AUSTRALIAN RAIL TRACK CORPORATION

2014 ANNUAL REPORT

ABN 75 081 455 754
Passenger Terminal Rd
off Sir Donald Bradman Drive
Mile End SA 5031

ARTC

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

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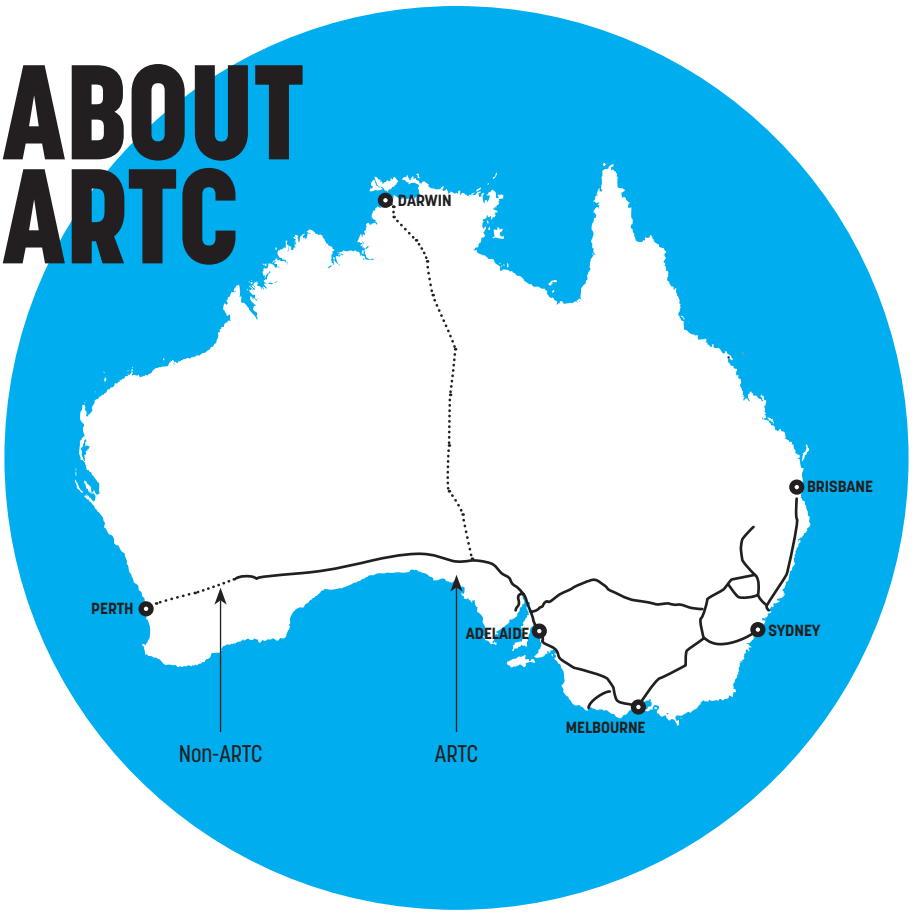
ABOUT ARTC



Australian Rail Track Corporation (ARTC) plays a critical role in the transport supply chain and in the overall economic development of Australia. We manage and operate over 8500 kilometres of standard gauge track in New South Wales, Victoria, South Australia, Western Australia and Queensland, making us one of Australia's largest rail network owners.

ARTC was created after the Commonwealth and State Governments agreed in 1997 to form a 'one-stop' shop for all operators wanting access to the national interstate rail network. We have since invested billions to grow, upgrade and maintain both the Interstate and the Hunter Valley networks. Together, these networks support industries and businesses that are vital to the nation's economy by facilitating the movement of a range of commodities including general freight, coal, iron ore, other bulk minerals and agricultural products. Our network is also important in providing access for interstate and inter-city passenger services.

We are more committed than ever to our vision to "make rail the mode of choice in the national logistics chain".

CEO & CHAIRMAN'S OVERVIEW

from left to right:
JOHN FULLERTON
Chief Executive Officer

JOHN CALDON
Chairman

The past year has seen Australian Rail Track Corporation deliver another strong earnings performance and this is a further reflection of the progress the business is making toward delivering the high performing rail network our customers expect.

We have grown strongly on the back of our investment program over recent years, particularly in the Hunter Valley coal network, and despite tough economic conditions being experienced throughout the wider economy.

The most pleasing result over the last year has been our continued improvement in service levels. Hunter Valley and Interstate network reliability has improved substantially on last year as a result of infrastructure investment and cooperation with our customers on specific reliability initiatives. This has been especially important for our intermodal customers where on-time reliability is a critical factor in their choice of transport mode.

After a substantial period of investment for the business we have delivered our first dividend payment since 2004.

Looking ahead, there are challenges for the business — reduced economic activity has been reflected in flat intermodal volumes and greenfield coal projects are being deferred as a result of lower coal prices and over supply. While we will need to respond to these issues, our fundamentals as a business remain sound and we remain well placed to continue our growth path which will create long term Shareholder and customer value.

FINANCIAL PERFORMANCE

Over the last year, we have increased our focus on customer engagement, improving business efficiency and driving cost reductions to improve financial returns and maintain rail's competitiveness. This saw our access revenues increase by 8.5 percent from $660 million to $716 million. Earnings Before Interest, Tax, Depreciation, Amortisation and Impairment (EBITDAI) increased 20.5 percent from $336 million to $405 million. Group Net Profit After Tax was $163.6 million compared to a loss of $202 million last year.

In line with the substantive completion of the $7 billion investment program to repair, upgrade and expand capacity on the Hunter Valley and Interstate rail networks, 2013/14 marked the end of our agreed dividend exemption period and a return to Shareholder dividend payments. An interim dividend of $36 million was paid in May 2014 in line with prior year expectations.

Total interest bearing debt of $916 million was slightly lower than last year ($1,080 million) and the Group Debt / Debt + Equity ratio also reduced from 23.8 percent to 20.4 percent. The company completed a successful bank debt refinancing in June 2014 which saw the addition of two new counterparties, reduced cost and improved terms.

DELIVERING ON OUR STRATEGY

This year saw the completion of an almost $4 billion capital program that has modernised the Interstate network. During the year we completed:

- The transfer of operational control of the Sydney Metropolitan Freight Network, so that customers need only deal with a single network owner between the Port of Melbourne and Port Botany
- A new passing lane north of Melbourne to provide greater operational flexibility for services operating between Melbourne and Sydney
- A substantial component of the Ballast Rehabilitation Program between Melbourne and Sydney, improving the reliability of our Melbourne to Sydney corridor
- Centralised Train Control from Coonamia to Tarcoola, allowing customers to get their freight to market more reliably and predictably between the East Coast and Perth.

As this 'build' phase tapers, our sights are firmly set on bringing more freight onto rail through a focus on our customer at every level and function of our business.

The reason for this is simple and timely. For us to grow as a business over the long-term and achieve our vision of making rail the number one mode of choice in Australia, we first and foremost need to offer and deliver reliable and competitive services and have the required capacity available for growth; but we also need to build a strong rail brand, continue to make rail easier to use and develop whole-of-supply chain solutions with rail as a dominant component.

By getting this mix right, we create an environment that enables more freight owners to shift more by rail and ultimately help our customers succeed.

In 2013 we conducted a customer satisfaction survey and this gave us greater insight into our customer needs and perceptions. Pleasingly, this customer survey (and our own internal

staff engagement surveys), have been consistent in the message that we are on the right path and need to keep changing for the better. We acknowledge that there is still a lot of work to do and ongoing customer surveys are planned to assist us in tracking our progress and gain further insights into how we can change and improve to better meet the needs of our customers.

We know that transforming our business is fundamental to our future success. In the first half of 2014 we began a substantial program to shape our business structure and culture around our customers. We know that putting customers at the forefront of our business strategy will be the key to getting more freight onto rail, increase our financial returns and make ARTC an even better place to work.

To develop the Transformation Program we consulted with both customers and staff and recurring feedback was received on: customer focus; responsiveness; using modern technology and systems; caring for our workmates; listening and giving feedback. All this has led directly to develop new initiatives under six separate streams including: Business Structure and Process, Leadership, Brand, Customer Experience, Training and Development and Employee Engagement.

The first stages of this program will focus on embedding the right leadership, capabilities and support to enable us to deliver a superior service for our customers.

OUR PEOPLE

Our success depends on having a group of talented, motivated, diverse and committed staff delivering the solutions our customers are looking for. To help achieve this, we recognise the importance of providing our employees with a work environment that is both engaging and fulfilling.

We will continue to strive to create an environment that attracts, motivates, develops and retains high performing employees and we are pleased by the positive increasing engagement trend we are seeing from our Employee Engagement surveys.

The last twelve months also saw ARTC enjoy the first full year of bringing our maintenance function in-house. This decision has proved immensely successful in terms of driving improved asset performance and the transition was completed relatively seamlessly.

SAFETY

Ensuring no one is harmed at work or on our network is a key priority for us.

We set the bar higher again this year for our safety goals and the Lost Time Injury Frequency Rate (LTIFR) for the 12 months to 30 June 2014 was 2.31 — an improvement on the 12 months to 30 June 2013, which was 3.69. Whilst the trend is positive, we can never be satisfied whenever anyone is injured at work.

The Medically Treated Injury Frequency Rate (MTIFR) result for the 12 months to 30 June 2014 was 6.54, again continuing a positive trend, lower than the 6.92 MTIFR recorded for the 12 months to 30 June 2013.

We look to continue reducing as much risk out of the business as we practically can, because any incident can potentially cause harm to our employees.

While getting safety right starts with our people, it is also something that is supported by processes, technology and infrastructure — and getting it right in these areas will also contribute to a safer workplace.

An example is the introduction of Centralised Train Control (CTC) on sections of the East West network between Port Augusta and Tarcoola. This system not only delivers capacity improvements, but in removing a manually transacted train order system, we also drastically reduce the paper and phone handling by our network controllers and reduce the potential for human error.

The Advanced Train Management System (ATMS) will provide the next step to this, helping reduce the number of opportunities for conflict between trackworker and train and improving the visibility of train drivers as they near work sites or opposing train services, in addition to the efficiency benefits at a network control level.

Our commitment to safety is also rightly scrutinised when serious incidents or safety issues take place on our network. The Australian Transport Safety Bureau (ATSB) released two major incident reports in the past year that are important for us as a business to reflect on and learn from. The first related to the ATSB report into the quality of the track between Melbourne and Sydney and the second related to a derailment near Boggabri, NSW in 2012.

We have considered the findings of these reports in detail and reiterate our commitment to working closely with the rail safety bodies to ensure we continue to improve the safety and standards of the national Interstate and Hunter Valley networks, because it is in all of our interests to have the safest and best performing network possible.

We are encouraged by the rail industry's continued steps toward a national approach across safety, standards and investigative activity through the Office of the National Rail Safety Regulator. When complete, this centralisation will result in better outcomes for all of the industry.

From a construction and infrastructure perspective, the national approach can be seen in rail safety certification and we continue to work with industry and the Australasian Railway Association on delivering a simpler and safer Rail Industry Worker program. Over 18,000 contractors are now issued with Rail Industry Worker Cards across the ARTC network.

We must continue to demand the best possible safety practices from all of our contractors and this will only further benefit the integrity of our risk and safety profile.

HUNTER VALLEY

In the Hunter Valley, our objective to increase rail coal chain capacity and performance to meet contracted volumes continued through 2013/14. We met capacity needs but also ensured that producers received value for money and the best possible productivity from their investment in the network.

Actual coal chain capacity exceeded coal tonnage every month during 2013/14 and in terms of reliability, less than 0.8 percent of coal train cancellations were attributable to ARTC. This is a great result by the Hunter Valley division, particularly during constrained times.

The rate of coal growth achieved was in line with expectations with the total tonnage of coal moved rising 8.7percent from 150mtpa in 2012/13 to 163.1 mtpa in 2013/14.

While coal volumes in the Hunter Valley continue to grow — indicative of mines increasing production from new projects as well as the benefits of our investment in the network — we understand our coal customers are striving to reduce the cost of production in a difficult market amid low coal prices.

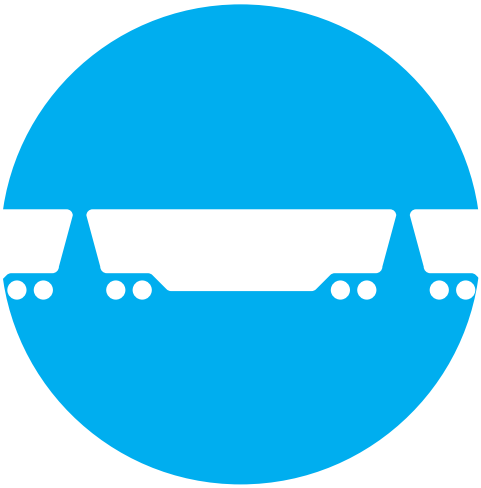
With this in mind, we have taken steps to reduce the cost of operations to customers. Over the last year we have moved away from alliance contracting to direct contracting in the Hunter Valley to ensure we have the most efficient workforce possible for the prevailing economic conditions.

Similarly, our customers look to us to make the most efficient use of the asset and in the past year the Hunter Valley team has made considerable improvements in operational performance by improving asset utilisation within the coal supply chain.

While market prices for thermal coal have been tough for our Hunter Valley customers over the last year, production has increased and we have responded to this demand.

Toward the latter part of 2013 and into 2014 our Hunter Valley coal customers have exported tonnages equivalent to 154.8 mtpa, an 8.7 percent increase on the previous year. This high demand for coal transport raised the bar once again and we have responded setting new monthly haulage records throughout the network.

As we exceed our capacity requirements, the construction demand has been relatively limited and remains so into the foreseeable future. With capacity less a priority for our customers, our focus is now on the efficiency and productivity of the



network — including upgrading the Gunnedah Basin to 30 tonne axle loads as well as taking congestion out of the coal chain through targeted works.

Some of the project highlights of the past year have included:

- Scone Yard Reconfiguration — which will remove the current capacity restrictions through Scone Yard and reduce train headways, increasing capacity
- Kooragang Coal Terminal Departure Road 3 — which will ease congestion on Kooragang Island and facilitate growth in coal volumes
- Hexham Relief Roads — which will ease congestion and improve network flexibility in and out of Port Newcastle with the delivery of five new holding roads just outside of Newcastle.

