2015
Annual
Report

Australian
Rail Track
Corporation

ABN 75 081 455 754
11 Sir Donald Bradman Drive,
Keswick Terminal, SA 5035

ARTC

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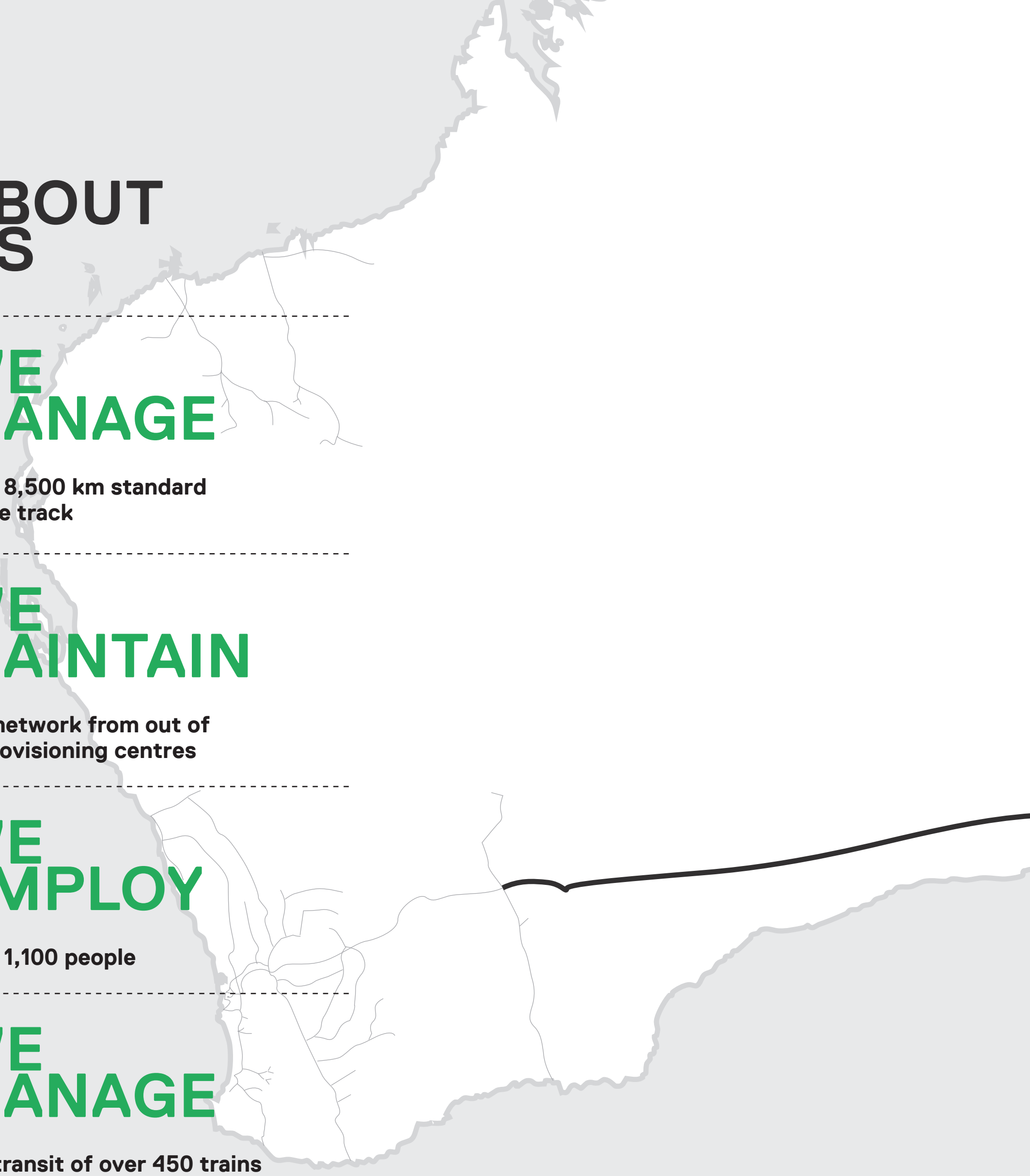
ARTC publishes announcements, reports and a comprehensive range of operational information on our website at artc.com.au

ABOUT US



WE MANAGE

Over 8,500 km standard gauge track

WE MAINTAIN

Our network from out of 27 provisioning centres

WE EMPLOY

Over 1,100 people

WE MANAGE

The transit of over 450 trains per day on our network

We're proud to be a vital part of the transport supply chain and the economic development of Australia.

We are unashamed champions for rail as a cost efficient, reliable, safe and responsible mode of transport.

Across five states we manage and maintain an 8,500km rail network. This facilitates the movement of freight (including fresh produce, retail products, coal, minerals, timber and steel) and people.

We've invested billions of dollars to build, extend and upgrade our network to get freight off the road and onto rail. That's good for business, motorists, the environment and communities.

We work with rail operators to provide access to rail for businesses and producers across Australia.

We manage the seamless, safe transit of hundreds of freight and passenger trains across our network every day.

We are committed to

MAKE RAIL THE MODE OF CHOICE IN THE NATIONAL LOGISTICS CHAIN

We continue to meet the changing needs of our customers and seek to grow our organisation safely and in environmentally responsible ways.

We are committed to the health and safety of our people, the environment and the communities in which we operate. In all our efforts, we aim to be inclusive and build pride and loyalty in our workforce.

CHAIRMAN'S OVERVIEW

As the newly appointed Chairman of ARTC, I am delighted to present the past year's Annual Report.

The outlook for rail in Australia is very positive. And ARTC is well positioned to take advantage of the opportunities that will emerge over the next five years and beyond.

The ARTC network is a critical part of Australia's infrastructure, linking our ports, our capital cities, our regions and our mining precincts to our domestic and international markets. With our network, we help Australians do business. We help the nation's productivity. And we help our clients move critical goods and services around our nation. This is a significant responsibility that we do not take lightly.

We have come a long way in the past five years. Over $5 billion has been invested in infrastructure. That has made a difference to the nation.

The scale of the business has also changed markedly. Access Revenue has almost doubled, growing from over $380 million in FY 2009-10 to $758 million in FY 2014-15. In that time EBITDAI has more than trebled, growing from nearly $140 million in FY 2009-10 to over $434 million for FY2014-15.

We have become an increasingly customer-focused organisation. We recognise that we can do more and we are committed to that outcome.

Helping our customers do more, faster is our goal. We do that by improving the quality of the track, providing more passing lanes, more modern signalling and heavier rail. The progress that has been made with the Advanced Train Management System is just one example of that approach in action. The work being done to support the development of Inland Rail is yet another.

We also play a whole-of-industry role in promoting the value of rail to Australian business and the economy. This helps ensure its value is recognised within the Australian transport sector. To that end, last year ARTC launched its new brand and corporate values. Our vision to Make Rail the Mode of Choice in the National Logistics Chain will help expand the market for our customers and underpin our ongoing success.

None of this would be possible without the commitment of our staff. We are committed to meeting head-on the intrinsic safety risks that exist in the sector through our policy of No Harm. It is a core value, one that is embedded in the company's culture. We are proud of the progress that we are making in improving safety. But we are not complacent. We can and will do more.

I would also like to thank and congratulate management for their commitment, professionalism and endeavour. Under the leadership of John Fullerton, much has been achieved. But we know that even more is possible.

In addition, I pay tribute to Mr John Caldon, the previous Chairman of ARTC, who finished a distinguished term of five years in April this year. Under his and John Fullerton's leadership, ARTC has undergone a significant period of transformation and reform. They have provided the platform from which we can grow and thrive.

Finally, I wish to acknowledge my colleagues on the Board, more so during the transition period between John Caldon's stepping down and my becoming Chairman. They have provided leadership to the organisation at a time of the Government's announcement of the Scoping Study. In particular, I thank Lynelle Briggs who retired from the Board during the year. I acknowledge her dedicated service.

We look forward to the future with confidence and optimism grounded in a sense of responsibility for the contribution we can make to Australia.

Helen Nugent AO
Chairman

CEO OVERVIEW

ARTC has delivered another strong operations and earnings performance despite difficult market conditions.

2015 was also the year that ARTC accelerated the roll out of its Transformation Program improving our service to customers and strengthening the company to achieve long-term growth and success.

The company has a clear roadmap for change and is well placed to take full advantage of the opportunities that will emerge in the rail sector as the economy recovers.

By re-orienting our business to a customer centred one, underpinned by our people and an ongoing commitment to safety, we will continue to grow sustainably and build a strong business that delivers value for our Shareholders, customers and stakeholders.

There is a direct connection between our delivery on Transformation and growing rail's volume and market share – this is not only good for business and our Shareholders, but also for our communities, stakeholders and the environment.

In this year's Budget, the Australian Government advised it would undertake a Scoping Study of ARTC. This study will consider options for the future management, operation and ownership of ARTC. Our Board and Executive are working cooperatively with our Shareholders in supporting this process.

Financial Performance

Despite the difficult market conditions, our earnings again reflect the solid credentials of the business and our ability to deliver in even the most trying fiscal conditions.

Iron ore and coal prices are subdued and business confidence and consumer spending has been lower than previous years. There is lower economic activity and less freight moving between our major ports, capitals, regions and states than had previously been anticipated.

This has required us to look closely at the cost structure of our business and we have responded strongly to the challenge and this is reflected in our results.

In financial year 2014-15 we recorded revenue of $828.6 million, representing 7.2 percent growth on the year prior.

Earnings Before Interest, Tax, Depreciation, Amortisation and Impairment (EBITDAI) grew by 7.1 percent and Net Profit After Tax (NPAT) before dividend was $134.6 million. We paid dividends totalling $57.4 million to our Shareholders during the year.

Key contributors to the financial result include the cessation of iron ore mine operations in South Australia and weaker consumer demand in Western Australia in the aftermath of the mining boom. This has resulted in lower freight volumes across our Interstate network.

This has been offset by continued strength in the Hunter Valley business despite the slow-down in coal mine expansion projects.

The Hunter Valley continued to grow, with 159.7 million tonnes of export coal transported to Newcastle, representing an increase of 5 million tonnes on the previous financial year.

While coal mining industry conditions have remained challenging, producers in the Gunnedah Basin have expanded operations and commissioned new rail infrastructure to cater for the new Maules Creek mine. Our Hunter Valley team worked closely on this project, resulting in a construction time of less than twelve months and operations commencing three months ahead of schedule.

Savings have been realised by achieving efficiencies in core expenditure areas of the business including maintenance, vehicles, administration and support services.

Safety

Safety is at the heart of everything we do and ensuring staff are safe at work and get home safe every day is always our first priority.

We measure our safety across a number of indicators including: Lost Time Injury Frequency Rate (LTIFR) and Medically Treated Injury Frequency Rate (MTIFR). While we are pleased with the progress the company has made over the past five years, there is still much more to be done to reach our goal of No Harm.

In relation to safeworking practices, we have seen an improvement and this has resulted in a reduction in serious safeworking incidents over the past twelve months.

To strengthen our existing teams we have appointed additional people to focus solely on safety. In the Interstate Business Unit, to undertake a business wide review of the safety culture and processes and procedures, and in the Hunter Valley Business Unit, to ensure safety and environment is at the core of decision making.

We are committed to improving our safety performance even further through new initiatives such as leadership development, responsibility and accountability to help deliver the best possible safety culture.

Our value of No Harm also recognises our interaction with the environment and the community. To this end, we have amended our due diligence process for environmental impact assessments and across the company over 200 staff are now trained to undertake Task Based Environmental Impact Assessments. Environmental site inspections increased 65 percent on the previous year and we continue to proactively support air and noise quality monitoring programs in conjunction with industry partners.

Service Delivery

Our service delivery continues to improve and we are seeing consistent, road-competitive freight delivery performance.

Interstate reliability has improved to levels that now consistently meet customer expectations, continuing the positive trend of recent years and, on average, reliability has improved by around 30 percent on figures of only two years ago. This improvement is the result of working closely with our rail operator customers to develop better timetables, take advantage of improved track conditions and manage the movement of each train on the network more intensely.

Similarly, the Hunter Valley Business Unit has been working closely with the Hunter Valley Coal Chain Coordinator (HVCCC) and coal chain participants to improve network management and, as a consequence, deliver initiatives that enhance the overall efficiency of the coal chain.

The Hunter Valley business has again provided consistently reliable network performance for our customers, meeting our target of coal train cancellations attributable to ARTC.

Our 2015 annual employee engagement survey again demonstrated a good result across culture, behaviours and safety and we aim to improve even further in 2016.

We also received an encouraging result in our second annual customer survey. We were able to improve our overall rating among our customer base from a 5.7 score to 6.3 (out of ten). This score places us in the top end of the ‘good’ customer service category and we are edging close to a high rating, where a score of 8.0 indicates a leading customer service performer.

While this survey is a positive sign, we need to keep improving. Next year, our customers' expectations will only be greater – as they should – and so will ours.

Transformation Program

Our Transformation Program with its specific streams of customer experience, leadership, effectiveness and efficiency, brand, employee engagement and training and development will help establish ARTC as a world-class rail service provider.

Already we have undergone significant organisational restructure and appointed new people. Our new brand was launched in December 2014 and other streams are well underway.

The launch of our new brand in December 2014 is, in many ways, the physical manifestation of what we have been building toward over the last few years. It is a public reflection of our aim to build and grow not only ARTC's reputation and identity, but also to be representative of the positive changes that are happening in our industry and the massive opportunity rail freight offers to Australian businesses.

Our customer service culture continues to develop and a strong focus on leadership under the Transformation Program will continue driving this. The Program has also been supported in the last year by implementing a new diversity strategy, the commencement of redeveloping our intranet to support employee engagement and the continued embedding of our new company values throughout the year.

“NEXT YEAR OUR CUSTOMERS' EXPECTATIONS WILL ONLY BE GREATER – AND SO WILL OURS”

These are all important initiatives and while cultural change does not occur overnight, the Transformation Program brings a new foundation that presents exciting prospects.

Looking Ahead

In terms of Transformation, under the effectiveness and efficiency stream, we will be driving specific productivity initatives to ensure effective delivery of agreed outcomes across the business. Another key area of effort will be to continue to align our leadership skills and style to our customer focus.

In the immediate timeframe our focus is on business development. We see a range of opportunities in metropolitan, regional and intermodal freight sectors and fully resourced business development teams were established in both the Interstate and Hunter Valley businesses this year to pursue greater market share.

They join new roles in the commercial, customer service, logistics and operations space in both the Hunter Valley and Interstate Business Units that will help ARTC deliver a rounded customer service model.

One initial growth focus area is regional freight, particularly in NSW where regional volumes largely flow onto ARTC mainlines. We also see opportunities in import/export (IMEX) freight movements where overall volumes are projected to grow. Capturing more interstate freight travelling along the busy North South freight corridor between Melbourne, Sydney and Brisbane also continues to offer strong growth potential.

Part of taking advantage of these opportunities is the need to keep capitalising and leveraging what is now a very modern and enhanced, multi-billion-dollar asset base.

For example, we migrated to operating a single, digital telecommunications network this year, streamlining communications for our customers and also allowing us to implement innovations like ATMS and a new remote flood management warning system.

Another critical initiative is the Inland Rail Programme to which the Australian Government has committed $300m to finalise planning, engineering design and environmental assessments to start construction.

Since mobilising in mid-2014, ARTC's Inland Rail Programme team has delivered preliminary field work, aerial photography of the entire alignment and prepared reference delivery, procurement, community engagement and approvals strategies. The first tenders for the project have been released and the formal business case has been completed and submitted to the Australian Government.

The Advanced Train Management System (ATMS) has also achieved a number of milestones in the first stage of its implementation into live-running revenue services.

The first part of Implementation Stage One of the ATMS project has seen the extension of a rail crossing loop at Roopena, South Australia completed in August 2014 and the Adelaide-based system test and integration facility commissioned in late 2014. More recently, ATMS was installed on test locomotives for live-run testing. The new facility includes necessary equipment to simulate real world testing in the operational rail environment as well as the final ATMS hardware to conduct tests and trial the

ATMS system between Port Augusta and Whyalla, starting in January 2015. These initial trials will be used to gather necessary data to fine-tune the system prior to the commencement of Phase 2 trials later in 2015.

Terminals

We firmly believe the country needs to be making strategic decisions now about the placement and development of intermodal terminals, or we will be unable to meet the current and future freight challenge facing Australia.

We have begun working closely with our customers and other supply chain participants on terminal planning and development, as we recognise it is a strategic issue that needs a national, whole-of-supply-chain response.

While more needs to be done, it has been pleasing to see investment in terminals in Sydney at Chullora, Enfield and the approval of the Moorebank Intermodal Terminal development. These developments, coupled with metropolitan Sydney rail infrastructure improvements, will continue to enhance rail's service offering.

Outlook

Despite resources prices being down on historic highs, the recovery in the global economy being weaker than expected and trade in the domestic economy down, the outlook for ARTC remains positive.

We are working more closely with our customers than ever – at all levels of our business. Be it shared strategic planning initiatives, operational alignment or information sharing among our support divisions, this close working relationship is all part of how we have been transforming our business to better meet their needs.

I would like to thank our staff for the way they have responded to the re-focusing of the business and their continued commitment on delivering for the business.

I also express my thanks to outgoing Chairman, Mr John Caldon and Director, Ms Lynelle Briggs who completed their set terms on the ARTC Board this year. I thank them both for their service, leadership, strategic advice and direction of ARTC through years of positive change and growth. I would like to welcome Jay Bonnington as a new director to ARTC and Dr Helen Nugent as ARTC's new Chair, commencing in 2015-16.

By remaining committed to delivering our Transformation Program, we will be able to continue navigating through the current difficult conditions and set a strong, sustainable and growing platform for the business to follow.

