

1 March 2018

Singapore Exchange Securities Trading Limited
4 Shenton Way
#02-01, SGX Centre 2
Singapore 068807
Republic of Singapore

Dear Sir/Madam

EMTN Programme

Issuer: Asciano Finance Limited

Securities: ASCIANO FINGBP300M5%N230919

Attached is the financial report for Asciano Limited and its controlled entities for the half year ended 31 December 2017.

Yours faithfully



Kate Bowman

**General Counsel and Company Secretary
Pacific National**

Sydney

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Pacific National Pty Ltd
ACN 098 060 550

ASCIANO LIMITED

ABN 26 123 652 862

HALF YEAR REPORT

For the half year ended 31 December 2017

**Pacific National comprises of Asciano Limited
and its controlled entities.**

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Asciano Limited

ABN 26 123 652 862

Directors' Report

For the half year ended 31 December 2017

This half year report does not include all the notes of the type normally included in an annual report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2017.

The Directors present their report, together with the consolidated half year report of Asciano Limited ("the Company") and its controlled entities (collectively referred to as "Pacific National" or "the Group"), for the half year ended 31 December 2017.

1. Directors

The following persons were Directors of the Company during the half year and up to the date of this report, unless otherwise stated:

Russell Smith
Dean Dalla Valle (appointed 15 July 2017)
David Irwin (resigned 15 July 2017)
Jerry Divoky
John Hextall
Bruce Hogg
Colin Mugglestone
Deborah O'Toole
Garry Pritchard
Robert Stewart
Paul Bernath (alternate director)
Jeffrey Coates (alternate director)
William Thomson (alternate director)

2. Operating and financial review

Overview

During the period, Pacific National continued the process of developing key strategic objectives under the new ownership model for the medium to long-term. The primary elements of Pacific National's strategy are:

- Improving safety performance, ensuring everyone goes home safely everyday;
- Retaining key customers and leading market positions in strategic rail corridors;
- Leveraging our strategic assets and deep expertise in freight types and modes;
- Collaborating with diverse stakeholders to create and deliver solutions for our customers;
- Attracting, developing and inspiring talented and capable people;
- Continuing to improve the efficiency of fleet and labour resources through the Integrated Planning Service centre established in the 2016 financial year; and
- Innovating in partnership with customers to achieve differentiated performance within standalone and integrated supply chains.

Significant transactions during the half year

During the reporting period Pacific National entered into a binding agreement with Aurizon to purchase the Acacia Ridge Intermodal Terminal in Brisbane, Queensland. Separately, Pacific National, has also entered into a binding agreement to buy the Aurizon Queensland Intermodal Business as part of a consortium with Linfox. Both transactions are subject to approval by the Australian Competition & Consumer Commission and Foreign Investment Review Board.

Financing

Pacific National's funding consists of a mix of revolving bank credit facilities, US dollar denominated 7, 10 and 12 year bonds (swapped to Australian dollars), GBP denominated 10 year bonds (swapped to Australian dollars), AUD denominated 10 year bonds and working capital facilities (currently partly drawn in the form of bank guarantees). Pacific National's loans and borrowings mature in the period between April 2018 and May 2027.

Pacific National had total committed bank credit facilities of \$1,400.0 million (30 June 2017: \$1,375.0 million) and nil drawn bank debt at 31 December 2017 (30 June 2017: Nil). Of the total committed credit facilities, \$66.9 million relating to bank guarantees were utilised at 31 December 2017, leaving undrawn credit facilities at 31 December 2017 of \$1,333.1 million (30 June 2017: \$1,317.0 million).

Operating and financial review (continued)

Review and results of operations

Pacific National reported a net profit after tax from continuing operations ("NPAT") attributable to the owners of Asciano Limited of \$115.6 million. The reported NPAT for the current reporting period included a material item (loss) of \$1.8 million primarily for the costs borne in connection with the Aurizon transactions (31 December 2016: material items (loss) of \$13.4 million).

A reconciliation of the reported NPAT and the underlying NPAT for continuing operations and for the various components of the after tax material items is provided in the table below:

	Half year 2018 \$M	Half year 2017 \$M
Statutory NPAT attributable to the owners of Asciano Limited for continuing operations	115.6	439.7
Aurizon transaction related costs (non taxable)	1.8	–
Restructuring expenses (net of tax benefit)	–	13.4
Tax benefit from the reset of tax cost bases	–	(354.0)
Total material items after tax	1.8	(340.6)
Underlying NPAT attributable to the owners of Asciano Limited	117.4	99.1

Pacific National reported a 35% increase in profit before tax to \$165.7 million (31 December 2016: profit before tax of \$122.6 million). The result was mainly due to stronger coal volumes with the market benefiting from high thermal and met coal prices, stronger minerals volumes and growth in freight volumes.