The last year has also seen us move to an improved maintenance approach and coordinated possession program in the Hunter Valley, which has reduced the number of *ad-hoc* associated works from the maintenance program, thereby increasing the efficiency and productivity of available 'windows' we have for works as well as the safety of track workers.

INTERSTATE

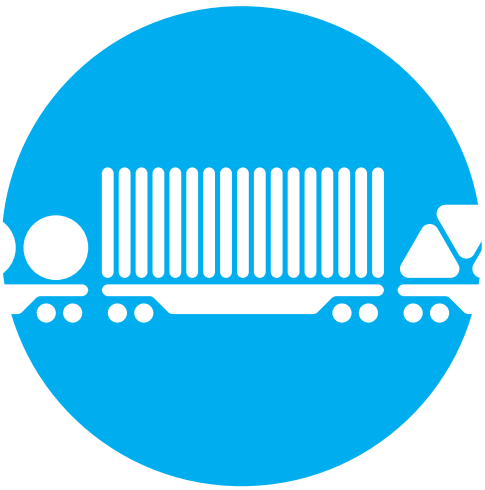
As indicated, the Interstate business has been impacted by wider macro-market conditions and, as a consequence, containerised freight volumes in general have been very flat and bulk commodities such as grain remain highly variable due to seasonal weather conditions.

This is not a case of losing market share to road, it is simply representative of the whole market being subdued.

Interstate access revenue has grown 8.9 percent for the same period over the previous year, despite volume growth over the same period being only 1.8 percent.

Achieving significant growth in rail's share of the North South intermodal market remains a cornerstone of our overall strategy. We are focused on translating the investment we have made into real gains in market share through consistently reliable operational performance, more market responsive pricing structures and engagement with the market to promote rail as the essential link in the national logistics chain.

The 'Road to Rail' rebate has been successful in shifting freight from road to rail for many customers, and combined with improved reliability providing consistent second morning delivery, has resulted in hundreds of thousands of tonnes of additional freight onto rail between Melbourne, Sydney and Brisbane.



For the North South corridor between Melbourne, Sydney and Brisbane, the more than $3 billion investment delivered over the last five years has delivered a range of infrastructure improvements. A combination of this investment alongside operators introducing new locomotives and performance initiatives has seen a significant increase in the on-time availability of freight to end users and improving transit times.

Monthly average reliability for 2013/14 is up 15 percent on the same figures for 2012/13, helping us meet freight availability requirements.

On the back of these results, we launched our first coordinated marketing strategy in early 2014 to promote the East Coast rail corridor. This included a targeted advertising program, stakeholder and customer engagement, participation in a range of peak body activities and the development of marketing collateral. This campaign drove a holistic freight-on-rail message and supported our marketing and customer relations team engaging with customers on the ground.

All of these factors have seen an increase in volumes (up 1 percent) and access revenue (up 10 percent) from last year for the North South, which is particularly pleasing.

In the longer term we remain concerned about issues over which we have limited direct influence but directly affect the North South corridor. This includes heavy vehicle charging and investment reform and the need to move to the next generation of intermodal terminals on the East Coast.

The focus for the East West corridor is on sustaining asset performance to

increase rail volume above economic growth, in line with existing capacity and investment.

The economic context has also proven particularly challenging with rail freight tonnes heading to Western Australia reducing by 2.75 percent this year — a trend reflected across all transport modes supplying our western-most state.

This past financial year has also seen a full year of the new maintenance workforce being imbedded in-house for large areas of the East West network. With the first year completed, each of the teams are starting to realise their capacity, strengths and opportunities and the way they have integrated into normal day-to-day business has been particularly pleasing and represents a real achievement for the East West corridor.

In February, the Australian and Queensland Governments also invited us to consider the opportunities offered by the Queensland regional freight network, and we have had a project team assessing this through the latter half of the year.

COMMUNITY AND ENVIRONMENT

We recognise the impact that our operations have on the communities living alongside our network throughout Australia and are committed to working closely with our customers, regulators and the community to respond to concerns about rail noise, vibration, construction impacts and emissions in line with our requirements with respective state regulators.

We are progressing a number of important initiatives in sections of our network to manage these potential impacts.

In the Hunter Valley, we are supporting the NSW Environment Protection Authority in their efforts to bring an evidence based approach to the discussion of air quality emissions and, together with industry, participate in a working group led by the Minerals Council in NSW that is undertaking further research into the sources of coal dust along the rail corridor.

In addition, we are working with the industry to trial a rail noise abatement project in the Hunter Valley and we continue to invest in track lubricant and wayside monitoring systems to address specific noise challenges in parts of our Interstate network.

We also continue to actively engage with communities where issues arise - across our network – and this has included ongoing investment in community relations support and practical measures to resolve issues such as noise mitigation, in places like the Adelaide Hills and Hunter Valley, as well as monitoring and reporting on activities through our licence conditions with respective Environment Protection Authorities.

LOOKING TO THE FUTURE

As the national freight task continues to grow, we remain well placed to respond and capture an increasing share of this volume and leverage off our investments, accompanied by a customer-centric approach and

supported by the natural advantages rail offers.

The reality of transporting more freight by rail is critical for the national economy and our future growth and we are determined to continue driving the transfer of freight to a mode that is safer, more efficient and more environmentally responsible than any alternative.

An important strategic development area and a national freight policy priority is around intermodal terminals.

We support the development of a national terminal strategy because terminals are critical to effectively and efficiently linking road, rail and distribution functions and this is vital to an efficient national freight network. Modern terminals will be critical to unlocking future freight capacity and reducing congestion.

To this end, it has been pleasing to see momentum continue in the development of an intermodal terminal precinct at Moorebank in Sydney and further developments in Brisbane and Melbourne.

We see a role for us in promoting and facilitating new terminal developments to ensure that Australia develops and preserves efficient and well-integrated road and rail networks that link intermodal terminals with freight hubs and the ports.

In 2014 we also made further steps to take the Advanced Train Management System (ATMS) closer to operational, revenue service activity.

ATMS is custom-engineered technology that will transform the way freight rail operations are managed in Australia.

We have been readying this technology for deployment over the last twelve months and over the next two years live testing of ATMS will take place on an operational segment of the rail network between Whyalla and Port Augusta in South Australia and then we will prepare ATMS for deployment on the ARTC network between Tarcoola and Kalgoorlie. To support this, the contract securing the partnership between us and Lockheed Martin to deliver the first stage of operational testing of ATMS was signed in May 2014.

ATMS is a project that offers a genuine game-changing opportunity for freight rail in Australia. Another project that offers the same kind of step-change and which has progressed from concept to program over the last year is Inland Rail.

INLAND RAIL

Inland Rail is the Australian Government's priority rail freight program and it has committed $300 million to finalise planning, engineering design, environmental assessments and to start construction.

Through 2014 we have has been busy with a number of tasks related to this project, including:

- Establishing the project team to plan and deliver the program
- Assisting the Inland Rail Implementation Group to identify the preferred corridor and final alignment
- Starting stakeholder consultation
- Work on the delivery of preliminary engineering design and environmental assessment
- Developing a staged construction plan particularly in the context of three identified priority projects as identified by the Inland Rail Implementation Group.

Inland Rail will complete the backbone for an efficient national interstate freight network, and provide a direct rail

connection between the Queensland, New South Wales, Victorian and West Australian economies — and dramatically reduce rail freight costs and transit times along our eastern states.

We are excited to be delivering this programme.

Change is by no means an easy road and by its nature is an evolving and long-term process.

With our vision to make rail the mode of choice in the national logistics chain, we need to have a reputation for outstanding service. This will help us to grow the business by attracting new customers, new business opportunities and the best people and we are proud of the way our employees are responding to this demand in an ever-evolving and competitive landscape.

As we continue on this path to reinventing rail and capturing greater share of the freight task, we are confident that our future remains bright — and we thank our customers and our dedicated staff for their commitment in helping to achieve the past year's results as well as prepare us for the opportunities of tomorrow.

We would also like to thank our Shareholders, the Australian Government, for their continued support and together we also wish to thank our fellow Board members and the Executive Team for their leadership and commitment to seeing us succeed.

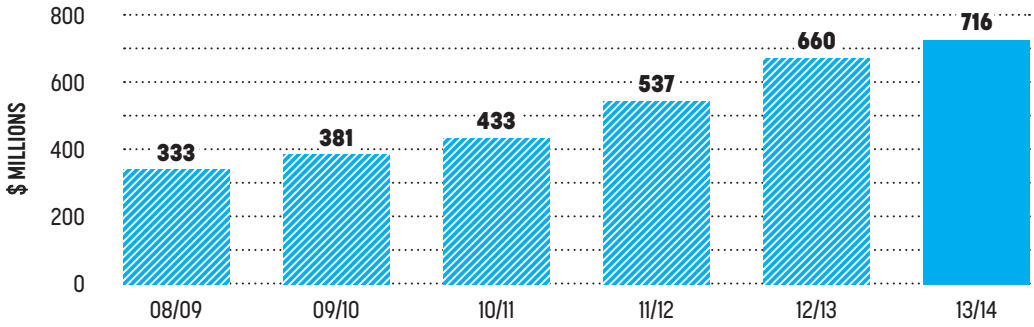
John Caldon
Chairman

John Fullerton
Chief Executive Officer

FINANCIAL PERFORMANCE

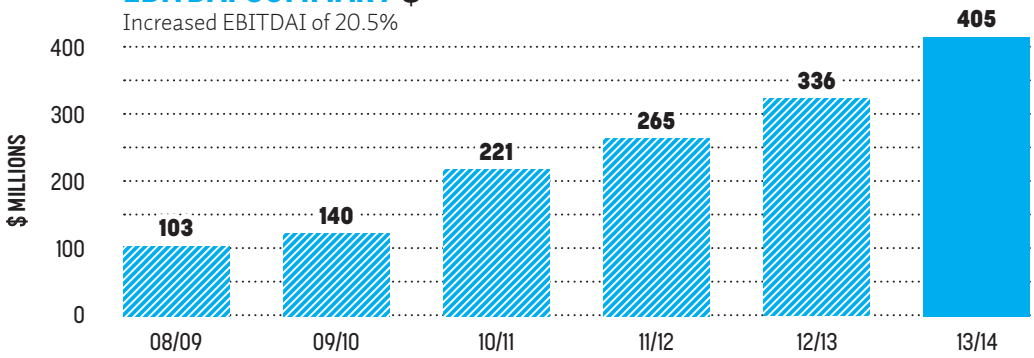
ACCESS REVENUE SUMMARY $

Increased Access Revenue of 8.5%



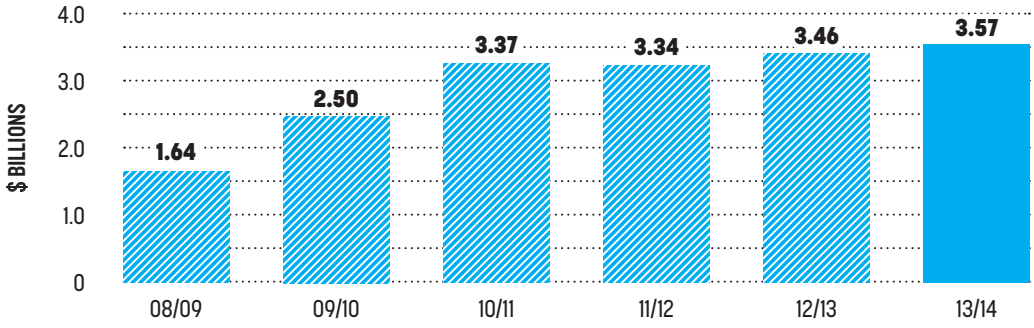
EBITDAI SUMMARY $

Increased EBITDAI of 20.5%



SHAREHOLDER EQUITY $

Increased Shareholder Equity of 3.2%



FINANCIAL SUMMARY

	2014	2013
	$M	$M
Access Revenue	716.4	660.3
Other Revenue (excluding interest and insurance recoveries)	56.5	57.2
TOTAL REVENUE (EXCLUDING INTEREST)	**772.8**	**717.5**
EBITDAI	**404.7**	**336.0**
Depreciation and Amortisation Expense	(173.2)	(157.8)
Impairment Reversal/(Expense)	2.1	(482.0)
EBIT	**233.6**	**(303.8)**
Net finance cost less interest revenue	(44.6)	(23.3)
NET PROFIT BEFORE TAX	**189.0**	**(327.1)**
Tax (Expense)/Benefit	(25.4)	125.1
NET PROFIT AFTER TAX	**163.6**	**(202.0)**
DIVIDEND PAID	**36.0**	**0.0**
TOTAL DEBT	**916.3**	**1,080.1**
SHAREHOLDER EQUITY	**3,568.4**	**3,459.3**
EBITDAI / TOTAL REVENUE %	**52.4%**	**46.8%**
EBIT/ TOTAL REVENUE %	**30.2%**	**(42.3%)**
EBITDAI / SHAREHOLDER EQUITY	**11.3%**	**9.7%**
DEBT / DEBT + SHAREHOLDER EQUITY	**20.4%**	**23.8%**

PERFORMANCE OVERVIEW 2013/14

Increased EBITDAI by

20.5%

Increased Access Revenue By

8.5%

People:

Increased Employee Engagement

Reduction in Lost Time Injuries

37%

Reduction in Medically Treated Injuries

5%

Millions of tonnes of coal transported to the Port of Newcastle in the Hunter Valley

163

Increase in the amount of coal transported compared to previous year

8.7%

Coal cancellations in the Hunter Valley attributable to ARTC

<0.8%

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

15%

Intermodal trains exiting within 30 minutes of schedule

Interstate:

Customers now deal with a single network owner between Melbourne and Sydney ports

Interstate:

Centralised train control signalling between Coonamia and Tarcoola in South Australia improves network efficiency and reliability

HUNTER VALLEY

The Hunter Valley Coal Chain is the world's largest coal export operation, and we provide coal mines in the Hunter Valley and Gunnedah Basin with rail access to the Port of Newcastle. On average there are over 300 trains per day accessing the Hunter Valley network and around half of these are coal trains. A number of passenger services also access the network, as well as grain and general freight trains.

We work hard to increase rail coal chain capacity and performance to meet contracted volumes and in the past year we consistently provided more capacity than actual tonnages transported.The coal tonnage result for the year has been affected by global factors and while demand has not reached forecast expectations it remains significantly higher than in previous years.