John Fullerton
Chief Executive Officer

PERFORMANCE SUMMARY

Increased EBITDAI by **7.1** %

Increased Access Revenue by **5.9** %

Increase in intermodal reliability on the Interstate network compared to previous year **8.0** %

Increase in the amount of export coal transported compared to previous year **3.1 %**

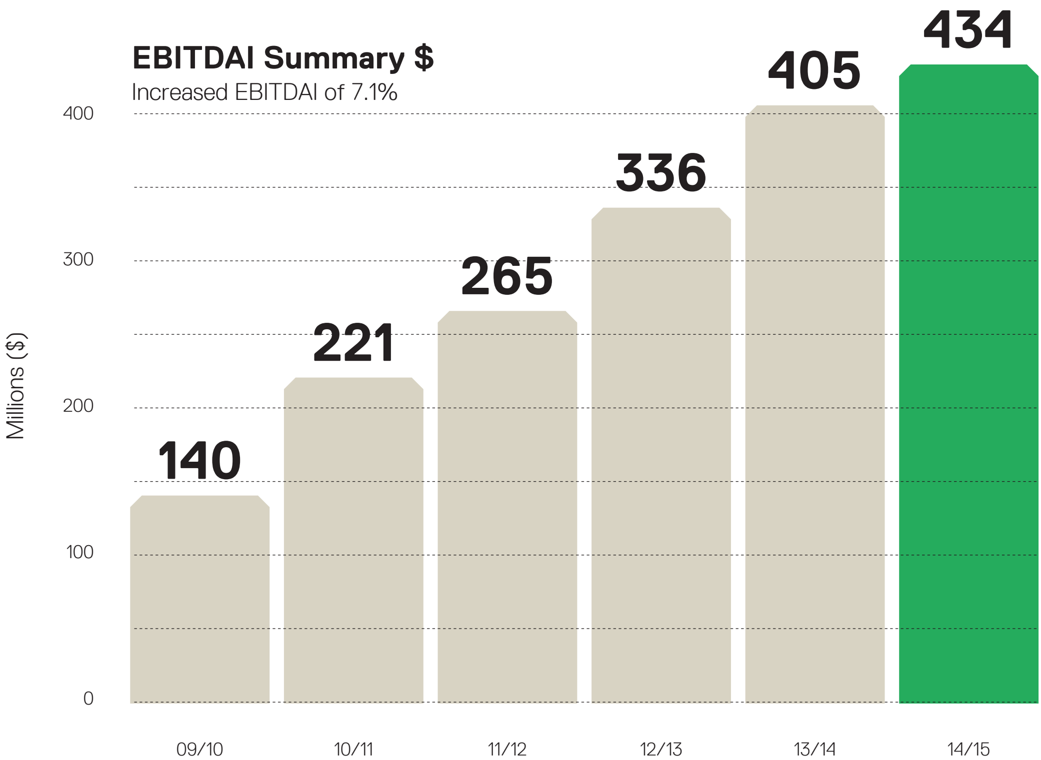
Lost Time Injuries * **2.65**

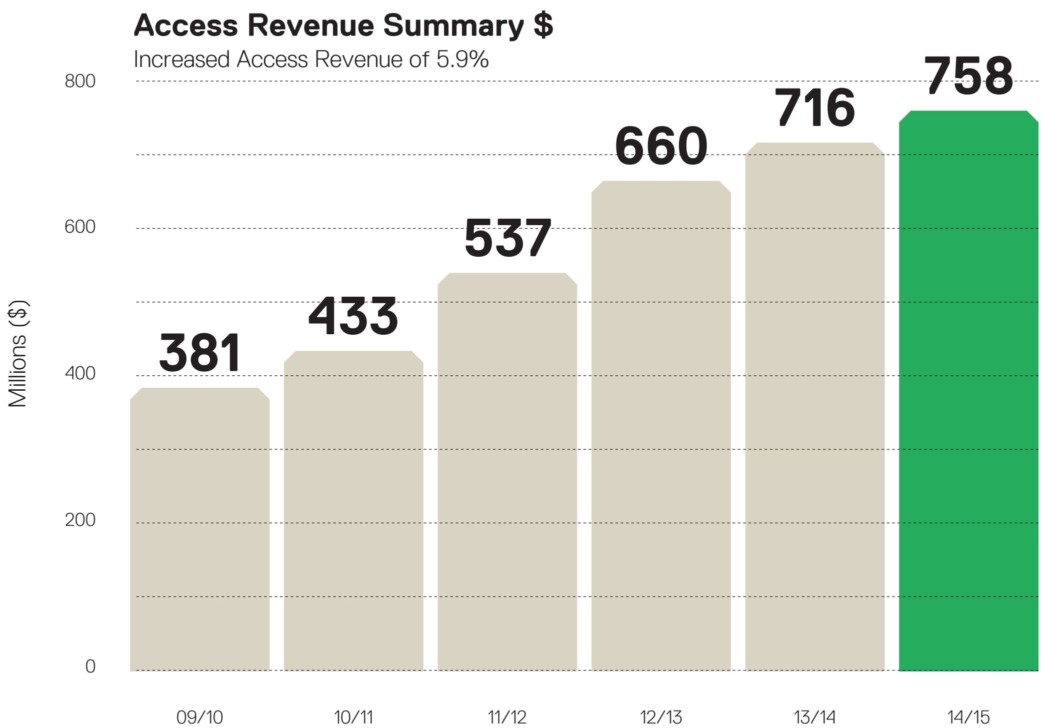
Medically Treated Injuries * **7.20**

* Number of injurires for every million hours worked

FINANCIAL SUMMARY & PERFORMANCE

	2015	2014
	$M	$M
Access Revenue	758.4	716.4
Other Revenue (excluding interest and insurance recoveries)	70.2	56.5
TOTAL REVENUE (EXCLUDING INTEREST)	**828.6**	**772.8**
EBITDAI	**433.6**	**404.7**
Depreciation and Amortisation Expense	(182.9)	(173.2)
Impairment Reversal/(Expense)	(25.5)	2.1
EBIT	**225.2**	**233.6**
Net finance cost less interest revenue	(37.1)	(44.6)
NET PROFIT BEFORE TAX	**188.0**	**189.0**
Tax (Expense)/Benefit	(53.4)	(25.4)
NET PROFIT AFTER TAX	**134.6**	**163.6**
DIVIDEND PAID	**57.4**	**36.0**
TOTAL DEBT	**1,010.9**	**916.3**
SHAREHOLDER EQUITY	**3,606.9**	**3,568.4**
EBITDAI / TOTAL REVENUE	**52.3%**	**52.4%**
EBIT/ TOTAL REVENUE	**27.2%**	**30.2%**
EBITDAI / SHAREHOLDER EQUITY	**12.0%**	**11.3%**
DEBT / DEBT + SHAREHOLDER EQUITY	**21.9%**	**20.4%**


EBITDAI Summary $
Increased EBITDAI of 7.1%
Millions ($)
400
300
200
100
0
140
221
265
336
405
434
09/10
10/11
11/12
12/13
13/14
14/15


Access Revenue Summary $
Increased Access Revenue of 5.9%
Millions ($)
800
600
400
200
0
381
433
537
660
716
758
09/10
10/11
11/12
12/13
13/14
14/15

HUNTER VALLEY NETWORK

Our Hunter Valley network provides access to over 230 trains per day including coal trains, passenger, general and bulk freight. Our network includes the Hunter Valley Coal Chain which is one of the largest coal export operations in the world. Around half of all of the services operating on our network are coal trains to the Port of Newcastle.

The coal price remains low compared to recent years and the coal industry is going through a period of consolidation with a focus on cost control. For ARTC in particular this means our focus has moved from increasing network capacity at a rapid pace to delivering stronger focus on operational performance and incremental capacity investment. We have been working closely with the Hunter Valley Coal Chain Coordinator (HVCCC) and coal chain participants to improve network management and deliver initiatives that enhance the coal chain's overall efficiency.

KEY HIGHLIGHTS

- The Hexham Relief Roads were commissioned in December 2014. An integral part of our long term capacity strategy, these new tracks reduce the congestion of coal trains travelling into the port, greatly improving efficiency and reliability. Resulting benefits will flow across the entire coal supply chain.

- We have taken an active role, partnering with the HVCCC to improve the way train crew changeovers are managed. This will result in a standard approach to the planned and actual train crewing activities across key locations in the network to improve efficiency and reliability.

- We are implementing a train forecasting system that leverages the GPS-enabled location services via the In-Cabin Equipment (ICE) radio system. This system will be able to forecast the arrival of trains, once loaded, to our customers' load points and coal terminals. It will be provided to customers via a web interface and enable integration of operational activities across our customer base with our network operation. This will reduce labour costs for some of our customers and add to our integration efforts.

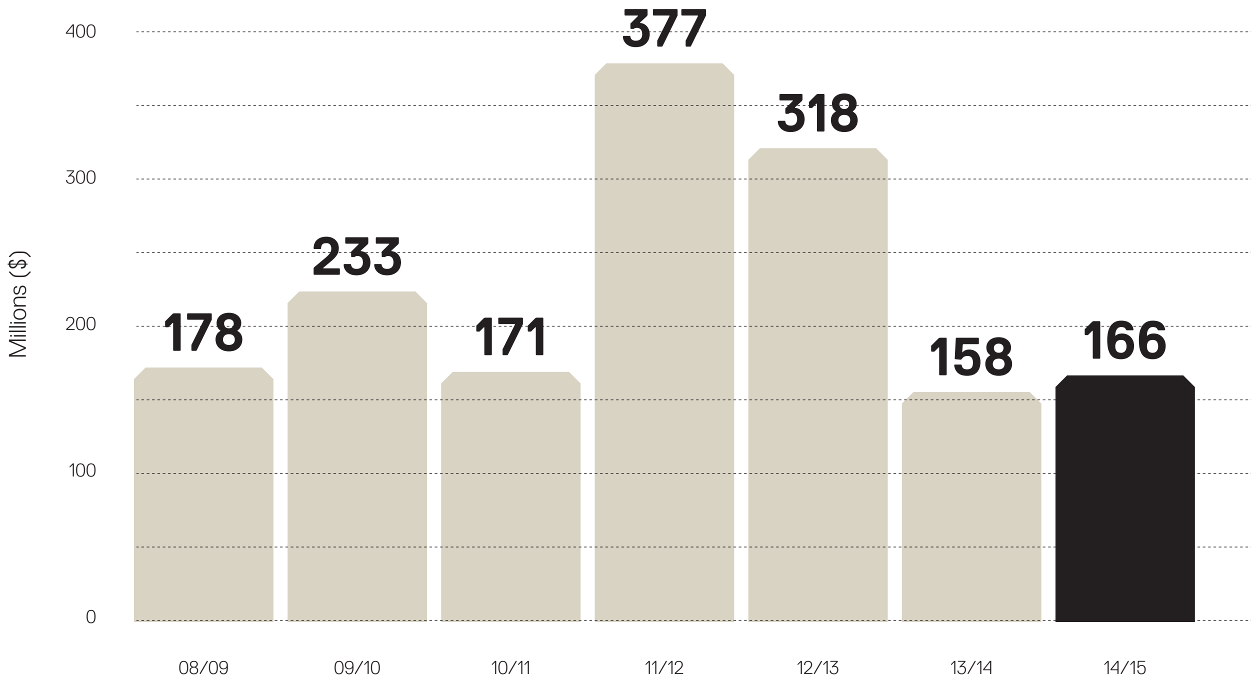
- We are leading a program to increase the throughput from the Gunnedah Basin. ARTC's network control is focusing on increasingly dynamic path programming and decision making, the HVCCC is managing planning and rail operators are responsible for provisioning and train operations. This focus is pivotal to meeting the needs of our customers in this area.

- To get more out of our existing assets, we started work on a Hunter Valley train park-up strategy in April 2015 using Hexham Relief Roads to stow trains during network maintenance. In the second stage of this strategy we will work with rail operators to use another three to four locations to stow trains during network maintenance. This strategy reduces the need to spend capital on stowage areas, as well as reduce rail fleet costs by enabling park-up options that are safe and local.

- Over the next few years, we are seeking to introduce new technology and processes to improve and optimise train network management in the Hunter Valley. The Dynamic Delivery Management project (DDM) will transform our service delivery, having the potential to enormously benefit both our direct customers and their service providers. Part of DDM is the ARTC Network Control Optimsation project (ANCO) which involves an overarching process review, supply chain operations review and, importantly, functional design of suitable technology-driven enablers to realise an increasingly efficient supply chain, including the potential future linkage with systems such as ATMS. The first phase of ANCO was completed in April 2015. ANCO Phase 2 will provide a detailed solution design and transition plan. Some of the benefits DDM and ANCO will provide are more efficient methods of train management; more stable, customer focused network operations; reduced train delivery cycle times; and, reduced congestion on the network.

- As part of our new business structure and focus on customers, we have put in place a non-coal business development function within the Hunter Valley. The initial focus is to investigate industry and specific business opportunities to organically grow services. This growth focus extends to the investigation of export / import opportunities in conjunction with the Port of Newcastle's development plans.

Capital Investment in the Hunter Valley Network:



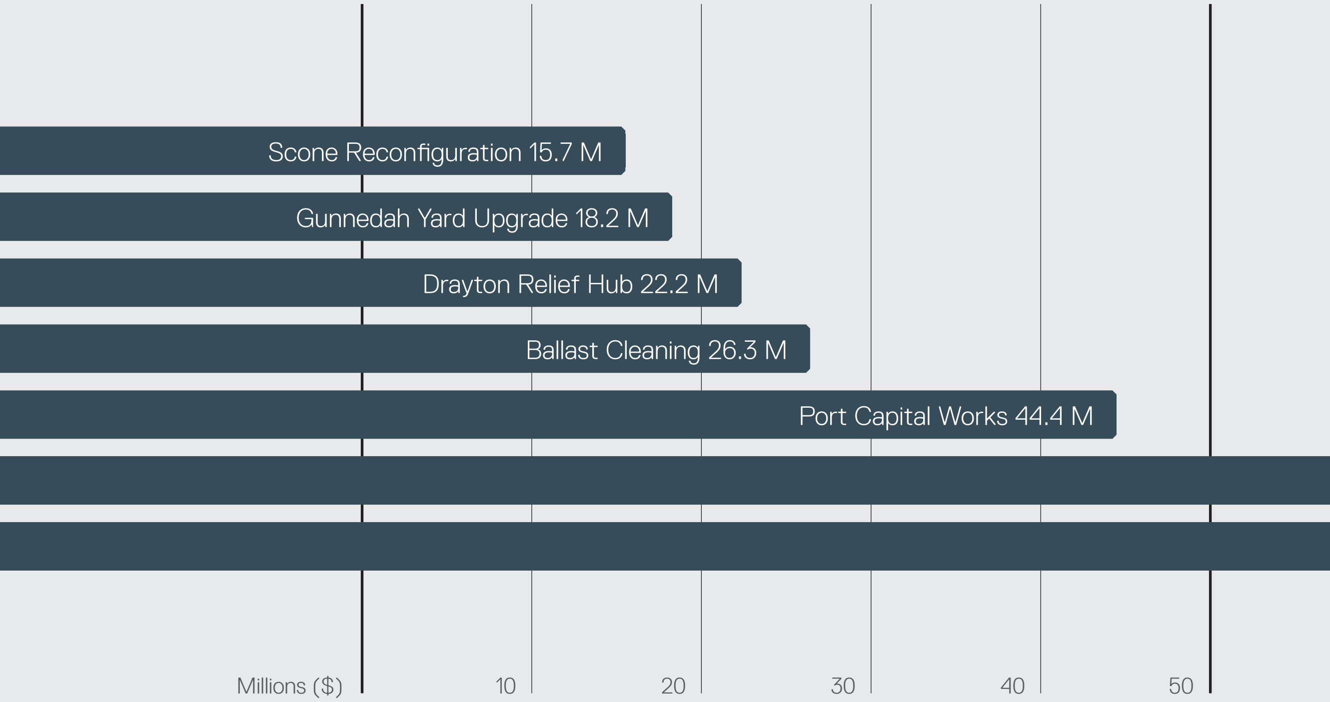
230+

Number of trains per day
(with around half being coal trains)

0.8 %

Reliability target achieved (ARTC
attributable coal train cancellations)

HUNTER VALLEY CAPITAL PROJECTS COMMENCED OR COMMISSIONED IN 2014-15



The **Scone Reconfiguration** project provides an increase in coal transport capacity in excess of five million tonnes per annum through the section between Parkville and Aberdeen in the Hunter Valley to meet future demand.

Construction commenced
January 2014

Commissioned
November 2014

The **Gunnedah Yard Upgrade** is delivering increased network capacity through Gunnedah by providing an unrestricted path with an increased speed and axle load capacity.

Construction commenced
May 2014

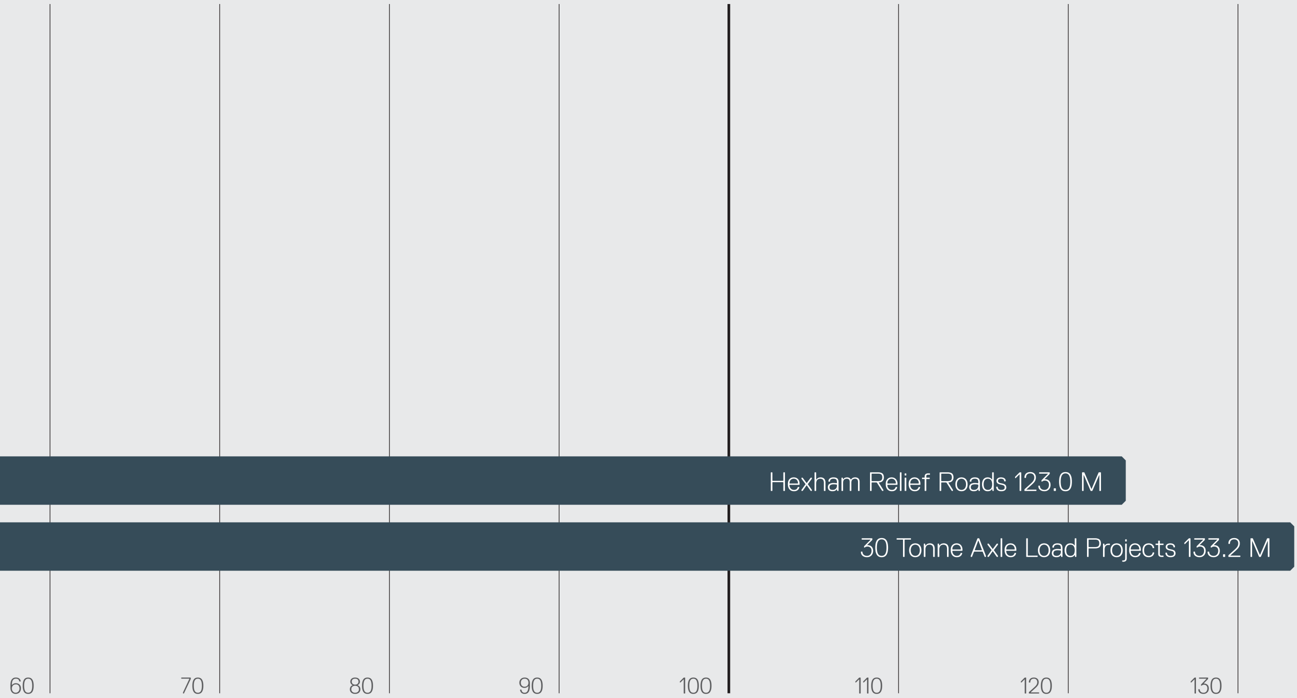
Commissioned (with signalling)
March 2015

The **Drayton Relief Hub** will facilitate a dump-and-go regime at the terminals, by allowing unloaded coal trains to depart the applicable terminal, travel to and then stow at Drayton and thereby free-up Departure Road storage space at the terminals for further trains to unload.

Construction commenced
March 2014

Commissioned
October 2014

Movement of Coal in the Hunter Valley (million tonnes)	13-14	14-15	↑
Total transported on the Hunter Valley Network	163.2	168.7	3.4 %
Transported to the Port of Newcastle (export)	154.9	159.7	3.1 %



Hunter Valley Corridor – Ballast Cleaning 2014-2016. Ballast Cleaning is a key maintenance activity of the Hunter Valley annual works program.

Commenced
September 2014

The **Port Capital Works** project will increase the efficiency of rail operations leading into and within the Kooragang Coal Terminal to ease congestion on the wider network and increase network capacity.

Commenced
June 2012 - September 2013

Commissioned / Planned
August 2014 - November 2016

The **Hexham Relief Roads** project provides a buffer between the mainline and terminal rail operations by providing five relief roads for resequencing (when trains arrive at the terminal out of sequence) or storage (where a delivery stream is interrupted).

Construction commenced
October 2013

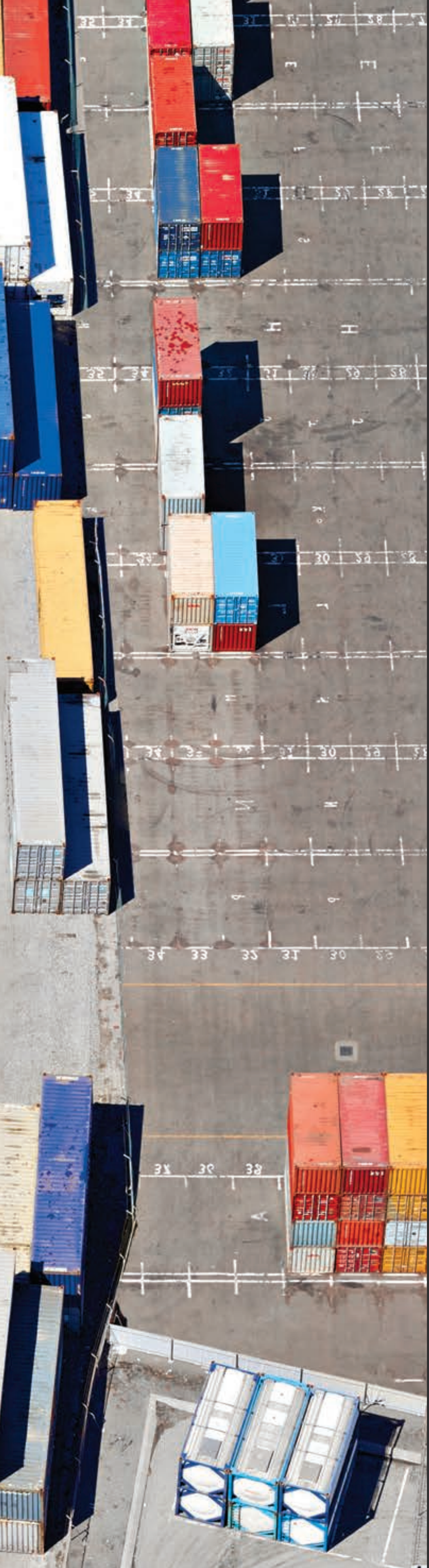
Commissioned
November - December 2014

30 Tonne Axle Load Projects Upgrading of track infrastructure between Muswellbrook and Narrabri to permit the operation of 30 tonne axle load coal trains.

Commenced
July 2013

Commissioned / Planned
December 2014 - June 2017

INTERSTATE NETWORK



Tough economic conditions continued this year but service performance is strong and we've created a business development team to help execute our growth strategy.

