGU supports the carrying amount, therefore no impairment or impairment reversal has been recognised. If the timing of future growth opportunities is delayed or forecast growth in volumes is not achieved, it may lead to a future impairment of the Bulk CGU.

(b) Accounting policies

(i) Goodwill

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

8 Intangible assets (continued)

(b) Accounting policies (continued)

(ii) Software

Costs incurred in developing products or systems, and costs incurred in acquiring software and licences that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and 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. No amounts were capitalised in the year.

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

Software is stated at historical cost, less any accumulated amortisation or impairment. Amortisation is calculated using the straight-line method over the estimated useful life which varies from three to 15 years.

9 Other assets

	2024 $m	2023 $m
Current		
Contract assets (a)	**13.4**	11.5
Lease receivable (b)	**4.6**	7.7
Other current assets	**9.5**	8.5
Tax loan receivable from parent entity	**55.9**	134.1
	83.4	161.8
Non-current		
Contract assets (a)	**63.8**	74.5
Lease receivable (b)	**17.2**	21.8
	81.0	96.3

(a) Contract assets

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

9 Other assets (continued)

(b) Lease receivable

Lease receivables represent the present value of future lease payments receivable on sub-lease arrangements where the expiry of the term of the sub-lease is the same as the head lease. The collectability of lease receivables is reviewed on an ongoing basis. No provision for impairment of lease receivables has been recognised, refer to the accounting policy in note 5 (2023: $nil).

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

	2024 $m	2023 $m
Within one year	**5.3**	8.7
Later than one year but not later than five years	**15.6**	16.8
Later than five years	**3.3**	7.4
	24.2	32.9
Less: Unearned interest income	**(2.4)**	(3.4)
Total lease receivables	**21.8**	29.5
Interest income relating to sub-lease arrangements	**1.0**	1.3
Income relating to variable lease payments received	**10.1**	10.6

The total cash inflow for sub-leases in the financial year was $17.8 million (2023: $19.3 million).

10 Trade and other payables

	2024 $m	2023 $m
Current		
Trade payables	**244.1**	203.4
Related party payables	**53.2**	86.5
Other payables	**36.3**	28.3
	333.6	318.2

(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.

11 Provisions

	2024 $m	2023 $m
Current		
Employee benefits (a)	**204.6**	181.4
Self-insurance provision	**37.5**	51.3
Other provisions	**0.5**	0.7
	242.6	233.4
Non-current		
Employee benefits (a)	**14.6**	11.9
Self-insurance provision	**14.7**	12.2
Land rehabilitation	**11.1**	21.3
Make good and other provisions	**2.8**	3.0
	43.2	48.4
Total provisions	**285.8**	281.8

(a) Employee benefits

	2024 $m	2023 $m
Annual leave	**73.7**	70.3
Long service leave	**95.7**	91.6
Other	**49.8**	31.4
	219.2	193.3

Long service leave includes all unconditional entitlements where employees have completed the required period of service and a provision for the probability that employees will reach the required period of service. The Group does not expect all employees to take the full amount of employee benefits or require payment within the next 12 months based on past experience. The current provision for employee benefits includes $92.2 million (2023: $91.0 million) that is not expected to be taken or paid within the next 12 months.

(b) Accounting policies

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

(i) Employee benefits

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

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

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

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

11 Provisions (continued)

(b) Accounting policies (continued)

(i) Employee benefits (continued)

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

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

(ii) Superannuation

Aurizon Operations Limited and the following subsidiaries are members of the State Public Sector Superannuation Scheme (QSuper) multi-employer defined benefit superannuation plan and are required to contribute a specific percentage of employee benefits expense to fund the retirement benefits of 321 employees (2023: 373):

- Aurizon Eastern Railroad Pty Ltd
- Australian Western Railroad Pty Ltd
- Aurizon Intermodal Pty Ltd
- Interail Australia Pty Ltd

In accordance with the requirements of AASB 119 *Employee Benefits*, given the lack of sufficient information available, the plan is accounted for as if it were a defined contribution plan. Defined contribution superannuation expense in note 3 includes $5.7 million (2023: $5.7 million) relating to the QSuper defined benefit plan.

(iii) Self-insurance provision

The Group Insurance Program includes certain placements with a wholly owned captive insurance company, Iron Horse Insurance Company Pte Ltd (incorporated in the Republic of Singapore). The captive insurance company only underwrites the Company and its subsidiaries for property and liability insurance.

The Group recognised a provision for the estimated liability of known claims and an allowance for Incurred But Not Reported claims for property and liability insurance applying the requirements of *AASB 137 Provisions, Contingent Liabilities and Contingent Assets* based on expected claim costs. In respect of liabilities held for Aurizon Network Pty Ltd, a provision is recognised applying the requirements of *AASB 17 Insurance Contracts* (AASB 17). The adjustments from the adoption of AASB 17 by Iron Horse Insurance Company Pte Ltd do not have a material impact on the Group.

The Company is a self-insurer for workers' compensation in Queensland, under the *Workers' Compensation and Rehabilitation Act 2003*. The Company recognises a provision for the estimated workers' compensation for the Aurizon Group including Aurizon Network Pty Ltd, a related party. The 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. In respect of the liabilities held for Aurizon Network Pty Ltd, a provision is recognised applying the requirements of AASB 17, as the contract meets the definition of an insurance contract. The adjustments from the adoption of AASB 17 by the Company do not have a material impact on the Group.

(iv) Land rehabilitation

A provision is recognised for the present value of estimated costs of land rehabilitation and make good where the Group has a legal or constructive obligation to restore a site. The present value of estimated costs is calculated by inflating estimated costs at 2.8% (2023: 2.9%) and discounting at a weighted average discount rate of 4.6% (2023: 4.1%). The unwinding of the discount is recognised in profit or loss in finance costs and the movement in the provision is recognised in profit or loss in other expenses.

The Group is the below rail operator and economic owner of the 2,245km Tarcoola-to-Darwin railway line and 215km of intrastate rail freight network in South Australia under long-term infrastructure (the Concession Deed) and land leases as described in note 7. At expiry of the Concession Deed, the Tarcoola-to-Darwin railway is required to be returned in a condition which is capable of continued operations. The Concession Deed does not require the removal of track infrastructure. At expiry of the land lease for the intrastate rail freight network in South Australia, the lessor may elect to acquire all or any part of the track infrastructure for fair market value. For any unacquired track infrastructure, the Group may remove that part of the track infrastructure or return it to the lessor. Therefore, no land rehabilitation provision is recognised in respect of the Tarcoola-to-Darwin railway or the intrastate rail freight network in South Australia.