KEY HIGHLIGHTS

- Total tonnages reached 163 million tonnes, an increase of 8.7 percent on the previous period.
- In one day, a record tonnage of over 210 million tonnes per annum (mtpa) equivalent was reached, which resulted in over 23,000 tonnes of export coal per hour being hauled to the Port of Newcastle. Between October and December 2013 the delivered export tonnage averaged an equivalent of over 162mtpa every day. This result is testament to the effective collaboration of the participants of the Hunter Valley Coal Chain.
- $158 million has been invested in capital projects across the Hunter Valley Chain. The reduction compared to previous years is a reflection of the lower coal price.

INVESTMENT

We have continued to deliver projects in line with the Hunter Valley Capacity Strategy which is updated annually. This year we completed:

- Construction of Scone Yard Reconfiguration — removes the current capacity restriction through Scone yard by realigning the track so that freight trains can pass through Scone more efficiently.

- Kooragang Coal Terminal Departure Road 3 — relieves track congestion on Kooragang Island to support more efficient movement of coal.

There are also a number of project works that commenced during the year including:

Project Phase: Concept Design*

- Kooragang Arrivals Roads - Stage 2 . . . . . $21 M
- Hexham to Kooragang Re-Signalling . . . . . $20 M
- ARTC Network Control Optimisation . . . . . $30 M

Project Phase: Feasibility Design*

- Wingen Loop . . . . . $29 M
- Togar North Loop . . . . . $30 M

Project Phase: Under Construction*

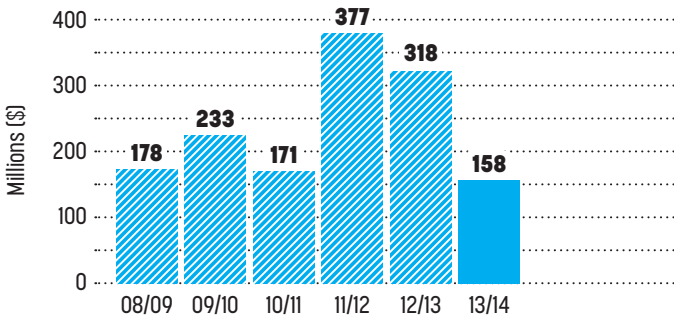
- Kooragang Arrival Roads Signalling Optimisation . . . . . $7 M
- Drayton Down Relief Roads . . . . . $22 M
- Gunnedah Yard Upgrade . . . . . $19 M
- Hexham Relief Roads . . . . . $152 M
- 30 Tonne Axle Load track upgrade . . . $37 M

** total project cost shown*

RELIABILITY

With the growth in tonnages and associated number of trains, access to the track for maintenance is becoming increasingly difficult. Despite this, the network was maintained and operated to a high level of reliability. During the year, coal train cancellations attributable to ARTC were less than 0.8 percent, against our target of 0.9 percent.

Capital Investment in the Hunter Valley Network:

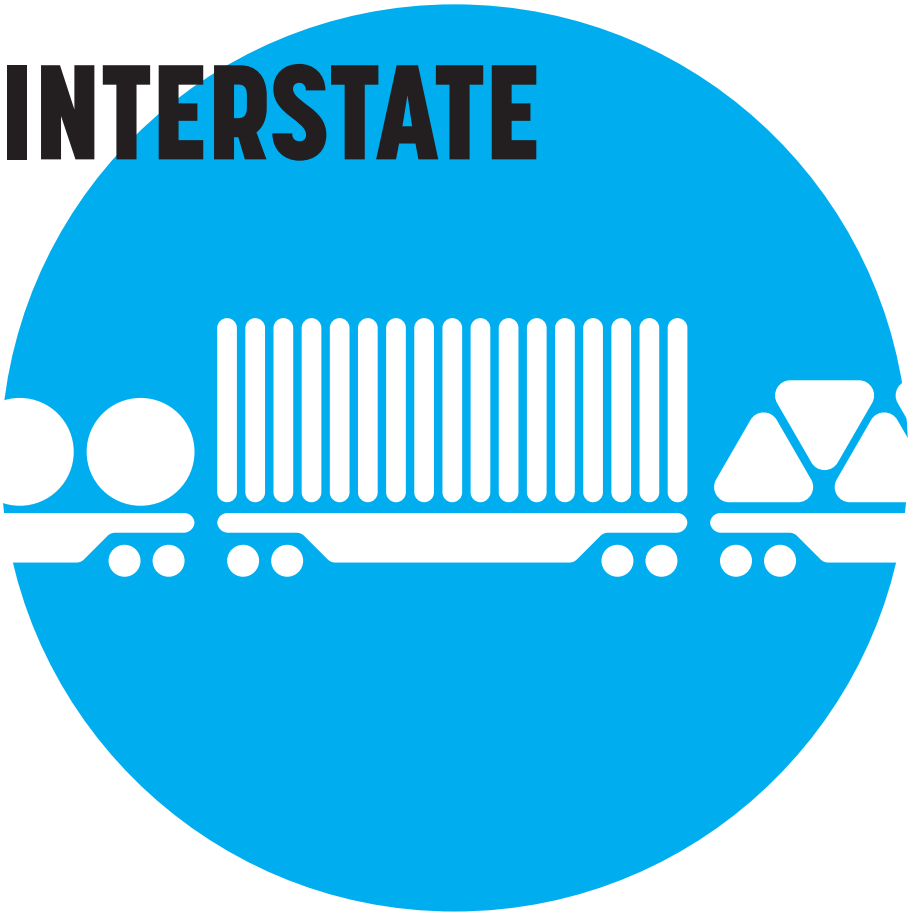


Number of trains per day:

with around half being coal trains

Reliability target achieved:
ARTC attributable coal train cancellations

INTERSTATE



Our Interstate business consists of two corridors.

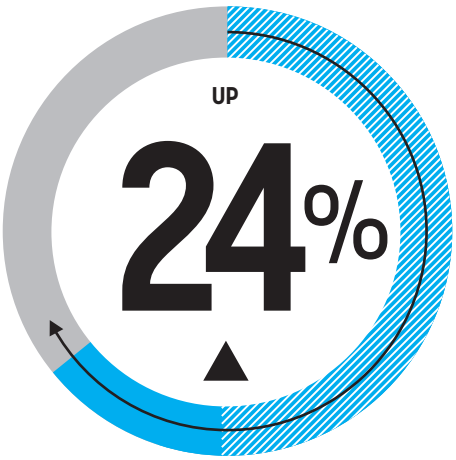
The North South corridor primarily services the Melbourne to Brisbane intermodal freight market, but also facilitates movement of passenger services, regional grain and minerals traffic and port related services. North South, our key customers include Pacific National, Aurizon and Qube as well as the NSW TrainLink and V/Line passenger services.

The East West corridor supports the intermodal freight and the express parcel markets as well as minerals on this corridor, rail commands a market share of around 80 percent of the land transport market. The corridor also connects the Tarcoola (SA) to Darwin network, operated by Genesee and Wyoming Australia to the rest of the nation. Our key customers on the East West corridor include Aurizon, Genesee & Wyoming Australia, Pacific National, SCT (Specialised Container Transport), Qube, as well as Great Southern Rail and NSW TrainLink.

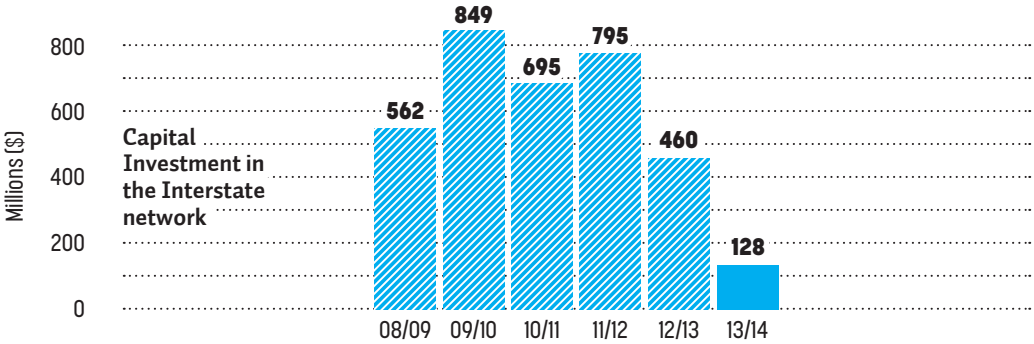
KEY HIGHLIGHTS

- Introduction of a new Melbourne-Brisbane timetable in October 2013 helped our customers to take full advantage of the benefits offered by the Southern Sydney Freight Line (SSFL). The timetable improves reliability in order to support our bid for increased market share

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



Improved intermodal reliability
Intermodal trains exiting within
30 minutes of schedule



- Customers are now able to deal with a single network owner between the Melbourne and Sydney ports. This follows operational control of the Sydney Metropolitan Freight Network transferred to ARTC from September 2013. Remote control of the Enfield and Marrickville Junction/Cooks River signalling by Junee Network Control Centre South was commissioned in December 2013

- The continuation of the Sydney - Melbourne Ballast Rehabilitation Project, delivering further improvements in track quality, a reduction in the impacts of temporary speed restrictions and a vast improvement in service reliability

- The North Coast Curve Easing, speed board rationalisation, cant deficiency and associated signalling enhancement projects were completed and have delivered greatly improved reliability to services on the Sydney - Brisbane corridor

- Less congestion and a reduction in train transit times on the East West corridor as a result of the extension and reconfiguration of the existing yard at Tarcoola, SA to enable three-way crosses of 1800m long trains.

- The commissioning of centralised train control signalling between Coonamia and Tarcoola in South Australia, improving network efficiency, allowing customers to get their freight to market more reliably and predictably

- Commissioning of a new passing lane north of Melbourne to provide greater operational flexibility to services operating between Melbourne and Sydney

OUR PEOPLE

Our people are the key to our success and we recognise the importance of providing a work environment that is both engaging and fulfilling. This year saw:

- Improved results in the Employee Engagement survey for both Employee Engagement and satisfaction
- Introduction of the ARTC Leadership Team to help drive the cultural transformation program within the organisation.
- Ongoing education and training including the ARTC Management Development Program and Frontline Management training for Work Group Leaders. Over 40 employees completed the Management Development Program, and the Frontline Management training is continuing with 12 employees having completed the training and 14 having recently commenced
- Implementation of the ARTC South Australian / Western Australian Infrastructure Maintenance Enterprise Agreement 2013
- Introduction of a Project Management Training program aligned to ARTC project management philosophy and policies.

COMMUNITY

While our network crosses the breadth of the country, our staff members are as local as they get. We live and work in the communities in which we operate and recognise the responsibilities we have in local communities.

- We again supported a range of charities and events including:
  - Autism Spectrum Australia (through the Hunter Valley Charity Ball) — This is the primary fundraising activity by our Hunter Valley Division. This year the event raised $130,000 for a Hunter Aspect School that supports children with Autism
  - The Castlereagh All Blacks — We support a Koori rugby league team that participates in annual indigenous tournaments around the Hunter Valley and NSW North Coast
  - The Junee Rhythm and Rail Festival — We sponsor 60 volunteers to ensure the continuation and success of the festival
- Our participation in a number of safety focused initiatives including:
  - Rail Safety Week where each year we participate as part of an industry-wide campaign on rail safety.
  - We play an active role in level crossing safety committees with other rail infrastructure providers
  - We take part in community safety activities, for example the Maitland Steam Festival where we actively promoted level crossing safety
- Community events related to the Ballast Rehabilitation Program are of particular interest to members of the North East Victorian community. In partnership with our customer, V/Line, we participated in a range of community information activities to help explain the works underway and its progress.

SAFETY

Our safety objective is that no one is harmed at work or on our network, which is important to our workers, their families, customers and our community. Our commitment to safety remains paramount. This year saw:

- Improved industry safety and competency requirements through the Rail Industry Worker program, including the introduction of a mobile web app for ARTC to verify worker competence on site
- Targeted safety campaigns and education about risk including the use of mobile phones on a worksite and bullying and harassment
- The ongoing use of the Safety Blog to effectively share information on safety issues and statistics, helping to reinforce the company's strategic objective of no one being harmed at work or on our network
- The ongoing review of safeworking rules across the ARTC network to ensure safe and effective network operations
- Participation in health and wellness programs including the Global Corporate Challenge
- Number of injuries for every million hours worked:
  - Lost Time Injuries:
    2013 . . . . . 3.69
    2014 . . . . . **2.31**
  - Medically Treated Injuries
    2013 . . . . . 6.92
    2014 . . . . . **6.54**

LTI and MTI figures for 2013 may be different to the 2013 figures reported in the previous year's Annual Report. This will occur where an injury has resulted in medical treatment and/or time away from work after a period of days or months has passed since the date the injury was first notified to ARTC.

ENVIRONMENT

We remain committed to the environments in which we operate and continue to manage environmental risks, comply with our legislative obligations and be responsive to the varying conditions and the communities around our network. This year saw:

- Improvements to our complaints management to provide more timely and consistent advice to the community about environment and other related matters
- Improvements to our Environmental Management System (EMS) as part of an annual review and programmed audits throughout the year
- Continued development of tools and training to provide teams on the ground with more specific and practical guidance for environmental management
- Working with our customers and rail operators in the Hunter Valley, through the NSW Minerals Council, to further investigate the ambient air quality impacts from coal trains to proactively respond to community concerns
- Collaborating with the rail industry and relevant state regulators to implement noise management strategies across our network. This includes the Trial Rail Noise Abatement Program (RailNAP) in the Hunter Valley, noise mitigation in the Adelaide Hills and monitoring and reporting through our licence
- Working with bird breeders to successfully relocate ospreys during bridge maintenance to Urunga railway bridge near Coffs Harbour, NSW.

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 the Standard Gauge Company Pty Ltd) for the financial year ended 30 June 2014. This Directors' Report has been prepared in accordance with the requirements of Division 1 of Part 2M.3 of the Corporations Act.