3. Dividends

Interim dividends declared and paid by the Company for the current reporting period ended 31 December 2017 include a dividend of 4.64 cents per share (\$45.3 million) paid on 31 August 2017 and 0.52 cents per share (\$5.1 million) paid on 1 December 2017 (31 December 2016: 87.0 cents per share, fully franked).

4. Business strategies, prospects and likely developments

The operating and financial review sets out information on the business strategies and prospects for future financial years, and refers to likely developments in Pacific National's operations and the expected results of those operations in future financial years. Information is provided to enable stakeholders to make an informed assessment about the business strategies and prospects for future financial years of the Group. Information that could give rise to likely material detriment to Pacific National, for example, information that is commercially sensitive, confidential or could give a third party a commercial advantage has not been included.

5. Events subsequent to the reporting date

There has not arisen in the interval between 31 December 2017 and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the Board, to affect significantly the operations of Pacific National, the results of those operations, or the state of affairs of Pacific National in future financial years.

6. Lead auditor's independence declaration

The lead auditor's independence declaration is set up on page 6 and forms part of the director's report for the six months ended 31 December 2017.

7. Rounding of amounts

Asciano Limited is an entity of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission ("ASIC"), relating to the rounding off of amounts in the Directors' Report and the financial statements. Amounts in the Directors' Report have been rounded off in accordance with that instrument to the nearest one hundred thousand dollars, or in certain cases, to the nearest one thousand dollars.

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



Dean Dalla Valle
Chief Executive Officer
Sydney
28 February 2018



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Asciano Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2017 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

Steven Gatt
Partner

Sydney
28 February 2018

Asciano Limited
ABN 26 123 652 862

Financial Report
For the half year ended 31 December 2017

**Pacific National comprises of Asciano Limited
and its controlled entities.**

Consolidated Statement of Profit or Loss

For the half year ended 31 December 2017

	Note	First half 2018 \$M	First half 2017 \$M
Continuing operations			
Revenue from services rendered	2.3	1,233.0	1,164.7
Other income	2.3	12.5	6.5
Operating expenses excluding depreciation and amortisation:			
Employee benefits		(285.7)	(298.1)
Rail access		(265.1)	(247.9)
Fuel, oil and power		(105.7)	(90.8)
Repairs and maintenance		(91.8)	(86.7)
Lease and hire		(22.2)	(24.0)
Insurance		(5.3)	(4.3)
Other		(73.5)	(63.8)
Profit before depreciation, amortisation, net finance costs and tax		396.2	355.6
Depreciation		(127.1)	(126.3)
Amortisation		(8.6)	(17.6)
Profit before net finance costs and tax		260.5	211.7
Interest income	2.11	2.6	1.6
Interest expense		(92.3)	(94.0)
Other financing expenses		(8.9)	(6.7)
Credit value adjustment and fair value movements of unhedged derivatives		3.8	10.0
Finance expense	2.11	(97.4)	(90.7)
Net finance expense		(94.8)	(89.1)
Profit before tax		165.7	122.6
Tax (expense)/benefit	2.4	(50.1)	317.1
Profit from continuing operations		115.6	439.7
(Loss)/profit from discontinued operations	2.2	(17.5)	582.3
Profit after tax		98.1	1,022.0
Attributable to:			
Owners of Asciano Limited		98.1	1,021.7
Non-controlling interests		—	0.3
		98.1	1,022.0

The above Consolidated Statement of Profit or Loss should be read in conjunction with the accompanying notes.

Consolidated Statement of Comprehensive Income

For the half year ended 31 December 2017

	Note	First half 2018 \$M	First half 2017 \$M
Profit after tax		98.1	1,022.0
Other comprehensive income/(loss)			
Items that will not be reclassified to profit or loss:			
Defined benefit superannuation funds actuarial gains		—	33.6
Income tax expense on items that will not be reclassified to profit or loss	2.4	—	(10.1)
Total items that will not be reclassified to profit or loss net of tax		—	23.5
Items that may be reclassified subsequently to profit or loss:			
Effective portion of changes in fair value of cash flow hedges	2.11	1.0	8.0
Income tax expense on items that may be reclassified subsequently to profit or loss	2.11	(0.3)	(26.3)
Other comprehensive income arising from discontinued operations	2.2.2	—	0.2
Reserves reclassified to profit or loss on sale of Patrick businesses	2.2.4	—	(8.0)
Total items that may be reclassified subsequently to profit or loss net of tax		0.7	(26.1)
Other comprehensive income/(loss) net of tax		0.7	(2.6)
Total comprehensive income		98.8	1,019.4
Total comprehensive income attributable to:			
Owners of Asciano Limited		98.8	1,019.1
Non-controlling interests		—	0.3
		98.8	1,019.4
Total comprehensive income attributable to owners of Asciano Limited from:			
Continuing operations		116.3	444.9
Discontinued operations		(17.5)	574.5
		98.8	1,019.4