- Network investment, maintenance strategies and active train management have delivered record levels of freight availability between Melbourne and Brisbane, with freight services consistently performing 30 percent better than 2012-13.
- We've also achieved a sustained improvement to the reliability of passenger services, particularly between Melbourne and Sydney. This is due to our Ballast Rehabilitation Program works and the subsequent large reduction in Temporary Speed Restrictions (TSR). This has enabled us to meet all of our Victorian lease key performance indicators between Melbourne and Albury and we have achieved significant improvement between Albury and Sydney.

- The final commissioning of the Enfield staging roads occurred over the Christmas period with all train signalling and train movements being managed by our Network Control Centre at Junee. This project was technically challenging, involving significant interface issues, a mixture of old and new technologies as well as requiring a high level of cooperation between Sydney Trains, the project team and alliance contractor.

- This year also saw the successful completion of the Port Botany Rail Upgrade Stage 2 project. Funded by the Australian Government, this project involved the separation of the signalling and train control functions between ARTC and Sydney Trains on the Metropolitan Freight Network (MFN) in Sydney.

- The Port Botany Rail Upgrade Stage 3 project commenced this year, involving the upgrading of the MFN to provide for greater reliability, as well as the undertaking of a study to confirm future capacity requirements and the associated costs.

- To support our increased customer focus we have expanded our marketing and business development capability. This, along with our analysis of key market traffic flows, will enable more targeted marketing activity, including a focus on regional freight opportunities. We will also be broadening our customer relationships to engage with freight owners, terminal operators and freight forwarders, as well as rail operators, and we'll be supporting key infrastructure projects that will facilitate new volumes on our network.

- Reliability levels on our East West network have improved and temporary speed restrictions are at an all-time low, which means services operate more efficiently, improving freight and passenger delivery times.

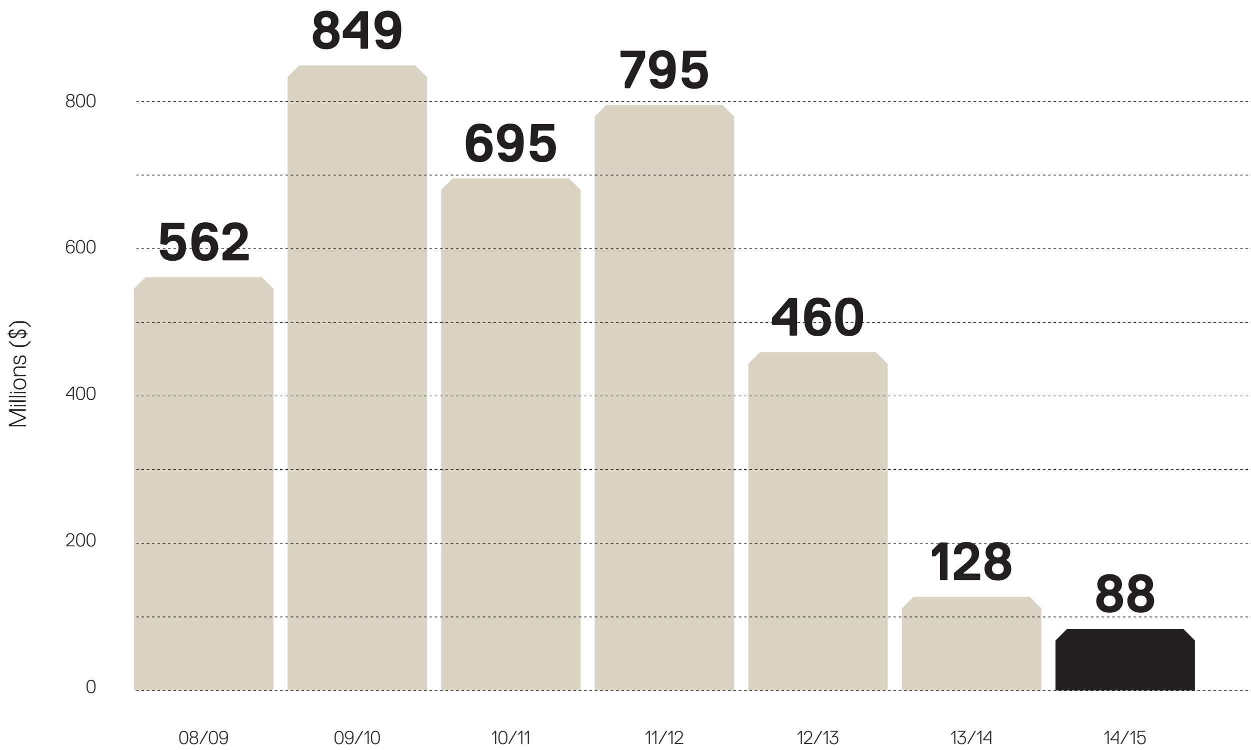
- We removed 11 minutes of delays due to speed restrictions between Maroona and Ararat on the Melbourne to Adelaide line. This was through ballast cleaning which improved the quality of the track at a cost of $1.25m.

- Customers welcomed the introduction of Centralised Train Control between Tarcoola and Port Augusta replacing the manual train order system, vastly improving safety and providing more reliable train pathing.

- We installed five new weather stations in key locations across the Nullabor. The data collected at these stations feeds into our early warning meteorological system allowing better real-time information. This means we can act fast and take action early to help protect our customers' services and our assets.

- Level crossing safety was the focus of a new monitoring system trial at Aviation Road at Laverton, Victoria, a high-use level crossing that traverses our Interstate rail corridor as well as the V/Line and Melbourne metropolitan networks. The trial is monitoring pedestrian and road user behaviour at a busy at-grade road-rail crossing.

Capital Investment in the Interstate Network:



Non coal Gross Tonne Kilometres (GTK) over a 5 year period

↑5 %

Improved intermodal reliability (Intermodal trains exiting the ARTC network within 30 minutes of schedule)

↑8 %

SAFETY

Our commitment to the safety of our people, customers, community and the network is as strong as ever. We have effective systems in place that we are constantly refining and we are focusing on ways to drive active safety leadership across the company to strengthen our safety culture even more.

Lost Time Injuries *

2.65

Medically Treated Injuries *

7.20

- We're an accredited Rail Transport Operator under the Rail Safety Act and maintain a Safety Management System (SMS) to manage our safety risk. We also comply with the Commonwealth Work Health and Safety Act to ensure a safe workplace for our workers and the public.

- This year has seen a number of work teams achieve very good safety performance, most significantly, our Goulburn Provisioning Centre celebrated 3,000 days without a Lost Time Injury.

- There has been improvement in our derailment performance this year with a significant reduction of train derailments in Victoria and an overall 70 percent reduction in mainline train derailments compared to the previous financial year.

- As part of our continued focus on improving safety performance we've reviewed and strengthened our processes for capturing information on near misses, incidents and hazards to ensure any significant issues can be identified early.

- We have in place a rigorous program for random testing our employees for drug and alcohol use and we also enforce post-incident testing.

- We participated in a number of community events to promote safety around level crossings in regional areas.

- As part of Rail Safety Week in August, we launched our SpeakSafe campaign to improve communication between Infrastructure Staff and Network Controllers across our business. It reinforced what good radio/mobile communication looks like by setting conversation standards and providing real-world examples of dialogue to change behaviour.

* Number of injurires for every million hours worked


ARTC
ARTC

PEOPLE

We are proud of the people that make ARTC what it is today. With more than 1,100 employees across four states, we know it's important to value, reward and support our teams because they're the key to our company's future success. This year, our Transformation Program has been at the core of many of our highlights when it comes to developing and engaging our employees and we've also continued to deliver important training programs.

Highlights for the year include:

- New business structures, supported by new teams which improve our ability to provide outstanding customer service and attract new customers to rail.
- A mentoring program, created to support the professional development of employees at all levels and areas of the company. We're also proud of the fact that 50 percent of our people being mentored are women because we know that will support our goal to increase the representation of women in our management ranks.
- Introducing new initiatives to increase our people's awareness of the importance we place on creating a diverse workforce, through our diversity strategy. In particular, trialling unconscious bias training, promoting important cultural, gender, disability and LGBTI events within the company, celebrating International Women's Day, and providing first hand insight from one of our indigenous staff members on how to deliver an Acknowledgement of Country.
- We profiled the exciting career opportunities available in the rail industry as part of Australasian Railway Association (ARA) Careers Week, where students and school careers advisors joined our employees in Newcastle, NSW to explore potential career opportunities.
- We also provided a range of training opportunities for our people including Code of Conduct, Project Management and Certificate IV in Mechanical Rail Signalling.
- Two Enterprise Agreements were negotiated and implemented – ARTC Enterprise Agreement 2014 and ARTC (NSW) Infrastructure Maintenance Enterprise Agreement 2014. Negotiations have commenced for the replacement of the ARTC (NSW) Enterprise Agreement 2012.

COMMUNITY & ENVIRONMENT

With such an expansive network, we are committed to respecting the communities and environments in which we operate. This includes meeting our environmental and planning legislative obligations as well as being aware of the impact we can have on our neighbours and our surroundings.

This year, we've adopted a number of new practices and improved existing ones to better manage our environmental risk and minimise our impact on our local surroundings and the community.

Each year we support causes within our local communities and take pride in generating employment opportunities in regional areas through our investment in the nation's rail network.

Community and environmental benefits are also being realised from growing our freight rail capacity. Fewer trucks mean fewer emissions and a safer journey for you on our highways and roads.

Highlights for the year include:

- Improving our due diligence process for Environmental Impact Assessments through the roll out of Task Based Environmental Impact Assessments (TBEIAs). The new TBEIAs provide an effective and consistent process for the assessment of environmental impacts. Across the company over 200 staff have undertaken training in the new process.

- We increased the number of site inspections by 65 percent from the previous reporting year to support project managers and team managers in identifying opportunities for improvement in the field.

- Increasing support services to teams in the field by reviewing annual maintenance plans, targeted site inspections and delivering tool box talks on key environmental risks.

- Undertaking air and noise quality monitoring programs to research and improve management practices in conjunction with industry.

- Delivering environmental training, including Erosion and Sediment Control, across the network to improve environmental performance.

- Making significant progress on our trial Hunter Valley Rail Noise Abatement Program (RNAP) including testing a comprehensive selection and prioritisation process and delivering noise mitigation at two locations.

- Implementing a new system for capturing feedback from the community to enable prompt and accurate responses to issues of interest and concern.

- Supporting community rail safety advocacy and education by engaging school aged kids with rail safety topics at AgQuip – NSW's largest agricultural fair, promoting Rail Safety Week, developing rail safety guidelines for photographers and filmmakers and participating in a range of industry rail safety initiatives.

- Enabling better community outcomes across the regions we operate in by supporting causes such as Hunter Valley Men's Crisis Support, the Castlereagh All Blacks indigenous rugby league team, the annual Junee Rhythm 'n' Rail Festival, Operation Cyclone – the Hunter Valley and lower North Coast floods benefit as well as other local charities and events.


PCL

DIRECTORS' REPORT

The Board of Directors of Australian Rail Track Corporation Ltd (ARTC) has pleasure in submitting the Directors' Report together with the Financial Report of the Group (the Group comprises Australian Rail Track Corporation Ltd, ARTC Services Company Pty Ltd and Standard Gauge Company Pty Ltd) for the financial year ended 30 June 2015. This Directors' Report has been prepared in accordance with the requirements of Division 1 of Part 2M.3 of the Corporations Act 2001.

The following persons were Directors of Australian Rail Track Corporation Ltd during the whole of the financial year and up to the date of this report unless otherwise stated:

1. H Nugent *(Chairman from 3 August 2015)*
2. J Caldon *(end of term 20 April 2015)*
3. L Di Bartolomeo *(Acting Chairman from 21 April 2015 to 2 August 2015)*
4. J Bonnington *(appointed 6 August 2014)*
5. L Briggs *(end of term 9 November 2014)*
6. G Brown
7. P Catty
8. B Cotter
9. J Fullerton

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QUALIFICATIONS, EXPERIENCE AND SPECIAL RESPONSIBILITIES

Dr Helen Nugent AO BA (Hons) MBA (Dist) PhD HonDBus FAICD (Non - Executive Chairman)

H Nugent was appointed to the Board as Chairman on 3 August 2015. Dr Nugent is a professional Company Director with 30 years' experience in the financial services and energy and resources sectors. Dr Nugent is a Non-Executive Director of Origin Energy, as well as being Chairman of Veda Group Limited and Chairman of Funds SA. Until July 2015, she was also a Non-Executive Director of Macquarie Group. Previously, in the financial services sector, Dr Nugent was Chairman of Swiss Re (Australia) and Swiss Re (Life and Health) Australia and a Non-Executive Director of Mercantile Mutual and the State Bank of New South Wales. As Director of Strategy at Westpac Banking Corporation, she was part of the executive team responsible for a major turnaround in the bank's performance. As a partner at McKinsey & Company, she worked extensively in the financial services and resources sectors. Over a long period, Dr Nugent has given back to the community in education and the arts. In 2001, she was awarded a Centenary Medal, and in 2004 was made an Officer of the Order of Australia.

John Robert Caldon MA

J Caldon's term as a Non-Executive Director and Chairman of the ARTC Board concluded on 20 April 2015.

Mr Caldon had joined the Board as Non-Executive Chairman in January 2010. Mr Caldon has over 40 years of experience in the accounting, finance and infrastructure industries having held positions including Partner with PricewaterhouseCoopers; Deputy Managing Director and Head of Corporate Finance at Macquarie Bank; Chairman of Rail Services Australia; and President of the Australian Council for Infrastructure Development. Prior to his end of term, Mr Caldon served as Chairman of the ARTC People, Policy and Remuneration Committee; the Risk Committee; the Committee of the Whole Board for Succession Planning; the Business Development and Marketing Committee and as an invitee of the ARTC Audit and Compliance Committee.

Lucio Di Bartolomeo B.E. (civil), M Eng Sc, FAIM, FCILTA, MIEA (Non - Executive Director)

L Di Bartolomeo joined the Board as a Non-Executive Director in June 2007 and he assumed the role of Acting Chairman of ARTC from 21 April 2015 to 2 August 2015. Mr Di Bartolomeo is a professional Director and is currently Chairman of Eco Logical Australia and North West Rapid Transit; Non-Executive Director of Australian Super Pty Ltd; and is the immediate past Chairman of Macquarie Generation and National President of Australian Industry Group. Prior to this he was Managing Director of ADI Limited and FreightCorp and Non-Executive Director of Downer EDI. Mr Di Bartolomeo has worked in the rail industry for many years both locally and overseas. Mr Di Bartolomeo is Chairman of the ARTC Environment, Health and Safety Committee, a member of the Risk Committee, Business Development and Marketing Committee and the Audit and Compliance Committee.

Jay Bonnington B.Com, MBA, FCPA, FAICD (Non - Executive Director)

J Bonnington joined the Board as a Non-Executive Director on 6 August 2014. Ms Bonnington has held many senior roles across construction, engineering, manufacturing, utilities, health and financial services sectors in Australia. Ms Bonnington now serves as a Non-Executive Director on a number of boards, including Utilities Trust of Australia, JS Bonnington & Associates Pty Ltd, The Salvation Army - Southern Division and Metropolitan Fire and Emergency Services Board. She is currently the Independent Chairman of the TSA Audit/Risk Committee and is a former Director of St. John of God Healthcare, HESTA Superannuation Fund and Port of Melbourne Corporation. She is a Member of the Deakin University Council and a Trustee of the Lord Mayor's Charitable Foundation and The Queen's Fund. Ms Bonnington is a member of the ARTC Audit and Compliance Committee, Environment, Health and Safety Committee, Risk Committee and the Business Development and Marketing Committee.

Lynelle Briggs AO, BEcon, GAICD (Non - Executive Director)

L Briggs' term as a Non-Executive Director for ARTC concluded on 9 November 2014. Ms Briggs joined the Board in November 2011. Ms Briggs had previously held numerous positions within the Australian Public Service. She joined the Department of Transport and Regional Services as Deputy Secretary in 2001 and had responsibility for oversighting rail and road transport, territories, maritime, wider infrastructure policy such as Auslink, transport planning, local government and the portfolio's budget and information technology. Ms Briggs was appointed to the role of Australian Public Service Commissioner from 2004 until 2009 and was Chief Executive Officer of Medicare from 2009 to 2011. Ms Briggs is currently the Millers Point Accommodation Plan Independent Project facilitator. Prior to her end of term, Ms Briggs served as a member of the ARTC Environment, Health and Safety Committee, People Policy and Remuneration Committee, Risk Committee and the Business Development and Marketing Committee.

Gillian Brown LLB (Hons) Grad Dip App Fin & Invest (Non - Executive Director)

G Brown joined the Board as a Non-Executive Director in June 2010. Ms Brown is a Partner at Minter Ellison Lawyers with 25 years of experience in finance, infrastructure, energy and resources and debt capital markets transactions. Ms Brown is a former Chairman of Minter Ellison Lawyers and board member of Queensland Treasury Corporation. Ms Brown serves as Chairman of the ARTC Audit and Compliance Committee and is a member of the Environment, Health and Safety Committee, Risk Committee and the Business Development and Marketing Committee.

Pamela Catty (Non - Executive Director)

P Catty joined the Board as a Non-Executive Director in March 2011. Ms Catty is an executive mentor and coach with previous executive leadership roles in the public and private sectors of some 20 years. Ms Catty has experience as a journalist in the UK and Bermuda, adviser to State and Federal Government Ministers, has held roles such as Executive General Manager of Corporate Affairs at Ansett Australia and executive leadership roles at the National Australia Bank and Coles Myer Ltd and Deputy Chairman of Tourism Victoria. She is a graduate of the Australian Institute of Company Directors and of the Institute of Executive Coaching. Ms Catty is currently a Director of Circus Oz and Campbell Page and is a member of the ARTC Audit and Compliance Committee, People Policy and Remuneration Committee, Risk Committee and the Business Development and Marketing Committee.

Barry Cotter LLB (Non - Executive Director)

B Cotter joined the Board as a Non-Executive Director in March 2011. Mr Cotter has previously been a Director of Commonwealth Funds Management and a Trustee of the Superannuation Fund Investment Trust. He is currently a Director of his own manufacturing and mining services company. Mr Cotter is a member of the ARTC People, Policy and Remuneration Committee, Environment Health and Safety Committee, Risk Committee and the Business Development and Marketing Committee.

John Fullerton BTech (EEng), FIE Aust, FAICD, CMILT (CEO and Executive Director)

J Fullerton is the Chief Executive Officer and Managing Director of ARTC, appointed in February 2011. Prior to this appointment, Mr Fullerton was the Chief Executive Officer of Freightlink, the Chairman of Rail CRC Pty Ltd and a Director of Tasmanian Railway Pty Ltd. Mr Fullerton has held a range of positions in the rail industry including; Chief Operating Officer of the National Rail Corporation and Divisional General Manager (Operations) at Pacific National. Mr Fullerton is a member of the ARTC Environment Health and Safety, People, Policy and Remuneration, Risk, Business Development and Marketing Committees and an invitee of the ARTC Audit and Compliance Committee.

Company Secretary

G Carney BA, LLB, LLM, GradDip ACG, MAICD, FGIA was appointed Company Secretary in 2009. Mr Carney joined ARTC in 2007 and is also the General Counsel. Mr Carney is a Fellow of the Governance Institute of Australia and a Member of the Australian Institute of Company Directors. As Company Secretary of ARTC, Mr Carney is responsible for monitoring the Company's corporate governance framework and for managing all matters relating to the Company's Board of Directors, Board Committees and Executive Team.

MEETINGS OF DIRECTORS

The number of meetings of the Group's Board of Directors and of each Board Committee held during the year ended 30 June 2015, and the numbers of meetings attended by each Director were:

	Full meetings of Directors		Audit & Compliance Committee		Environment Health & Safety Committee		People, Policy & Remuneration Committee		Business Development & Marketing Committee		Risk Committee	
Note							1					
	A	B	A	B	A	B	A	B	A	B	A	B
J Caldon	8	8	-	-	-	-	3	3	4	4	2	2
L Di Bartolomeo	10	11	4	4	4	4	-	-	3	4	2	2
J Bonnington	9	10	3	3	3	3	-	-	3	4	1	1
L Briggs	3	4	-	-	1	1	1	1	2	2	1	1
G Brown	10	11	4	5	4	4	-	-	4	4	2	2
P Catty	10	11	5	5	-	-	3	3	4	4	2	2
B Cotter	11	11	-	-	3	4	3	3	4	4	2	2
J Fullerton	11	11	-	-	4	4	3	3	4	4	2	2

(1) = Whole Board for Succession Planning Committee is incorporated into the People, Policy and Remuneration Committee.