12 Other liabilities

	2024 $m	2023 $m
Current		
Contract liabilities (a)	**9.0**	9.1
Lease liabilities (b)	**25.4**	19.9
Other current liabilities	**1.9**	11.5
	36.3	40.5
Non-current		
Contract liabilities (a)	**7.9**	9.7
Lease liabilities (b)	**161.1**	114.0
Other non-current liabilities	**1.5**	1.5
	170.5	125.2

(a) Contract liabilities

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

(b) Lease liabilities

Lease liabilities represent the present value of future lease payments.

Minimum lease payments are as follows:

	2024 $m	2023 $m
Within one year	**35.6**	25.8
Later than one year but not later than five years	**117.1**	77.4
Later than five years	**103.0**	77.8
	255.7	181.0
Less: Discounted using the Group's incremental borrowing rate	**(69.2)**	(47.1)
Total lease liabilities	**186.5**	133.9

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, how these affect the Group's financial position and performance, and what the Group does to manage these risks.

13 Capital risk management

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

	Notes	**2024 $m**	2023 $m
Total borrowings	16	**1,360.3**	1,510.0
Less: cash and cash equivalents		**(44.0)**	(62.3)
Less: loan receivable from related parties		**(53.5)**	-
Net debt		**1,262.8**	1,447.7
Total equity		**3,622.2**	3,405.2
Total capital		**4,885.0**	4,852.9
Net gearing ratio		**25.9%**	29.8%

14 Dividends

Declared and paid during the period	**$m**
For the year ended 30 June 2024	
Final dividend for 2023 (unfranked)	**33.4**
Interim dividend for 2024 (unfranked)	**38.1**
	71.5
For the year ended 30 June 2023	
Final dividend for 2022 (unfranked)	91.6
Interim dividend for 2023 (unfranked)	44.8
	136.4

Proposed and unrecognised at period end	
For the year ended 30 June 2024	
Final dividend for 2024 (unfranked)	**21.3**
For the year ended 30 June 2023	
Final dividend for 2023 (unfranked)	33.4

15 Equity

(a) Contributed equity

(i) Issued capital

	Number of shares '000	**$m**
At 1 July 2022	8,992,758	2,673.6
Return of capital to the parent for acquisition of subsidiary	-	(165.7)
Capital contribution from the parent for acquisition of subsidiary	50,000	50.0
Return of capital to the parent for sale and divestment costs	-	(26.0)
Capital contribution from the parent for proceeds from the divestment	317,684	317.7
Return of capital to the parent for completion adjustment on divestment	-	(4.6)
Capital contribution from the parent	250,000	250.0
Return of capital to the parent for share-based payments	-	(0.7)
At 30 June 2023	9,610,442	3,094.3
Capital contribution from the parent for proceeds from the divestment	**125,000**	**125.0**
At 30 June 2024	**9,735,442**	**3,219.3**

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. Contributed equity is reduced for payments made to the parent entity.

(ii) Other contributed equity

	2024 $m	2023 $m
Capital contribution from the parent for share-based payments	**34.5**	33.9
Aggregated deferred tax on related share-based payments	**14.5**	12.9
Total other contributed equity	**49.0**	46.8

The grant by Aurizon Holdings Limited of rights over its equity instruments to the employees of subsidiary companies in the Aurizon Group is treated as a capital contribution to that subsidiary company. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period by the Company as an employee benefits expense with a corresponding credit to equity. The difference between the market value of Aurizon Holdings Limited shares acquired by a subsidiary to settle vested share based payments schemes and the fair value expensed by the Company is treated as a return of capital to the parent through a reduction in issued capital.

15 Equity (continued)

(b) Reserves

	Cash flow hedges $m	Foreign currency translation $m	Total $m
Balance at 1 July 2023	**15.5**	**3.3**	**18.8**
Fair value gains/(losses) taken to equity	**(9.7)**	**-**	**(9.7)**
Fair value (gains)/losses transferred to property, plant and equipment	**1.9**	**-**	**1.9**
Tax expense/(benefit) relating to items of other comprehensive income	**2.3**	**-**	**2.3**
Other comprehensive income	**(5.5)**	**-**	**(5.5)**
Balance at 30 June 2024	**10.0**	**3.3**	**13.3**
Balance at 1 July 2022	1.1	(0.9)	0.2
Fair value gains/(losses) taken to equity	18.2	-	18.2
Fair value (gains)/losses transferred to property, plant and equipment	2.4	-	2.4
Tax expense/(benefit) relating to items of other comprehensive income	(6.2)	-	(6.2)
Exchange differences on translation of foreign operations	-	4.2	4.2
Other comprehensive income	14.4	4.2	18.6
Balance at 30 June 2023	15.5	3.3	18.8

(i) Cash flow hedges 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) 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.

16 Borrowings

The Group borrows money through bank debt facilities, the issuance of debt securities in capital markets and from time to time advances from related parties.

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

	2024 $m	2023 $m
Current - Unsecured		
Bank debt facilities	**86.0**	106.0
	86.0	106.0
Non-current - Unsecured		
Medium-Term Notes	**446.9**	435.0
US Private Placement Notes	**498.7**	1.9
Bank debt facilities	**330.0**	970.0
Other borrowings	**6.2**	5.8
Capitalised borrowing costs	**(7.5)**	(8.7)
	1,274.3	1,404.0
Total borrowings	**1,360.3**	1,510.0

The Group's bank debt facilities and USPP contain financial covenants. The bank debt facilities, Medium-Term Notes and USPP 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 17(a). Details of the Group's financing arrangements and exposure to risks arising from borrowings are set out in note 17(b).

(a) Accounting policies

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

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

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

17 Financial risk management

Financial risks, including market risk, liquidity and funding risk and credit risk, are managed through policies that have been approved by the Board. The policies outline principles and procedures with respect to risk tolerance, delegated levels of authority on the type and use of derivative financial instruments and the reporting of these exposures. The policies are subject to periodic reviews. The Group typically uses derivative financial instruments to hedge underlying exposures arising from operational activities relating to changes in foreign exchange rates and interest rates.