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 31 December 2017

	Note	December 2018 \$M	June 2017 \$M
Current assets			
Cash and cash equivalents	2.8	288.3	111.7
Trade and other receivables	2.8	290.8	289.1
Prepayments and other assets		15.4	7.6
Inventories		18.2	21.4
Derivative financial assets	2.8	233.2	278.8
Tax assets		—	32.6
Total current assets		845.9	741.2
Non-current assets			
Property, plant and equipment		2,964.8	3,046.0
Intangible assets		927.1	923.8
Trade and other receivables	2.8	0.2	0.5
Prepayments and other assets		40.3	0.3
Inventories		18.1	18.2
Derivative financial assets	2.8	220.5	242.1
Net deferred tax assets		210.6	247.8
Total non-current assets		4,381.6	4,478.7
Total assets		5,227.5	5,219.9
Current liabilities			
Trade payables	2.9	77.4	82.2
Other payables and accrued expenses	2.9	201.7	184.8
Provisions		32.9	27.2
Employee benefits		90.1	92.5
Loans and borrowings	2.9	961.3	975.2
Derivative financial liabilities	2.9	18.7	20.7
Total current liabilities		1,382.1	1,382.6
Non-current liabilities			
Other payables and accrued expenses	2.9	48.9	36.2
Provisions		37.2	37.4
Employee benefits		71.1	73.0
Loans and borrowings	2.9	2,311.8	2,327.6
Derivative financial liabilities	2.9	54.4	89.5
Total non-current liabilities		2,523.4	2,563.7
Total liabilities		3,905.5	3,946.3
Net assets		1,322.0	1,273.6
Equity			
Contributed equity	2.13	5,618.8	5,618.8
Reserves		(2,072.5)	(2,022.8)
Accumulated losses		(2,224.3)	(2,322.4)
Total equity attributable to owners of Asciano Limited		1,322.0	1,273.6

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the half year ended 31 December 2017

First half 2017 \$M	Contributed equity	Reserves	Accumulated losses	Total	Non- controlling interests	Total
Balance at 1 July 2016	8,586.7	(1,440.1)	(3,066.4)	4,080.2	8.2	4,088.4
Profit after tax	–	–	1,021.7	1,021.7	0.3	1,022.0
Other comprehensive income (“OCI”):						
Effective portion of changes in fair value of cash flow hedges	–	8.6	–	8.6	–	8.6
Defined benefit superannuation funds actuarial gains	–	–	33.6	33.6	–	33.6
Foreign currency translation differences for foreign operations	–	(0.2)	–	(0.2)	–	(0.2)
Reserves reclassified to profit or loss on sale of Patrick businesses	–	(0.5)	–	(0.5)	(7.5)	(8.0)
Income tax benefit on OCI	–	(26.5)	(10.1)	(36.6)	–	(36.6)
Total comprehensive income	–	(18.6)	1,045.2	1,026.6	(7.2)	1,019.4
Treasury shares allocated	23.7	–	–	23.7	–	23.7
Transactions with owners in their capacity as owners:						
Return of capital	(2,991.6)	–	–	(2,991.6)	–	(2,991.6)
Profits transferred to profit reserve	–	503.2	(503.2)	–	–	–
Dividends paid	–	(848.6)	–	(848.6)	–	(848.6)
Dividends paid to non-controlling interests	–	–	–	–	(1.0)	(1.0)
Employee equity benefits	–	(22.0)	–	(22.0)	–	(22.0)
	(2,991.6)	(367.4)	(503.2)	(3,862.2)	(1.0)	(3,863.2)
Balance at 31 December 2016	5,618.8	(1,826.1)	(2,524.4)	1,268.3	–	1,268.3

First half 2018 \$M	Contributed equity	Reserves	Accumulated losses	Total	Non- controlling interests	Total
Balance at 1 July 2017	5,618.8	(2,022.8)	(2,322.4)	1,273.6	–	1,273.6
Profit after tax	–	–	98.1	98.1	–	98.1
Other comprehensive income (“OCI”):						
Effective portion of changes in fair value of cash flow hedges	–	1.0	–	1.0	–	1.0
Income tax benefit on OCI	–	(0.3)	–	(0.3)	–	(0.3)
Total comprehensive income	–	0.7	98.1	98.8	–	98.8
Transactions with owners in their capacity as owners:						
Dividends paid	–	(50.4)	–	(50.4)	–	(50.4)
	–	(50.4)	–	(50.4)	–	(50.4)
Balance at 31 December 2017	5,618.8	(2,072.5)	(2,224.3)	1,322.0	–	1,322.0

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the half year ended 31 December 2017