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:

Above from left to right

- Barry Cotter
- Pamela Catty
- John Fullerton
- John Caldon
- Gillian Brown
- Lucio Di Bartolomeo
- Lynelle Briggs
- Jay Bonnington *(not pictured, appointed 6 August 2014)*

QUALIFICATIONS, EXPERIENCE AND SPECIAL RESPONSIBILITIES

John Robert Caldon MA (non executive Chairman)

J Caldon 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. Mr Caldon also serves as Chairman of the People, Policy and Remuneration Committee; the Risk Committee; the Committee of the Whole Board for Succession Planning; the Business Development and Marketing Committee and, until 30 June 2014, as a member 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. Mr Di Bartolomeo is a professional Director and is currently Chairman of Macquarie Generation, Eco Logical Australia and North West Rapid Transit; Non-Executive Director of Australian Super Pty Ltd, and; is the immediate past 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 also Chairman of the ARTC Environment, Health and Safety Committee, a member of the Risk Committee and Business Development and Marketing Committee and, from 1 July 2014, as a member of the Audit and Compliance Committee.

Lynelle Briggs AO, BEcon, GAICD (non executive Director)

L Briggs joined the Board as a Non-Executive Director in November 2011. Ms Briggs has held numerous positions within the Australian public service. Ms Briggs 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. Ms Briggs was also Chief Executive Officer of Medicare from 2009 to 2011. Ms Briggs is currently the Millers Point Accommodation Plan Independent Project facilitator. Ms Briggs serves 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) GradDipAppFin&Invest (non executive Director)

G Brown joined the Board as a Non-Executive Director in June 2010. Ms Brown is a lawyer with 25 years experience in finance, infrastructure, energy and resources and debt capital markets transactions. Ms Brown is former Chairman of Minter Ellison Lawyers and is a board member of Queensland Treasury Corporation. Ms Brown serves as Chair 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 also a member of the: ARTC People, Policy and Remuneration Committee; Environment Health and Safety Committee, and; the Business Development and Marketing Committee.

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

J 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 company director on a number of boards, including St. John of God Health Care, HESTA Superannuation, Utilities Trust of Australia, JS Bonnington & Associates Pty Ltd and Metropolitan Fire and Emergency Services Board. She is also a Member of the Deakin University Council, a Trustee of the Lord Mayor's Charitable Foundation and The Queen's Fund and Chair of the Salvation Army's Audit Committee (Southern Territory).

John Fullerton B. Tech (Eng), FIE Aust, MAICD (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 committee; People, Policy and Remuneration, Risk Committee, the Business Development and Marketing Committee, and; until 30 June 2014, a member of the 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 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 2014 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	
	A	B	A	B	A	B	A	B	A	B	A	B
J Caldon	12	13	5	5	-	-	2	3	4	4	2	2
L Di Bartolomeo	11	13	-	-	4	4	-	-	4	4	1	2
L Briggs	12	13	-	-	4	4	2	3	4	4	2	2
G Brown	13	13	5	5	3	4	-	-	4	4	2	2
P Catty	12	13	5	5	-	-	3	3	4	4	2	2
B Cotter	12	13	-	-	4	4	2	3	4	4	2	2
J Fullerton	13	13	5	5	4	4	3	3	4	4	2	2

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

J Bonnington was appointed as a Director on 6 August 2014 and accordingly did not attend any meetings during the year ended 30 June 2014.

Members of the Board Committees during the year:

(* denotes chair)

Audit & Compliance

G Brown*
J Caldon
P Catty
J Fullerton

Environment Health & Safety

L Di Bartolomeo *
L Briggs
G Brown
B Cotter
J Fullerton

People, Policy & Remuneration

J Caldon *
P Catty
B Cotter
L Briggs
J Fullerton

Business Development & Marketing

J Caldon *
P Catty
B Cotter
L Briggs
G Brown
L Di Bartolomeo
J Fullerton

Risk Committee

J Caldon *
P Catty
B Cotter
L Briggs
G Brown
L Di Bartolomeo
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:

In November 2013, ARTC was selected by the Federal Government to begin work with interested parties to construct the Inland Rail Programme under the guidance of the federally appointed Inland Rail Implementation Group chaired by former Deputy Prime Minister and Transport Minister, Mr John Anderson. The Inland Rail project is a ten year Federal Government program for the construction of a standard gauge inland railway from Brisbane to Melbourne. In June 2014 the Group received the first grant payment from the Federal Government, to cover initial costs in connection with this project.

Following completion of the agreed moratorium period for payment of dividends to facilitate the Group's multi-year major infrastructure investment program, the Group made a payment of $36 million to the shareholder as an interim dividend in May 2014.

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

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of material and unusual nature likely, in the opinion of the Directors of the Group, to affect significantly the operations of the Group, the results 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

The Group paid a dividend of $36m on 9 May 2014 (2013: $nil).

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 moral 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 2015 and an application for renewal will be lodged prior to expiration.

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 expires on 5 September 2014 and an application for renewal will be lodged prior to expiration. 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 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.

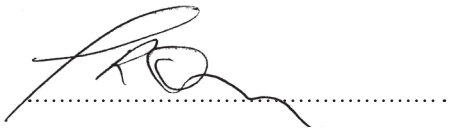
NON-AUDIT SERVICES

Non-audit services can be found in note 17 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 below.

Signed in accordance with a resolution of the Directors:



J Caldon
Director

J Fullerton
Director
Signed in Sydney on the 28th day of August 2014

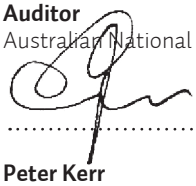
Australian Rail Track Corporation Ltd Financial Report 2013-14 Auditor's Independence Declaration

In relation to my audit of the financial report of Australian Rail Track Corporation Ltd consolidated entity for the year ended 30 June 2014, 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 28th of August 2014

CORPORATE GOVERNANCE STATEMENT

The ARTC Board currently comprises eight 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 GOVERNANCE

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

Principle 1:
Lay solid foundations for management and oversight
- The Board
- Accountability and Audit
- Board Committees

Principle 2:
Structure the Board to add value
- The Board
- Board Committees

Principle 3:
Promote ethical and responsible decision making
- Governance policies

Principle 4:
Safeguard integrity in financial reporting
- Accountability and Audit
- Board Committees

Principle 5:
Make timely and balanced disclosure
— Our Shareholder

Principle 6:
Respect the rights of security holders
— Our Shareholder

Principle 7:
Recognise and manage risk
— Accountability and Audit

Principle 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 company 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 company and its shareholders.

The major powers the Board has reserved for itself are:

(a) Annual business budget and plan
(b) Strategic plan for the company
(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
(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 seven Non-Executive Directors and one Executive Director. The Directors of ARTC are listed with a brief description of their qualifications and experience on pages 26 and 27 of this Annual Report. Directors are appointed by the Shareholder Minister in accordance with the Company's Constitution and Government Business Enterprise (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 four 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.

Chairman

John Caldon, an Independent Non-Executive Director, has been Chairman of the Company since 21 January 2010. The Chair 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 conducts an 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 Chair provides the Shareholder Ministers with written confirmation that this review process has been followed and raises any areas of concern.

Director Induction and Education

ARTC has an induction program for new Directors. Directors are provided with a detailed manual with information on the Company's corporate strategy, company policies, meeting arrangements, rail industry and the company matters generally. The Board has regular discussions with the CEO and Management and is invited to attend site tours of ARTC's operational sites. The Board also frequently arranges site tours of ARTC's current and potential customers' 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.

ACCOUNTABILITY AND AUDIT

Risk Management

ARTC continues to build a risk management framework and has developed a comprehensive risk register that captures the material business risks facing the Company. The Risk Committee comprises the whole Board and Executive Management team to review the identified risks and monitor ARTC's overall risk management.

Internal Audit

Internal audit services are provided by a combination of internal and outsourced specialist resources for both financial and non-financial audits. ARTC Internal Audit maintains a rolling three year plan which is monitored by the senior management and the Audit and Compliance Committee. In May 2013 the Audit and Compliance Committee approved the 2014-2016 Plan and in May 2014 the updated 2015-2017 Plan was similarly approved.

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.

Committee	*Composition*	*Main Areas of Responsibility*
Audit & Compliance	• At least three Non-Executive Directors appointed by the Board, • The Chair of the Company cannot be the Chair of the Committee. • In addition, with effect 1 July 2014 the Chair of the Company and the CEO may no longer be committee members and along with any other company executives or advisor will 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 two Non-Executive Directors appointed by the Board, • CEO plus any other company executives or advisor will attend by invitation	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 two Non-Executive Directors appointed by the Board, • CEO plus any other company executives or advisor will 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	• At least three Non-Executive Directors appointed by the Board, • CEO plus any other company executives or advisor will 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 Committee	• All Non-Executive members of the Board of Directors, • The Chair of the Board acting as the Chair of the Committee, • CEO and other company executives will 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 Chair of the Board acting as the Chair of the Committee, • CEO and other company executives will attend by invitation	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.

OUR SHAREHOLDER

The Commonwealth of Australia holds all the 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. ARTC has also negotiated a Commercial Freedoms Framework with the Shareholder which agrees 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. The company provides regular updates to the external independent credit rating agency as well as to its bankers and bond holders.

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 newly introduced Public Interest Disclosure (PID) Act, ARTC has introduced a new framework for the disclosure of suspected wrongdoing and for the protection of whistle blowers. The new framework commenced in mid-January and it applies to disclosures made by ARTC staff.

ARTC has updated its internal procedures to ensure that they are consistent with the requirements of the PID Act and to improve the way that ARTC handles disclosures of suspected wrongdoing.

Equal Opportunity

ARTC's Equal Opportunity 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 2014

	Notes	Consolidated 2014 $'000	Restated 2013 $'000
Revenue from continuing operations	4	**722,845**	665,963
Other income from continuing operations	4	**56,468**	62,820
Total revenue and other income from continuing operations	4	**779,313**	728,783
Employee benefits expense	5	**(155,288)**	(125,027)
Human resources and training		**(4,731)**	(4,383)
Minor equipment/Service agreements		**(6,382)**	(5,561)
Property and related costs		**(9,441)**	(8,444)
Train control communications		**(9,406)**	(9,117)
Communications expenses		**(3,171)**	(2,786)
Motor vehicle expenses		**(9,096)**	(6,779)
Legal fees		**(1,112)**	(756)
Insurance and accreditation		**(8,582)**	(8,398)
Travel and accommodation		**(4,418)**	(4,572)
Operating lease expense		**(5,527)**	(3,590)
Project and development expense		**(2,924)**	(2,270)
Infrastructure maintenance		**(136,518)**	(174,630)
Incident costs		**(5,439)**	(21,499)
Depreciation and amortisation expense	5	**(173,177)**	(157,851)
Reversal/(Recognition) of impairment loss	1(p), 8(c)	**2,060**	(481,990)
Other expenses		**(6,112)**	(11,099)
Expenses, excluding net finance costs		**(539,264)**	(1,028,752)
Profit/(Loss) from operating activities		**240,049**	(299,969)
Net Finance costs	5	**(51,071)**	(27,184)
Profit/(Loss) before income tax		**188,978**	(327,153)
Income tax (expense)/benefit	7	**(25,335)**	125,119
Net Profit/(Loss) after tax		**163,643**	(202,034)
Profit/(Loss) is attributable to:			
Equity Holders of Australian Rail Track Corporation Ltd		**163,643**	(202,034)

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 2014

		Consolidated	
			Restated
		2014	2013
	Notes	**$'000**	$'000
Profit/(Loss) for the year		**163,643**	(202,034)
Other comprehensive income			
Items that may be reclassified to profit or loss			
Cash flow hedge charged to equity - interest rate swap - net of tax	9(b)	**3,426**	(1,774)
Cash flow hedge charged to equity - foreign exchange - net of tax	9(b)	**(22)**	70
Net changes in the fair value of cashflow hedges transferred to profit and loss - net of tax	9(b)	**(70)**	(99)
Total items that may be reclassified subsequently to profit or loss		**3,334**	(1,803)
Items that will not be reclassified to profit or loss			
Revaluation adjustment property plant and equipment - net of tax	8(c)	**(20,369)**	112,596
Actuarial (losses)/gains on defined benefit fund obligations - net of tax	8(g)	**(1,501)**	2,712
Total items that will not be reclassified to profit and loss		**(21,870)**	115,308
Other comprehensive income for the year, net of tax		**(18,536)**	113,505
Total comprehensive income for the year		**145,107**	(88,529)
Total comprehensive income for the year is attributable to:			
Equity holders of Australian Rail Track Corporation Ltd		**145,107**	(88,529)

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

CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2014

		Consolidated	
			Restated
		2014	2013
	Notes	**$'000**	$'000
ASSETS			
Current assets			
Cash and cash equivalents	6(a)	**91,284**	217,375
Trade and other receivables	6(b)	**79,934**	95,701
Inventories	8(a)	**32,986**	31,528
Derivative financial instruments	12(d)	**-**	100
Properties held for sale	8(b)	**1,968**	-
Current tax receivables		**-**	2,697
Alliance partner deposits		**5,597**	3,489
Other current assets		**4,946**	5,186
Total current assets		**216,715**	356,076
Non-current assets			
Property, plant and equipment	8(c)	**4,550,144**	4,467,035
Deferred tax assets	8(d)	**228,524**	245,913
Intangible assets	8(e)	**94,463**	81,887
Alliance partner deposits		**-**	935
Total non-current assets		**4,873,131**	4,795,770
Total assets		**5,089,846**	5,151,846
LIABILITIES			
Current liabilities			
Trade and other payables	6(c)	**82,119**	94,132
Interest bearing liabilities	6(d)	**300,710**	-
Derivative financial instruments	12(d)	**2,032**	-
Provisions	8(f)	**47,841**	55,035
Deferred income - government grants		**32,562**	18,934
Finance lease liability		**84**	316
Total current liabilities		**465,348**	168,417
Non-current liabilities			
Interest bearing liabilities	6(d)	**615,617**	1,080,140
Deferred income - government grants		**420,543**	420,504
Derivative financial instruments	12(d)	**1,086**	7,981
Provisions	8(f)	**7,186**	6,032
Defined benefit plans	8(g)	**11,630**	9,359
Finance lease liability		**-**	84
Total non-current liabilities		**1,056,062**	1,524,100
Total liabilities		**1,521,410**	1,692,517
Net assets		**3,568,436**	3,459,329
EQUITY			
Contributed equity	9(a)	**2,603,226**	2,603,226
Reserves	9(b)	**1,099,593**	989,596
Retained earnings	9(c)	**(134,383)**	(133,493)
Total equity		**3,568,436**	3,459,329