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

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

Risk	Exposure	Mitigation
Market risks		
- Interest rate risk	The Group is exposed to interest rate risk in respect to short and long-term borrowings where interest is charged at variable rates and to fair value interest rate risk on fixed rate borrowings.	The Group mitigates interest rate risk primarily by maintaining an appropriate mix of fixed and floating rate borrowings. Where necessary, the Group hedges interest rates using derivative financial instruments - interest rate swaps to manage cash flows and interest rate exposure.
- Interest rate and foreign exchange risk	The Group is exposed to interest rate and foreign currency exchange risk in respect of the US dollar (US$) denominated Private Placement Notes (USPP).	To mitigate the risk of adverse movements in interest rates and foreign exchange in respect of foreign currency denominated borrowings, the Group enters into cross-currency interest rate swaps (CCIRS) to replace foreign currency principal and interest payments with Australian dollar repayments.
- Foreign exchange risk	The Group is exposed to foreign exchange risk in respect of purchases of inventory and property, plant and equipment denominated in a foreign currency.	The Group manages foreign currency risk on contractual commitments by entering into forward exchange and option contracts.
Liquidity and funding risk	The Group is exposed to liquidity and funding risk from operations and borrowings, where the risk is that the Group may not be able to refinance debt obligations or meet other cash outflow obligations when required.	The Group mitigates liquidity and funding risk by ensuring a sufficient range of funds are available to meet its cash flow obligations when due under both normal and stressed conditions without incurring unacceptable losses or damage to the Group's reputation.
Credit risk	The Group is exposed to credit risk from financial instrument contracts, trade and other receivables, contract assets and lease receivables. The maximum exposure to credit risk at reporting date is the carrying amount, net of any provisions for impairment.	The Group enters into financial instrument contracts with high credit quality financial institutions with a minimum long-term credit rating of A- or better by Standard & Poor's. The Board approved policies set maximum individual counterparty credit limits based on long-term credit ratings. The Group manages counterparty risk through approval, granting and renewal of credit limits, regularly monitoring exposures against credit limits, and assessing overall financial stability and strength of counterparties on an ongoing basis. Refer to note 5 for credit risk exposures relating to trade and other receivables, contract assets and lease receivables.

17 Financial risk management (continued)

(a) Market risk

(i) Foreign exchange risk

The Group is exposed to foreign currency risk through foreign denominated borrowings and capital purchases. The exposure is mitigated through hedging 100% of foreign denominated borrowings for both principal and interest for the life of the debt. As at 30 June 2024 and 2023, these foreign currency risk exposures were 100% hedged through cross-currency interest rate swaps. The Group's exposure to foreign currency risk for capital purchases is not considered to have a material impact.

The following sensitivity illustrates how a reasonable possible change in the US dollar would impact the financial results and position of the Group as at 30 June:

- If the Australian dollar had changed by 10% against the US dollar, with all other variables held constant, the impact on equity would have been $9.5 million (2023: $nil) and no impact on profit or loss.

(ii) Interest rate risk

The Group is exposed to interest rate risk through variable bank debt and fixed rate debt that has been swapped to variable through interest rates swaps, refer to note 17(b)(i) for details on the Group's financing arrangements. The table below represents the Group's total variable rate exposure notional amount and the interest rate swaps outstanding at 30 June to convert variable interest payments to fixed:

	Balance $m
2024	
Variable rate exposure	**1,419.3**
Interest rate swaps (notional amount)	**(1,300.0)**
Net exposure to interest rate risk	**119.3**
2023	
Variable rate exposure	1,576.0
Interest rate swaps (notional amount)	(1,550.0)
Net exposure to interest rate risk	26.0

The Group's weighted average interest rate is 5.8% (2023: 4.3%) on its variable rate exposure. The Group currently has interest rate swaps in place to cover 92% (2023: 98%) of the variable rate exposure at a weighted average interest rate of 3.6% (2023: 1.6%). The weighted average maturity of interest rate swaps is 3.0 years (2023: 4.6 years).

The following sensitivity illustrates the gain/(loss) impact of a 100 basis points (bps) increase or decrease in interest rates with all other variables held constant:

- Net profit would decrease by $1.2 million (2023: decrease by $0.3 million) with a 100-bps increase in interest rate or increase by $1.2 million (2023: increase by $0.3 million) with a 100 bps decrease in interest rates; and
- Equity reserves would increase by $34.3 million (2023: increase by $59.7 million) with a 100-bps increase in interest rate or decrease by $35.3 million (2023: decrease by $62.8 million) with a 100 bps decrease in interest rates.

17 Financial risk management (continued)

(a) Market risk (continued)

(iii) Effects of hedge accounting

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

	2024 $m	2023 $m
Current assets		
Foreign exchange contracts	**0.1**	1.7
Non-current assets		
Interest rate swaps	**23.0**	29.6
Foreign exchange contracts	**-**	0.1
	23.0	29.7
Total derivative financial instrument assets	**23.1**	31.4
Current liabilities		
Foreign exchange contracts	**0.2**	0.4
Non-current liabilities		
Interest rate swaps	**51.8**	63.2
CCIRS	**10.3**	6.9
	62.1	70.1
Total derivative financial instrument liabilities	**62.3**	70.5

17 Financial risk management (continued)

(a) Market risk (continued)

(iii) Effects of hedge accounting (continued)

The following table summarises the hedging instruments and hedged items designated in hedging relationships.

	Cash flow hedge			Fair value hedge		
	Foreign exchange contracts[1]	**Pay Fixed AUD interest rate swaps**[2]	**CCIRS**[4]	**Receive Fixed AUD interest rate swaps**[3]	**CCIRS**[4]	
2024	**Capital purchases $m**	**AUD Floating rate debt $m**	**USD Fixed rate debt $m**	**AUD Fixed rate debt $m**	**USD Fixed rate debt $m**	**Total $m**
Notional amount	**22.3**	**1,300.0**	**403.3**	**550.0**	**403.3**	**-**
Carrying amount assets/(liabilities) of hedging instrument	**(0.1)**	**23.0**	**(10.0)**	**(51.8)**	**(0.3)**	**(39.2)**
At 30 June 2024						
Cumulative fair value adjustment on hedged item[5]	**-**	**-**	**-**	**52.0**	**4.3**	**56.3**
Carrying amount of borrowings subject to fair value hedges	**-**	**-**	**-**	**(498.0)**	**(399.0)**	**(897.0)**
Cumulative balance deferred in cash flow hedge reserve (before tax)[6]	**0.1**	**(22.0)**	**7.4**	**-**	**-**	**(14.5)**
During the year recognised						
Gain/(loss) on change in fair value of the hedging instrument for effectiveness testing	**(1.4)**	**(6.6)**	**(1.0)**	**11.4**	**(2.5)**	**(0.1)**
Gain/(loss) on change in fair value of the hedged item	**1.6**	**7.0**	**(0.8)**	**(11.4)**	**6.4**	**2.8**
(Gain)/loss on change in the value of the hedged instrument recognised in other comprehensive income (before tax)	**(1.6)**	**(7.0)**	**0.8**	**-**	**-**	**(7.8)**
Hedged ineffectiveness recognised in profit or loss	**(0.2)**	**0.3**	**1.8**	**-**	**(3.9)**	**(2.0)**
Amounts recognised in profit or loss for discontinued hedges	**-**	**(0.7)**	**-**	**-**	**-**	**(0.7)**

[1] Foreign exchange contracts are designated in cash flow hedges that are hedging anticipated purchases of property, plant and equipment. The weighted average exchange rate of outstanding foreign exchange contracts are AUD:USD 0.6740 and AUD:EUR 0.6089.