	Note	First half 2018 \$M	First half 2017 \$M
Operating cash flows			
Receipts from customers		1,439.8	1,571.0
Payments to suppliers and employees		(1,052.8)	(1,346.1)
Interest and other costs of finance paid		(94.3)	(114.4)
Interest received		2.1	5.6
Dividends received from joint ventures		—	7.3
Net income tax refunds		31.2	28.7
Net operating cash inflows		326.0	152.1
Investing cash flows			
Payments for property, plant and equipment and intangible assets		(56.5)	(139.6)
Proceeds from sale of property, plant and equipment and intangible assets		0.3	7.0
Deposit paid on acquisition of investments		(40.0)	—
Proceeds from sale of Patrick businesses	2.2.4	—	586.7
Proceeds from sale of AAT joint venture		—	150.0
Proceeds from sale of 50% of Geelong Ports		—	25.0
Repayment of loans by joint ventures		—	0.1
Net investing cash (outflows)/inflows		(96.2)	629.2
Financing cash flows			
Dividends paid	2.12	(53.2)	(848.6)
Repayments of syndicated revolving credit facility		—	(1,500.0)
Drawdown of syndicated revolving credit facility		—	1,500.0
Payment of finance lease liabilities		—	(0.7)
Loan from non-controlling interests		—	1.0
Dividends paid to non-controlling interests		—	(1.0)
Net financing cash outflows		(53.2)	(849.3)
Net increase/(decrease) in cash and cash equivalents		176.6	(68.0)
Cash and cash equivalents at the beginning of the half year		111.7	202.9
Cash and cash equivalents at the end of the half year		288.3	134.9

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

1. How we have prepared this report

This section describes the basis of preparation of the financial statements for the Group as a whole. This section also analyses the impact of any newly endorsed accounting standards which will be effective for Pacific National in future years.

Reporting entity

Asciano Limited ("Asciano") is a for profit entity domiciled in Australia. Asciano is primarily involved in the management of rail assets and associated operations and services. This general purpose financial report ("report") comprises the consolidated financial statements of Asciano and its controlled entities (collectively referred to as "Pacific National" or "the Group"). The consolidated financial report was approved by the Board of Directors on 28 February 2018.

Basis of preparation

This consolidated interim financial report for the half year ended 31 December 2017 has been prepared in accordance with *AASB 134 Interim Financial Reporting* and the *Corporations Act 2001*. Accordingly, this half year financial report does not include all the notes of the type normally included in an annual financial report.

The accounting policies adopted are consistent with those of the previous financial year.

Pacific National sold the Patrick businesses effective 18 August 2016 with income, expenses and other comprehensive income for the Patrick businesses presented as discontinued operations in the comparative period. The consolidated statement of cash flows for the comparative period includes cash flows from both continuing and discontinued operations; refer to note 2.2.2 for the cash flows from discontinued operations in the comparative period.

New accounting standards and interpretations

A number of new or amended standards became applicable for the current reporting period. However, the new or amended standards did not have a significant impact on the Group's financial position and performance for the current or prior reporting period.

A number of new accounting standards and interpretations have been published that are not mandatory for 31 December 2017 reporting period and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations has not changed since the annual report for the year ended 30 June 2017.

Going concern

Notwithstanding the existence of a net current asset deficiency, the financial statements have been prepared on a going concern basis as Asciano has significant undrawn financing facilities which can be drawn down to pay debts as they fall due.

2. Key financial information

This section describes key aspects of the operating results and financial performance of the Group. It also presents information about Pacific National's long term contractual commitments, leases and management of capital.

2.1 Segment reporting

This segment note for the comparative period only presents continuing operations. The Patrick segment was discontinued during the comparative half year and is presented in note 2.2.

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

	Half year 2018 \$M	RESTATED ¹ Half year 2017 \$M
Revenue		
External revenue	1,233.0	1,164.7
Other income	12.5	6.5
Revenue and other income	1,245.5	1,171.2
Operating expenses	(847.5)	(796.5)
Profit before depreciation, amortisation, net finance costs, material items and tax	398.0	374.7
Depreciation	(127.1)	(126.3)
Amortisation	(8.6)	(17.6)
Profit before net finance costs, material items and tax	262.3	230.8
Finance income	2.6	1.6
Finance expense	(97.4)	(90.7)
Profit before material items and tax	167.5	141.7
Material items		
Aurizon transaction related costs	(1.8)	—
Pacific National integration ²	—	(19.1)
Profit before tax	165.7	122.6
Tax (expense)/benefit ³	(50.1)	317.1
Profit from continuing operations	115.6	439.7

1. The comparatives have been restated to show Pacific National and Corporate/unallocated as one segment.

Material items

- Costs in relation to the restructure of the PN Rail business including \$2.7 million for additional labour redundancies, \$12.6 million of support costs for the Integrated Planning Service and other professional and transitional costs totalling \$3.8 million.
- Tax benefit for the comparative period includes a tax benefit of \$354.0 million in relation to the reset of tax cost bases on tax consolidation. Refer to note 2.4 for further details.