A = Number of meetings attended

B = Number of meetings held during the time the Director held office or was a member of the committee during the year

Members of the Board Committees during the year: (* denotes Chairman)

Audit & Compliance
G Brown*
J Bonnington (appointed 6 August 2014)
L Di Bartolomeo
P Catty

Environment Health & Safety
L Di Bartolomeo *
J Bonnington (appointed 6 August 2014)
L Briggs (end of term 9 November 2014)
G Brown
B Cotter
J Fullerton

People, Policy & Remuneration
J Caldon * (end of term 20 April 2015)
L Briggs (end of term 9 November 2014)
P Catty
B Cotter
J Fullerton

Business Development & Marketing
J Caldon * (end of term 20 April 2015)
L Di Bartolomeo
J Bonnington (appointed 6 August 2014)
L Briggs (end of term 9 November 2014)
G Brown
P Catty
B Cotter
J Fullerton

Risk Committee
J Caldon * (end of term 20 April 2015)
L Di Bartolomeo
J Bonnington (appointed 6 August 2014)
L Briggs (end of term 9 November 2014)
G Brown
P Catty
B Cotter
J Fullerton

PRINCIPAL ACTIVITIES

The principal activities of the Group during the year were the provision of rail access and infrastructure management of rail networks, either owned or leased by ARTC.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Significant changes in the state of affairs of the Group during the financial year were as follows:

Continuing implementation of ARTC's Transformation Program has seen the further embedding of company structures, following the creation of two autonomous business units and restructuring of various support and corporate functions. The Transformation Program is continuing across a range of streams that align with Company Corporate Plan objectives and KPIs.

During April 2015, significant infrastructure damage and operational disruption was caused by severe weather events impacting the Hunter Valley, northern coast and other parts of the ARTC network. The impact of these incidents was promptly addressed by the Group and other stakeholders to minimise disruption and restore services in a timely manner. ARTC has worked cooperatively with its insurers to mitigate the financial impact of the damage and service interruptions, the full costs of which have been appropriately reflected in the 2014/15 accounts.

During May 2015 as part of the announcements in the lead up to the Federal Budget, the Commonwealth Government advised that it would undertake a Scoping Study in 2015/16 on options for the future management, operations and ownership of ARTC and that recommendations from this study will be considered as part of the 2016/17 Budget process. That Study commenced in August 2015 and the Group is working cooperatively with the Government in relation to the Study.

There were no other significant changes in the state of affairs of the Group during the year.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

Following the end of the financial year to the date of this report, it is the opinion of the Directors of the Group that no event has arisen that would significantly affect the operation of the Group, the result of those operations, or the state of affairs of the Group in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Likely developments and the expected results of operations of ARTC are contained in the Chief Executive Officer's and Chairman's Report.

DIVIDENDS - AUSTRALIAN RAIL TRACK CORPORATION LTD

On 13 October 2014 the Group made a payment of $20.1 million to the shareholder as the final dividend for the 2013/14 financial year.

On 30 April 2015, the Group made a payment of $37.3 million to the shareholder as an interim dividend.

REVIEW OF OPERATIONS

The review of operations of the Group is contained in the Chief Executive Officer's and Chairman's Report.

ENVIRONMENTAL REGULATION

ARTC is committed to managing its operational activities and services in an environmentally responsible manner to meet legal, social and ethical obligations. ARTC holds licences from both the Environment Protection Authority of South Australia and the Environment Protection Authority of NSW. In South Australia, the licence is held under Part 6 of the Environment Protection Act 1993 to undertake the activity of "Railway Operations". The licence is due to expire on 31 January 2019. In New South Wales, the licence is held under Section 55 of the Protection of the Environment Operations Act 1997 to undertake "Railway Systems Activities". The licence has an anniversary date of September 5 and subject to payment of the fee and provision of annual returns continues until the parties agree to change or withdraw it. Changes were agreed in June 2015 with payment and the annual return to be provided by the relevant due date. To date, ARTC has complied with the requirements of both licence agreements. Other than in South Australia and New South Wales, ARTC is not required to be licensed.

INDEMNIFICATION OF OFFICERS

During the reporting period, ARTC had in place insurance cover in respect of liabilities arising from the performance of the Directors and Officers of the Group.

The disclosure of the premium paid under section 300(8) (b) of the Corporations Act 2001 is not shown as the insurance contract between ARTC and the insurer prohibits ARTC from disclosing such information.

No known liability has arisen under the insurance contract as at the date of this report.

NON-AUDIT SERVICES

Non-audit services can be found in note 15 of the Financial Statements.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as received by the Directors as required under section 307C of the Corporations Act 2001 is set out on this page.

Signed in accordance with a resolution of the Directors:

H Nugent
Director
Signed in Sydney on the 27th day of August 2015

J Fullerton
Director
Signed in Adelaide on the 27th day of August 2015

Australian Rail Track Corporation Ltd Financial Report 2014/15 Auditor's Independence Declaration

In relation to my audit of the financial report of Australian Rail Track Corporation Ltd consolidated entity for the year ended 30 June 2015, to the best of my knowledge and belief, there have been:

(i) no contraventions of the auditor independence requirements of the Corporations Act 2001; and

(ii) no contravention of any applicable code of professional conduct.

Auditor
Australian National Audit Office

Peter Kerr
Executive Director
Delegate of the Auditor - General
Signed in Canberra on the 27th of August 2015

CORPORATE GOVERNANCE STATEMENT

The ARTC Board currently comprises seven members. The Board is chaired by an Independent Non-Executive Director and the roles of the Chairman and Managing Director are separate. The Managing Director is the only Executive Director on the Board and is also the Chief Executive Officer. All of the other Directors are Independent Non-Executive Directors.

ASX PRINCIPLES OF GOOD CORPORATE

ARTC's system of corporate governance reflects the eight principles enunciated in the ASX "Corporate Governance Principles and Recommendations". The following table indicates where specific ASX Principles are dealt with in this statement:

ASX Principle		Reference
1	Lay solid foundations for management and oversight	The Board, Board Committees, Accountability and Audit
2	Structure the Board to add value	The Board, Board Committees
3	Promote ethical and responsible decision making	Governance Policies
4	Safeguard integrity in financial reporting	Accountability and Audit, Board Committees
5	Make timely and balanced disclosure	Our Shareholder
6	Respect the rights of security holders	Our Shareholder
7	Recognise and manage risk	Accountability and Audit
8	Remunerate fairly and responsibly	Board Committees

THE BOARD

Board role and responsibilities

ARTC recognises the respective roles and responsibilities of the Board and Management through publication of formal delegations and a schedule of matters reserved to the Board. This enables the Board to provide strategic guidance for the Group and effective oversight of Management. It also clarifies the respective roles and responsibilities of Board members and senior executives in order to facilitate Board and Management accountability to both the Group and its shareholder.

The major powers the Board has reserved for itself are:

(a) Annual business budget and plan;
(b) Strategic plan for the Group;
(c) Significant business initiatives that require notification to Shareholder Ministers;
(d) All expenditure and property transaction contracts greater than $5 million not subject to a specific Board approval;
(e) Access agreements that do not comply with the Board agreed pricing and access principles and policies;
(f) Employment contract for the Chief Executive Officer and the organisational structure for direct reports;
(g) Parameters for Workplace Enterprise Agreements;
(h) Senior Executive variable reward scheme;
(i) Long term price paths for train operators; and
(j) The framework for the Rail Access Agreement.

Board composition and membership

The Board's size and composition is subject to limits imposed by ARTC's constitution, which provides for a minimum of three Directors and a maximum eight Directors. The Board currently comprises six Non-Executive Directors and one Executive Director. The Directors of ARTC are listed with a brief description of their qualifications and experience on pages 33 to 35 of this Annual Report. Directors are appointed by the Shareholder Ministers in accordance with the Company's Constitution and GBE Guidelines.

The GBE Guidelines require that the Group's Board consist of 40 percent women, 40 percent men and the remaining 20 percent of the Board positions are held by either women or men. Currently, the Board comprises four women and three men.

Conflicts of interest

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

Where a Director has declared material personal interest and/or may be presented with a potential material conflict of interest in a matter presented to the Board or Committee, the Director does not receive copies of Board or Committee reports relating to the matter and the Director is excluded from the Board meeting at the time the matter is considered. Disclosures are recorded in the minutes.

Chairman

J Caldon, an Independent Non-Executive Director, was Chairman of the Company between 21 January 2010 and 20 April 2015. L Di Bartolomeo was appointed Acting Chairman from this date until 2 August 2015 when Dr H Nugent AO was appointed Chairman as from 3 August 2015. The Chairman of the Board is responsible for the leadership of the Board and for the efficient and proper functioning of the Board, including maintaining relationships with the Shareholder.

Board evaluation

In line with the GBE requirements, ARTC has conducted its annual review of the Board's performance.

The Board has agreed to annually undertake self-assessments, with an in-depth externally facilitated assessment every three years.

The Board determines the actions to be taken in relation to the recommendations arising from the assessments and regularly reviews progress against the action plans.

The Chairman provides the Shareholder Ministers with written confirmation that this review process has been followed and raises any areas of concern.

Director induction and education

On appointment, each Director receives a formal letter of appointment from the Shareholder Ministers. ARTC has an induction program for new Directors which includes individual meetings with Executive Members; Directors; and visiting ARTC's operational locations. Directors are provided with a detailed manual with information on the Company's corporate strategy, Company policies, meeting arrangements and the rail industry. The Board has regular discussions with the CEO and Management and is invited to attend site tours of ARTC's operational sites.

Board access to information and independent advice

The Board has direct access to Management and any Company information Management possess in order to make informed decisions and discharge its responsibility.

The Company Secretary is accountable to the Board. The Board must approve the appointment and removal of the Company Secretary.

Any Director can seek independent professional advice in the discharge of their responsibilities.

Board Committees

To assist in the discharge of its responsibilities, the Board has established the following Board Committees:

- Audit and Compliance
- People, Policy and Remuneration
- Environment, Health and Safety
- Business Development and Marketing
- Risk
- Whole Board for Succession Planning

Each Committee is chaired by a Non-Executive Director and comprises a majority of Independent Non-Executive Directors. Membership of the Committees is based on Director's qualifications, skills and experience. Each Committee is governed by its own Charter, detailing the Committee's role, membership requirements and duties. Each Charter is reviewed periodically and revised when appropriate.

Composition of Committee	*Main Areas of Responsibility*
Audit & Compliance	
• At least 3 Non-Executive Directors appointed by the Board, • The Chairman cannot be the Chairman of the Company • The Chairman of the Company and the CEO may not be committee members and along with any other Company executives or advisor can attend by invitation	The primary responsibility of the Committee is to assist the Board in fulfilling its responsibilities for corporate governance, probity, due diligence, effectiveness of internal control, management of financial risks and financial reporting.
People, Policy & Remuneration	
• At least 2 Non-Executive Directors appointed by the Board, • CEO plus any other Company executives or advisor can attend by invitation when appropriate	The primary responsibility of the Committee is to assist the Board in fulfilling its responsibilities for providing oversight at Board level of the Company's policies, procedures and practices as they affect employees, contractors or others performing work for the Company, and to make recommendations to the Board regarding remuneration of the CEO and Directors.
Environment Health & Safety	
• At least 2 Non-Executive Directors appointed by the Board, • CEO plus any other Company executives or advisor can attend by invitation	The primary responsibility of the Committee is to assist the Board in fulfilling its responsibilities of the Company's management of risks associated with its environment and public and work health and safety functions and to monitor processes and programs adopted by Management to ensure compliance with relevant policies and procedures.
Business Development & Marketing (Discontinued July 2015)	
• At least 3 Non-Executive Directors appointed by the Board, • CEO plus any other Company executives or advisor can attend by invitation	The primary responsibility of the Committee is to assist the Board in fulfilling its responsibilities of executing the Company's business development and marketing plan; targeting and effectively taking advantages of opportunities in the marketplace; and communicating the Company's vision clearly to the community and stakeholders.
Risk	
• All Non-Executive members of the Board of Directors, • The Chairman of the Board acting as the Chairman of the Committee, • CEO and other Company executives can attend by invitation	The primary responsibility of the Committee is to assist the Company in fulfilling its responsibilities for corporate governance, by ensuring that the Company manages risk in accordance with its Risk Management Policy.
Committee of the Whole Board for Succession Planning	
• All Non-Executive members of the Board of Directors, • The Chairman of the Board acting as the Chairman of the Committee, • CEO and other Company executives can attend by invitation when appropriate	The primary responsibility of the Committee is to assist the Company in formulating plans for the orderly succession of Directors and senior executive staff, especially the CEO, so as to ensure the ongoing good governance and management of the Company.

ACCOUNTABILITY AND AUDIT

Insurance

ARTC maintains appropriate insurance policies to ensure that its financial interests and liabilities are fully protected and which comply with its various contractual obligations. ARTC's insurance portfolio provides coverage for damage or destruction of its rail network infrastructure assets, liability protection for its general, professional and statutory liabilities. It has also established a range of insurance policies which provide protection for its Board members and employees whilst such persons are engaged on ARTC related business and activities.

Internal audit

In September 2014 ARTC entered into a five year contract with KPMG for the provision of internal audit services. ARTC Internal Audit maintains a three year Internal Audit Plan which is reviewed and updated annually. KPMG assisted Internal Audit to review and update the FY16 - FY18 Non-Safety Internal Audit Plan (the Plan).

In May 2015 the Audit and Compliance Committee approved the revised FY16 - FY18 Plan. A progress report which provides an update on Internal Audit's progress to deliver the annual Plan is presented to each Audit and Compliance Committee meeting.

The Audit and Compliance Committee invite the internal auditors to each Committee meeting.

External audit

Under section 98 of the Public Governance, Performance and Accountability Act 2013, the Auditor-General is responsible for auditing the financial statements. In addition ARTC's Annual Report is tabled in Parliament and its financial accounts are lodged with ASIC.

ANAO has contracted with Ernst & Young to audit the ARTC on behalf of the Auditor-General. The Audit and Compliance Committee invite the external auditors to each Committee meeting and the papers for each meeting are provided to both ANAO and Ernst & Young. The external auditors are also invited to ARTC's Annual General Meeting.

OUR SHAREHOLDER

The Commonwealth of Australia holds all shares in the Group. The responsible Shareholder Ministers are the Minister for Finance and the Minister for Infrastructure and Regional Development. ARTC recognises, upholds and facilitates the effective exercise of the rights of the single shareholder, the Commonwealth of Australia. In this regard, the Company is subject to the PGPA legislation and the Commonwealth Government Business Enterprise Governance and Oversight Guidelines in addition to the Corporations Act 2001. ARTC has also negotiated a Commercial Freedoms Framework with the Shareholder which agrees to ARTC's mandate.

Shareholder communication

ARTC complies with the Commonwealth Government Business Enterprise Governance and Oversight Guidelines, including the development of an annual Corporate Plan, the publication of an annual Statement of Corporate Intent and regular Shareholder liaison, including formal quarterly Shareholder reports and meetings.

GOVERNANCE POLICIES

Code of conduct

ARTC recognises the importance of integrity and ethical behaviour. This commitment is demonstrated in the Company's Code of Conduct which sets out the principles of conduct and behaviour ARTC requires from its workers.

Public interest disclosure procedure

In accordance with the Public Interest Disclosure Act, ARTC has a framework for the disclosure of suspected wrongdoing and for the protection of whistle blowers. The framework applies to disclosures made by ARTC staff.

Equal opportunity

The ARTC Corporate Plan recognises the importance of providing ARTC employees with a work environment that is both engaging and fulfilling.

ARTC's Diversity Policy outlines the Company's commitment to value diversity, treating all job applicants and employees in the same way, regardless of their sex, sexual orientation, age, race, ethnic origin or disability.

FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2015

	Notes	Consolidated 2015 $'000	2014 $'000
Revenue from continuing operations			
Access revenue		**758,375**	716,360
Interest revenue		**6,395**	6,485
Total revenue		**764,770**	722,845
Other income			
Incident and insurance recovery	3	**23,157**	-
Government grants		**54,620**	36,458
Profit/(loss) on sale of fixed assets		**233**	5,532
Net foreign exchange gains		**99**	-
Other income		**15,222**	14,478
Total other income		**93,331**	56,468
Total revenue and other income		**858,101**	779,313
Employee benefits expense	3	**(161,579)**	(155,288)
Infrastructure maintenance		**(160,697)**	(136,518)
Depreciation and amortisation expense	3	**(182,939)**	(173,177)
(Recognition)/reversal of impairment	6(c)	**(25,525)**	2,060
Incident costs	3	**(23,541)**	(5,439)
Other expenses		**(72,268)**	(70,902)
Expenses, excluding finance costs		**(626,549)**	(539,264)
Profit from operating activities		**231,552**	240,049
Finance costs	3	**(43,518)**	(51,071)
Profit before income tax		**188,034**	188,978
Income tax (expense)/benefit	5(a)	**(53,436)**	(25,335)
Net Profit after tax		**134,598**	163,643
Profit is attributable to:			
Equity holder of Australian Rail Track Corporation Ltd		**134,598**	163,643

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 2015

		Consolidated	
		2015	2014
	Notes	**$'000**	$'000
Profit/(Loss) for the year		**134,598**	163,643
Other comprehensive income			
Items that may be reclassified to profit or loss - net of tax			
Cash flow hedge charged to equity - interest rate swap	7(b)	**1,277**	3,426
Cash flow hedge charged to equity - foreign exchange	7(b)	**-**	(22)
Cash flow hedge net transfer to profit and loss - foreign exchange	7(b)	**22**	(70)
Total items that may be reclassified subsequently to profit or loss		**1,299**	3,334
Items that will not be reclassified to profit or loss - net of tax			
Revaluation adjustment property plant and equipment		**(43,695)**	(20,369)
Re-measurement gains/(losses) on defined benefit fund obligations		**3,678**	(1,501)
Total items that will not be reclassified to profit and loss		**(40,017)**	(21,870)
Other comprehensive income for the year, net of tax		**(38,718)**	(18,536)
Total comprehensive income for the year, net of tax		**95,880**	145,107
Total comprehensive income for the year is attributable to:			
Equity holder of Australian Rail Track Corporation Ltd		**95,880**	145,107

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

CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2015

		Consolidated	
	Notes	**2015 $'000**	2014 $'000
ASSETS			
Current assets			
Cash and cash equivalents	4(a)	**319,937**	91,284
Trade and other receivables	4(b)	**59,866**	79,934
Inventories	6(a)	**30,553**	32,986
Properties held for sale	6(b)	**-**	1,968
Alliance partner deposits		**154**	5,597
Other current assets		**4,523**	4,946
Total current assets		**415,033**	216,715
Non-current assets			
Property, plant and equipment	6(c)	**4,550,192**	4,550,144
Deferred tax assets	6(d)	**191,680**	228,524
Intangible assets	6(e)	**91,730**	94,463
Shares held at cost		**19**	-
Total non-current assets		**4,833,621**	4,873,131
Total assets		**5,248,654**	5,089,846
LIABILITIES			
Current liabilities			
Trade and other payables	4(c)	**88,962**	82,119
Interest bearing liabilities	4(d)	**251,398**	300,710
Derivative financial instruments	10(a)	**1,262**	2,032
Provisions	6(f)	**59,311**	47,841
Deferred income - government grants		**33,237**	32,562
Finance lease liability		**-**	84
Total current liabilities		**434,170**	465,348
Non-current liabilities			
Interest bearing liabilities	4(d)	**759,455**	615,617
Deferred income - government grants		**437,740**	420,543
Derivative financial instruments	10(a)	**-**	1,086
Provisions	6(f)	**3,756**	7,186
Defined benefit plans	6(g)	**6,617**	11,630
Total non-current liabilities		**1,207,568**	1,056,062
Total liabilities		**1,641,738**	1,521,410
Net assets		**3,606,916**	3,568,436
EQUITY			
Contributed equity	7(a)	**2,603,226**	2,603,226
Reserves	7(b)	**1,134,895**	1,100,093
Retained earnings	7(c)	**(131,205)**	(134,883)
Total equity		**3,606,916**	3,568,436

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 2014

Consolidated	Notes	Contributed equity $'000	Property, plant and equipment revaluation reserve $'000
Balance at 1 July 2013		2,603,226	995,113
Total profit for the year as reported in the financial statements	7(c)	-	-
Re-measurement (losses)/gains on defined benefit funds	6(g)(i),7(c)	-	-
Income tax relating to defined benefit funds	7(c)	-	-
Cash flow hedge interest rate swap - (net of tax)	7(b)	-	-
Cash flow hedge foreign exchange - (net of tax)	7(b)	-	-
Asset revaluation reserve adjustment	7(b)	-	(29,099)
Income tax effect revaluation reserve adjustment	7(b)	-	8,730
Total comprehensive income for the year		-	(20,369)
Asset disposal revaluation reserve adjustment	7(b)	-	(111)
Transfer to profit reserve	7(b),7(c)	-	-
Dividends provided for or paid	7(b)	-	-
Balance at 30 June 2014		**2,603,226**	**974,633**