[2] Interest rate swaps are designated in a hedge relationship against a portion of the outstanding debt balances up to the notional amount of the swaps. The interest rate swaps have a weighted average pay fixed leg of 3.53% and a receive floating leg of BBSW.

17 Financial risk management (continued)

(a) Market risk (continued)

(iii) Effects of hedge accounting (continued)

[3] Interest rate swaps are designated to be in a 100% hedge relationship against the identified fixed rate borrowings. The interest rate swaps have a weighted average pay floating leg of BBSW + 1.96% spread and a receive fixed leg of 3.44%.

[4] CCIRS are split designated in cash flow hedge and fair value hedge relationships. CCIRS have a weighted average receive fixed USD rate leg of 6.79% and pay floating AUD leg of BBSW + 3.58% spread.

[5] The cumulative fair value adjustment is included in borrowings.

[6] Cash flow hedge reserve includes the cumulative impact of cross-currency basis recognised as cost of hedging of $3.6 million.

	Cash flow hedge			Fair value hedge		
	Foreign exchange contracts[1]	Pay Fixed AUD interest rate swaps[2]	CCIRS[4]	Receive Fixed AUD interest rate swaps[3]	CCIRS[4]	
2023	Capital purchases $m	AUD Floating rate debt $m	USD Fixed rate debt $m	AUD Fixed rate debt $m	USD Fixed rate debt $m	Total $m
Notional amount	93.6	1,550.0	403.3	550.0	403.3	-
Carrying amount assets/(liabilities) of hedging instrument	1.3	29.6	(9.0)	(63.2)	2.2	(39.1)
At 30 June 2023						
Cumulative fair value adjustment on hedged item[5]	-	-	-	63.4	(2.2)	61.2
Carrying amount of borrowings subject to fair value hedges	-	-	-	(436.5)	(2.2)	(438.7)
Cumulative balance deferred in cash flow hedge reserve (before tax)[6]	(1.5)	(29.0)	8.2	-	-	(22.3)
During the year recognised						
Gain/(loss) on change in fair value of the hedging instrument for effectiveness testing	(0.2)	29.6	(9.0)	2.9	2.2	25.5
Gain/(loss) on change in fair value of the hedged item	0.1	(29.0)	8.2	(4.3)	(2.2)	(27.2)
(Gain)/loss on change in the value of the hedged instrument recognised in other comprehensive income (before tax)	(0.1)	29.0	(8.2)	-	-	20.7
Hedged ineffectiveness recognised in profit or loss	0.1	(0.6)	0.8	1.4	-	1.7

17 Financial risk management (continued)

(a) Market risk (continued)

(iii) Effects of hedge accounting (continued)

[1] Foreign exchange contracts are designated in cash flow hedges that are hedging anticipated purchases of property, plant and equipment. The weighted average exchange rate of outstanding foreign exchange contracts are AUD:USD 0.6745 and AUD:EUR 0.6115.

[2] Interest rate swaps are designated in a hedge relationship against a portion of the outstanding debt balances up to the notional amount of the swaps. The interest rate swaps have a weighted average pay fixed leg of 3.64% and a receive floating leg of BBSW.

[3] Interest rate swaps are designated to be in a 100% hedge relationship against the identified fixed rate borrowings. The interest rate swaps have a weighted average pay floating leg of BBSW + 1.96% spread and a receive fixed leg of 3.53%.

[4] CCIRS are split designated in cash flow hedge and fair value hedge relationships. CCIRS have a weighted average receive fixed USD rate leg of 6.79% and pay floating AUD leg of BBSW + 3.58% spread.

[5] The cumulative fair value adjustment is included in borrowings.

[6] Cash flow hedge reserve includes the cumulative impact of cross-currency basis recognised as cost of hedging of $nil million.

17 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.

Under limited circumstances, the Group may also draw upon funds from Aurizon Network Pty Ltd (related party) pursuant to the Intra Group Loan Agreement (refer to note 24).

		Utilised[1]		Facility limit	
	Maturity	**2024 $m**	2023 $m	**2024 $m**	2023 $m
Working capital facility	Jun-25	**115.0**	62.4	**125.0**	125.0
Bilateral facility	Nov-23	**-**	65.0	**-**	65.0
Bilateral facility	Nov-25	**-**	-	**75.0**	75.0
Bilateral facility	Jul-26	**130.0**	195.0	**465.0**	415.0
Bridge loan facility	Jul-24	**-**	350.0	**-**	350.0
Revolver loan facility	Jul-25	**-**	25.0	**400.0**	400.0
Term loan facility	Jul-27	**200.0**	400.0	**200.0**	400.0
AMTN 1[2]	Mar-28	**500.0**	500.0	**500.0**	500.0
USPP[2]	Jul-30	**196.5**	-	**197.0**	-
USPP[2]	Jul-33	**153.4**	-	**153.0**	-
USPP[2]	Jul-34	**50.0**	-	**50.0**	-
USPP[2]	Jul-35	**103.4**	-	**103.0**	-
		1,448.3	1,597.4	**2,268.0**	2,330.0

[1] Amount utilised includes bank guarantees included in the working capital facility of $29.0 million (2023: $21.4 million) and excludes capitalised borrowing costs of $7.5 million (2023: $8.7 million) and discounts on Medium-Term Notes of $1.4 million (2023: $1.8 million). The facilities above exclude the Term Loan Facility with The AustralAsia Railway Corporation in connection with the Tarcoola-to-Darwin Concession Deed. The carrying amount (and related fair value) of the Term Loan Facility is $6.2 million (2023: $5.8 million).