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

	December 2017	RESTATED ¹ June 2017
\$M		
Segment assets	5,227.5	5,219.9
Segment liabilities	(3,905.5)	(3,946.3)
Net assets	1,322.0	1,273.6

1. The comparatives have been restated to show Pacific National and Corporate/unallocated as one segment.

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

2.2 Discontinued operations

2.2.1 Background

On 15 March 2016, Asciano Limited announced to the ASX that it had entered into a binding agreement to sell 100% of its issued capital to the Rail Consortium. The agreement received the relevant approvals and was effective 29 July 2016. Following the change in ownership, the Patrick businesses and its subsidiaries were sold by Asciano Limited to the Ports and BAPS Consortia on 18 August 2016.

2.2.2 Financial performance and cash flow information

The financial performance and cash flow information are presented for the 49 day period ended 18 August 2016 for the comparative reporting period ended 31 December 2016.

	Note	First half 2018 \$M	Period ended 18 August 2016 \$M
Revenue from services rendered		–	171.7
Other income		–	145.5
Share of net profit of joint ventures		–	2.9
Operating expenses excluding depreciation and amortisation		–	(181.0)
Depreciation and amortisation		–	(13.2)
Net finance expense		–	(18.7)
Profit before tax		–	107.2
Tax benefit		–	13.6
Profit after tax		–	120.8
(Loss)/gain on sale of Patrick businesses after tax	2.2.4	(17.5)	461.5
(Loss)/profit from discontinued operations		(17.5)	582.3
Effective portion of changes in fair value of cash flow hedges		–	0.6
Foreign currency translation differences for foreign operations		–	(0.2)
Income tax expense on items that may be reclassified subsequently to profit or loss		–	(0.2)
Other comprehensive income from discontinued operations		–	0.2
Net cash outflow from operating activities		–	(7.2)
Scheme related expenses		–	(69.1)
Net cash inflow from investing activities		–	747.3
Net cash outflow from financing activities		–	(1.7)
Net increase in cash and cash equivalents from discontinued operations		–	669.3

2.2 Discontinued operations (continued)

2.2.3 Discontinued material items

The following material items were included in the results from discontinued operations:

	Note	First half 2018 \$M	Period ended 18 August 2016 \$M
(Loss)/gain on sale of Patrick businesses	2.2.4	(17.5)	461.5
Gain on sale of Australian Amalgamated Terminals Pty Ltd joint venture ¹		—	98.2
Gain on sale of 50% of GeelongPort Pty Ltd ¹		—	46.2
Brookfield and Qube Consortium proposals ²		—	(54.4)
Swap de-designation ³		—	(0.8)
Total discontinued material items		(17.5)	550.7

1. On 17 August 2016 Pacific National sold its 50% interest in the Australian Amalgamated Terminals Pty Ltd joint venture for \$150.0 million; and 50% of its ownership interest in the GeelongPort Pty Limited subsidiary for \$25.0 million. On deconsolidation of the subsidiary a gain of \$23.1 million was recognised on the 50% interest sold, and a further gain of \$23.1 million arose on recognition of the remaining 50% holding as a joint venture investment at fair value.
2. Costs incurred in relation to the Brookfield and Qube Consortium takeover proposals have been recognised as material items and primarily include:
 - \$36.5m of legal and other professional consulting fees; and
 - \$17.5m of finance costs, including upfront costs and commitment fees, on bank facilities to enable the implementation of the Scheme.
3. Realised loss on de-designation of NZD interest rate swap hedging the NZD bank facility paid out on implementation of the Scheme.

2.2.4 (Loss)/gain on sale of Patrick businesses

	First half 2018 \$M	Period ended 18 August 2016 \$M
Cash consideration received	—	586.7
Contingent sale adjustment	(17.5)	(7.5)
Promissory notes receivable	—	2,991.6
Total consideration (payable)/received	(17.5)	3,570.8
Carrying amount of net assets sold	—	(3,117.3)
(Loss)/gain on sale before tax and reclassification of reserves	(17.5)	453.5
Reclassification of non-controlling interest reserve to profit or loss	—	7.5
Reclassification of foreign currency translation reserve to profit or loss	—	1.2
Reclassification of hedging reserve to profit or loss	—	(0.7)
(Loss)/gain on sale of Patrick businesses after tax	(17.5)	461.5

2.2 Discontinued operations (continued)

The carrying amounts of assets and liabilities of the Patrick businesses as at the date of sale were:

	18 August 2016 \$M
Cash and cash equivalents	15.3
Trade and other receivables	205.4
Inventories	17.3
Equity accounted investments	53.3
Property, plant and equipment	1,191.3
Intangible assets	1,819.0
Deferred tax asset	24.1
Other assets	21.5
Total assets	3,347.2
Trade payables	(51.6)
Other payables and accrued expenses	(36.8)
Employee benefits	(89.0)
Loans and borrowings	(42.1)
Other liabilities	(10.4)
Total liabilities	(229.9)
Net assets	3,117.3

2.3 Revenue and other income

Revenue recognised during the half year is set out below:

	First half 2018 \$M	First half 2017 \$M
Revenue		
Rail haulage	1,204.3	1,082.0
Other logistics	28.7	82.7
Total revenue	1,233.0	1,164.7
Other income		
Lease rental income	6.8	6.5
Other income	5.7	—
Total other income	12.5	6.5

2.4 Taxes

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

	First half 2018 \$M	First half 2017 \$M
Reconciliation of income tax expense to prima facie tax payable:		
Profit before tax	165.7	122.6
Income tax at 30% (2017: 30%)	49.7	36.8
Derecognition of previously recognised revenue losses	–	8.0
Other non-deductible expenses	0.5	1.1
Adjustments of current tax for prior periods	(13.1)	1.8
Adjustments of deferred tax for prior periods	13.3	(10.8)
Effect of tax bases being reset by the change in ownership ¹	–	(354.0)
Non-assessable income	(0.3)	–
Income tax expense/(benefit) recognised in the profit or loss	50.1	(317.1)
Tax recognised directly in other comprehensive income		
Changes in fair value of cash flow hedge	0.3	2.5
Reset of cost base	–	23.8
Defined benefit superannuation funds actuarial gains	–	10.1
	0.3	36.4

1. On 18 August 2016 the ownership of Pacific National changed and as a result the tax bases of various assets and liabilities were reset to broadly market value at 18 August 2016. This resulted in an increase in tax bases from the previous tax written down values, creating a deferred tax benefit.

2.5 Contingent liabilities

From time to time, Asciano is subject to claims and litigation during the normal course of business. The Board has given consideration to such matters which are or may be subject to litigation as at the date of this half year report and, subject to specific provisions raised, is of the opinion that no material liability exists.

The final purchase price adjustments from the sale of the Patrick businesses have been the subject of an expert determination and a decision was received on 27 February 2018. The effect of this is that a purchase price adjustment of A\$17.5 million is payable by Asciano Limited. A provision for this amount has been recognised as at 31 December 2017. Given the proximity of the expert determination to the date of signing these financial statements, Asciano is presently considering its position arising from the determination.

2.6 Operating lease commitments

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

	December 2017 \$M	June 2017 \$M
Non-cancellable operating lease rentals are payable as follows:		
Within one year	33.9	32.5
One year or later and no later than five years	95.0	102.2
Later than five years	339.2	325.9
	468.1	460.6

2.7 Capital and other commitments

	December 2017 \$M	June 2017 \$M
Plant and equipment		
Contracted capital expenditure committed but not yet payable:		
Within one year	62.3	44.1
One year or later and no later than five years	2.5	36.9
Later than five years	—	1.2
	64.8	82.2
Maintenance commitments		
Non-cancellable maintenance contracts committed but not yet payable:		
Within one year	6.1	12.1
One year or later and no later than five years	—	10.9
	6.1	23.0

Other commitments

In July 2017 Pacific National entered into a binding agreement with Aurizon to purchase the Acacia Ridge Intermodal Terminal in Brisbane, Queensland.

Separately, in August 2017 Pacific National signed a binding agreement to buy the Aurizon Queensland Intermodal business as part of a consortium with Linfox.

These arrangements include a terminal services agreement that require annual payments that are not included as lease commitments in note 2.6.

These transactions remain subject to approval by the Australian Competition & Consumer Commission and Foreign Investment Review Board. Total consideration for the two transactions is \$225.0 million, inclusive of \$5.0 million paid in February 2018 as the transactions had not yet completed within 6 months of signing.

2.8 Financial risk management

Risk management framework

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 30 June 2017.

2.9 Financial assets

The carrying amount of financial assets represents the maximum credit risk exposure. The maximum exposure to credit risk at the end of the period was:

	December 2017 \$M	June 2017 \$M
Current		
Cash and cash equivalents	288.3	111.7
Trade receivables (net of impairment)	220.4	194.8
Other receivables	70.4	94.3
Derivative financial assets	233.2	278.8
	812.3	679.6
Non-current		
Other receivables	0.2	0.5
Derivative financial assets	220.5	242.1
	220.7	242.6
Total financial assets	1,033.0	922.2