FOR THE YEAR ENDED 30 JUNE 2015

Consolidated	Notes	Contributed equity $'000	Property, plant and equipment revaluation reserve $'000
Balance at 1 July 2014		2,603,226	974,633
Total profit for the year as reported in the financial statements	7(c)	-	-
Re-measurement gains/(losses) on defined benefit funds	6(g)(i),7(c)	-	-
Income tax relating to defined benefit funds	7(c)	-	-
Cash flow hedge interest rate swap - (net of tax)	7(b)	-	-
Cash flow hedge foreign exchange - (net of tax)	7(b)	-	-
Asset revaluation reserve adjustment	7(b)	-	(62,422)
Income tax effect revaluation reserve adjustment	7(b)	-	18,727
Total comprehensive income for the year		-	(43,695)
Transfer to profit reserve	7(b),7(c)	-	-
Dividends provided for or paid	7(b)	-	-
Balance at 30 June 2015		**2,603,226**	**930,938**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

	Attributable to owners of Australian Rail Track Corporation Ltd					
	Hedging reserve - cash flow hedge - foreign exchange $'000	**Hedging reserve - cash flow hedge - interest rate swap $'000**	**Profit reserve $'000**	**Total reserves $'000**	**Retained earnings $'000**	**Total equity $'000**
	70	(5,587)	-	**989,596**	**(133,493)**	**3,459,329**
	-	-	-	**-**	**163,643**	**163,643**
	-	-	-	**-**	**(2,145)**	**(2,145)**
	-	-	-	**-**	**644**	**644**
	-	3,426	-	**3,426**	**-**	**3,426**
	(92)	-	-	**(92)**	**-**	**(92)**
	-	-	-	**(29,099)**	**-**	**(29,099)**
	-	-	-	**8,730**	**-**	**8,730**
	(92)	3,426	-	**(17,035)**	**162,142**	**145,107**
	-	-	-	**(111)**	**111**	**-**
	-	-	163,643	**163,643**	**(163,643)**	**-**
	-	-	(36,000)	**(36,000)**	**-**	**(36,000)**
	(22)	**(2,161)**	**127,643**	**1,100,093**	**(134,883)**	**3,568,436**

	(22)	(2,161)	127,643	**1,100,093**	**(134,883)**	**3,568,436**
	-	-	-	**-**	**134,598**	**134,598**
	-	-	-	**-**	**5,254**	**5,254**
	-	-	-	**-**	**(1,576)**	**(1,576)**
	-	1,277	-	**1,277**	**-**	**1,277**
	22	-	-	**22**	**-**	**22**
	-	-	-	**(62,422)**	**-**	**(62,422)**
	-	-	-	**18,727**	**-**	**18,727**
	22	1,277	-	**(42,396)**	**138,276**	**95,880**
	-	-	134,598	**134,598**	**(134,598)**	**-**
	-	-	(57,400)	**(57,400)**	**-**	**(57,400)**
	-	**(884)**	**204,841**	**1,134,895**	**(131,205)**	**3,606,916**

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 2015

	Notes	Consolidated 2015 $'000	Consolidated 2014 $'000
Cash flows from operating activities			
Receipts from customers		**898,344**	824,759
Payments to suppliers and employees		**(470,274)**	(452,989)
Tax received		**-**	2,697
Interest paid on finance leases		**(1)**	(20)
Government grants - revenue		**22,613**	-
		450,682	374,447
Interest received		**6,395**	6,485
Net cash inflow from operating activities	8	**457,077**	380,932
Cash flows from investing activities			
Payments for property, plant and equipment		**(265,656)**	(285,163)
Payments for intangibles		**(3,791)**	(21,349)
Payment for shares		**(19)**	-
Proceeds from sale of property, plant and equipment		**2,381**	6,673
Net cash outflow from investing activities		**(267,085)**	(299,839)
Cash flows from financing activities			
Government grants - deferred		**49,879**	50,125
Payments for transaction and interest costs relating to borrowings		**(48,326)**	(57,180)
Proceeds from/(repayments) to loan facility		**94,526**	(163,813)
Finance lease payments		**(18)**	(316)
Dividends paid to Group's Shareholder	9(b)	**(57,400)**	(36,000)
Net cash inflow/(outflow) from financing activities		**38,661**	(207,184)
Net increase/(decrease) in cash and cash equivalents		**228,653**	(126,091)
Cash and cash equivalents at the beginning of the financial year		**91,284**	217,375
Cash and cash equivalents at end of year	4(a)	**319,937**	91,284

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

CONTENTS OF THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting entity

Australian Rail Track Corporation (the parent) is a Company limited by shares incorporated in Australia located at 11 Sir Donald Bradman Drive, Keswick Terminal, South Australia. The consolidated financial statements of the Company as at and for the year ended 30 June 2015 comprise the Company and its subsidiaries together referred to as the "Group". The Group is a Government Business Enterprise (GBE) and the ultimate controlling entity is the Commonwealth Government.

The financial report of ARTC for the year ended 30 June 2015 was authorised for issue in accordance with a resolution of the Directors on 27 August 2015.

(b) Basis of accounting

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, the requirements of the Corporations Act 2001 and other authoritative pronouncements of the Australian Accounting Standards Board. Australian Rail Track Corporation Ltd is a for profit entity for the purpose of preparing the financial statements.

The consolidated financial statements of the Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Where necessary, comparative figures have been adjusted to conform to changes in the presentation of the Financial Statements in the current year.

The financial statements are prepared on a historical cost basis except for certain classes of plant and equipment and held for sale assets which are measured at fair value.

(c) Functional and presentational currency

The financial statements are presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated under the option available to the Group under ASIC Class Order 98/100. The Group is an entity to which the class order applies.

(d) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time in their annual reporting period commencing 1 July 2014:

- AASB 2013-3 Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets
- Interpretation 21 - Accounting for Levies
- AASB 2014-1 Amendments to Australian Accounting Standards

The adoption of these standards and interpretations did not have any impact on the current period or any prior period and is not likely to affect future periods.

(e) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2015 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations which may be relevant to the Group are set out below.

(i) AASB 9 Financial Instruments

AASB 9 (December 2014), replaces the existing guidance in AASB 139

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments: Recognition and Measurement. This new version supersedes the AASB 9 versions issued in December 2009 and December 2010 and includes a model for classification and measurement, a new expected credit loss model for calculating impairment on financial assets and a substantially reformed approach to hedge accounting.

The changes to the classification and measurement of financial assets and the new impairment model are not expected to have any impact on the Group.

AASB 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

Amendments to AASB 9 (December 2009 & 2010 editions and AASB 2013-9) issued in December 2013 included the new hedge accounting requirements, which incorporated changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures.

The Group does not currently intend to early adopt and will continue to monitor its position, particularly around hedging requirements to determine whether early adoption will provide any financial benefits.

(ii) AASB 15 Revenue from Contracts with Customers

The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. This means that revenue will be recognised when control of goods or services is transferred, rather than on transfer of risk and rewards, as is currently the case under AASB 118. Early adoption of this standard is permitted.

The International Accounting Standards Board (IASB) in its July 2015 meeting decided to confirm its proposal to defer the effective date of IFRS 15 (the international equivalent of AASB 15) from 1 January 2017 to 1 January 2018. The amendment to give effect to the new effective date for IFRS 15 is expected to be issued in September 2015. At this time, it is expected that the AASB will make a corresponding amendment to AASB 15, which will mean that the application date of this standard for the Group will move from 1 July 2017 to 1 July 2018.

The Group has yet to complete a full review of the impact of the new standard and has decided not to early adopt.

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

(f) Parent entity financial information

The financial information for the Parent entity, Australian Rail Track Corporation Ltd, disclosed in note 18 has been prepared on the same basis as the consolidated financial statements.

(g) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by the Australian Rail Track Corporation Ltd (''Company'' or ''Parent entity'') as at 30 June 2015 and the results of the controlled entities for the year then ended. Australian Rail Track Corporation Ltd and its controlled entities are referred to in this financial report as the "Consolidated Entity" or "the Group". The effects of all transactions between entities in the Consolidated Entity are eliminated in full.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in subsidiaries are accounted for at cost in the individual financial statements of Australian Rail Track Corporation Ltd and are not material to the Group.

(h) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable to the extent it is probable the economic benefit will flow to the Group and the revenue can be reliably measured. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

(i) Access revenue

Access revenue recognised comprises amounts received and receivable by the Group granting operators access to the rail network during the year.

(j) Interest revenue and borrowing expenses

Interest revenue and borrowing costs are recognised as they accrue using the effective interest method. This is a method of calculating the amortised cost of a financial asset or liability and allocating the interest and other costs over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset or liability to the net carrying amount of the financial asset or liability.

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. Borrowing costs consist of interest and other costs incurred in connection with the borrowing of funds.

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment and amortised over the period of the facility to which it relates.

(k) Recoveries and expenses associated with rail access related incidents

Income attributable to insurance or other recoveries arising from rail access related incidents is only recognised where a contractual agreement is in place and receipt of amounts outstanding is virtually certain. Costs of rectification are recognised when incurred.

Where the Group has suffered damage to its rail network due to other parties, the recourse is commercial negotiation and, if not successful, legal proceedings are initiated, as appropriate.

Potential liabilities and assets are reviewed throughout the year and finalised at reporting date for inclusion in the financial statements. Inclusion of liabilities or assets relating to rail access related incidents occurs where the Group can reliably measure costs or recoveries.

(l) Government grants

The grants received primarily arise from rail projects delivered under the Infrastructure Investment Programme, including the Inland Rail Project, to improve efficiency and safety of the National Land Transport Network. Previously the Company has been awarded other grants from the Government of Victoria and other state funded projects. Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Where the grants have attached conditions and/or are project specific, they are recognised at

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

their fair value and initially credited to deferred income upon receipt, then recognised in the consolidated income statement over the period necessary to match them with the costs that they are intended to compensate. Where those grants relate to expenditure that is to be capitalised, they are credited to the consolidated income statement on a straight line basis over the expected lives of the related assets from the date of commissioning. Grants that compensate the Group for expenses incurred are recognised in the income statement on a systematic basis in the periods in which expenses are recognised.

(m) Infrastructure maintenance

Infrastructure maintenance of infrastructure assets is classified as major periodic maintenance if it is part of a systematic planned program of works, occurs on a cyclical basis and is significant in monetary value. Major periodic maintenance may include significant corrective works, component replacement programs, and similar activities and these costs are expensed.

(n) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income and any adjustments in respect of prior years. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred tax liabilities (DTLs) are recognised for all taxable temporary differences between the carrying amount of assets and liabilities for financial reporting and the amounts used for taxation purposes.

Deferred tax assets (DTAs) are recognised for all deductible temporary differences, carry forward of unused tax offsets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the unused tax offsets and losses can be utilised.

Division 58 of the Income Tax Assessment Act 1997 ("Division 58"), has entitled the Group to value certain assets, for taxation purposes, using pre-existing audited book values or the notional written down values of the assets as appropriate. This effectively means the tax depreciable value of these rail infrastructure and related assets significantly exceeds the carrying value. Accordingly, Division 58 results in significant deductible temporary differences and potential DTAs. The carrying amount of DTAs is reviewed at each reporting date and adjusted to the extent that it is probable that sufficient taxable profit will be available to allow the deferred tax asset to be utilised.

DTAs and DTLs are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. DTAs and DTLs are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the DTAs and DTLs relate to the same taxable entity and the same taxation authority.

Tax consolidation legislation

Australian Rail Track Corporation Ltd and its wholly owned Australian controlled entities consolidated for income tax purposes as of 1 July 2003.

The head entity, Australian Rail Track Corporation Ltd and the controlled entities in the income tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the stand alone taxpayer approach, consistent with the requirements of Interpretation 1052, in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the income tax consolidated group. In addition to its own current and deferred tax amounts, Australian Rail Track Corporation Ltd also recognises the current

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

tax liabilities (or assets) and the DTAs arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly owned tax consolidated entities.

(o) Leases

Group as a lessee

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short term and long term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leases in which substantially all the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (note 13). Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight line basis over the period of the lease.

Group as a lessor

Leases in which the Group retains substantially all the risks and benefits of ownership of the leased asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as rental income.

(p) Inventories

Inventories are valued at lower of cost and net realisable value. Cost is assigned on a first in first out basis.

(q) Property, plant and equipment

Fair Value

The fair value for infrastructure assets is calculated using the income method approach, whereby the measurement reflects current market expectations of future cashflows discounted to their present value for each asset grouping that would be considered reasonable by a normal market participant. The estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the business risk.

Fair value assessments are only applied to infrastructure assets on the basis that non-infrastructure such as motor vehicles, information technology and other non-infrastructure assets are transferable within the Group and have a short life and a ready market. The written down value of these assets is in line with their fair value.

All other property, plant and equipment are stated at historical cost less accumulated depreciation, and any accumulated impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revaluation

The Group's infrastructure assets were revalued as at 30 June 2015. Infrastructure assets are shown at fair value (inclusive of revaluations and impairments) less accumulated depreciation, based on periodic, but at least triennial revaluations. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Any revaluation increment is credited to the asset revaluation reserve included in the equity section of the consolidated balance sheet, except to the extent that it reverses a revaluation decrement of the same asset previously recognised in the consolidated income statement, in which case the increase is recognised in the consolidated income statement (net of tax). Revaluation increments and decrements recognised are allocated to the infrastructure asset carrying amounts within the asset grouping on a pro-rata basis.

The Group has elected that the deemed cost of assets on hand at 30 June 2005 is the revalued amount of those assets. Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Items of property, plant and equipment are either derecognised on disposal or when no further future economic benefits are expected from its use. Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in the consolidated income statement. Upon disposal or derecognition, any revaluation reserve relating to the asset is transferred to retained earnings.

Cost

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Depreciation

Land is not depreciated. The cost of improvements to or on leasehold properties is amortised over the expected lease term or the estimated useful life of the improvement to the Group, whichever is the shorter. Depreciation on other assets is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

Maximum Economic Useful Life*

Infrastructure assets	
Ballast	60 years
Bridges	40 years
Culverts	100 years
Rail	110 years
Sleepers	70 years
Signals & Communications	30 years
Turnouts	15 years
Tunnels	50 years
Non-Infrastructure assets	
Buildings	50 years
IT & Other equipment	4 years
Motor vehicles	5 years
Other equipment	40 years

** Depending on the age and location of particular assets, the economic life may vary. The maximum economic useful life has remained unchanged from the prior year.*

Impairment

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any indication exists, then the asset's recoverable amount is estimated. An impairment expense is recognised if the carrying amount of an asset or cash generating unit (CGU) exceeds it recoverable amount.

As the Group applies fair value valuations to most non-financial assets, the carrying value will be the fair value which is the estimated recoverable amount and therefore a separate impairment calculation is not required.

(r) Capital work in progress and capitalisation

Work in progress comprises expenditure on incomplete capital works. Expenditure on the acquisition of new infrastructure assets is capitalised when these new assets increase the net present value of future cash flows.

Infrastructure assets in the course of construction are classified as capital work in progress. Capital works in progress are recorded at cost, and are not depreciated until they have been completed and the assets are ready for economic use.

(s) Intangible assets

Computer software has a finite useful life and is carried at cost less accumulated amortisation. Amortisation is calculated using the straight line method to allocate the cost of computer software over its estimated useful life of four years.

Under lease arrangements, ARTC may provide funds to other bodies to acquire additional land holdings to enable the infrastructure to be expanded. ARTC is not entitled to be reimbursed for this expenditure but has the right to use the land. The land rights have a finite useful life expiring in conjunction with the relevant lease and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight line method to allocate the cost of land rights over its estimated useful life.

Other intangible assets relate to contractual rights in relation to a wholesale access agreement which provides a pricing cap over the third party infrastructure asset between Kalgoorlie and Perth which completes track access between the east and west coast of Australia.

(t) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid and are measured at amortised cost. The amounts are unsecured and are usually paid within 30 days of recognition.

Due to their short term nature they are not discounted.

(u) Provisions

Provisions for legal claims, service warranties and make good obligations are 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 can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the obligation at the reporting date.

(v) Employee benefits

(i) Short term obligations

Liabilities for wages and salaries, including non-monetary benefits expected to be settled

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

within twelve months of the reporting date are recognised in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Long term obligations

The liability for long service leave and associated on-costs is accumulated from the date of commencement. They are measured at the amounts expected to be paid when the liabilities are settled and discounted to determine their present value. Consideration is given to expected future wage and salary levels with an allowance for expected future increases.

As not all annual leave is expected to be taken within twelve months of the respective service being provided, annual leave obligations are classified as long term employee benefits in their entirety.

Annual leave is measured on a discounted basis. The emergence of a deep high quality corporate bond market has resulted in a move from using the Australian Government bond rate to the new corporate bond market rate as per the G100 when discounting employee benefit liabilities as at 30 June 2015. This is treated as a change in accounting estimate.

(w) Financial Instruments

The Group's principal financial instruments comprise receivable, payables, borrowings, bonds, cash, funds on deposit and derivatives.

Non-derivative financial assets

Receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method. Receivables comprise cash and cash equivalents and trade and other receivables. Cash and cash equivalents in the balance sheet includes cash on hand, funds on deposit with financial institutions, other short term, highly liquid investments with original maturities of 180 days or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Investments in shares are held at cost and reviewed for impairment.

Non-derivative financial liabilities

Financial liabilities are recognised initially on the trade date and derecognised when contractual obligations are discharged, cancelled or expired. Such liabilities are recognised at fair value less any directly attributable transaction costs, subsequently measured at amortised cost using the effective interest method. Other financial liabilities comprise loan facilities (see note 10), bonds, bank overdrafts and trade and other payables.

Derivative financial instruments

The Group can hold derivative financial instruments to hedge its foreign currency and interest rate risk exposures. On initial designation of the derivative as the hedging instrument, the Group formally documents the relationship between the hedging instrument and the hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship.

The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to hedged risk and whether the actual results of each hedge are within a range of 80 - 125 percent. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that ultimately could affect reported profit or loss.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivatives are recognised initially at fair value, any attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes are recognised in other comprehensive income and presented in equity, unless ineffective in which case the ineffective portion is recognised immediately in profit or loss.

Amounts accumulated in equity are transferred to the consolidated income statement in the periods when the hedged item affects profit or loss (for instance when the delivery of the goods hedged takes place). The gain or loss relating to the effective portion of forward foreign exchange contracts hedging the imported goods is recognised in the consolidated income statement within 'infrastructure maintenance'. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets) the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in profit or loss as infrastructure maintenance in the case of goods relating to maintenance, or as depreciation in the case of fixed assets.

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 the consolidated income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated income statement.

(x) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the consolidated balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(y) Defined benefit fund

ARTC is a member of the following superannuation schemes: State Authorities Superannuation Scheme (SASS), State Authorities Non-Contributory Superannuation Scheme (SANCS) and the State Superannuation Scheme (SSS).

The schemes are all defined benefit schemes where at least a component of the final benefit is derived from a multiple of the member's salary and years of membership. All schemes are closed to new members.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, in other comprehensive income. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

The defined benefit asset or liability recognised in the consolidated balance sheet represents the present value of the defined benefit obligation, less the

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

fair value of the plan assets. Any asset resulting from this calculation is limited to the present value of available refunds and reductions in future contributions to the plan.

The emergence of a deep high quality corporate bond market has resulted in a move from using the Australian Government Bond rate to the new corporate bond market rate as per the G100 when discounting employee benefit liabilities as at 30 June 2015. This is treated as a change in accounting estimate.

(z) Contributed equity

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

(aa) Going concern

The consolidated financial statements have been prepared on a going concern basis, as the Director's believe that the Group will be able to meet the mandatory repayment terms of the bond maturity and banking facilities 4(d).

At 30 June 2015, the Group has a net deficiency of current assets to current liabilities of $19.1m (2014: $248.6m). This deficiency is largely due to a $250m Bond maturing in April 2016. Notwithstanding this deficiency, the Directors remain confident that the Group will be able to meet its debts as and when they fall due. The Directors are of the opinion that the financial statements are appropriately prepared on a going concern basis having regard to the following:

As at 30 June 2015

- The Group has net assets of $3,606.9m (2014: $3,568.4m).

- The Group generated cash from operating activities of $457.1m (2014: $380.9m).

- The Group expects to continue to generate positive cash flows from operating activities in the next twelve months.

- The Group has $240m of unutilised funds available through a Syndicated Debt Facility Agreement (as detailed in note10(c)).

- The Group engages in active financial risk management and an established debit capital market programme which are subject to ongoing governance at Committee and Board level (as detailed in note 10).