[2] Amount utilised excludes accumulated fair value adjustments of $56.3 million (2023: $61.2 million).

17 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) so will not reconcile with the amounts disclosed in the consolidated balance sheet:

2024	**1 year or less $m**	**1 - 5 years $m**	**More than 5 years $m**	**Total contractual cash flows $m**	**Carrying amount (assets)/ liabilities $m**
Non-derivative financial instruments					
Trade and other payables	**333.6**	**-**	**-**	**333.6**	**333.6**
Borrowings	**160.6**	**1,050.2**	**647.9**	**1,858.7**	**1,360.3**
Financial guarantees	**29.0**	**-**	**-**	**29.0**	**-**
Total non-derivative financial instruments	**523.2**	**1,050.2**	**647.9**	**2,221.3**	**1,693.9**
Derivatives					
Interest rate swaps	**5.4**	**22.2**	**(1.0)**	**26.6**	**28.8**
CCIRS	**4.2**	**11.9**	**(1.7)**	**14.4**	**10.3**
Gross settled forward exchange contracts (inflow)	**(0.2)**	**-**	**-**	**(0.2)**	**0.1**
Total derivatives	**9.4**	**34.1**	**(2.7)**	**40.8**	**39.2**

2023					
Non-derivative financial instruments					
Trade and other payables	318.2	-	-	318.2	318.2
Borrowings	183.0	1,279.8	-	1,462.8	1,510.0
Financial guarantees	21.4	-	-	21.4	-
Total non-derivative financial instruments	522.6	1,279.8	-	1,802.4	1,828.2
Derivatives					
Interest rate swaps	7.0	41.2	(5.2)	43.0	33.6
CCIRS	21.1	9.7	(0.1)	30.7	6.9
Gross settled forward exchange contracts (inflow)	1.8	-	-	1.8	(1.4)
Total derivatives	29.9	50.9	(5.3)	75.5	39.1

17 Financial risk management (continued)

(c) Hedging instruments

(i) Accounting policies

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

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

Hedge accounting

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

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

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

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.

17 Financial risk management (continued)

(c) Hedging instruments (continued)

(i) Accounting policies (continued)

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

	Fair value hedge	**Cash flow hedge**
What is it?	A derivative or financial instrument designated as hedging the change in fair value of a recognised asset or liability or firm commitment. A fair value hedge is used to swap fixed interest payments to variable interest payments in order to manage the Group's exposure to interest rate risk.	A derivative or financial instrument hedging the exposure to variability in cash flow attributable to a particular risk associated with an asset, liability or forecasted transaction. A cash flow hedge is used to swap variable interest rate payments to fixed interest rate payments, or to lock in foreign currency rates in order to manage the Group's exposure to interest rate risk and foreign exchange risk.
Movement in fair value	Changes in the fair value of the derivative are recognised in profit or loss, together with the changes in fair value of the hedged asset or liability attributable to the hedged risk. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings are recognised in profit or loss within finance expenses, together with the changes in fair value of the hedged fixed rate borrowing attributable to interest rate risk. The gain or loss relating to the ineffective portion is recognised separately to the effective portion in profit or loss within finance expense.	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 finance income or finance 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.

17 Financial risk management (continued)

(d) Fair value measurement

The carrying value of cash and cash equivalents and non-interest bearing financial assets and liabilities approximates the carrying amount. The fair value of borrowings carried at amortised cost is $1,204.9 million (2023: $1,523.2 million).

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 5.00% and 8.15% (2023: 4.8% and 6.7%) depending on the type of facility.

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

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

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

The Group's derivative financial instruments and fair value of borrowings are classified as Level 2 (2023: Level 2). During the period, there were no transfers between Level 1, Level 2 or Level 3 in the fair value hierarchy (2023: nil).

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.

18 Joint ventures

The Group has an interest in the following joint ventures:

Name	Country of operation	Ownership interest 2024 %	2023 %	Principal activity
Ox Mountain Limited[1]	United Kingdom	**69**	69	Software
ARG Risk Management Limited	Bermuda	**50**	50	Insurance
Integrated Logistics Company Pty Ltd	Australia	**14**	14	Consulting

[1] The Group's investment in Ox Mountain Limited continues to be classified as a joint venture due to the Group having joint control and is accounted for using the equity method of accounting.

(a) Accounting policies

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

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

The carrying amount of investments are tested for impairment in accordance with the policy described in note 7.

19 Material subsidiaries

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

		Ownership interest	
Controlled entities	**Country of incorporation**	**2024 %**	2023 %
Australia Eastern Railroad Pty Ltd	Australia	**100**	100
Australia Western Railroad Pty Ltd	Australia	**100**	100
Aurizon Property Pty Ltd	Australia	**100**	100
Aurizon Finance Pty Ltd	Australia	**100**	100
Aurizon Port Services NSW Pty Ltd	Australia	**100**	100
Aurizon Port Services Pty Ltd	Australia	**100**	100
Aurizon Bulk Central Pty Ltd	Australia	**100**	100
Aurizon Bulk Central Network Pty Ltd	Australia	**100**	100
Iron Horse Insurance Company Pte Ltd	Singapore	**100**	100

(a) Principles of consolidation

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

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

Inter-company transactions and balances are eliminated on consolidation.

The assets and liabilities of entities within the Group that have a functional currency different from the presentation currency are translated into Australian dollars at the rate of exchange at the balance sheet date and profit or loss are translated at the average exchange rate 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.

20 Parent entity disclosures

The financial information for the parent entity Aurizon Operations 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

	2024 $m	2023 $m
Current assets	**1,692.1**	1,567.6
Non-current assets	**5,442.9**	5,282.1
Total assets	**7,135.0**	6,849.7
Current liabilities	**3,309.9**	3,308.7
Non-current liabilities	**280.8**	232.5
Total liabilities	**3,590.7**	3,541.2
Net assets	**3,544.3**	3,308.5
Equity		
Contributed equity	**3,266.6**	3,139.4
Retained earnings	**277.7**	169.1
Total equity	**3,544.3**	3,308.5
Profit for the year	**180.6**	75.8
Total comprehensive income	**180.6**	75.8

In the current year, the Company recognised an intercompany liability in relation to the previously issued guarantee of funding the Group that is sourced through a wholly-owned subsidiary of the Company, Aurizon Finance Pty Ltd. In addition, the Company determined that a loan to one of its subsidiaries was impaired. These events resulted in an adjustment to prior year balances of the Company in respect of current assets, current liabilities, opening retained earnings and profit for the year of $150.8m, $275.2 million, $362.1 million and $63.9 million respectively.