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 2013

		Attributable to owners of Australian Rail Track Corporation Ltd						
Consolidated	Notes	Contributed equity $'000	Property, plant and equipment revaluation reserve $'000	Hedging reserve - cash flow hedge - foreign exchange $'000	Hedging reserve - cash flow hedge - interest rate swap $'000	Total Reserves $'000	Restated Retained earnings $'000	Restated Total equity $'000
Restated balance at 1 July 2012		2,391,526	882,641	99	(3,813)	**878,927**	**65,705**	**3,336,158**
Total Loss for the year as reported in the Financial Statements	9	-	-	-	-	**-**	**(202,034)**	**(202,034)**
Actuarial gains/(losses) on defined benefit fund obligations	9	-	-	-	-	**-**	**3,874**	**3,874**
Income tax relating to defined benefit fund obligations	9	-	-	-	-	**-**	**(1,162)**	**(1,162)**
Cash flow hedge interest rate swap - (net of tax)	9	-	-	-	(1,774)	**(1,774)**	**-**	**(1,774)**
Cash flow hedges foreign exchange - (net of tax)	9	-	-	(29)	-	**(29)**	**-**	**(29)**
Asset revaluation reserve adjustment	9	-	160,797	-	-	**160,797**	**-**	**160,797**
Income tax effect asset revaluation reserve adjustment	9	-	(48,201)	-	-	**(48,201)**	**-**	**(48,201)**
Asset disposal revaluation reserve adjustment	9	-	(124)	-	-	**(124)**	**124**	**-**
Total comprehensive income for the year		-	112,472	(29)	(1,774)	**110,669**	**(199,198)**	**(88,529)**
Contributions of equity, net of transaction costs and tax	9	211,700	-	-	-	**-**	**-**	**211,700**
Restated balance at 30 June 2013		**2,603,226**	**995,113**	**70**	**(5,587)**	**989,596**	**(133,493)**	**3,459,329**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2014

Consolidated	Notes	Contributed equity $'000	Property, plant and equipment revaluation reserve $'000	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
Balance at 1 July 2013		2,603,226	995,113	70	(5,587)	-	**989,596**	**(133,493)**	**3,459,329**
Total Profit for the year as reported in the Financial Statements	9	-	-	-	-	-	**-**	**163,643**	**163,643**
Actuarial gains/ (losses) on defined benefit funds	9	-	-	-	-	-	**-**	**(2,145)**	**(2,145)**
Income tax relating to defined benefit funds	9	-	-	-	-	-	**-**	**644**	**644**
Cash flow hedge interest rate swap - (net of tax)	9	-	-	-	3,426	-	**3,426**	**-**	**3,426**
Cash flow hedges foreign exchange - (net of tax)	9	-	-	(92)	-	-	**(92)**	**-**	**(92)**
Asset revaluation reserve adjustment	9	-	(29,099)	-	-	-	**(29,099)**	**-**	**(29,099)**
Income tax effect asset revaluation reserve adjustment	9	-	8,730	-	-	-	**8,730**	**-**	**8,730**
Asset disposal revaluation reserve adjustment	9	-	(111)	-	-	-	**(111)**	**111**	**-**
Transfer to profit reserve	9	-	-	-	-	163,643	**163,643**	**(163,643)**	**-**
Total comprehensive income for the year		-	(20,480)	(92)	3,426	163,643	**146,497**	**(1,390)**	**145,107**
Dividends provided for or paid	9	-	-	-	-	(36,000)	**(36,000)**	**-**	**(36,000)**
Balance at 30 June 2014		**2,603,226**	**974,633**	**(22)**	**(2,161)**	**127,643**	**1,100,093**	**(134,883)**	**3,568,436**

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2014

		Consolidated	
		2014	2013
	Notes	**$'000**	$'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**824,759**	823,826
Payments to suppliers and employees (inclusive of goods and services tax)		**(452,989)**	(588,408)
Tax received		**2,697**	1,374
Interest paid on finance leases		**(20)**	(36)
		374,447	236,756
Interest received		**6,485**	3,873
Net cash inflow from operating activities	10(a)	**380,932**	240,629
Cash flows from investing activities			
Payments for property, plant and equipment	8(c)	**(285,163)**	(763,796)
Payments for intangibles	8(e)	**(21,349)**	(76,940)
Proceeds from sale of property, plant and equipment		**6,673**	4,643
Net cash outflow from investing activities		**(299,839)**	(836,093)
Cash flows from financing activities			
Government grants		**50,125**	42,365
Proceeds from bond issuance		**-**	250,000
Payments for transaction and interest costs in relation to borrowings		**(57,180)**	(46,832)
Proceeds from equity funding	9(a)	**-**	211,700
(Repayment to)/proceeds from loan facility		**(163,813)**	309,907
Finance lease payments		**(316)**	(225)
Dividends paid to Group's shareholders	11(b)	**(36,000)**	-
Net cash (outflow) / inflow from financing activities		**(207,184)**	766,915
Net (decrease)/increase in cash and cash equivalents		**(126,091)**	171,451
Cash and cash equivalents at the beginning of the financial year		**217,375**	45,924
Cash and cash equivalents at end of year	6(a)	**91,284**	217,375

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

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 off Sir Donald Bradman Drive, Passenger Rail Terminal Rd, Mile End, South Australia. The consolidated financial statements of the Company as at and for the year ended 30 June 2014 comprise the Company and its subsidiaries together referred to as the "Group". The ultimate controlling entity of the Group is the Commonwealth Government.

The financial report of ARTC for the year ended 30 June 2014 was authorised for issue in accordance with a resolution of the Directors on 28 August 2014.

(b) Basis of accounting

This 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).

The financial statements are prepared on a historical cost basis except for certain classes of plant and equipment, held for sale assets, the defined benefit fund plan liability and derivatives 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 first time in their annual reporting period commencing 1 July 2013:

- AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, AASB 128 Investments in Associates and Joint Ventures, AASB 127 Separate Financial Statements and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards
- AASB 2012-10 Amendments to Australian Accounting Standards - Transition Guidance and other Amendments which provides an exemption from the requirement to disclose the impact of the change in accounting policy on the current period
- AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13
- AASB 119 Employee Benefits (September 2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)
- AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle and
- AASB 2012-2 Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities

The adoption of AASB 13 and AASB 119 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. These are explained and summarised in note 2 below.

(e) New accounting standards and interpretations

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

AASB 9 Financial Instruments, AASB 2009-11

Amendments to Australian Accounting Standards arising from AASB 9, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) and AASB 2012-6 Amendments to Australian Accounting Standards - Mandatory Effective Date of AASB 9 and Transition Disclosures (effective from 1 January 2015).

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption.

The adoption of AASB 9 (2010) is expected to have an impact on the Group. The Group has yet to determine the extent of the impact of the new guidelines but has conducted some preliminary discussions to assess the potential impact to the Group. The Group has decided not to early adopt AASB 9.

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

(f) Parent entity financial information

The financial information for the parent entity, Australian Rail Track Corporation Ltd, disclosed in note 20 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 2014 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.

Investments in subsidiaries are accounted for at cost in the individual financial statements of Australian Rail Track Corporation Ltd.

(ii) Joint arrangements

Under AASB 11 Joint Arrangements investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. Australian Rail Track Corporation Ltd currently has a joint operation in place.

The Group recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the financial statements under the appropriate headings and have not resulted in any changes to the previous accounting treatment.

(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 consolidated entity granting operators access to the rail network during the year.

(j) Interest revenue and borrowing expenses

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the

net carrying amount of the financial asset. 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 that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in the income statement using the effective interest method. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(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 of commercial negotiation and, if not successful, legal proceedings are initiated, as appropriate.

Contingent 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

Grants from the government are recognised approximately 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 approximately at 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 values. Major periodic maintenance may include significant corrective works, component replacement programs, and similar activities and these costs are expensed in the consolidated entity's accounts.

(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 income 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 income 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 carry forward of unused tax offsets and unused tax losses can be utilised.

Division 58 of the Income Tax Assessment Act 1997 ("Division 58"), has entitled the consolidated entity 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 all or part of the deferred income tax asset to be utilised.

DTAs and DTLs are measured at the tax rates that are expected to apply to 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 have been 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 UIG 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 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

(i) 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 a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (note 15). 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.

(ii) 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) Fair Value

(i) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the consolidated income statement over the period of the borrowings using the effective interest method. 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 for liquidity services and amortised over the period of the facility to which it relates.

(ii) Infrastructure assets

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 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.

(iii) 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 loss is recognised if the carrying amount of an asset or cash-generating unit (CGU) exceeds it recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing the fair value, the estimated cash flows inclusive of growth opportunities and capital expenditure 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 risk specific to the CGU. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

Impairment losses or reversals of losses are recognised in profit and loss. Impairment losses recognised are allocated to the asset carrying amounts within the CGUs on a pro rata basis. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

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

(iv) Revaluation

The Group's infrastructure assets were revalued as at 30 June 2014. These assets were revalued using the income method approach to provide an estimate of the fair value of infrastructure assets as there are no similar market quoted assets. Revaluation of assets is 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 less cost to sell.

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 CGUs 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.

(q) Inventories

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

(r) Property, plant and equipment

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. All other property, plant and equipment are stated at historical cost less accumulated depreciation, and

any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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.

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.*

(s) 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.

(t) 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.

(u) 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.

(v) 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 has been 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.

(w) Employee benefits

(i) Short term obligations

Liabilities for wages and salaries, including non monetary benefits and annual leave expected to be settled within 12 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) Other long term employee benefit 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.

The revised standard has also changed the accounting for the Group's annual leave obligations. As the entity does not expect all annual leave to be taken within 12 months of the respective service being provided, annual leave obligations are now classified as long term employee benefits in their entirety. Annual leave is measured on a discounted basis.

(x) Financial Instruments

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

(i) 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 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, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(ii) 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 12), bonds, bank overdrafts and trade and other payables.

(iii) Derivative financial instruments

The Group holds 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.

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 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.

(y) 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.

(z) 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 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 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.

(aa) 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.

(ab) 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 6(d).

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

At 30 June 2014, the Group has a net deficiency of current assets to current liabilities of $248.6m (2013: nil). This deficiency is largely due to a $300m Bond maturing in December 2014. 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 2014

- The Group has net assets of $3,568.4m (2013: $3,459.3m).
- The Group generated cash from operating activities of $380.9m (2013: $240.6m).
- The Group expects to continue to generate positive cash flows from operating activities in the next twelve months.
- The Group has $335m of unutilised funds available through a Syndicated Debt Facility Agreement (as detailed in note 12).
- The Group has $300m of unutilised funds available through a Bridging Facility (as detailed in note 12).
- 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 12).

NOTE 02
CHANGES IN ACCOUNTING POLICIES

As explained in note 1(e) above, the group has adopted a number of new or revised accounting standards this year that have resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements.

(a) Employee benefits

The adoption of the revised AASB 119 Employee Benefits resulted in one material change to the Group's accounting policy which affected items recognised in the financial statements:

The amount of net defined benefit expense that is recognised in the income statement under the revised standard is higher than the amount that would have been recognised under the old rules, with an equal and opposite change to the amount that is recognised as remeasurement in other comprehensive income. This is the result of the replacement of the expected return on plan assets and separate interest expense with a net interest amount. A further change was distinguishing between taxes payable by the plan on contributions relating to service before the reporting date or on benefits resulting from that service and all other taxes payable by the plan. The result of this change is that netting of forecast tax payable and receivable is no longer possible requiring actuarial assumptions to be updated, adversely increasing the defined benefit obligation.

The revised standard does not mandate where to present remeasurements in equity. The Group has chosen to retain their previous policy of recognising remeasurements directly in retained earnings.

The revised standard must be adopted retrospectively, adjustments to the retirement benefit obligations have been recognised at the beginning of the earliest period presented (1 July 2012) and the income statement, statement of comprehensive income and balance sheet were restated for the comparative period. The impact on these adjustments on the individual line items in the financial statements are shown in note 2(c)(i) .

The revised standard has also changed the accounting for the group's annual leave obligations. As the entity does not expect all annual leave to be taken within 12 months of the respective service being provided, annual leave obligations are now classified as long term employee benefits in their entirety. This did change the measurement of these obligations, as the non current obligation is now measured on a discounted basis. However, the impact of this change was immaterial since the majority of the leave is still expected to be taken within 12 months after the end of the reporting period.

(b) Fair value measurement

AASB 13 Fair Value Measurement aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across Australian Accounting Standards. The standard does not extend the use of fair value accounting but provides guidance on how it should be applied where its use is already required or permitted by other Australian Accounting Standards.

Previously the fair value of financial liabilities (including derivatives) was measured on the basis that the financial liability would be settled or extinguished with the counterparty. The adoption of AASB 13 has clarified that fair value is an exit price notion, and as such, the fair value of financial liabilities should be determined based on a transfer value to a third party market participant. As a result of this change, the fair value of derivative liabilities changed on transition to AASB 13, due to incorporating counterparty and the Groups own credit risk into the valuation.

As required under AASB 13, the change to fair value measurements on adoption of the standard is applied prospectively, in the same way as a change in an accounting estimate. As a consequence, the impact of incorporating accounting changes results in the fair value of derivative liabilities decreasing from $3,094k to $3,087k as at 30 June 2014. The difference has been recorded as a fair value movement through the other comprehensive income statement. Comparative amounts have not been restated.

NOTE 02
CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(c) Impact on financial statements

As a result of the changes in the Group's accounting policies, prior year financial statements had to be restated. The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the change have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided.

(i) Impact on prior and current years

The amounts disclosed for the 2013 reporting period are after the changes in accounting policies referred to in note 2(a).