NOTE 02
SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

(a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities or may involve a higher degree of judgement or complexity within the next financial year are set out below.

(i) Defined benefit plan

Various actuarial assumptions are required when determining the Group's defined benefit obligations. See note 6(g). The emergence of a deep high quality corporate bond market as reported by the Milliman report commissioned by the G100 group of companies has required ARTC to move from using the Australian Government Bond rate to the new Australian Corporate Bond rate in line with the relevant accounting standard (AASB 119). This change in accounting estimate moving from the Australian Government Bond rate of 3.03% to the Australian Corporate Bond rate of 4.61% has reduced the defined benefit liability by an amount of $6.3m from $12.9m to $6.6m.

(ii) Timing of project completion

The Group continues a capital investment program, with the continued delivery being reliant on industry demand, the availability of requisite material, project resources and applicable regulatory approvals.

(iii) Fair Value

In order to comply with relevant accounting standards the Group undertook a fair value assessment of the infrastructure assets, the results of which are detailed in notes 6(c) and 10(d). Key assumptions when completing the assessment are: the forecast data including; revenue, expense and capital cash flows and the discount rate used. Therefore management has reviewed the cash flow and made adjustments to account for any known variables and to ensure a market participant would view the positions taken as reasonable. In addition the discount rate used is compiled with the support of an external market specialist. Note 10(d) contains further detail on the process and valuation technique.

(iv) Deferred tax recognition

The Group has recognised a net deferred tax asset as set out in note 6(d). The Group has recognised a deferred tax asset in relation to deductible temporary differences to the extent that a deferred tax liability exists in relation to taxable temporary differences, which are expected to reverse over the same periods. In addition, excess deferred tax asset has been recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. The recognition of the net deferred tax asset is considered appropriate following an assessment of the overall forecast accounting profit and tax payable position of the Group over the next five years.

(v) Incident recognition

The provision for incidents recognises the Group's estimated liability with respect to costs associated with damage caused by incidents such as force majeure, derailments, including the potential for third party and/or insurance recoveries. See note 1(k) and 6(f)(ii).

NOTE 02
SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(vi) Provisions - Short term employee benefits

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligations can be measured reliably. See note 1(v)(i) & 6(f).

(vii) Provisions - Long service leave

The Group's net obligation in respect of long term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. For long service leave the future benefit is altered to take into account the probability of reaching entitlement and inflationary increases. These benefits are discounted to determine its present value. The discount for long service leave is the yield proximate to the reporting date on the Australian Corporate Bond market. See note 1(v)(ii) & 6(f).

The emergence of a deep high quality corporate bond market as reported by the Milliman report commissioned by the G100 group of companies has required ARTC to move from using the Australian Government Bond rate to the new Australian Corporate Bond rate in line with the relevant accounting standard (AASB 119). As a result of the change in accounting estimate from Australian Government Bond rate to the Australian Corporate Bond rate the balance of the provision was decreased by $0.181m.

NOTE 03
EXPENSES

	2015 $'000	2014 $'000
Depreciation		
Buildings	**1,002**	878
Plant and equipment	**175,413**	166,188
	176,415	167,066
Amortisation		
Computer software	**1,922**	1,626
Land rights	**830**	712
Other	**3,772**	3,773
	6,524	6,111
Total depreciation and amortisation expense	**182,939**	173,177
Employee benefits expense		
Wages and salaries	**158,284**	151,323
Workers compensation	**2,303**	3,088
Defined benefit plan expense	**992**	877
	161,579	155,288
Finance costs		
Financing costs	**43,517**	51,051
Finance lease interest	**1**	20
	43,518	51,071
Operating lease expense		
Operating lease expense included in other expenses	**6,350**	5,527
	6,350	5,527
Net incident costs		
Expenses - Incident cost	**23,541**	5,439
Other income - Incident and insurance recovery	**23,157**	-
	384	5,439

During April 2015, significant infrastructure damage and operational disruption was caused by severe weather events impacting the Hunter Valley, northern coast and other parts of the ARTC network, the full costs of which have been appropriately reflected in the 2014/15 accounts. ARTC has worked cooperatively with its insurers to mitigate the financial impact of the damage and service interruptions.

NOTE 04
FINANCIAL ASSETS AND FINANCIAL LIABILITIES

(a) Cash and cash equivalents

	Consolidated	
	2015	2014
	$'000	$'000
Current assets		
Cash at bank and in hand	**27,123**	26,718
Funds on deposit	**292,814**	64,566
	319,937	91,284

Cash at bank earns interest at floating rates based on daily bank deposit rates. The "funds on deposit" at balance date reflects funds available to the Group that have been placed on deposit with major Australian banking institutions over various periods not exceeding 180 days consistent with the Group's Treasury Policy. The carrying amount of cash and cash equivalents equates to the fair value. The Group's exposure to interest rate, credit risk and rates earned for the above is set out in note 10.

(b) Trade and other receivables

	Consolidated	
	2015	2014
	$'000	$'000
Trade receivables	**35,883**	52,632
Other receivables	**24,007**	27,366
Provision for doubtful receivables	**(24)**	(64)
	59,866	79,934

Other receivables include an accrual for the year to date under recovery of constrained network coal revenue as a result of the actual tonnage throughput being below the budgeted volumes on which the prices are set. Constrained network coal revenue is a product of a regulatory return mechanism which includes a recovery of maintenance activity, overheads, depreciation and a rate of return in relation to capital improvements.

Information on credit risk, impairment and fair value of trade and other receivables can be found in note 10.

(c) Trade and other payables

	Consolidated	
	2015	2014
	$'000	$'000
Current liabilities		
Trade payables	**85,993**	82,065
Other payables	**2,969**	54
	88,962	82,119

Information about the Group's exposure to financial risk is set out in note 10.

NOTE 04
FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(d) Interest bearing liabilities

	Consolidated					
	2015			2014		
	Current $'000	**Non-current $'000**	**Total $'000**	Current $'000	Non-current $'000	Total $'000
Bonds - maturing:						
9 December 2014	**-**	**-**	**-**	300,710	-	300,710
29 April 2016	**251,398**	**-**	**251,398**	-	251,090	251,090
20 December 2017	**-**	**199,712**	**199,712**	-	199,454	199,454
5 December 2019	**-**	**174,840**	**174,840**	-	-	-
11 December 2024	**-**	**124,051**	**124,051**	-	-	-
Syndicated debt facility	**-**	**260,852**	**260,852**	-	165,073	165,073
	251,398	**759,455**	**1,010,853**	300,710	615,617	916,327

(e) Finance leases

	Consolidated	
	2015 $'000	2014 $'000
Commitments in relation to finance leases are payable as follows:		
Within one year	**-**	85
Future finance charges	**-**	(1)
Total lease liabilities	**-**	84
Representing lease liabilities:		
Current	**-**	84

NOTE 05
INCOME TAX EXPENSE/(BENEFIT)

(a) Income tax expense/(benefit)

	Consolidated 2015 $'000	2014 $'000
Current tax expense	**-**	-
Deferred tax expense		
Origination and reversal of temporary differences	**56,806**	56,156
Change in recognised deductible temporary differences	**(3,370)**	(30,821)
	53,436	25,335
Total income tax expense/(benefit)	**53,436**	25,335

The Group's current tax expense for the year ended 30 June 2015 is nil (2014: nil) due to the existence of tax deductions available to the Group as a result of the Group's ability to claim tax depreciation on NSW lease assets utilising Division 58 of the Income Tax Assessment Act 1997 and deductions for carry forward tax losses and offsets generated in previous years.

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

	Consolidated 2015 $'000	2014 $'000
Profit from continuing operations before income tax expense	**188,034**	188,978
Tax at the Group's statutory tax rate of 30%	**56,410**	56,693
Change in recognised temporary differences	**(3,370)**	(30,821)
Amendments and prior year adjustments	**627**	-
Research and development income tax offset	**(250)**	(459)
Non-taxable items	**19**	(78)
Total income tax expense	**53,436**	25,335

NOTE 05
INCOME TAX EXPENSE/(BENEFIT) (CONTINUED)

(c) Amounts charged or credited directly to equity

	Consolidated	
	2015	2014
	$'000	$'000
Deferred income tax related to items charged directly to equity		
Net (loss)/gain on revaluation of infrastructure assets	**(18,727)**	(8,730)
Net gain/(loss) on defined benefit fund	**1,576**	(644)
Net gain/(loss) on interest rate swap	**557**	1,459
Net (loss) on foreign exchange hedge	**-**	(30)
	(16,594)	(7,945)
Deferred income tax charge included in equity comprises:		
(Decrease)/increase in deferred tax liabilities	**(18,727)**	(30)
Decrease/(increase) in deferred tax assets	**2,133**	(7,915)
	(16,594)	(7,945)

(d) Tax consolidation legislation

Australian Rail Track Corporation Ltd and its wholly owned Australian controlled entities consolidated for income tax purposes as of 1 July 2003. The accounting policy in relation to this legislation is set out in note 1(n).

NOTE 06
NON-FINANCIAL ASSETS AND LIABILITIES

(a) Inventories

	Consolidated	
	2015	2014
	$'000	$'000
Current assets		
Raw materials - at cost	**30,553**	32,986
	30,553	32,986

(b) Properties held for sale

	Consolidated	
	2015	2014
	$'000	$'000
Current assets		
Properties held for sale	**-**	1,968
	-	1,968

All properties held for sale have been sold in the financial period ended 30 June 2015. Gain or losses on the sale of the assets have been recognised in the consolidated income statement under profit/(loss) on sale of assets.

NOTE 06
NON-FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(c) Property, plant and equipment

Non - Current Assets

Consolidated	Construction in progress $'000	Freehold land $'000	Freehold buildings $'000
At 1 July 2013			
Cost or valuation	396,015	116	14,550
Accumulated depreciation	-	-	(3,388)
Net book amount	**396,015**	**116**	**11,162**
Year ended 30 June 2014			
Opening net book amount as at 1 July	396,015	116	11,162
Additions	-	5,011	935
Reversal of impairment expense	-	-	-
Borrowing costs capitalised	6,129	-	-
Additions into capital works in progress	271,537	-	-
Depreciation charge	-	-	(388)
Transfers out of capital work in progress	(280,962)	-	-
Written down value of assets disposed	-	-	-
Reversal of revaluation of assets	-	-	-
Closing net book amount	**392,719**	**5,127**	**11,709**
At 30 June 2014			
Cost or valuation	392,719	5,127	15,468
Accumulated depreciation	-	-	(3,759)
Net book amount	**392,719**	**5,127**	**11,709**
Consolidated			
Year ended 30 June 2015			
Opening net book amount as at 1 July	392,719	5,127	11,709
Additions	-	2,175	1,141
Impairment expense	-	-	-
Borrowing costs capitalised	4,810	-	-
Additions into capital works in progress	259,820	-	-
Depreciation charge	-	-	(489)
Transfers out of capital work in progress	(411,744)	-	-
Written down value of assets disposed	-	-	-
Reversal of revaluation of assets	-	-	-
Closing net book amount	**245,605**	**7,302**	**12,361**
At 30 June 2015			
Cost or valuation	245,605	7,302	16,609
Accumulated depreciation	-	-	(4,248)
Net book amount	**245,605**	**7,302**	**12,361**

Leasehold buildings $'000	Leasehold Improvements -infrastructure $'000	Plant & Equipment -Infrastructure $'000	Plant & Equipment -Other $'000	Leased plant and equipment $'000	Total $'000
15,284	3,430,038	774,955	61,962	1,545	4,694,465
(2,702)	(180,301)	(16,981)	(23,438)	(620)	(227,430)
12,582	**3,249,737**	**757,974**	**38,524**	**925**	**4,467,035**
12,582	3,249,737	757,974	38,524	925	4,467,035
880	220,120	36,178	17,838	-	280,962
-	2,060	-	-	-	2,060
-	-	-	-	-	6,129
-	-	-	-	-	271,537
(490)	(127,445)	(31,942)	(6,327)	(474)	(167,066)
-	-	-	-	-	(280,962)
-	-	(364)	-	(88)	(452)
-	(3,689)	(25,410)	-	-	(29,099)
12,972	**3,340,783**	**736,436**	**50,035**	**363**	**4,550,144**
16,182	3,428,231	737,553	79,788	665	4,675,733
(3,210)	(87,448)	(1,117)	(29,753)	(302)	(125,589)
12,972	**3,340,783**	**736,436**	**50,035**	**363**	**4,550,144**
12,972	3,340,783	736,436	50,035	363	4,550,144
822	389,930	11,306	6,370	-	411,744
-	(23,420)	(2,105)	-	-	(25,525)
-	-	-	-	-	4,810
-	-	-	-	-	259,820
(513)	(136,634)	(31,790)	(6,692)	(297)	(176,415)
-	-	-	-	-	(411,744)
-	-	-	(154)	(66)	(220)
-	(18,306)	(44,116)	-	-	(62,422)
13,281	**3,552,353**	**669,731**	**49,559**	**-**	**4,550,192**
17,004	3,783,565	719,722	85,283	-	4,875,090
(3,723)	(231,212)	(49,991)	(35,724)	-	(324,898)
13,281	**3,552,353**	**669,731**	**49,559**	**-**	**4,550,192**

NOTE 06
NON-FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(c) Property, plant and equipment (continued)

(i) Leased assets

Plant and equipment includes the following amounts where the Group is a lessee under a finance lease:

	Consolidated	
	2015	2014
	$'000	$'000
Leasehold equipment		
Cost-written down value	**363**	925
Accumulated depreciation	**(297)**	(474)
Written down value of assets sold	**(66)**	(88)
Net book amount	**-**	363

(ii) Basis of valuation

At 30 June 2015 the Group undertook a fair value assessment using an income method approach as there are no similar market quoted assets. ARTC's policy is to revalue on a triennial basis or if in an intervening year the fair value of the revalued asset class differs materially from its carrying amount. Property, plant and equipment reviews are undertaken annually to ensure significant movements are identified and accounted for. The net present value of the cash flows for each business unit is compared with the current carrying value and any significant variance is taken to the financial statements.

This resulted in a downward revaluation of the Interstate business units assets. As some assets had previously been revalued, a decrement of $102.4m (2014: $58.5m) was recognised. On previously impaired or new assets an impairment expense of $25.5m (2014: $2.1m impairment expense reversed) has been recognised in the income statement.

The Hunter Valley business unit assets were previously revalued. The result of this year's assessment is $40.0m (2014: $29.4m) valuation increment. For further details on the calculation refer to note 10(d).

If infrastructure assets were stated on the historical cost basis less impairment, the amounts would be as follows:

	Consolidated	
	2015	2014
	$'000	$'000
Infrastructure assets		
Plant & Equipment		
Cost	**762,715**	754,200
Accumulated depreciation	**(164,238)**	(162,034)
Net book amount	**598,477**	592,166
Leasehold Improvements		
Cost	**3,393,958**	3,038,642
Accumulated depreciation	**(344,750)**	(364,994)
Net book amount	**3,049,208**	2,673,648

NOTE 06
NON-FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(d) Deferred tax balances

(i) Deferred tax assets

	Consolidated	
	2015	2014
	$'000	$'000
The balance comprises temporary differences attributable to:		
Property plant and equipment	**476,745**	509,283
Income tax losses and non-refundable offsets	**3,049**	20,890
Defined benefit fund	**1,985**	2,843
Cash flow hedges - interest rate swap and foreign exchange	**379**	920
	482,158	533,936
Movements:		
Opening balance at 1 July	**533,936**	527,530
(Charged)/credited to the consolidated income statement related to tax losses and offsets	**(17,841)**	5,350
(Charged)/credited to the consolidated income statement related to property plant and equipment	**(32,538)**	1,804
(Charged)/credited to equity related to defined benefit fund	**(1,576)**	644
(Charged)/credited related to cash flow hedge foreign exchange	**(557)**	(1,392)
Adjustments for movements through income statement	**734**	-
Closing balance at 30 June before set off	**482,158**	533,936
Set off of deferred tax liabilities	**(290,478)**	(305,412)
Net deferred tax asset	**191,680**	228,524

At 30 June 2015, the Group has unrecognised deferred tax assets of $248.4m (2014: $251.4m) associated with provisions, deferred Government grant income assessable on receipt for tax purposes and property, plant & equipment. The deductible temporary differences in relation to property, plant & equipment exist as a result of the Group's ability to claim tax depreciation on NSW lease assets utilising Division 58 of the Income Tax Assessment Act 1997 and the impairment of the assets of the Interstate business unit.

The Group has an unrecognised deferred tax asset in relation to a carried forward capital loss of $0.7m (2014: $0.7m). It is not recognised on the basis that there are no forecast future capital gains against which the loss could be utilised.

NOTE 06
NON-FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(d) Deferred tax balances (continued)

(ii) Deferred tax liabilities

	Consolidated	
	2015	2014
	$'000	$'000
The balance comprises temporary differences attributable to:		
Property, plant and equipment revaluation	**286,121**	305,412
Other receivables	**4,357**	-
Net deferred tax liabilities	**290,478**	305,412
Movements:		
Opening balance at 1 July	**305,412**	281,617
Charged to equity related to cash flow hedge – foreign exchange	**-**	(30)
(Credited)/charged to the consolidated income statement related to property, plant and equipment	**(19,291)**	23,825
Other receivables	**4,357**	-
Closing balance at 30 June before set off	**290,478**	305,412
Set off of deferred tax liabilities	**(290,478)**	(305,412)
Net deferred tax liability	**-**	-

NOTE 06
NON-FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(e) Intangible assets

Consolidated	Computer Software $'000	Land Rights $'000	Other $'000	Total $'000
At 1 July 2013				
Cost	15,632	24,223	55,000	94,855
Accumulated amortisation and impairment	(10,224)	(543)	(2,201)	(12,968)
Net book amount	**5,408**	**23,680**	**52,799**	**81,887**
Year ended 30 June 2014				
Opening net book amount as at 1 July	5,408	23,680	52,799	81,887
Additions into asset register	649	20,700	-	21,349
Amortisation charge	(1,626)	(712)	(3,773)	(6,111)
Disposals	-	(694)	-	(694)
Transfer of assets held for sale	-	(1,968)	-	(1,968)
Closing net book amount	**4,431**	**41,006**	**49,026**	**94,463**
At 30 June 2014				
Cost	16,281	42,242	55,000	113,523
Accumulated amortisation and impairment	(11,850)	(1,236)	(5,974)	(19,060)
Net book amount	**4,431**	**41,006**	**49,026**	**94,463**
Consolidated				
Year ended 30 June 2015				
Opening net book amount as at 1 July	4,431	41,006	49,026	94,463
Additions into asset register	3,565	226	-	3,791
Amortisation charge	(1,922)	(830)	(3,772)	(6,524)
Closing net book amount	**6,074**	**40,402**	**45,254**	**91,730**
At 30 June 2015				
Cost	19,762	42,378	55,000	117,140
Accumulated amortisation and impairment	(13,688)	(1,976)	(9,746)	(25,410)
Net book amount	**6,074**	**40,402**	**45,254**	**91,730**

NOTE 06
NON-FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(f) Provisions

	Consolidated					
	2015			2014		
	Current $'000	**Non-current $'000**	**Total $'000**	Current $'000	Non-current $'000	Total $'000
Employee benefits	**37,320**	**3,756**	**41,076**	33,262	7,186	40,448
Restructuring costs	**227**	**-**	**227**	-	-	-
Incident provision	**19,060**	**-**	**19,060**	11,551	-	11,551
Other provisions	**2,704**	**-**	**2,704**	3,028	-	3,028
	59,311	**3,756**	**63,067**	47,841	7,186	55,027

(i) Information about individual provisions and significant estimates

For information related to the Group's accounting policies related to employee provisions refer to note 1(v).

Arising from the Group's current transformation program the restructure obligation provision reflects the redundancy costs that have been provided for and paid during the financial year. The remaining provision of $0.227m is expected to be fully utilised over the next twelve months.

The incident provision recognises the Group's estimate of the liability with respect to costs associated with damage caused by incidents such as derailments, which occurred whilst using the Group's rail infrastructure.

Other provisions relate to commercial disputes that are in the process of being resolved for which outcomes are reasonably able to be estimated.