2.10 Financial liabilities

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

	December 2017 \$M	June 2017 \$M
Current		
Trade payables	77.4	82.2
Other payables and accrued expenses	201.7	182.0
Dividend payable to related parties	—	2.8
Derivative financial liabilities	18.7	20.7
Loans and borrowings:	961.3	975.2
US dollar bonds (net of discount)	961.3	975.2
	1,259.1	1,262.9
Non-current		
Other payables and accrued expenses	48.9	36.2
Derivative financial liabilities	54.4	89.5
Loans and borrowings:	2,311.8	2,327.6
US dollar bonds (net of discount)	1,088.4	1,103.7
GBP bonds (net of discount)	518.6	507.0
AUD bonds (net of discount)	696.5	696.3
Unrealised fair value loss on US dollar bonds	26.4	42.1
Capitalised borrowing costs	(18.1)	(21.5)
	2,415.1	2,453.3
Total financial liabilities	3,674.2	3,716.2

In accordance with the Syndicated Facility Agreement, on 16 September 2016 Asciano Limited entered into two new \$650.0 million tranches under the existing amended syndicated revolving debt facilities maturing in September 2019 and September 2021, and a \$75.0 million bank guarantee facility maturing in September 2021. During the current reporting period the \$75.0 million bank guarantee facility was cancelled and a new \$100.0 million bank guarantee facility entered into on 17 July 2017.

As at 31 December 2017, all syndicated revolving credit facilities, working capital facilities, US dollar bonds, GBP bonds and AUD bonds were unsecured.

2.10.1 Bank facilities

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

\$M	Maturity	December 2017		June 2017	
		Facility	Utilised	Facility	Utilised
Syndicated revolving facility	September 2019	650.0	—	650.0	—
Syndicated revolving facility	September 2021	650.0	—	650.0	—
		1,300.0	—	1,300.0	—
Less: cash and cash equivalents		—	(288.3)	—	(111.7)
Net bank debt		1,300.0	(288.3)	1,300.0	(111.7)
Bank guarantee facility	July 2020	100.0	66.9	—	—
Bank guarantee facility	September 2021	—	—	75.0	58.0
		1,400.0	(221.4)	1,375.0	(53.7)

1. Australian dollar equivalent calculated at the spot rate as at the end of the period.

Pacific National pays interest on its bank facilities at a margin above the bank bill swap rate. For the current reporting period to 31 December 2017 the syndicated bank loan remained undrawn.

2.10 Financial liabilities (continued)

2.10.2 US dollar bonds

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

\$M	Maturity	December 2017		June 2017	
		US\$	A\$ ¹	US\$	A\$
US dollar 7 year bonds ²	April 2018	750.0	961.3	750.0	975.2
US dollar 10 year bonds ³	September 2020	600.0	769.0	600.0	780.1
US dollar 12 year bonds ²	April 2023	250.0	320.5	250.0	325.1
US bonds		1,600.0	2,050.8	1,600.0	2,080.4
Discount on US dollar bonds		(1.0)	(1.1)	(1.5)	(1.5)
US bonds (net of discount)		1,599.0	2,049.7	1,598.5	2,078.9

1. Australian dollar equivalent calculated at the spot rate on 31 December 2017.
2. As at 31 December 2017, Pacific National's currency exposure on the US dollar 7 and 12 year bonds was hedged to 100% (30 June 2017: 100%) and Pacific National's interest rate exposure for all of the bonds was hedged to 52.0% (30 June 2017: 52.0%) using interest rate swaps.
3. As at 31 December 2017, Pacific National's currency and interest rate exposure on the US dollar 10 year bonds was hedged to 100% (30 June 2017: 100%) through the use of fixed-for-fixed cross-currency interest rate swaps.

2.10.3 Sterling bonds

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

\$M	Maturity	December 2017		June 2017	
		GB£	A\$ ¹	GB£	A\$
GBP 10 year bonds ²	September 2023	300.0	519.7	300.0	508.2
Discount on GBP bonds		(0.6)	(1.1)	(0.7)	(1.2)
GBP bonds (net of discount)		299.4	518.6	299.3	507.0

1. Australian dollar equivalent calculated at the spot rate on 31 December 2017.
2. As at 31 December 2017, Pacific National's currency and interest rate exposure on the GBP bonds was hedged to 100% (30 June 2017: 100%) through the use of fixed-for-fixed cross-currency interest rate swaps.

2.10.4 Australian dollar bonds

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

\$M	Maturity	December 2017	June 2017
		A\$	A\$
AUD 10 year bonds	May 2027	350.0	350.0
AUD 10 year bonds	May 2025	350.0	350.0
Discount on AUD bonds		(3.5)	(3.7)
AUD bonds (net of discount)		696.5	696.3

2.11 Fair value of financial assets and liabilities

Accounting classification and fair value

All derivative financial instruments are carried at fair value. Different levels have been defined as follows:

- Level 1: quoted price (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data.