	Prior year restatement increase/(decrease) of profit		
Consolidated income statement (extracts)	2013 (Previously stated) $'000	Employee benefits $'000	2013 (Restated) $'000
Employee benefits expense	(124,790)	(237)	(125,027)
Net loss after tax	(201,797)	(237)	(202,034)

	Current year impact increase/(decrease) of profit		
Consolidated income statement (extracts)	**2014** $'000	**Employee benefits** $'000	**2014 as presented** $'000
Employee benefits expense	(155,162)	(126)	(155,288)
Net profit after tax	163,769	(126)	163,643

	Prior year restatement increase/(decrease) of profit		
Statement of other comprehensive income (extracts)	2013 (Previously stated) $'000	Employee benefits $'000	2013 (Restated) $'000
Remeasurement of defined benefit obligation	3,080	794	3,874
Income tax effect on defined benefit fund obligations	(924)	(238)	(1,162)
Other comprehensive income for the period	2,156	556	2,712

NOTE 02
CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(c) Impact on financial statements (continued)

Consolidated statement of comprehensive income (extracts)	Current year impact increase/(decrease) of profit		
	2014 $'000	Employee benefits $'000	2014 as presented $'000
Remeasurement of defined benefit obligation	(1,938)	(207)	(2,145)
Income tax effect on defined benefit fund obligations	581	63	644
Other comprehensive income for the period	**(1,357)**	**(144)**	**(1,501)**

Consolidated balance sheet (extract)	Prior year restatements					
	30 June 2013 (Previously stated) $'000	Increase/ (Decrease) Employee benefits $'000	30 June 2013 (Restated) $'000	1 July 2012 (Previously stated) $'000	Increase/ (Decrease) Employee benefits $'000	1 July 2012 (Re-stated) $'000
Deferred tax assets	246,151	(238)	245,913	-	-	-
Defined benefit obligations	8,123	1,236	9,359	11,203	1,793	12,996
Retained earnings	(132,019)	(1,474)	(133,493)	67,498	(1,793)	65,705

Consolidated balance sheet (extract)	Current year impact increase/(decrease)		
	30 June 2014 $'000	Employee benefits $'000	30 June 2014 as presented $'000
Deferred tax assets	**228,461**	**(63)**	**228,524**
Defined benefit obligations	**(11,297)**	**333**	**(11,630)**
Profit reserves	**163,767**	**(124)**	**(163,643)**
Retained earnings	**(134,737)**	**(146)**	**(134,883)**

NOTE 03
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 discussed below.

(i) Defined benefit plan

Various actuarial assumptions are required when determining the Group's defined benefit obligations. See note 8(g) and 1(z).

(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 see note 1(p), ARTC undertook a fair value assessment of the Group's infrastructure assets, which resulted in ARTC taking up a reversal of impairment of $2.1m (2013: $482.0m impairment loss) against the carrying value of the assets for the North South rail corridor as they could be supported by the discounted forecast net cash flows. A revaluation decrement of $58.5m (2013: increment $160.8m) has been taken up against the carrying value of the East West rail corridor as the discounted forecast net cash flows indicated a reduction in the carrying value of the assets. In addition a revaluation increment of $29.4m has been taken up against the carrying value of the Hunter Valley rail corridor as supported by the discounted forecast net cash flows. See note (8(c)).

(iv) Deferred tax recognition

The net deferred tax asset of $228.5m comprises a deferred tax asset of $533.9m netted by deferred tax liabilities of $305.4m.The recognition of the deferred tax asset of $533.9m is considered appropriate following an assessment of the overall forecast profit and taxation position of the Group. A major component of the deferred tax asset relates to the forecast utilisation of temporary differences over the next five years. The other significant element relates to the recognition of the deferred tax asset corresponding to the deferred tax liability, which is mandatory due to the matching timing of the reversals. The deferred tax liability of $305.4m comprises the difference between the tax base and carrying value relating to various assets and liabilities. See note 1(n).

(v) Incident recognition

The provision for incidents of $11.6m (2013: $21.9m) recognises the Group's estimated liability with respect to costs associated with damage caused by incidents such as derailments, including the potential for third party and/or insurance recoveries. See note 1(k) and 8(f)(ii).

(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(w)(i).

(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 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 at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the currency in which the benefits are expected to be paid. See note 1(w)(ii).

NOTE 04
REVENUE

	Consolidated	
	2014	2013
	$'000	$'000
From continuing operations		
Sales revenue		
Access revenue	**716,360**	660,255
CRN revenue	**-**	1,835
Interest revenue	**6,485**	3,873
Total revenue	**722,845**	665,963
Other income		
Insurance recovery	**-**	7,450
Government grants	**36,458**	35,840
Other revenue	**14,478**	17,280
Profit/(loss) on sale of fixed assets	**5,532**	2,250
Total other income	**56,468**	62,820
Total revenue and other income	**779,313**	728,783

NOTE 05
EXPENSES

	2014 $'000	Restated 2013 $'000
Depreciation		
Buildings	**879**	723
Plant and equipment	**166,187**	152,976
Total depreciation	**167,066**	153,699
Amortisation		
Computer software	**1,626**	1,567
Land rights	**712**	384
Other	**3,773**	2,201
Total amortisation	**6,111**	4,152
Total depreciation and amortisation expense	**173,177**	157,851
Employee benefits expense		
Wages and salaries *	**151,323**	121,969
Workers compensation	**3,088**	2,070
Contributions to defined benefit plans	**877**	988
Total employee benefits expense	**155,288**	125,027
Finance costs		
Financing costs	**51,051**	27,148
Finance lease interest	**20**	36
Net Finance Costs	**51,071**	27,184

* The increase in wages and salaries expenses includes the full year impact of structural changes to infrastructure management and has an offsetting reduction in infrastructure maintenance expenses.

NOTE 06
FINANCIAL ASSETS AND FINANCIAL LIABILITIES

(a) Cash and cash equivalents

	Consolidated	
	2014	2013
	$'000	$'000
Current assets		
Cash at bank and in hand	**26,718**	51,829
Deposits at call	**64,566**	165,546
	91,284	217,375

Cash at bank earns interest at floating rates based on daily bank deposit rates. The "deposits at call" at balance date reflects funds available to the Group that have been placed on deposit with major Australian banking institutions over various short term periods in accordance with the Board approved 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 discussed in note 12.

(b) Trade and other receivables

	Consolidated	
	2014	2013
	$'000	$'000
Trade receivables	**52,632**	58,041
Other receivables	**27,366**	37,692
Provision for doubtful receivables	**(64)**	(32)
	79,934	95,701

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.

Other receivables past due but not considered impaired are: nil (2013: nil).

Information on credit risk, impairment and fair value of trade and other receivables can be found in note 12.

(c) Trade and other payables

	Consolidated	
	2014	2013
	$'000	$'000
Current liabilities		
Trade payables	**82,065**	93,997
Other payables	**54**	135
	82,119	94,132

Information about the Group's exposure to financial risk is set out in note 12.

(d) Interest bearing liabilities

	Consolidated					
	2014			2013		
	Current $'000	**Non-current** $'000	**Total** $'000	Current $'000	Non-current $'000	Total $'000
Bond - maturing 9 December 2014	**300,710**	**-**	**300,710**	-	300,223	300,223
Bond - maturing 29 April 2016	**-**	**251,090**	**251,090**	-	250,794	250,794
Bond - maturing 20 December 2017	**-**	**199,454**	**199,454**	-	199,214	199,214
Syndicated debt facility	**-**	**165,073**	**165,073**	-	329,909	329,909
Total borrowings	**300,710**	**615,617**	**916,327**	-	1,080,140	1,080,140

(e) Finance leases

	Consolidated	
	2014	2013
	$'000	$'000
Commitments in relation to finance leases are payable as follows:		
Within one year	**85**	337
Later than one year but not later than five years	**-**	85
Minimum lease payments	**85**	422
Future finance charges	**(1)**	(22)
Total lease liabilities	**84**	400
Representing lease liabilities:		
Current	**84**	316
Non-current	**-**	84
	84	400

The weighted average interest rate implicit in the leases is 6.96 %. Under the terms of the leases, the Group has the option to acquire the leased assets for the agreed residual value on expiry of the leases.

NOTE 07
INCOME TAX EXPENSE/(BENEFIT)

(a) Income tax expense/(benefit)

	Consolidated	
		Restated
	2014	2013
	$'000	$'000
Current tax expense		
Adjustment for prior year	**-**	(4,072)
Total current tax expense	**-**	(4,072)
Deferred tax expense		
Origination and reversal of temporary differences	**56,156**	(95,918)
Change in recognised deductible temporary differences	**(30,821)**	(25,129)
Total deferred tax expense	**25,335**	(121,047)
Total income tax expense/(benefit)	**25,335**	(125,119)

(b) Tax assets

At 30 June 2014, the Group has unrecognised deferred tax assets in relation to temporary differences of $251.4m (2013: $282.3m) associated with the Group's ability to claim tax depreciation on NSW lease assets utilising Division 58 of the Income Tax Assessment Act 1997 and also due to the impairment of the assets of the North South rail corridor.

The Group has an unrecognised deferred tax asset in relation to a carried forward capital loss of $0.7m (2013: $0.7m). It is not recognised on the basis that there are no forecast future capital gains against which the loss could be utilised.

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

	Consolidated	
		Restated
	2014	2013
	$'000	$'000
Profit/(loss) from continuing operations before income tax expense	**188,978**	(327,153)
Tax at the Group's statutory tax rate of 30%	**56,693**	(98,146)
Change in recognised temporary differences	**(30,821)**	(25,129)
Adjustment for current tax prior year	**-**	(4,072)
Research and development income tax offset	**(459)**	(1,100)
Non taxable items	**(78)**	3,328
Total income tax expense/(benefit)	**25,335**	(125,119)

NOTE 07
INCOME TAX EXPENSE/(BENEFIT) (CONTINUED)

(d) Amounts charged or credited directly to equity

	Consolidated	
		Restated
	2014	2013
	$'000	$'000
Deferred income tax related to items charged directly to equity		
Net (loss)/gain on revaluation of infrastructure assets	**(8,730)**	48,201
Net (loss)/gain on defined benefit fund	**(644)**	1,162
Net gain/(loss) on interest rate swap	**1,459**	(749)
Net (loss) on foreign exchange hedge	**(30)**	(22)
	(7,945)	48,592
Deferred income tax charge included in equity comprises:		
(Decrease)/increase in deferred tax liabilities	**(30)**	(22)
(Increase)/decrease in deferred tax assets	**(7,915)**	48,614
	(7,945)	48,592

(e) Tax consolidation legislation

Australian Rail Track Corporation Ltd and its wholly owned Australian controlled entities have been 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 08
NON-FINANCIAL ASSETS AND LIABILITIES

(a) Inventories

	Consolidated	
	2014	2013
	$'000	$'000
Current assets		
Raw materials - at cost	**32,986**	31,528
	32,986	31,528

(b) Properties held for sale

	Consolidated	
	2014	2013
	$'000	$'000
Current assets		
Properties held for sale	**1,968**	-
	1,968	-

The Group acquired certain property during capital investment programs that were not required to be retained and have now been identified, separated and prepared for sale. All properties are expected to be sold within the next 12 months. There has been no gain or loss recognised in the consolidated statement of comprehensive income as the fair value of the properties equates to the carrying value.

NOTE 08
NON-FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(c) Property, plant and equipment

Non Current Assets

Consolidated	Construction in progress $'000	Freehold land $'000
At 1 July 2012		
Cost or subject to impairment	1,040,764	116
Fair value	-	-
Accumulated depreciation	-	-
Net book amount	**1,040,764**	**116**
Year ended 30 June 2013		
Opening net book amount 1 July	1,040,764	116
Additions into asset register from capital works in progress	-	-
Borrowing costs capitalised	19,684	-
Additions into capital works in progress	763,796	-
Impairment charge recognised in consolidated income statement	-	-
Depreciation charge	-	-
Transfers out of capital work in progress	(1,428,229)	-
Written down value of assets disposed	-	-
Revaluation of assets	-	-
Closing net book amount	**396,015**	**116**
At 30 June 2013		
Cost or subject to impairment	396,015	116
Fair value	-	-
Accumulated depreciation	-	-
Net book amount	**396,015**	**116**

Consolidated	Construction in progress $'000	Freehold land $'000
Year ended 30 June 2014		
Opening net book amount 1 July	396,015	116
Additions into asset register from capital works in progress	-	5,011
Reversal of impairment	-	-
Borrowing costs capitalised	6,129	-
Additions into capital works in progress	271,537	-
Depreciation charge	-	-
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**
At 30 June 2014		
Cost or subject to impairment	392,719	5,127
Fair value	-	-
Accumulated depreciation	-	-
Net book amount	**392,719**	**5,127**

Freehold buildings $'000	Leasehold buildings $'000	Plant and equipment $'000	Leasehold im-provements $'000	Leased plant and equipment $'000	Total $'000
14,218	10,274	160,510	1,081,605	1,545	2,309,032
-	-	421,476	1,561,163	-	1,982,639
(3,004)	(2,363)	(30,918)	(95,788)	(517)	(132,590)
11,214	**7,911**	**551,068**	**2,546,980**	**1,028**	**4,159,081**
11,214	7,911	551,068	2,546,980	1,028	4,159,081
332	5,010	212,778	1,210,109	-	1,428,229
-	-	-	-	-	19,684
-	-	-	-	-	763,796
-	-	-	(481,990)	-	(481,990)
(384)	(339)	(37,139)	(115,734)	(103)	(153,699)
-	-	-	-	-	(1,428,229)
-	-	(101)	(533)	-	(634)
-	-	69,892	90,905	-	160,797
11,162	**12,582**	**796,498**	**3,249,737**	**925**	**4,467,035**
14,550	15,284	76,300	1,302,360	1,545	1,806,170
-	-	760,617	2,127,678	-	2,888,295
(3,388)	(2,702)	(40,419)	(180,301)	(620)	(227,430)
11,162	**12,582**	**796,498**	**3,249,737**	**925**	**4,467,035**

Freehold buildings $'000	Leasehold buildings $'000	Plant and equipment $'000	Leasehold improvements $'000	Leased plant and equipment $'000	Total $'000
11,162	12,582	796,498	3,249,737	925	4,467,035
935	880	54,016	220,120	-	280,962
-	-	-	2,060	-	2,060
-	-	-	-	-	6,129
-	-	-	-	-	271,537
(388)	(490)	(38,269)	(127,445)	(474)	(167,066)
-	-	-	-	-	(280,962)
-	-	(364)	-	(88)	(452)
-	-	(25,410)	(3,689)	-	(29,099)
11,709	**12,972**	**786,471**	**3,340,783**	**363**	**4,550,144**
15,468	16,182	111,585	628,338	665	1,170,084
-	-	705,756	2,799,893	-	3,505,649
(3,759)	(3,210)	(30,870)	(87,448)	(302)	(125,589)
11,709	**12,972**	**786,471**	**3,340,783**	**363**	**4,550,144**

(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	
	2014	2013
	$'000	$'000
Leasehold equipment		
Cost-written down value	**925**	1,028
Accumulated depreciation	**(474)**	(103)
Written down value of assets sold	**(88)**	-
Net book amount	**363**	925

(ii) Basis of valuation

At 30 June 2014 the Group undertook a fair value assessment on 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. In line with property, plant and equipment standard reviews are undertaken annually to ensure significant movements are identified and accounted for. The net present value of the cash flows for each rail corridor is compared with the current carrying value and any significant variance is taken to the financial statements. This resulted in the recognition of a revaluation decrement of $58.5m for infrastructure assets on the East West rail corridor and $29.4m valuation increment on the Hunter Valley rail corridor (2013: East West rail corridor revaluation increment $160.8m).