(ii) Movements in provisions

Movements in each class of provision during the financial year are set out below:

2015	**Employee benefits $'000**	**Re-structure obligation $'000**	**Incident $'000**	**Other $'000**	**Total $'000**
Carrying amount at 1 July	40,448	-	11,551	3,028	55,027
Additional provisions recognised	22,894	3,178	23,542	1,370	50,984
Amounts used during the year	(22,266)	(2,951)	(16,033)	(1,694)	(42,944)
Carrying amount at 30 June	**41,076**	**227**	**19,060**	**2,704**	**63,067**

NOTE 06
NON-FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(g) Non-current liabilities - Defined benefit plans

(i) Consolidated Balance Sheet amounts

The amounts recognised in the balance sheet and the movements in the net defined benefit obligation over the year as follows:

	Present value of obligation $'000	Fair value of plan assets $'000	Net amount $'000
Balance as at 1 July 2013	**(34,500)**	**25,141**	**(9,359)**
Included in consolidated income statement			
Current service cost	(536)	-	(536)
Interest (expense)/income	(1,280)	939	(341)
	(1,816)	**939**	**(877)**
Included in other comprehensive income			
Re-measurements			
Return on plan assets, excluding amounts included in interest (expense)/income	-	2,732	2,732
(Loss)/gain from change in financial assumptions	(2,445)	-	(2,445)
Experience gains/(losses)	(2,432)	-	(2,432)
	(4,877)	**2,732**	**(2,145)**
Contributions:			
Employers	-	751	751
Plan participants	(258)	258	-
Payments from plan:			
Benefit payments	1,120	(1,120)	-
	862	**(111)**	**751**
Balance as at 30 June 2014	**(40,331)**	**28,701**	**(11,630)**
Included in consolidated income statement			
Current service cost	(589)	-	(589)
Interest (expense)/income	(1,405)	1,002	(403)
	(1,994)	**1,002**	**(992)**
Included in other comprehensive income			
Re-measurements			
Return on plan assets, excluding amounts included in interest (expense)/income	-	2,253	2,253
(Loss)/gain from change in financial assumptions	4,071	-	4,071
Experience gains/(losses)	(1,070)	-	(1,070)
	3,001	**2,253**	**5,254**
Contributions:			
Employers	-	751	751
Plan participants	(275)	275	-
Payments from plan:			
Benefit payments	1,596	(1,596)	-
	1,321	**(570)**	**751**
Balance as at 30 June 2015	**(38,003)**	**31,386**	**(6,617)**

NOTE 06
NON-FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(g) Non-current liabilities - Defined benefit plans (continued)

(ii) Superannuation plan

On commencement on 5 September 2004 of the 60 year lease with the NSW Government to operate the NSW interstate main lines, the Hunter Valley business unit and dedicated metropolitan freight lines to the Sydney Ports, employees previously employed by Rail Infrastructure Corporation/State Rail Authority and now currently employed by ARTC, are members of the following defined benefit funds:

State Authorities Superannuation Scheme (SASS)

SASS is a split benefit scheme, which means it is made up of an accumulation style contributor financed benefit and a defined benefit style employer financed benefit. Employees can elect to contribute between 1% and 9% of their salary to SASS and can vary their contribution rate each year. Generally, each percentage of salary that a member contributes each year buys the member one benefit point which is used in the calculation of the employer financed benefit.

State Superannuation Scheme (SSS)

SSS is a defined benefit scheme subsidised by the employer. Contributions to the defined contribution fund are recognised as an expense as they become payable.

State Authorities Non-Contributory Superannuation Scheme (SANCS)

SANCS is a productivity type superannuation benefit accrued by SASS members in addition to their contributory scheme benefits. Calculated at 3% of final average salary or final salary, depending on the mode of exit, for each year of service from 1 April 1988. It is fully employer financed.

All the schemes are closed to new members.

The schemes in the Pooled Fund are established and governed by the following NSW legislation: Superannuation Act 1916, State Authorities Superannuation Act 1987, Police Regulation (Superannuation) Act 1906, State Authorities Non-Contributory Superannuation Scheme Act 1987, and their associated regulations.

Under a Heads of Government agreement, the New South Wales Government undertakes to ensure that the Pooled Fund will conform to the principles of the Commonwealth's retirement incomes policy relating to preservation, vesting and reporting to members and that member benefits are adequately protected.

An actuarial investigation of the Pooled fund is performed every three years. The last actuarial investigation was performed as at 30 June 2012, the next triennial review is as at 30 June 2015.

The Fund's Trustee is responsible for the governance of the Fund. The Trustee has a legal obligation to act solely in the best interests of fund beneficiaries. The Trustee has the following roles:

- Administration of the fund and payment to the beneficiaries from fund assets when required in accordance with the fund rules;
- Management and investment of the fund assets; and
- Compliance with other applicable regulations.

(iii) Categories of plan assets

The asset recognised does not exceed the present value of any economic benefits available in the form of reductions in future contributions to the plan.

All Pooled Fund assets are invested by SASS Trustee Corporation at arm's length through independent fund managers, assets are not separately invested for each entity and it is not possible or appropriate to disaggregate and attribute fund assets to individual entities. As such, the disclosures below relate to total assets of the Pooled Fund.

NOTE 06
NON-FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

The major category of plan assets are as follows:	Consolidated 2015 Quoted $m	Consolidated 2015 Un-quoted $m	Consolidated 2015 Total $m	Consolidated 2014 Quoted $m	Consolidated 2014 Un-quoted $m	Consolidated 2014 Total $m
Equity instruments	**19,862**	**3,656**	**23,518**	19,667	3,025	22,692
Property	**949**	**2,504**	**3,453**	894	2,379	3,273
Short term securities	**96**	**2,546**	**2,642**	1,573	880	2,453
Fixed interest securities	**1**	**3,659**	**3,660**	11	3,235	3,246
Other assets	**622**	**6,548**	**7,170**	565	5,764	6,329
	21,530	**18,913**	**40,443**	22,710	15,283	37,993

	Consolidated 2015 %	Consolidated 2014 %
Equity instruments	**58**	60
Property	**9**	8
Short term securities	**6**	7
Fixed interest securities	**9**	8
Other assets	**18**	17
	100	100

(iv) Actuarial assumptions and sensitivity

The significant actuarial assumptions (expressed as weighted averages) were as follows:

	Consolidated 2015	Consolidated 2014
Discount rate	**4.6%**	3.6%
Rate of CPI increase	**2.5%**	2.5%
Future salary increases	**3.1%**	2.3%

The sensitivity of the total defined benefit obligation as at 30 June 2015 under several scenarios is shown below.

Scenarios related to changes to the discount rate, salary growth rate and rate of CPI increase relate to sensitivity of the total defined benefit obligation to economic assumptions, and scenarios related to pensioner mortality relate to sensitivity to demographic assumptions. The assumption as to the expected rate of return on assets is determined by weighing the expected long term return for each asset class by the target allocation of assets to each class. The returns used for each class are net of investment tax and investment fees.

NOTE 06
NON-FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(g) Non-current liabilities - Defined benefit plans (continued)

(iv) Actuarial assumptions and sensitivity

	Change in assumption	Impact on defined benefit: Increase in assumption		Impact on defined benefit: Decrease in assumption	
		2015 $'000	2014 $'000	**2015 $'000**	2014 $'000
Discount rate	1.0%	(3,343)	(3,724)	(4,092)	4,548
Salary growth rate	0.5%	1,174	1,368	(1,118)	(1,300)
Rate of CPI increase	0.5%	669	697	(608)	(633)
Pensioner mortality rate	5.0%	(105)	(102)	110	108

The defined benefit obligation has been recalculated by changing the assumptions as outlined above, whilst retaining all other assumptions.

(v) Risk exposure

There are a number of risks to which the Fund exposes the Employer. The more significant risks relating to the defined benefits are:

- Investment risk - The risk that investment returns will be lower than assumed and the Employer will need to increase contributions to offset this shortfall.
- Longevity risk - The risk that pensioners live longer than assumed, increasing future pensions.
- Pension indexation risk - The risk that pensions will increase at a rate greater than assumed, increasing future pensions.
- Salary growth risk - The risk that wages or salaries (on which future benefit amounts for active members will be based) will rise more rapidly than assumed, increasing defined benefit amounts and thereby requiring additional employer contributions.
- Legislative risk - The risk is that legislative changes could be made which increase the cost of providing the defined benefits.

The defined benefit fund assets are invested with independent fund managers and have a diversified asset mix. The Fund has no significant concentration of investment risk or liquidity risk.

(vi) Defined benefit liability and employer contributions

Funding arrangements are reviewed at least every three years following the release of the triennial actuarial review and was last reviewed following completion of the triennial review as at 30 June 2012. Contribution rates are set after discussions between the employer, STC and NSW Treasury.

The next triennial review is at 30 June 2015, the report is expected to be released by the end of 2015.

Funding positions are reviewed annually and funding arrangements may be adjusted as required after each annual review.

Expected contributions to defined benefit plans for the year ending 30 June 2015 are $0.676m.

The weighted average duration of the defined benefit obligation is years 12.2 years (2014: 12.3 years).

NOTE 06
NON-FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(vii) Amounts recognised in consolidated income statement

The amounts recognised in the consolidated income statement in employee benefits expense are as follows:

	Consolidated	
	2015	2014
	$'000	$'000
Current service cost	**589**	536
Interest cost on benefit obligation	**403**	341
	992	877

(viii) Amounts recognised in other comprehensive income

	Consolidated	
	2015	2014
	$'000	$'000
Actuarial gains/(losses) on liabilities	**3,001**	(4,877)
Actual return on Fund assets less interest income	**2,253**	2,732
	5,254	(2,145)

NOTE 07
EQUITY

(a) Contributed equity

(i) Share capital	**2015 Shares**	2014 Shares	**2015 $'000**	2014 $'000
Ordinary shares - fully paid	**2,511,475,100**	2,511,475,100	**2,603,226**	2,603,226
	2,511,475,100	2,511,475,100	**2,603,226**	2,603,226

There were no movements in ordinary share capital during the financial year (2014: nil).

(ii) Ordinary shares

On a show of hands every holder of ordinary shares present at a meeting in person, or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

NOTE 07
EQUITY (CONTINUED)

(b) Reserves

	Consolidated 2015 $'000	Consolidated 2014 $'000
Asset revaluation reserve	**930,938**	974,633
Cash flow hedging reserve - interest rate swap	**(884)**	(2,161)
Cash flow hedging reserve - foreign exchange	**-**	(22)
Profit reserves	**204,841**	127,643
	1,134,895	1,100,093

	Consolidated 2015 $'000	Consolidated 2014 $'000
Movements:		
Revaluation surplus - Property, plant and equipment		
Opening balance at 1 July	**974,633**	995,113
Revaluation on asset revaluation reserve	**(62,422)**	(29,099)
Income tax effect of asset revaluation	**18,727**	8,730
Asset revaluation reserve - asset disposal	**-**	(111)
Balance as at 30 June	**930,938**	974,633
Profit reserve		
Opening balance at 1 July	**127,643**	-
Profit transferred into the reserve	**134,598**	163,643
Dividend paid	**(57,400)**	(36,000)
Balance as at 30 June	**204,841**	127,643
Cash flow hedges		
Opening balance at 1 July	**(2,183)**	(5,517)
Hedge liability - interest rate swap	**1,277**	3,426
Hedge reserve - foreign exchange	**22**	(92)
Balance as at 30 June	**(884)**	(2,183)
	1,134,895	1,100,093

NOTE 07
EQUITY (CONTINUED)

(i) Asset revaluation reserve

The property, plant and equipment revaluation reserve is used to record increments and decrements on the revaluation of infrastructure assets.

(ii) Profit reserve

The profit reserve is used to preserve current profits for the purpose of paying dividends in future years.

(iii) Hedge reserve - cash flow hedges

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred. Amounts are reclassified to the consolidated income statement when the associated hedged transaction settles.

(c) Retained earnings

Movements in retained earnings were as follows:

	Consolidated	
	2015	2014
	$'000	$'000
Balance at 1 July	**(134,883)**	(133,493)
Net profit/(loss) for the year after tax	**134,598**	163,643
Re-measurement gains/(losses) on defined benefit plans	**5,254**	(2,145)
Asset revaluation reserve - asset disposal	**-**	111
Tax effect on defined benefit fund (note 6(d)(i))	**(1,576)**	644
Transfer to profit reserve	**(134,598)**	(163,643)
Balance as at 30 June	**(131,205)**	(134,883)

NOTE 08
CASH FLOW INFORMATION

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

	Consolidated	
	2015	2014
	$'000	$'000
Net profit/(loss) for the year after tax	**134,598**	163,643
Adjustments for:		
Depreciation	**176,415**	167,066
Amortisation	**6,524**	6,111
Recognition of impairment expense/(reversal)	**25,525**	(2,060)
Recognition of government grant income attributable to financing activities	**(32,007)**	(36,458)
Net (gain) on sale of non-current assets	**(233)**	(5,532)
Finance costs	**43,517**	51,051
Income tax expense	**53,436**	25,335
Operating profit before changes in working capital and provisions	**407,775**	369,156
Change in operating assets and liabilities:		
Change in trade debtors and other receivables	**20,068**	15,767
Change in taxes receivable	**-**	2,697
Change in inventories	**2,433**	(1,458)
Change in other current assets	**5,867**	(833)
Change in trade and other payables	**12,717**	1,616
Change in other liabilities	**177**	27
Change in provisions	**8,040**	(6,040)
Net cash inflow from operating activities	**457,077**	380,932

NOTE 09
CAPITAL MANAGEMENT

(a) Risk management

The Group's objectives when managing capital are to:

- safeguard the ability to continue as a going concern (refer to note 1(aa)), so that they can continue to provide returns for shareholders and benefits for other stakeholders, and
- maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

During 2015, the Group's strategy, unchanged from 2014, was to maintain a gearing ratio under 50%. The gearing ratios were as follows:

		Consolidated	
		2015	2014
	Notes	**$'000**	$'000
Total Borrowings	4(c),4(d)	**1,099,815**	998,446
Less cash and cash equivalents	4(a)	**(319,937)**	(91,284)
Adjusted net debt		**779,878**	907,162
Total equity		**3,606,916**	3,568,436
Adjusted equity		**4,386,794**	4,475,598
Net debt to adjusted equity ratio		**17.8%**	20.3%

Total borrowings include trade and other payables and the impact of amortised interest and fees.

(b) Dividends - Ordinary shares

	Consolidated	
	2015	2014
	$'000	$'000
Final dividend for the year ended 30 June 2014 of 0.77 cents (2014: nil) per fully paid share	**20,100**	-
Interim dividend for the year ended 30 June 2015 of 1.49 cents (2014: 1.43) per fully paid share	**37,300**	36,000
	57,400	36,000

NOTE 10
FINANCIAL RISK MANAGEMENT

The Group's principal financial instruments comprise receivables, payables, bonds, banking facilities, cash, short term deposits and derivatives. The carrying amount equates to the fair value of the financial instruments.

Risk management framework

The Group's Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Treasury Committee, a committee reporting to the CEO, is responsible for reviewing, monitoring and endorsing funding and risk management strategies. Treasury identifies, evaluates and monitors compliance and manages financial risks in accordance with the Treasury Policy and Strategy. Treasury provides updates to the Audit and Compliance Committee which oversees adequacy, quality and effectiveness of governance and financial risk management.

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall financial risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as foreign exchange contracts and interest rate swaps to hedge cash flow risk exposures. Derivative financial instruments are exclusively used for hedging purposes, that is, not as trading or other speculative instruments. The Group uses different methods to identify and measure various different types of risk to which it is exposed.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions such as purchases of equipment and supplies from overseas. All significant non Australian dollar denominated payments require Treasury to assess and mitigate the Group's foreign exchange risk.

Forward contracts are generally used to manage foreign exchange risk. Treasury is responsible for managing the Group's exposures in each foreign currency by using external foreign currency instruments in accordance with Board approved Treasury Policy.

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity. When the cash flows occur, the Group adjusts the initial measurement of the component recognised in the consolidated income statement by the related amount deferred in equity.

During the year ended 30 June 2015 there was a reclassification of cash flow hedge from equity to the income statement of $0.022m (2014: $(0.070m)). There was no hedge ineffectiveness in the current or prior year.

(ii) Cash flow and interest rate risk

The Group's main interest rate risk arises from borrowings. Bonds issued at variable rates expose the Group to cash flow interest rate risk. The Group's policy is to maintain borrowings within the fixed floating rate control limits as specified for defined time periods. Interest rate instruments are used to achieve this when necessary. During the financial year, the Group's borrowings at fixed and variable rates were denominated in Australian dollars.

The Group's policy is to invest its available cash reserves with due regard to the timing and magnitude of operational cash flow requirements. The Group manages its cash flow interest rate risk by entering into and designating interest rate related authorised hedging instruments as hedges. As at the reporting date, cash reserves are being held as cash and short term investments.

The gain or loss from re-measuring the hedging instruments at fair value is recognised in other comprehensive income and deferred in equity in the hedging reserve, to the extent that the hedge is effective. It is reclassified into the income statement when the hedged interest expense is recognised. In the year ended 30 June 2015 there was no reclassification into profit or loss (2014: nil). Hedge effectiveness was assessed at the inception of the bonds and

NOTE 10
FINANCIAL RISK MANAGEMENT (CONTINUED)

was found to be effective. Hedge effectiveness was also assessed prospectively and retrospectively using the cumulative dollar offset method as at 30 June 2015 as a part of the bi-annual testing. There was no hedge ineffectiveness in the year ended to 30 June 2015 (2014: nil).

Instruments used by the Group

Derivatives are only used for economic hedging purposes and not as trading or speculative instruments. The Group has the following derivative financial instruments:

	Consolidated	
	2015	2014
Current liabilities	**$'000**	$'000
Interest rate swap contracts - cash flow hedges	**(1,262)**	(2,001)
Forward foreign exchange contracts - cash flow hedges	**-**	(31)
Total current derivative financial instrument liabilities	**(1,262)**	(2,032)
Non-current liabilities		
Interest rate swaps - cash flow hedges	**-**	(1,086)
Total non-current derivative financial instrument liabilities	**-**	(1,086)
Total derivative financial instrument liabilities	**(1,262)**	(3,118)

(iii) Classification of derivatives

Derivatives are classified as hedging instruments and accounted for at fair value in other comprehensive income and deferred in equity in the hedging reserve. It is reclassified into the income statement when the hedged interest expense is recognised.

(iv) Sensitivity analysis - interest rate and foreign currency

	Interest rate risk				Foreign exchange risk	
	-0.5%		+0.5%		-10%	+10%
	Profit	Equity	Profit	Equity	Equity	Equity
At 30 June 2015	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets						
Cash and cash equivalents	(1,120)	(1,120)	1,120	1,120	-	-
Total increase/ (decrease) in financial assets	**(1,120)**	**(1,120)**	**1,120**	**1,120**	**-**	**-**
30 June 2014						
Financial assets						
Cash and cash equivalents	(315)	(315)	315	315	-	-
Derivatives cash flow hedge - foreign exchange	-	-	-	-	(31)	65
Total increase/ (decrease) in financial assets	(315)	(315)	315	315	(31)	65

This analysis assumes all other variables are constant.

NOTE 10
FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk

(i) Risk management

The Group's exposure to credit risk arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount. Credit risk is managed on a Group basis. Credit risk arises predominantly from derivatives and trade and other receivable. The Group does not hold any credit derivatives to offset its credit exposure.

The Group's Treasury Policy outlines the approach to the management of counterparty credit risk as approved by the Board. A number of criteria are utilised to manage and spread the level of risk such as: minimum credit rating of counterparty (investment grade), maximum credit exposure to any one counterparty and consideration of counterparty concentration risk.

The Group's policy is that all customers enter into access agreements meeting the terms and conditions as set out in the agreement before entering the Group's rail network and receiving any trade credit facilities.

The Group's exposure to bad debts has been historically low and statistically insignificant, therefore no collective loss provision is determined. The Group does have significant concentration of credit risk associated with major customers providing a high proportion of access revenue, therefore any bad debt provisions required are assessed on an individual basis.

(ii) Credit quality

Allowance for impairment

The ageing analysis of trade receivables as at 30 June 2015 are listed below and include $2.9m (2014: $19.7m) of trade receivables that are past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The $32.9m (2014: $32.9m) of trade receivables is neither past due nor impaired and based on the credit history of these customers it is expected that these amounts will be received when due.

The ageing of trade receivables is as follows:

	Consolidated	
	2015	2014
	$'000	$'000
Neither past due nor impaired	**32,940**	32,896
Past due but not impaired		
< 30 days	**-**	270
30 - 60 days	**2,788**	18,693
61 - 90 days	**95**	245
> 90 days	**60**	528
Total	**35,883**	52,632

NOTE 10
FINANCIAL RISK MANAGEMENT (CONTINUED)

As at 30 June 2015 there was an allowance of impairment in trade and other receivables of the Group of $0.024m (2014: $0.064m). The individually impaired items relate to rental on property where the lessees have fallen significantly behind on lease payments. Other receivables past due but not considered impaired are nil (2014: nil).