In July 2024, the Company executed a new Intra Group Loan Agreement with Iron Horse Insurance Company Pte Ltd (a wholly owned subsidiary). Under the arrangement the Company is able to be loaned up to $150.0 million at floating interest rates over a 9-year term maturing in July 2033. At balance date, the Company had $80.1 million advanced from Iron Horse Insurance Company Pte Ltd.

As at 30 June 2024, the parent entity had contractual commitments for the acquisition of property, plant and equipment totalling $70.6 million (2023: $175.9 million). These commitments are not recognised as liabilities as the relevant assets have not yet been received. Refer to note 28 for guarantees provided by the Company.

21 Deed of cross guarantee

The Company, Aurizon Operations Limited and the subsidiaries listed below are subject to a Deed of Cross Guarantee (the Deed) under which each company guarantees the debts of the others:

Aurizon Finance Pty Ltd
Aurizon Terminal Pty Ltd
Aurizon Property Holding Pty Ltd
Aurizon Property Pty Ltd
Logistics Australasia Pty Ltd
Aurizon Resource Logistics Pty Limited
Interail Australia Pty Ltd
Australian Rail Pty Ltd
Australia Eastern Railroad Pty Ltd
Australia Western Railroad Pty Ltd
Australian Railroad Group Employment Pty Ltd
Aurizon Intermodal Pty Ltd
Aurizon Bulk Central Pty Ltd
Aurizon Bulk Central Network Pty Ltd
ACN 654 415 700 Pty Ltd
Aurizon Bulk Central Holdings Pty Ltd
Aurizon Bulk Central Finance Pty Ltd
Aurizon Bulk Central (SA Holdings) Pty Ltd
Aurizon Port Services Pty Ltd*

* These wholly-owned subsidiaries became a party to the Deed by way of an Assumption Deed on 19 April 2024.

By entering into the cross guarantee, the wholly-owned entities have been relieved from the requirement to prepare separate financial and directors' reports under *ASIC Corporations (Wholly-owned Companies) Instrument 2016/785*.

The above companies represent a 'closed group' for the purposes of the instrument. As there are no other parties to the Deed that are controlled by Aurizon Operations Limited, they also represent the 'extended closed group'.

(a) Financial statements of the Aurizon Operations Limited Deed of Cross Guarantee

The consolidated income statement, statement of comprehensive income and statement of financial position of the entities party to the Deed for the year ended and as at 30 June, are set out below:

	2024 $m	2023 $m
Consolidated income statement		
Revenue	**2,900.0**	2,576.6
Other income	**3.3**	10.9
Employee benefits expense	**(900.8)**	(805.6)
Energy and fuel	**(234.4)**	(229.3)
Track access	**(613.6)**	(505.5)
Consumables	**(454.9)**	(434.4)
Depreciation and amortisation	**(362.0)**	(316.4)
Impairment losses	**(7.5)**	(12.8)
Other expenses	**(4.8)**	(50.5)
Share of net profit of investments accounted for using the equity method	**(0.1)**	0.1
Net finance costs	**(101.9)**	(92.1)
Profit before income tax	**223.3**	141.0
Income tax expense	**(69.5)**	(49.2)
Profit for the year	**153.8**	91.8
Consolidated statement of comprehensive income		
Profit for the year	**153.8**	91.8
Other comprehensive income		
Items that may be reclassified to profit or loss		
Changes in the fair value of cash flow hedges	**(7.8)**	20.6
Income tax relating to changes in the fair value of cash flow hedges	**2.3**	(6.2)
Other comprehensive income for the year, net of tax	**(5.5)**	14.4
Total comprehensive income for the year	**148.3**	106.2

21 Deed of cross guarantee (continued)

(a) Financial statements of the Aurizon Operations Limited Deed of Cross Guarantee (continued)

Summary of movements in consolidated retained earnings		
Retained earnings at the beginning of the financial year	**197.3**	241.9
Change in accounting policy – adoption of AASB 17	**(0.7)**	-
Profit for the year	**153.8**	91.8
Changes in fair value of cash flow hedges	**9.4**	-
Dividends paid	**(71.5)**	(136.4)
Retained earnings at the end of the financial year	**288.3**	197.3

21 Deed of cross guarantee (continued)

	2024 **$m**	2023 $m
Consolidated balance sheet		
Current assets		
Cash and cash equivalents	**38.2**	58.6
Trade and other receivables	**591.9**	506.0
Inventories	**180.1**	164.3
Derivative financial instruments	**0.1**	1.7
Other assets	**86.4**	161.6
Total current assets	**896.7**	892.2
Non-current assets		
Inventories	**53.1**	48.1
Derivative financial instruments	**23.0**	29.7
Property, plant and equipment	**4,836.6**	4,614.0
Intangible assets	**130.2**	123.8
Trade and receivables	**7.8**	-
Other assets	**81.0**	96.3
Investments accounted for using the equity method	**0.4**	0.4
Other financial assets[1]	**104.2**	135.4
Total non-current assets	**5,236.3**	5,047.7
Total assets	**6,133.0**	5,939.9
Current liabilities		
Trade and other payables	**411.0**	384.8
Borrowings	**86.0**	106.0
Derivative financial instruments	**0.2**	0.4
Provisions	**220.7**	208.6
Other liabilities	**36.3**	39.3
Total current liabilities	**754.2**	739.1
Non-current liabilities		
Borrowings	**1,274.3**	1,404.0
Derivative financial instruments	**62.1**	70.1
Deferred tax liabilities	**270.4**	223.1
Provisions	**42.7**	47.5
Other liabilities	**162.4**	102.1
Total non-current liabilities	**1,811.9**	1,846.8
Total liabilities	**2,566.1**	2,585.9
Net assets	**3,566.9**	3,354.0
Equity		
Contributed equity	**3,268.3**	3,141.1
Reserves	**10.3**	15.6
Retained earnings	**288.3**	197.3
Total equity	**3,566.9**	3,354.0

[1] Other financial assets represent investments in entities outside of the closed group.