At June 2014 the fair value calculation resulted in the recognition of reversal of a impairment of $2.1m (2013: impairment loss $482.0m) for infrastructure assets on the North South rail corridor (refer to note 12 (d) for key assumptions).

If plant and equipment and leasehold improvements were stated on the historical cost basis less impairment, the amounts would be as follows:

	Consolidated	
		Restated
	2014	2013
	$'000	$'000
Plant & Equipment		
Cost	**833,988**	780,561
Accumulated depreciation	**(191,787)**	(161,973)
Net book amount	**642,201**	618,588
Leasehold Improvements		
Cost	**3,038,642**	2,816,421
Accumulated depreciation	**(364,994)**	(273,670)
Net book amount	**2,673,648**	2,542,751

The 2013 net book amount, above, has been restated from $3.0m to $2.5m to include the impact of the impairment loss which had previously been omitted.

This is a disclosure change only and there is no impact to the actual carrying value as reported on the balance sheet.

(d) Deferred tax balances

(i) Deferred tax assets

	Consolidated	
		Restated
	2014	2013
	$'000	$'000
The balance comprises temporary differences attributable to:		
Property plant and equipment	**509,283**	507,479
Income tax losses and non refundable offsets	**20,890**	15,540
Defined benefit fund	**2,843**	2,199
Cash flow hedges - interest rate swap and foreign exchange	**920**	2,312
	533,936	527,530
Movements:		
Opening balance at 1 July	**527,530**	348,415
Credited to the consolidated income statement related to tax losses	**5,350**	6,301
(Charged)/credited to the consolidated income statement related to property plant and equipment	**1,804**	173,227
Credited/(charged) to equity related to defined benefit fund	**644**	(1,162)
Credited/(charged) to equity related to cash flow hedge interest rate swap	**(1,392)**	749
Closing balance at 30 June before set off	**533,936**	527,530
Set off of deferred tax liabilities	**(305,412)**	(281,617)
Net deferred tax asset	**228,524**	245,913

(ii) Deferred tax liabilities

	Consolidated	
	2014	2013
	$'000	$'000
The balance comprises temporary differences attributable to:		
Property, plant and equipment revaluation	**305,412**	281,587
Cash flow hedges - foreign exchange	**-**	30
Net deferred tax liabilities	**305,412**	281,617
Movements:		
Opening balance at 1 July	**281,617**	174,957
Charged to equity related to cash flow hedge – foreign exchange	**(30)**	(22)
Recognition of DTA/DTL relating to property, plant and equipment	**23,825**	106,682
Closing balance at 30 June before set off	**305,412**	281,617
Set off of deferred tax assets	**(305,412)**	(281,617)
Net deferred tax liability	**-**	-

NOTE 08
NON-FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(e) Intangible assets

Consolidated	Computer Software $'000	Land Rights $'000	Other $'000	Total $'000
At 1 July 2012				
Cost	12,552	7,326	-	19,878
Accumulated amortisation and impairment	(8,763)	(258)	-	(9,021)
Net book amount	**3,789**	**7,068**	**-**	**10,857**
Year ended 30 June 2013				
Opening net book amount as at 1 July	3,789	7,068	-	10,857
Additions into asset register	3,300	18,640	55,000	76,940
Amortisation charge	(1,566)	(385)	(2,201)	(4,152)
Disposals	(115)	(1,643)	-	(1,758)
Closing net book amount	**5,408**	**23,680**	**52,799**	**81,887**
At 30 June 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**
Consolidated				
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	(11,850)	(1,236)	(5,974)	(19,060)
Net book amount	**4,431**	**41,006**	**49,026**	**94,463**

(f) Provisions

		Consolidated					
		2014			2013		
	Notes	Current $'000	Non-current $'000	Total $'000	Current $'000	Non-current $'000	Total $'000
Employee benefits	8(f)(i)	**33,262**	**7,186**	**40,448**	29,739	6,032	35,771
Incident provision	8(f)(i)	**11,551**	**-**	**11,551**	21,917	-	21,917
Other provisions		**3,028**	**-**	**3,028**	3,379	-	3,379
		47,841	**7,186**	**55,027**	55,035	6,032	61,067

(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(w) and for changes to accounting policies note 2.

The incident provision recognises the Group's estimate of the liability with respect to costs associated with damage caused with incidents such as derailments, which occurred whilst using the Group's rail infrastructure. Other provisions is comprised of commercial disputes with customers that are in the process of being resolved.

(ii) Movements in provisions

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

2013	Employee benefits $'000	Incident $'000	Other $'000	Total $'000
Carrying amount at 1 July	30,077	31,296	132	61,505
Additional provisions recognised	17,945	21,499	4,539	43,983
Provisions transferred in from asset maintenance program employees	3,279	-	-	3,279
Payments/other sacrifices of economic benefits	(15,530)	(30,878)	(1,292)	(47,700)
Carrying amount at end of 30 June	35,771	21,917	3,379	61,067

2014	Employee benefits $'000	Incident $'000	Other $'000	Total $'000
Carrying amount at 1 July	35,771	21,917	3,379	61,067
Additional provisions recognised	16,931	5,440	1,298	23,669
Amounts used during the year	(12,254)	(15,806)	(1,649)	(29,709)
Carrying amount at 30 June	**40,448**	**11,551**	**3,028**	**55,027**

(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 (refer to note 2(c)):

	Restated Present value of obligation $'000	Restated Fair value of plan assets $'000	Restated Net amount Restated $'000
Balance sheet as at 1 July 2012	(35,228)	22,232	(12,996)
Included in consolidated income statement			
Current service cost	(602)	-	(602)
Interest (expense)/income	(1,053)	667	(386)
	(1,655)	**667**	**(988)**
Included in other comprehensive income			
Remeasurements			
Return on plan assets, excluding amounts included in interest (expense)/income	-	2,904	2,904
(Loss)/gain from change in demographic assumptions	(1,260)	-	(1,260)
(Loss)/gain from change in financial assumptions	3,609	-	3,609
Experience gains/(losses)	(1,379)	-	(1,379)
	970	**2,904**	**3,874**
Other			
Contributions:			
Employers	-	751	751
Plan participants	(240)	240	-
Payments from plan:			
Benefit payments	1,653	(1,653)	-
	1,413	**(662)**	**751**
Balance sheet as at 30 June 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			
Remeasurements			
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 sheet as at 30 June 2014	**(40,331)**	**28,701**	**(11,630)**

(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 rail corridor 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 with the principles of the Commonwealth's retirement incomes policy relating to preservation, vesting and reporting to members and that members' 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 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) Change in accounting policy

The Group has applied the revised accounting standard for employee benefits from 1 July 2013. This has affected some of the amounts recognised and disclosed in the financial statements. The information shown in this note has been restated based on the new rules. The adjustments made are explained in note 2. The Group has elected to recognise remeasurement gains and losses directly in retained earnings.

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

(iv) 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.

		2014	
	Quoted	**Un-quoted**	**Total**
The major category of plan assets are as follows:	$'000	$'000	$'000
Equity instruments	19,667	3,025	**22,692**
Property	894	2,379	**3,273**
Short term securities	1,573	880	**2,453**
Fixed interest securities	11	3,235	**3,246**
Other assets	565	5,764	**6,329**
Total	22,710	15,283	**37,993**

	2014	2013
Equity instruments	**60%**	57%
Property	**8%**	8%
Short term securities	**7%**	13%
Fixed interest securities	**8%**	9%
Other assets	**17%**	13%
Total	**100%**	100%

(v) Actuarial assumptions and sensitivity

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

	2014	2013
Discount rate	**3.6%**	3.8%
Rate of CPI increase	**2.5%**	2.5%
Future salary increases	**2.3%**	2.3%

The sensitivity of the total defined benefit obligation as at 30 June 2014 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 expected rate of return on assets assumption 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.

		Impact on defined benefit obligation	
	Change in assumption	**Increase in assumption**	**Decrease in assumption**
		$'000	$'000
Discount rate	1.0%	(3,724)	4,548
Salary growth rate	0.5%	1,368	(1,300)
Rate of CPI increase	0.5%	697	(633)
Pensioner mortality rate	5.0%	(102)	108

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

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

(vi) 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.

(vii) 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. 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 $751k.

The weighted average duration of the defined benefit obligation is 12.3 years (2013: 12.6 years).

(viii) Amounts recognised in consolidated income statement

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

	Consolidated	
		Restated
	2014	2013
	$'000	$'000
Current service cost	**536**	602
Interest cost on benefit obligation	**341**	386
Defined benefit cost	**877**	988

Of the total expenses recognised in profit or loss, $877k (2013 - $988k) were recognised in 'employee benefits expense'.

(ix) Amounts recognised in other comprehensive income

	Consolidated	
		Restated
	2014	2013
	$'000	$'000
Actuarial gains/(losses) on liabilities	**(4,877)**	970
Actual return on Fund assets less interest income	**2,732**	2,904
Total remeasurement in other comprehensive income	**(2,145)**	3,874

NOTE 09
EQUITY

(a) Contributed equity

(i) Share capital

	2014 Shares	2013 Shares	**2014 $'000**	2013 $'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 (2013: $211.7m).

(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.

(b) Reserves

	Consolidated	
	2014 $'000	2013 $'000
Asset revaluation reserve	**974,633**	995,113
Cash flow hedging reserve - interest rate swap	**(2,161)**	(5,587)
Cash flow hedging reserve - foreign exchange	**(22)**	70
Profit reserves	**127,143**	-
	1,099,593	989,596
Movements:		
Revaluation surplus - Property, plant and equipment		
Opening balance at 1 July	**995,113**	882,641
Revaluation on asset revaluation reserve	**(29,099)**	160,797
Asset revaluation reserve - asset disposal	**(111)**	(124)
Income tax effect of asset revaluation	**8,730**	(48,201)
Balance as at 30 June	**974,633**	995,113
Profit reserve		
Profit transferred into the reserve	**163,643**	-
Dividend paid	**(36,000)**	-
Balance as at 30 June	**127,643**	-
Cash flow hedges		
Opening balance at 1 July	**(5,517)**	(3,714)
Hedge reserve - foreign exchange	**(92)**	(29)
Hedge liability - interest rate swap	**3,426**	(1,774)
Balance as at 30 June	**(2,183)**	(5,517)
	1,100,093	989,596

NOTE 09
EQUITY (CONTINUED)

(b) Reserves (continued)

(i) Asset revaluation reserve

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

(ii) 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 income statement when the associated hedged transaction settles.

(c) Retained earnings

Movements in retained earnings were as follows:

	Consolidated	
		Restated
	2014	2013
	$'000	$'000
Balance at 1 July	**(133,493)**	65,705
Net profit/(loss) for the year after tax	**163,643**	(202,034)
Actuarial (losses)/gains on defined benefit plans	**(2,145)**	3,874
Asset revaluation reserve - asset disposal	**111**	124
Tax effect on defined benefit fund (note 8(d)(i))	**644**	(1,162)
Transfer to profit reserve	**(163,643)**	-
Balance as at 30 June	**(134,883)**	(133,493)

NOTE 10
CASH FLOW INFORMATION

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

	Consolidated	
		Restated
	2014	2013
	$'000	$'000
Net profit/(loss) for the year after tax	**163,643**	(202,034)
Adjustments for:		
Depreciation	**167,066**	153,699
Amortisation	**6,111**	4,152
Recognition of impairment (reversal)/loss	**(2,060)**	481,990
Recognition of government grant income attributable to financing activities	**(36,458)**	(35,840)
Net (gain) on sale of non-current assets	**(5,532)**	(2,250)
Net finance costs	**51,071**	27,184
Income tax	**25,335**	(121,047)
Interest paid on finance leases	**(20)**	(36)
Operating profit before changes in working capital and provisions	**369,156**	305,818
Change in operating assets and liabilities:		
Change in trade debtors and other receivables	**15,767**	7,169
Change in taxes receivable	**2,697**	(2,697)
Change in inventories	**(1,458)**	(4,621)
Change in other current assets	**(833)**	(1,005)
Change in trade and other payables	**1,616**	(63,761)
Change in other liabilities	**27**	164
Change in provisions	**(6,040)**	(438)
Net cash inflow from operating activities	**380,932**	240,629

NOTE 11
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(ab)), 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 2014, the Group's strategy, unchanged from 2013, was to maintain a gearing ratio under 50%. The gearing ratios were as follows:

		Consolidated	
		2014	2013
	Notes	**$'000**	$'000
Total borrowings	6(c), 6(d)	**998,446**	1,174,272
Less cash and cash equivalents	6(a)	**(91,284)**	(217,375)
Adjusted net debt		**907,162**	956,897
Total equity		**3,568,436**	3,459,329
Adjusted equity		**4,475,598**	4,416,226
Net debt to adjusted equity ratio		**20.3%**	21.7%

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

The Group has complied with the financial covenants of its syndicated debt facilities during the 2014 and 2013 reporting periods. As at 30 June 2014 the syndicated debt and bridging facilities no longer include any financial covenants.