Movements in the provision for impairment of trade receivables that are assessed for impairment individually are as follows:

	Consolidated	
	2015	2014
	$'000	$'000
At 1 July	**(64)**	(32)
Provision for impairment charged to other expenses during the financial year	**(12)**	(77)
Receivables written off during the year as uncollectable	**52**	45
At 30 June	**(24)**	(64)

The creation and release of the provision for impaired receivables has been included in 'other expenses' in the income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of committed credit facilities to support funding requirements and the ability to close out market positions. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and maintaining adequate liquidity reserves to support forecast net business expenditure requirements for a minimum of twelve months on a rolling monthly basis.

As at 30 June 2015 $260m of the $500m syndicated debt facility has been utilised (2014: $165m).

The Group has a $1,500m Australian Dollar Domestic Note programme of which $750m is issued. Note that $300m matured and two bonds totaling $300m were issued in the current financial year (note 4(d)). The Group also has access to business card facilities of $2m (2014: $2m).

As at the reporting date of 30 June 2015, as the bond issuer, ARTC complied with clause 4.3 Earnings and Asset Covenant of the Information Memorandum.

NOTE 10
FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

Maturities of financial assets and liabilities based on contractual maturities

The tables below analyse the Group's financial assets and liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

The amounts disclosed in the table are the contractual principal and accrued interest undiscounted cash flows.

At 30 June 2015	Less than 6 months $'000	6 - 12 months $'000	Between 1 and 5 years $'000	Over 5 years $'000	Total cash-flows $'000
Financial assets					
Cash & cash equivalents	319,937	-	-	-	319,937
Trade & other receivables	59,866	-	-	-	59,866
Total financial assets	**379,803**	**-**	**-**	**-**	**379,803**
Financial liabilities					
Trade & other payables	88,962	-	-	-	88,962
Bond issue	17,474	267,480	442,219	150,312	877,485
Borrowings	261,750	-	-	-	261,750
Derivatives financial liabilities - interest rate swap	632	632	-	-	1,264
Total financial liabilities	**368,818**	**268,112**	**442,219**	**150,312**	**1,229,461**
At 30 June 2014					
Financial assets					
Cash & cash equivalents	91,284	-	-	-	91,284
Trade & other receivables	79,934	-	-	-	79,934
Total financial assets	171,218	-	-	-	171,218
Financial liabilities					
Trade & other payables	82,119	-	-	-	82,119
Bond issue	317,719	11,716	495,212	-	824,647
Borrowings	165,732	-	-	-	165,732
Derivatives financial liabilities - foreign exchange	31	-	-	-	31
Derivatives financial liabilities - interest rate swap	2,246	283	568	-	3,097
Other financial liabilities	84	-	-	-	84
Total financial liabilities	567,931	11,999	495,780	-	1,075,710

(d) Fair value measurements

(i) Fair value hierarchy and accounting classification

Judgements and estimates are made in determining the fair values of the items that are recognised and measured at fair value in the financial statements. The reliability of the inputs used in determining fair value, has been classified into the three levels prescribed under AASB 13. An explanation of each level follows underneath the table.

NOTE 10
FINANCIAL RISK MANAGEMENT (CONTINUED)

			Fair Value			
30 June 2015	**Notes**	**Carrying Value $'000**	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Non-financial assets						
Designated at fair value						
Infrastructure assets	6(c)	4,222,084	-	-	4,222,084	4,222,084
Total non-financial assets		**4,222,084**	**-**	**-**	**4,222,084**	**4,222,084**
Financial assets						
Loans and receivables						
Trade and other receivables	4(b)	59,866	-	-	-	59,866
Cash and cash equivalents	4(a)	319,937	-	-	-	319,937
Total financial assets		**379,803**	**-**	**-**	**-**	**379,803**
Financial liabilities						
Fair value - hedging instruments						
Interest rate swaps used for hedging	10(a)	1,262	-	1,262	-	1,262
Other financial liabilities						
Interest bearing liabilities	4(d)	1,010,853	-	-	-	1,010,853
Trade payables	4(c)	88,962	-	-	-	88,962
Total financial liabilities		**1,101,077**	**-**	**1,262**	**-**	**1,101,077**
30 June 2014						
Non-financial assets						
Designated at fair value						
Infrastructure assets	6(c)	4,077,219	-	-	4,077,219	4,077,219
Available for sale						
Properties held for sale	6(b)	1,968	-	1,968	-	1,968
Total non-financial assets		4,079,187	-	1,968	4,077,219	4,079,187
Financial assets						
Loans and receivables						
Trade and other receivables	4(b)	79,934	-	-	-	79,934
Cash and cash equivalents	4(a)	91,284	-	-	-	91,284
Total financial assets		171,218	-	-	-	171,218
Financial liabilities						
Fair value - hedging instruments						
Interest rate swaps used for hedging	10(a)	3,087	-	3,087	-	3,087
Foreign exchange forward contracts used for hedging		31	-	31	-	31
Other financial liabilities						
Interest bearing liabilities	4(d)	916,327	-	-	-	916,327
Trade payables	4(c)	82,119	-	-	-	82,119
Finance lease liabilities	4(e)	84	-	-	-	84
Total financial liabilities		1,001,648	-	3,118	-	1,001,648

NOTE 10
FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Fair value measurements (continued)

Level 1: The fair value of instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. These instruments are included in level 1.

Level 2: The fair value of instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Disclosed fair values

The carrying amounts of trade receivables and payables, bonds, banking facilities, cash and short term deposits equates approximately to their fair values due to their nature and are carried at amortised cost.

All investments in shares are held at cost.

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the current or the previous financial year. The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

(ii) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves. The present values and discounted rates used were adjusted for counterparty and own credit risk and are not considered a significant input.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date.
- The fair value of infrastructure assets is determined using discounted cash flow projections based on reliable estimates of future cash flows.

NOTE 10
FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items for the periods ended 30 June 2014 and 30 June 2015 for the Group:

	$'000
Opening balance 1 July 2013	**4,007,711**
Additions	256,298
Loss included in expenses	2,060
Depreciation	(159,387)
Disposals	(364)
Changes in fair value included in other comprehensive income	(29,099)
Closing balance 30 June 2014	**4,077,219**
Additions	401,236
Loss included in expenses	(25,525)
Depreciation	(168,424)
Changes in fair value included in other comprehensive income	(62,422)
Closing balance 30 June 2015	**4,222,084**

(iv) Valuation inputs and relationships to fair value

The following table summarises the information about the significant unobservable inputs used in level 3 fair value infrastructure asset measurements. See (ii) above for the valuation techniques adopted.

Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurements
Discounted cash flows: The valuation model considers the present value of expected payment, discounted using a risk-adjusted discount rate. The expected payment is determined by considering the cashflow forecasts for each business unit which is comprised of the relevant CGUs. Risk adjustments are made and terminal value calculations are completed on a probability basis.	• Forecast annual revenue, • Maintenance and capital expenditure, • Risk-adjusted discount rate	The estimated fair value would increase (decrease) if; the annual revenue growth rate were higher (lower), if maintenance and capital expenditure were lower (higher); or the risk-adjusted discount rate were lower (higher). Generally a change in the annual revenue growth rate is accompanied by a directionally similar change in maintenance and capital expenditure.

NOTE 10
FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Fair value measurements (continued)

(v) Valuation processes

The Group calculates the fair value for infrastructure assets using the income method approach, whereby the measurement reflects current market expectations of future cashflows discounted to their present value for each cash generating unit that would be considered reasonable by a normal market participant. The estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the business risk.

ARTC's policy is to revalue on a triennial basis or if in an intervening year the fair value of the revalued asset class differs materially from its carrying amount. Property, plant and equipment reviews are undertaken annually to ensure significant movements are identified and accounted for. At 30 June 2015 the Group undertook a fair value assessment on an income method approach as there are no similar market quoted assets. The net present value of the cash flows for each business unit is compared with the current carrying value and any significant variance is taken to the financial statements.

The main level 3 inputs used by the Group for this process are derived and evaluated as follows:

- The Interstate business unit comprises the East West and North South CGU's, the underlying cash flows are compiled on the basis that the CGU's operate as a combined Interstate business unit.
- Due to the long life of the asset base of the business, cash flows are considered for the shorter of mine life or 20 years.
- Expected cash flows are based on the terms of existing contracts, along with the entity's knowledge of the business and assessment of the likely current economic environment impacts, adjusted to account for an expected arm's length market participant's view of cash flow risks.
- Growth rates for income are derived from the underlying contract data, GDP growth rates, inflation estimates and pricing assumptions. Long term average growth rates used range from 1.6% to 5.0% (2014: 2.4% to 7.2%).
- Discount rates are determined using an external expert assessment to calculate a post-tax rate that reflects current market assessments of the time value of money and the risk specific to the business providing a range of 7.0% to 7.3% (2014: 7.1% to 7.9%).

NOTE 10
FINANCIAL RISK MANAGEMENT (CONTINUED)

Summarised sensitivity analysis

For the fair values of infrastructure assets reasonably possible changes at the reporting date to one of the significant unobservable inputs, holding other inputs constant would have the following effects:

	Increase		Decrease	
2015	**Profit $'000's**	**Equity $'000's**	**Profit $'000's**	**Equity $'000's**
Annual revenue (1% movement p.a.)	**26,530**	**120,979**	**(26,530)**	**(129,979)**
Maintenance and capital expenditure (1% movement p.a.)	**(8,484)**	**(43,997)**	**8,484**	**43,997**
Discount rate (1% movement)	**(80,157)**	**(562,655)**	**121,146**	**796,570**
2014				
Annual revenue (1% movement p.a.)	33,603	132,762	(33,603)	(132,762)
Maintenance and capital expenditure (1% movement p.a.)	(13,312)	(50,005)	13,312	50,005
Discount rate (1% movement)	(127,939)	(558,662)	191,385	775,160

NOTE 11
SUBSIDIARIES

Significant investment in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following principal non - operating subsidiaries in accordance with the accounting policy described in note 1(g):

Name of subsidiary	Country of incorporation	Equity holding	
		2015	2014
		%	%
ARTC Services Company Pty Ltd	Australia	**100**	100
Standard Gauge Company Pty Ltd	Australia	**100**	100

NOTE 12
CONTINGENCIES

The Group accounts for costs associated with rectifying rail access related incidents following their occurrence. Income from subsequent insurance and other recoveries are only recognised when there is a contractual arrangement in place and the income is virtually certain of being received. As a result, certain potential insurance and or other recoveries have not been recognised at year end, as their ultimate collection is not considered virtually certain.

A contingent liability exists at reporting date relating to the following:

(a) Unresolved indirect tax issues for which the potential liability is not able to be quantified with any certainty but is unlikely to have a material impact to the users of the financial statements.

(b) Unresolved coal revenue allocations arising from the review by the Australian Competition and Consumer Commission (ACCC) of ARTC's - Hunter Valley Access Undertaking Compliance Submissions for 2013 onwards, which is in its preliminary stages. This may result in a reduction in allowable revenue as per the 2013 and 2014 compliance submissions of which the impact is not expected to be known until the 2015/16 financial year. However, it is expected that any revenue reduction will be recovered over future years. The liability is not able to be quantified with any certainty due to the preliminary nature of the review.

NOTE 13
COMMITMENTS

(a) Capital commitments

At 30 June 2015, the Group has commitments in the order of $160.1m relating to investment program that the Group will be undertaking in the Interstate and Hunter Valley business units in the coming years.

The scope of the work is over a range of projects along the corridor, with the focus on repairing, renovating and rebuilding the rail infrastructure assets to address rail's performance on the corridor.

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	Consolidated	
	2015	2014
	$'000	$'000
Property, plant and equipment payable:		
Within one year	**73,373**	204,887
Later than one year but not later than five years	**86,737**	96,351
	160,110	301,238

(b) Lease commitments: Group as lessee

Non-cancellable operating leases

The Group leases various offices and warehouses under operating leases expiring within one to eight years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated. Commitments in relation to leases contracted for at the end of each reporting period but not recognised as liabilities, payable:

	Consolidated	
	2015	2014
	$'000	$'000
Within one year	**8,987**	6,893
Later than one year but not later than five years	**19,267**	17,546
Later than five years	**2,321**	3,756
	30,575	28,195

(c) Lease commitments: Group as the lessor

The Group has entered into various property leases with terms of the lease ranging from one year to indefinite. The future minimum lease payments receivable under operating leases are as follows:

	Consolidated	
	2015	2014
	$000	$000
Within one year	**5,899**	6,037
Later than one year but not later than five years	**9,223**	11,202
Later than five years	**8,662**	9,986
	23,784	27,225

NOTE 14
DIRECTORS AND KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Directors

The following persons were Directors of ARTC during the financial year:

(i) Chairman Non - Executive

- J Caldon (end of term 20 April 2015)

(ii) Executive Director

- J Fullerton
  Chief Executive Officer

(iii) Non - Executive Directors

- L Di Bartolomeo
  (Acting Chairman from 21 April 2015 to 2 August 2015)
- J Bonnington
  (commenced 6 August 2014)
- L Briggs
  (end of term 9 November 2014)
- G Brown
- P Catty
- B Cotter

(b) Key Management Personnel

Title	Name
Chief Executive Officer	J Fullerton
Chief Financial Officer	A J Bishop
Executive General Manager Strategy & Corporate Development	S Ormsby
Executive General Manager Interstate Network	P Winder
Executive General Manager Hunter Valley (from 19 January 2015)	J Vandervoort
Executive General Manager Hunter Valley (until 14 August 2014)	A Mackenzie
Executive General Manager People	J McAullife
General Counsel and Company Secretary	G Carney
Executive General Manager Enterprise Services	T Ryan
Executive General Manager Corporate Affairs	J Lavender-Baker

(c) Remuneration of Directors and Key Management Personnel

	Consolidated	
	2015	2014
	$	$
Short term employee benefits	**3,947,905**	3,358,558
Post-employment benefits	**200,318**	170,558
Termination benefits	**267,920**	182,100
	4,416,143	3,711,216

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel.

NOTE 15
REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by the auditor of the Consolidated Entity, its related practices and non-related audit firms:

Audit and other assurance services

	Consolidated	
	2015	2014
	$	$
Audit services		
The following total remuneration was received or is due to be receivable, by the Australian National Audit Office in respect of its services, including those performed by its contractors Ernst & Young (2014: KPMG) for auditing the financial report of the entity in the consolidated group	**260,000**	250,000
Other assurance services		
The following total remuneration was received or is due and receivable, by the Australian National Audit Office in respect of its services, including those performed by its contractors Ernst & Young (2014: KPMG) relating to fees for Infrastructure Investment Grant Audit	**10,000**	10,000
Total remuneration for audit and other assurance services	**270,000**	260,000
Other services		
The following total remuneration was received or is due and receivable, by Ernst & Young relating to fees for the review of the programme business case in relation to the Inland Rail Proposal	**32,475**	-
Total remuneration for other services	**32,475**	-

NOTE 16
RELATED PARTY DISCLOSURES

(a) Ultimate controlling entity

ARTC is the ultimate Australian Parent entity within the Group and the ultimate controlling entity of the Group is the Commonwealth Government.

(b) Directors

A Director related entity includes any legal, administrative or fiduciary arrangement, organisational structure or other party, including a person, having the capacity to deploy equity instruments in order to achieve objectives. The entity must be under joint or overall control or significant influence of a Director or his/her related parties.

ARTC Director, Mr Lucio Di Bartolomeo was a Director and Chairman of Macquarie Generation during the financial year. ARTC has a commercial relationship with Macquarie Generation as an Access Holder in the Hunter Valley. As a Non-Executive Director, he had no direct involvement in the negotiation of the Access Holder Agreement with ARTC (2014: nil).

There were no loans to Directors at year end (2014: nil).

NOTE 17
SIGNIFICANT EVENTS AFTER THE BALANCE DATE

No events have occurred after the balance sheet date that should be brought to account or disclosed in the year ended 30 June 2015 financial statements.

NOTE 18
PARENT ENTITY FINANCIAL INFORMATION

(a) Summary financial information

The individual financial statements for the Parent entity (Australian Rail Track Corporation Limited) show the following aggregate amounts:

	2015 $'000	2014 $'000
Balance sheet		
Current assets	**408,010**	209,569
Non-current assets	**4,833,621**	4,873,254
Total assets	**5,241,631**	5,082,823
Current liabilities	**434,170**	465,348
Non-current liabilities	**1,207,568**	1,056,062
Total liabilities	**1,641,738**	1,521,410
Net assets	**3,599,893**	3,561,413
Shareholders' equity		
Contributed equity	**2,603,226**	2,603,226
Reserves	**1,134,895**	1,100,093
Retained earnings	**(138,228)**	(141,906)
Capital and reserves attributable to owners of Australian Rail Track Corporation Ltd	**3,599,893**	3,561,413
Total revenue and other income	**858,101**	779,313
Total expenses	**(626,549)**	(539,264)
Finance costs	**(43,518)**	(51,071)
Income tax (expense)/benefit	**(53,436)**	(25,335)
Profit/(Loss) for the year	**134,598**	163,643
Other comprehensive income, net of tax		
(Devaluation)/revaluation property plant and equipment	**(43,695)**	(20,369)
Re-measurement gains/(losses) on defined benefit fund obligations	**3,678**	(1,501)
Cash flow hedge charged to equity - foreign exchange	**-**	(22)
Cash flow hedge charged to equity - interest rate swap	**1,277**	3,426
Net changes in the fair value of cashflow hedges transferred to profit and loss	**22**	(70)
Other comprehensive income for the year, net of tax	**(38,718)**	(18,536)
Total comprehensive income, net of tax	**95,880**	145,107

NOTE 18
PARENT ENTITY FINANCIAL INFORMATION (CONTINUED)

(b) Contingencies of the Parent entity

The Parent entity accounts for costs associated with rectifying rail access related incidents following their occurrence. Income from subsequent insurance and other recoveries is only recognised when there is a contractual arrangement in place and the income is probable of being received. As a result, certain potential insurance and or other recoveries have not been recognised at year end, as their ultimate collection is not considered probable.

A contingent liability exists at reporting date relating to the following:

(i) Unresolved indirect tax issues for which the potential liability is not able to be quantified with any certainty but are unlikely to have a material impact to the users of the financial statements.

(ii) Unresolved coal revenue allocations arising from the review by the ACCC of ARTC's - Hunter Valley Access Undertaking Compliance Submissions for 2013 onwards, which is in its preliminary stages. This may result in a reduction in allowable revenue as per the 2013 and 2014 compliance submissions of which the impact is not expected to be known until the 2015/16 financial year. However, it is expected that any revenue reduction will be recovered over future years. The liability is not able to be quantified with any certainty due to the preliminary nature of the review.

(c) Contractual commitments for the acquisition of property, plant or equipment

As at 30 June 2015, the Parent entity had contractual commitments for the acquisition of property, plant or equipment totalling $160.1m (2014: $301.2m). These commitments are not recognised as liabilities as the relevant assets have not yet been received.

DIRECTORS' DECLARATION 30 JUNE 2015

In the Directors' of Australian Rail Track Corporation Ltd.'s ("the Consolidated Entity") opinion:

(a) the consolidated financial statements and notes set out on pages 47 to 104 are in accordance with the Corporations Act 2001, including:

(i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and

(ii) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2015 and of its performance for the year ended on that date, and

(b) the financial statements and notes set out on pages 47 to 104 are also in accordance with the international financial reporting standards issued by the International Accounting Standards Board; and

(c) there are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable.

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

H Nugent
Director
Signed in Sydney on the 27th of August 2015

Australian National
Audit Office

INDEPENDENT AUDITOR'S REPORT

To the members of the Australian Rail Track Corporation Ltd

I have audited the accompanying financial report of the Australian Rail Track Corporation Ltd which comprises the Consolidated balance sheet as at 30 June 2015, the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated statement of changes in equity, the Consolidated statement of cash flows for the year then ended, Notes to the consolidated financial statements, including a Summary of significant accounting policies, and the Directors' declaration of the consolidated entity comprising the Australian Rail Track Corporation Ltd and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the Australia Rail Track Corporation Ltd are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In Note 1(b), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on my audit. I have conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

GPO Box 707 CANBERRA ACT 2601
19 National Circuit BARTON ACT
Phone (02) 6203 7300 Fax (02) 6203 7777

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independence

In conducting my audit, I have complied with the independence requirements of the *Corporations Act 2001*.

Opinion

In my opinion:

a) the financial report of the Australian Rail Track Corporation Ltd is in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and

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

b) the consolidated financial report also complies with the *International Financial Reporting Standards* as disclosed in Note 1 (b).

Australian National Audit Office

Peter Kerr

Executive Director

Delegate of the Auditor-General

Canberra

27 August 2015

COMPLIANCE INDEX