22 Acquisition of businesses and interests in joint venture

(a) Summary of acquisitions in 2023

(i) One Rail Australia

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

	$m
Total purchase consideration (after working capital and completion adjustments)	1,453.9

	Fair value on acquisition date $m
Cash	50.0
Trade and other receivables	44.9
Inventories	30.8
Other current assets	3.3
Property, plant and equipment[1]	1,409.3
Other non-current assets	0.1
Trade and other payables	(18.2)
Borrowings	(5.4)
Provisions	(31.9)
Other current liabilities	(11.0)
Other non-current liabilities	(18.0)
Deferred tax liabilities	(23.5)
Fair value of net identifiable assets acquired	1,430.4
Add: Goodwill	23.5
Fair value of net assets acquired	1,453.9

[1] Included Bulk leased assets of $1,100.3 million and other leased assets of $20.6 million.

Goodwill of $23.5 million solely arose from the net deferred tax liability recognised on acquisition, in accordance with accounting standards. The net deferred tax liability arose on leased assets (comprising leasehold interests with below market rental payments) and the face value of the Term Loan Facility, offset by deferred tax assets associated with provisions. None of the goodwill is expected to be deductible for tax purposes.

The fair value of trade receivables acquired was $44.3 million. The gross contractual amount for trade receivables due was $44.6 million, of which $0.3 million was expected to be uncollectable.

Borrowings acquired included a $50.0 million Term Loan Facility with The AustralAsia Railway Corporation in connection with the Tarcoola-to-Darwin Concession Deed issued at below market interest rates. The Term Loan Facility matures in 2054 at the expiry of the Concession Period. The fair value of the loan acquired was $5.4 million.

Acquisition costs of $48.7 million, included landholder duty, advisory fees and other costs that were expensed to profit or loss and classified in other expenses. This amount was classified as a significant item.

Net cash outflow from investing activities for the acquisition was $1,403.9 million, representing cash paid net of cash acquired.

(ii) Ox Mountain Limited

The Group increased its ownership interest in Ox Mountain Limited (UK registered), a maintenance software developer and distributor, from 42% to 69% for consideration of $30.1 million on 9 January 2023. The investment continues to be classified as a joint venture due to the Group having joint control and is accounted for using the equity method of accounting.

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

(b) Accounting policies

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 amount 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.

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.

23 Notes to the consolidated statement of cash flows

(a) Reconciliation of profit after income tax to net cash inflow from operating activities

	2024 $m	2023 $m
Profit for the year	**167.4**	102.0
Depreciation and amortisation	**364.8**	326.6
Impairment of non-current assets	**1.1**	12.8
Finance expenses	**104.9**	95.2
Share-based payment expense	**4.1**	6.2
Net (gain)/loss on disposal of assets	**(2.6)**	(1.4)
Share of net profit of investments accounted for using the equity method	**(0.6)**	(0.7)
Net exchange differences	**(0.3)**	0.7
Change in operating assets and liabilities:		
(Increase)/decrease in trade and other receivables	**(46.0)**	(87.9)
(Increase)/decrease in inventories	**(20.9)**	(19.0)
(Increase)/decrease in other operating assets	**93.8**	(158.8)
Increase/(decrease) in trade and other payables	**2.5**	78.3
Increase/(decrease) in other liabilities	**(11.7)**	1.7
Increase/(decrease) in current tax liabilities	**5.5**	(2.8)
Increase/(decrease) in deferred tax liabilities	**47.1**	107.1
Increase/(decrease) in provisions	**3.4**	(14.5)
Net cash inflow from operating activities	**712.5**	445.5

(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 2023	**(106.0)**	**(1,404.0)**	**(70.1)**	**29.7**	**(1,550.4)**
Financing cash flows[2]	**20.0**	**140.2**	**-**	**(0.7)**	**159.5**
Changes in fair value	**-**	**-**	**-**	**-**	**-**
Other changes in fair values	**-**	**(5.1)**	**8.0**	**(6.0)**	**(3.1)**
Other non-cash movements[3]	**-**	**(5.4)**	**-**	**-**	**(5.4)**
Balance as at 30 June 2024	**(86.0)**	**(1,274.3)**	**(62.1)**	**23.0**	**(1,399.4)**
Balance as at 1 July 2022	-	(428.0)	(66.1)	-	(494.1)
Reclassification	(65.0)	65.0	-	-	-
Financing cash flows[2]	(41.0)	(1,024.5)	-	-	(1,065.5)
Changes in fair value	-	(6.1)	(4.0)	29.7	19.6
Other non-cash movements[3]	-	(10.4)	-	-	(10.4)
Balance as at 30 June 2023	(106.0)	(1,404.0)	(70.1)	29.7	(1,550.4)

[1] Assets and liabilities held to hedge borrowings exclude foreign exchange contracts included in note 17(a).

[2] Financing cash flows includes the net amount of proceeds from borrowings, repayment of borrowings, payments of transaction costs related to borrowings and proceeds from the settlement of derivatives.

[3] Other non-cash movements includes the amortisation of capitalised borrowing costs and amortisation of discounts on the face value of the AMTN issued.

24 Related party transactions

Related parties include other entities in the Aurizon Group and Key Management Personnel. There were no Key Management Personnel related party transactions during the financial year (2023: $nil). The following transactions occurred and balances are recognised with other entities in the Aurizon Group:

	2024 $'000	2023 $'000
Trade and other receivables from related parties	**20,148**	15,357
Trade and other payables to related parties	**53,229**	86,472
Tax loan receivable from parent entity	**55,865**	134,171
Loans receivable from related parties	**53,500**	-
Services revenue received from related parties	**21,929**	22,380
Expenses paid to related parties	**477,937**	405,992
Expenses reimbursed from related parties	**64,568**	50,275
Interest revenue received from related parties	**542**	1,386
Interest expense paid to related parties	**432**	102

Expense reimbursed from related parties in the Aurizon Group include maintenance, facilities charges and general corporate overheads.

For details on dividends paid and changes in contributed equity, refer to notes 14 and 15 respectively.

Terms and conditions of transactions with related parties other than Key Management Personnel or entities related to them and intra group transactions

A number of service agreements are in place between the Company and other entities within the Aurizon Group for the provision of services. These costs include shared services such as payroll, IT, accounts payable and HR operations. All other transactions are made on normal commercial terms and conditions and at market rates.

The Company enters into unsecured loans and advances with Aurizon Network Pty Ltd (subsidiary of Aurizon Holdings Limited) at floating rates of interest pursuant to an Intra Group Loan Agreement maturing in August 2024, which allows up to $100.0 million to be advanced or loaned subject to certain limited conditions. Hence, the company incurs interest expense and earns interest income on these loans and advances.

For details on tax loans, refer to note 4.

25 Key Management Personnel

Key Management Personnel (KMP) include the Directors and those Executives who have the authority and responsibility for planning, directing and controlling the activities of the Group.