All of Pacific National's financial assets and liabilities fall into Level 2 of the fair value hierarchy. The carrying amount equals the fair value of all financial assets and liabilities, with the exception of GBP, US dollar and Australian dollar bonds that are carried at amortised cost

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

	December 2017		June 2017	
	Carrying amount \$M	Fair value \$M	Carrying amount \$M	Fair value \$M
US dollar bonds, gross of discount and unrealised fair value loss	2,077.2	2,115.8	2,122.5	2,166.1
GBP bonds, gross of discount	519.7	587.5	508.2	566.3
AUD bonds, gross of discount	700.0	737.3	700.0	722.5

Valuation techniques of financial assets and liabilities measured at fair value

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

2.12 Finance income and expense

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

	First half 2018 \$M	First half 2017 \$M
Recognised directly in the Consolidated Statement of Profit or Loss		
Interest income	2.6	1.6
Finance income	2.6	1.6
Interest expense	(92.3)	(94.0)
Amortisation of deferred borrowing costs	(3.7)	(2.6)
Guarantee and commitment fees	(3.9)	(2.9)
Unwind of discount on long-term provisions	(1.3)	(1.2)
Credit value adjustment recognised in the profit or loss	(0.5)	(0.1)
Net change in fair value of derivatives not designated in a hedge relationship	4.3	10.1
Finance expense	(97.4)	(90.7)
Net finance expense	(94.8)	(89.1)
Recognised directly in the Consolidated Statement of Comprehensive Income		
Effective portion of changes in fair value of cash flow hedges	1.0	8.0
Tax on finance income and finance costs recognised in the Consolidated Statement of Comprehensive Income	(0.3)	(26.3)
Finance income/(expenses) recognised directly in the Consolidated Statement of Comprehensive Income, net of tax	0.7	(18.3)

2.13 Dividends

The following dividends were declared and paid by the Company for the current reporting period ended 31 December 2017 (31 December 2016: 87.0 cents per share, fully franked).

	Cents per share	Total amount \$M	Franked/ unfranked	Date of payment
Interim dividend	4.64	45.3	Unfranked	31 August 2017
Interim dividend	0.52	5.1	Unfranked	1 December 2017

2.14 Contributed equity

	Date	Price per share \$	Number of fully paid ordinary shares	\$M
Balance at	1 July 2016		975,385,664	8,586.7
Treasury shares allocated ¹		8.19		23.7
Return of capital ²				(2,991.6)
Balance	30 June 2017		975,385,664	5,618.8
Parent				
Balance at	1 July 2017		975,385,664	5,618.8
Balance	31 December 2017		975,385,664	5,618.8

1. Treasury shares consisted of shares held in trust for Pacific National employees in relation to equity compensation plans. These shares transferred to the participating executives on satisfaction of the relevant time and/or performance-based conditions.
2. The sale of the Patrick businesses on 18 August 2016 was partially funded by promissory notes (refer to note 2.2.4). On 19 August 2016, Pacific National distributed these promissory notes to its shareholders as a return of capital.

2.15 Events subsequent to the reporting date

There has not arisen in the interval between 31 December 2017 and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the Board, to affect significantly the operations of Pacific National, the results of those operations, or the state of affairs of Pacific National in future financial years.

Directors' Declaration

For the half year ended 31 December 2017

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

1. the financial statements and notes, set out on pages 8 to 24, are in accordance with the Corporations Act 2001, including:
 - (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half year ended on that date; and
 - (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe the Company 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 the Directors.



Dean Dalla Valle
Chief Executive Officer
Sydney
28 February 2018

Independent Auditor's Review Report

To the shareholders of Asciano Limited

Conclusion

We have reviewed the accompanying **Half-year Financial Report** of Asciano Limited.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Half-year Financial Report of Asciano Limited is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Half-year Financial Report** comprises:

- Consolidated statement of financial position as at 31 December 2017
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the Half-year ended on that date
- Notes 1 to 2.15 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The **Group** comprises Asciano Limited (the Company) and the entities it controlled at the Half year's end or from time to time during the Half-year.

Other Information

Other Information is financial and non-financial information in Asciano Limited's Half-year reporting which is provided in addition to the Half-year Financial Report and the Auditor's Review Report. This includes the Directors' Report. The Directors are responsible for the Other Information.

Our conclusion on the Half-year Financial Report does not cover the Other Information and, accordingly, we do not express any form of assurance conclusion thereon.

In connection with our review of the Half-year Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Half-year Financial Report or our knowledge obtained in the review, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Review Report we have nothing to report.



Responsibilities of the Directors for the Half-year Financial Report

The Directors of the Company are responsible for:

- the preparation of the Half-year Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- for such internal control as the Directors determine is necessary to enable the preparation of the Half-year Financial Report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the Half-year Financial Report

Our responsibility is to express a conclusion on the Half-year Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Half-year Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Asciano Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a Half-year Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

KPMG

Steven Gatt
Partner

Sydney
28 February 2018