(b) Dividends - Ordinary shares

	Consolidated	
	2014	2013
	$'000	$'000
Interim dividend for the year ended 30 June 2014 of 1.43 cents (2013: nil) per fully paid share	**36,000**	-

NOTE 12
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. Group 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 2014 there was a reclassification of cash flow hedge from equity to the income statement of $(70k) (2013: $(99k)). 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 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 2014 there was no reclassification into profit or loss (2013:nil). Hedge effectiveness was assessed at the inception of the bonds and was found to be effective. Hedge effectiveness was also assessed prospectively and retrospectively using the cumulative dollar offset method as at 30 June 2014 as a part of the bi-annual testing. There was no hedge ineffectiveness in the year ended to 30 June 2014 (2013: 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:

NOTE 12
FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

	Consolidated	
	2014	2013
	$'000	$'000
Current assets		
Forward foreign exchange contracts - cash flow hedges	**-**	100
Total current derivative financial instrument assets	**-**	100
Current liabilities		
Interest rate swap contracts - cash flow hedges	**(2,001)**	-
Forward foreign exchange contracts - cash flow hedges	**(31)**	-
Total current derivative financial instrument liabilities	**(2,032)**	-
Non-current liabilities		
Interest rate swaps - cash flow hedges	**(1,086)**	(7,981)
Total non-current derivative financial instrument liabilities	**(1,086)**	(7,981)
Total derivative financial instrument liabilities	**(3,118)**	(7,981)

(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) Derivative financial instruments

	Consolidated			
	30 June 2014		30 June 2013	
	Weighted average interest rate	**Balance** $'000	**Weighted average interest rate**	**Balance** $'000
Cash and cash equivalents	3.2%	91,284	3.2%	217,375
Net exposure to cash flow interest rate risk		**91,284**		217,375

	Interest rate risk				Foreign exchange risk			
	-0.5%		+0.5%		-10%		+10%	
	Profit $'000	Equity $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000
At 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**
30 June 2013								
Financial assets								
Cash and cash equivalents	(760)	(760)	760	760	-	-	-	-
Derivatives cash flow hedge - foreign exchange	-	-	-	-	-	(66)	-	54
Total increase/(decrease) in financial assets	(760)	(760)	760	760	-	(66)	-	54

This analysis assumes all other variables are constant.

(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 (A3 and above), 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 loss

As at 30 June 2014 there was an allowance of impairment in trade and other receivables of the Group of $64k (2013: $32k). The individually impaired items relate to rental on property where the lessees have fallen significantly behind on lease payments.

The ageing of trade receivables is as follows:

	Consolidated	
	2014	2013
	$'000	$'000
0-30 days	**33,166**	46,899
31-60 days	**18,693**	9,284
61-90 days	**245**	356
>90 days	**528**	1,502
	52,632	58,041

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

	Consolidated	
	2014	2013
	$'000	$'000
At 1 July	**(32)**	(26)
Provision for impairment charged to other expenses during the half year	**(77)**	(1,443)
Receivables written off during the year as uncollectable	**45**	1,431
Unused amounts reversed	**-**	6
At 30 June	**(64)**	(32)

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.

NOTE 12
FINANCIAL RISK MANAGEMENT (CONTINUED)

(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 12 months on a rolling monthly basis.

Financing arrangements of the Group include a $500m four year syndicated debt facility, established 26 June 2014 and a 15 month bridging facility of $300m established on 24 June 2014. As at 30 June 2014 $165m of the syndicated debt facility has been utilised (2013: $329m).

The Group has a $750m Australian Dollar Domestic Note programme which is fully issued, of this $300m matures in the next financial year (note 6(d)). The Group also has access to business card facilities of $2m (2013: $2m).

As at the reporting date of 30 June 2014, as the bond issuer ARTC complied with clause 4.3 Earnings and Asset Covenant of the Information Memorandum.

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.

	Less than 6 months	6 - 12 months	Between 1 and 5 years	Over 5 years	Total cash-flows
At 30 June 2014	$'000	$'000	$'000	$'000	$'000
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	**300,710**	**-**	**450,544**	**-**	**751,254**
Borrowings	**-**	**-**	**165,073**	**-**	**165,073**
Derivatives financial liabilities - foreign exchange	**31**	**-**	**-**	**-**	**31**
Derivatives financial liabilities - interest rate swap	**2,001**	**-**	**1,086**	**-**	**3,087**
Other financial liabilities	**84**	**-**	**-**	**-**	**84**
Total financial liabilities	**384,945**	**-**	**616,703**	**-**	**1,001,648**
At 30 June 2013					
Financial assets					
Cash & cash equivalents	217,375	-	-	-	217,375
Trade & other receivables	95,701	-	-	-	95,701
Derivatives financial instruments - foreign exchange	100	-	-	-	100
Total financial assets	313,176	-	-	-	313,176
Financial liabilities					
Trade & other payables	94,132	-	-	-	94,132
Bond issue	-	-	750,231	-	750,231
Borrowings	329,909	-	-	-	329,909
Derivatives financial liabilities - interest rate swap	-	-	7,981	-	7,981
Other financial liabilities	158	158	84	-	400
Total financial liabilities	424,199	158	758,296	-	1,182,653

(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.

			Fair Value			
		Carrying Value	Level 1	Level 2	Level 3	Total
30 June 2014	**Notes**	$'000	$'000	$'000	$'000	$'000
Non financial assets						
Designated at fair value						
Infrastructure assets	8(c)	4,127,254	-	-	4,127,254	4,127,254
Available for sale						
Properties held for sale	8(b)	1,968	1,968	-	-	1,968
Total non financial assets		**4,129,222**	**1,968**	**-**	**4,127,254**	**4,129,222**
Financial assets						
Loans and receivables						
Trade and other receivables	6(b)	79,934	-	-	-	79,934
Cash and cash equivalents	6(a)	91,284	-	-	-	91,284
Total financial assets		**171,218**	**-**	**-**	**-**	**171,218**
Financial liabilities						
Fair value - hedging instruments						
Interest rate swaps used for hedging	12(a)	3,087	-	3,087	-	3,087
Foreign exchange forward contracts used for hedging	12(a)	31	-	31	-	31
Other financial liabilities						
Interest bearing liabilities	6(d)	916,327	-	-	-	916,327
Trade payables	6(c)	82,119	-	-	-	82,119
Finance lease liabilities	6(e)	84	-	-	-	84
Total financial liabilities		**1,001,648**	**-**	**3,118**	**-**	**1,001,648**

(d) Fair value measurements (continued)

			Fair Value			
		Carrying Value	Level 1	Level 2	Level 3	Total
30 June 2013	Notes	$'000	$'000	$'000	$'000	$'000
Non financial assets						
Designated at fair value						
Infrastructure assets	8(c)	4,046,235	-	-	4,046,235	4,046,235
Total non financial assets		4,046,235	-	-	4,046,235	4,046,235
Financial assets						
Fair value hedging instruments						
Foreign exchange forward contracts used for hedging	12(a)	100	-	100	-	100
Loans and receivables						
Trade and other receivables	6(b)	95,701	-	-	-	95,701
Cash and cash equivalents	6(a)	217,375	-	-	-	217,375
Total financial assets		313,176	-	100	-	313,176
Financial liabilities						
Fair value - hedging instruments						
Interest rate swaps used for hedging	12(a)	7,981	-	7,981	-	7,981
Other financial liabilities						
Interest bearing liabilities	6(d)	1,080,140	-	-	-	1,080,140
Trade payables	6(c)	94,132	-	-	-	94,132
Finance lease liabilities	6(e)	400	-	-	-	400
Total financial liabilities		1,182,653	-	7,981	-	1,182,653

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.

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 is 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.

(d) Fair value measurements (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 2013 for the consolidated entity:

	$'000
Opening balance 1 July 2012	3,098,048
Loss included in expenses	(481,990)
Additions	1,422,887
Depreciation	(152,873)
Disposals	(634)
Change in fair value included in other comprehensive income	160,797
Closing balance 30 June 2013	4,046,235
Loss included in expenses	2,060
Additions	274,136
Depreciation	(165,714)
Disposals	(364)
Change in fair value included in other comprehensive income	(29,099)
Closing balance 30 June 2014	**4,127,254**

(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 corridor. 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.

(d) Fair value measurements (continued)

(v) Valuation processes

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

- 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 arms 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 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 7.1% to 7.9%.

Summarised sensitivity analysis

For the fair values of contingent consideration 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	
	Profit	Equity	Profit	Equity
	$'000's	$'000's	$'000's	$'000's
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 13
SUBSIDIARIES

(a) Significant investments 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 entity	Country of incorporation	Equity holding	
		2014	2013
ARTC Services Company Pty Ltd	Australia	100%	100%
Standard Gauge Company Pty Ltd	Australia	100%	100%

NOTE 14
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.

NOTE 15
COMMITMENTS

(a) Capital commitments

At 30 June 2014, the Group has commitments in the order of $350.6m relating to investment program that the Group will be undertaking in the North South, Hunter Valley and East West rail corridors 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	
	2014	2013
	$'000	$'000
Property, plant and equipment payable:		
Within one year	**204,887**	299,355
Later than one year but not later than five years	**96,351**	125,702
	301,238	425,057

(b) Lease commitments: Group company 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	
	2014	2013
	$'000	$'000
Within one year	**6,893**	6,440
Later than one year but not later than five years	**17,546**	12,538
Later than five years	**3,756**	2,598
	28,195	21,576

(c) Lease commitments: Group company is 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	
	2014	2013
	$'000	$'000
Within one year	**6,037**	6,273
Later than one year but not later than five years	**11,202**	11,345
Later than five years	**9,986**	10,329
	27,225	27,947

NOTE 16
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

(ii) Executive Director

- J Fullerton Chief Executive Officer

(iii) Non Executive Directors

- L Di Bartolomeo
- L Briggs
- G Brown
- P Catty
- B Cotter

(b) Key Management Personnel

The following persons were Key Management Personnel of ARTC during the financial year:

Title	Name
Chief Executive Officer	J Fullerton
Chief Financial Officer	A J Bishop
Executive General Manager Strategy & Growth	S Ormsby
Executive General Manager Major Projects	P Winder
Executive General Manager People Culture and Development	J McAullife
General Counsel and Company Secretary	G Carney
Executive General Manager Interstate Network	T Ryan
Executive General Manager Hunter Valley	A Mackenzie
Executive General Manager Technical Services	M van de Worp

(c) Remuneration of Directors and Key Management Personnel

	Consolidated	
	2014	2013
	$	$
Short term employee benefits	**3,358,558**	3,543,678
Post employment benefits	**352,658**	174,590
	3,711,216	3,718,268

The list of Directors and Key Management personnel of the Group who were paid, or were due to be paid, remuneration (including brokerage, commissions, bonuses and salaries but excluding payments in connection with their retirement), or indirectly, from the Group are shown above. The total of all remuneration paid, or due and payable, directly or indirectly, from the Group to the Directors and Key Management Personnel was $3,711,216 (2013: $3,718,268).

NOTE 17
REMUNERATION OF AUDITORS

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

(a) Assurance services

	Consolidated	
	2014	2013
	$	$
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 KPMG for auditing the financial report of the entity in the consolidated group	**275,000**	288,000
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 KPMG relating to Fees for Nation Building Grant Audit	**11,000**	9,700
Total remuneration for audit and other assurance services	**286,000**	297,700
Other services		
Other non-audit services	**-**	12,500
Total remuneration for other services	**-**	12,500

NOTE 18
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 Chair of Macquarie Generation during the financial year, a firm that ARTC has a commercial relationship with 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 (2013: nil).

There were no loans to Directors at year end (2013: nil).

NOTE 19
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 2014 financial statements.

NOTE 20
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:

	2014	Restated 2013
	$'000	$'000
Balance sheet		
Current assets	**209,569**	348,930
Non-current assets	**4,873,254**	4,795,893
Total assets	**5,082,823**	5,144,823
Current liabilities	**465,348**	168,417
Non-current liabilities	**1,056,062**	1,524,100
Total liabilities	**1,521,410**	1,692,517
Net assets	**3,561,413**	3,452,306
Shareholders' equity		
Contributed equity	**2,603,226**	2,603,226
Reserves	**1,100,093**	989,596
Retained earnings	**(141,906)**	(140,516)
Capital and reserves attributable to owners of Australian Rail Track Corporation Ltd	**3,561,413**	3,452,306
Total revenue and other income	**779,313**	728,783
Total expenses	**(539,264)**	(1,028,752)
Finance costs - net	**(51,071)**	(27,184)
Income tax (expense)/benefit	**(25,335)**	125,119
Profit/(Loss) for the year	**163,643**	(202,034)
Other comprehensive income		
Devaluation/Revaluation property plant and equipment	**(29,099)**	160,797
Income tax effect of devaluation/revaluation	**8,730**	(48,201)
Actuarial (losses) /gains on defined benefit fund obligations	**(2,145)**	3,874
Income tax effect on defined benefit fund obligations	**644**	(1,162)
Cash flow hedge charged to equity - foreign exchange	**(22)**	70
Cash flow hedge charged to equity - interest rate swap	**3,426**	(1,774)
Net changes in the fair value of cashflow hedges transferred to profit and loss	**(70)**	(99)
Other comprehensive income for the year, net of tax	**(18,536)**	113,505
Total comprehensive income	**145,107**	(88,529)

NOTE 20
PARENT ENTITY FINANCIAL INFORMATION (CONTINUED)

(b) Contingent liabilities 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.

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

As at 30 June 2014, the parent entity had contractual commitments for the acquisition of property, plant or equipment totalling $301m (30 June 2013 $425m). These commitments are not recognised as liabilities as the relevant assets have not yet been received.

DIRECTORS' DECLARATION 30 JUNE 2014

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 36 to 92 are in accordance with the Corporations Act 2001, including:

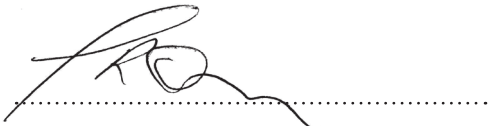
  (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and

  (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date, and

(b) the financial statements and notes set out on pages 36 to 92 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.



J Caldon
Director

Signed in Sydney on the 28th of August 2014

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 income statement, Consolidated statement of comprehensive income, Consolidated balance sheet as at 30 June 2014, Consolidated statement of changes in equity and the Consolidated statement of cash flows for the year then ended, notes to the consolidated financial statements, comprising a summary of significant accounting policies and other explanatory information, and the Directors' Declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the Australian 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 Australian Rail Track Corporation Ltd'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 Australian Rail Track Corporation Ltd'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 2600
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 2014 and of its performance for the year ended on that date; and

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

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

Australian National Audit Office

Peter Kerr
Executive Director

Delegate of the Auditor-General

Canberra

28 August 2014

COMPLIANCE INDEX