	2024 **$'000**	2023 $'000
Short-term employee benefits	**6,840**	5,924
Long-term employee benefits	**86**	162
Post-employment benefits	**135**	128
Share-based payment expense	**2,454**	4,148
	9,515	10,362

No KMP has entered into a material contract with the Group in the financial year and there were no material contracts involving KMPs' interests existing at year end (2023: nil).

26 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:

	2024 **$'000**	2023 $'000
Deloitte Touche Tohmatsu		
Audit and review of financial statements	**750**	665
Other advisory services	**14**	135
Total remuneration of Deloitte Touche Tohmatsu	**764**	800

27 New and amended standards

(a) New and amended standards adopted by the Group

AASB 17 Insurance Contracts (AASB 17) became effective for the Group from 1 July 2023. The Aurizon Group Insurance Program includes certain placements with a wholly owned captive insurance company, Iron Horse Insurance Company Pte Ltd (incorporated in the Republic of Singapore). The captive insurance company only underwrites the Aurizon Group and its subsidiaries for property and liability insurance. Iron Horse Insurance Company Pte Ltd is a wholly owned subsidiary of the Company and provides insurance to a related party, Aurizon Network Pty Ltd. Adjustments arising from the adoption of AASB 17 by Iron Horse Insurance Company Pte Ltd in respect of liabilities held for Aurizon Network Pty Ltd have been recognised in the opening balance sheet on 1 July 2023 and do not have a material impact on the Group.

The Company is a self-insurer for workers' compensation within Queensland, under the Workers' Compensation and Rehabilitation Act 2003. The Company recognises a provision for the estimated workers' compensation for the Aurizon Group, including a related party, Aurizon Network Pty Ltd. The contract meets the definition of an insurance contract under AASB 17 in respect of liabilities held for Aurizon Network Pty Ltd. Adjustments arising from the adoption of AASB 17 by the Company have been recognised in the opening balance sheet on 1 July 2023 and do not have a material impact on the Group.

The Group has also applied the following amendments for the first time for the reporting period commencing 1 July 2023:

- AASB 2021-2 *Amendments to Australian Accounting Standards - Disclosure of Accounting Policies and Definition of Accounting Estimates; and*
- AASB 2021-5 *Amendments to Australian Accounting Standards - Deferred Tax related to Assets and Liabilities arising from a Single Transaction.*

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

27 New and amended standards (continued)

(b) 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 2023 and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

AASB 18 *Presentation and Disclosure in Financial Statements* will be effective for the Group from 1 July 2027. The standard will affect the presentation and disclosure in the financial statements, including introducing new categories and subtotals in the statement of profit or loss, requiring the disclosure of management-defined performance measures, and changing the grouping of information in the financial statements.

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.

28 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

The Group has issued guarantees of $29.0 million (2023: $21.4 million) to third parties including against workers' compensation self-insurance liabilities as required by State authorities based on independent actuarial advice. The probability of having to make a payment under these guarantees is considered remote.

(b) Capital commitments

At 30 June 2024, the Group has capital commitments contracted but not provided for in respect of the acquisition of property, plant and equipment of $88.6 million (2023: $148.6 million) which are due within one year, $8.6 million (2023: $62.8 million) which are due between one and five years and $14.3 million (2023: $14.3 million) which are due after five years.

29 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 materially affected, or may materially affect, the operations of the Group, the results of those operations, or the state of affairs of the Group or economic entity in subsequent financial periods.

Directors' declaration
30 June 2024

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 7 to 73 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 2024 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, and

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in note 21 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 21.

Page 12 confirms that the financial statements also comply with IFRS Accounting Standards as issued by the International Accounting Standards Board.

A Harding
Director

Brisbane
12 August 2024

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Independent Auditor's Report to the Members of Aurizon Operations Limited

Opinion

We have audited the financial report of Aurizon Operations Limited (the "Company") and its subsidiaries (the "Group") which comprises the consolidated balance sheet as at 30 June 2024, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- Giving a true and fair view of the Group's financial position as at 30 June 2024 and of its financial performance for the year then ended; and
- Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2024, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible:

- For the preparation of the financial report in accordance with the *Corporations Act 2001*, including giving a true and fair view of the financial position and performance of the Group in accordance with Australian Accounting Standards; and
- For such internal control as the directors determine is necessary to enable the preparation of the financial report in accordance with the *Corporations Act 2001*, including giving a true and fair view of the financial position and performance of the Group, and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

Deloitte.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

DELOITTE TOUCHE TOHMATSU

Matthew Donaldson
Partner
Chartered Accountants
Brisbane, 12 August 2024

Non-IFRS Financial Information in the FY2024 Financial Report

In addition to using profit as a measure of the Group and its segments' financial performance, Aurizon uses EBITDA (Statutory and Underlying), EBITDA margin (Statutory and Underlying), EBIT (Statutory and Underlying), NPAT Underlying. These measurements are not defined under IFRS Accounting Standards and are, therefore, termed 'Non-IFRS' measures.

EBITDA – Statutory is Group profit before net finance costs, tax, depreciation and amortisation, while EBIT – Statutory is defined as Group profit before net finance costs and tax. Underlying can differ from Statutory due to exclusion of significant items that permits a more relevant analysis of the underlying performance on a comparative basis. EBITDA margin is calculated by dividing underlying EBITDA by total revenue. These measures are considered to be useful measures of the Group's operating performance because they approximate the underlying operating cash flow by eliminating depreciation and amortisation.

NPAT– Underlying represents the underlying EBIT less finance costs, tax expense and the tax impact of significant items.

A reconciliation of the Non-IFRS measures and specific items to the nearest measure prepared in accordance with IFRS Accounting Standards is included in the table. The Non-IFRS financial information contained within this Directors' report and Notes to the Financial Statements have not been audited in accordance with Australian Auditing Standards.

	2024	2023
	Continuing operations $m	Continuing operations $m
NPAT – Underlying	**167.4**	144.8
Significant items, net of tax	**-**	(42.8)
NPAT – Statutory	**167.4**	102.0
Income tax expense	**73.0**	57.9
Profit before income tax	**240.4**	159.9
Net finance costs	**99.0**	90.8
EBIT - Statutory	**339.4**	250.7
Add back significant items:		
- Acquisition costs	**-**	48.7
EBIT – Underlying	**339.4**	299.4
Depreciation and amortisation	**364.8**	326.6
EBITDA - Underlying	**704.2**	626.0