

ASCIANO LIMITED

ABN 26 123 652 862

HALF YEAR REPORT

For the half year ended 31 December 2016

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

Contents	Page
Directors' Report	1
Consolidated Statement of Profit or Loss	6
Consolidated Statement of Comprehensive Income	7
Consolidated Statement of Financial Position	8
Consolidated Statement of Changes in Equity	9
Consolidated Statement of Cash Flows	10
Section 1: How we have prepared this report	11
Section 2: Key Financial Information	12
2.1 Segment reporting	12
2.2 Discontinued operations	14
2.3 Revenue and other income	16
2.4 Taxes	17
2.5 Operating lease commitments	18
2.6 Capital and other commitments	18
2.7 Financial and risk management	18
2.8 Financial assets	19
2.9 Financial liabilities	19
2.10 Fair value of financial assets and liabilities	21
2.11 Finance income and expense	22
2.12 Dividends	22
2.13 Contributed equity	23
2.14 Events subsequent to the reporting date	23
Directors' Declaration	24

Asciano Limited

ABN 26 123 652 862

Directors' Report

For the half year ended 31 December 2016

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 2016 and any public announcements made by Asciano Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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 2016.

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:

Malcolm Broomhead	(resigned 19 August 2016)
John Mullen	(resigned 19 August 2016)
Chris Barlow	(resigned 19 August 2016)
Robert Edgar	(resigned 19 August 2016)
Peter George	(resigned 19 August 2016)
Shirley In't Veld	(resigned 19 August 2016)
Geoff Kleemann	(resigned 19 August 2016)
Ralph Waters	(resigned 19 August 2016)
David Irwin	(appointed 19 August 2016)
Jerry Divoky	(appointed 19 August 2016)
Bruce Hogg	(appointed 19 August 2016)
Colin Mugglestone	(appointed 19 August 2016)
Garry Pritchard	(appointed 19 August 2016)
Robert Stewart	(appointed 19 August 2016)
Russell Smith	(appointed 19 August 2016)
Deborah O'Toole	(appointed 8 October 2016)
John Hextall	(appointed 12 October 2016)

2. Operating and financial review

Overview

During the period, Pacific National began 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:

- 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

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 Consortium¹. 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 Ports² and Brookfield Consortia on 18 August 2016, and the shares in Asciano Limited were transferred to the Rail Consortium on 19 August 2016. Following the sale the primary business of Asciano Limited is the Pacific National rail business.

The Patrick businesses are presented as discontinued operations separately from continuing operations. The comparative income, expenses and other comprehensive income have been restated.

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 2025.

1. A consortium comprising affiliates of Global Infrastructure Management LLC, Canada Pension Plan Investment Board, CIC Capital Corporation, GIC Private Limited (GIC) and British Columbia Investment Management Corporation ("bcIMC").
2. A consortium comprising affiliates of Brookfield Infrastructure Partners L.P., GIC Private Limited, British Columbia Investment Management Corporation and Qatar Investment Authority (together, the "Brookfield Consortium") and Qube Holdings Limited ("Qube").

Operating and financial review (continued)

Pacific National had total committed bank credit facilities of \$1,375.0 million (30 June 2016: \$1,488.3 million) and net bank debt of \$445.1 million at 31 December 2016 (30 June 2016: \$408.9 million). Of the total committed credit facilities, \$580.0 million relating to bank debt and \$57.3 million relating to bank guarantees were utilised at 31 December 2016, leaving undrawn credit facilities at 31 December 2016 of \$854.9 million (30 June 2016: \$929.4 million).

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 \$439.7 million. The reported NPAT for the current reporting period included a material item (loss) of \$13.4 million for the costs borne in connection with the restructuring of the Pacific National business (31 December 2015: material items (loss) of \$3.7 million) and a tax benefit of \$354.0 million in relation to the reset of tax cost bases due to tax consolidation following the Company's change in ownership.

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 2017 \$M	RESTATED ¹ Half year 2016 \$M
Statutory NPAT attributable to the owners of Asciano Limited	439.7	143.0
Restructuring expenses (net of tax benefit)	13.4	3.7
Tax benefit from the reset of tax cost bases	(354.0)	–
Total material items after tax	(340.6)	3.7
Underlying NPAT attributable to the owners of Asciano Limited	99.1	146.7

1. The comparatives have been restated to show only continuing operations as discontinued operations are disclosed separately in note 2.2.

Pacific National reported a 19.0% decrease in profit before tax for continuing operations to \$122.6 million. The result was impacted by several business interruptions to customers from weather, derailments, industrial disputes and a longwall collapse in Queensland. Bulk haulage (excluding coal) experienced some softness in minerals volumes but this was largely offset by strong export grain volumes. Intermodal haulage again suffered from the weaker East/West demand however experienced stronger demand on the North/South corridor and steel also performed well.

3. Dividends

On 29 July 2016, the Board resolved to pay a fully franked special dividend of 87.0 cents per share which was paid on 11 August 2016 (31 December 2015: No dividend was paid).

The Board has resolved to not pay an interim dividend (31 December 2015: 13.0 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. Other than the information set out above information about other likely developments in Pacific National's operations and the expected results of these operations in future financial years has not been included.

5. Events subsequent to the reporting date

The \$7.5 million contingent purchase price adjustment from the sale of the Patrick businesses was paid on 16 February 2017.

The final purchase price adjustment, in accordance with the arrangements between the Consortium Investor Group, is currently underway and to be recognised against the gain on sale from the Patrick businesses.

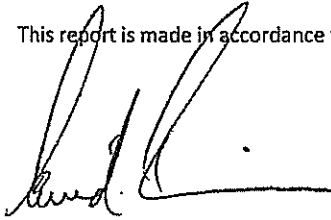
Other than for the items noted above, there has not arisen in the interval between 31 December 2016 and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the Board, to affect significantly the operations of Pacific National, the results of those operations, or the state of affairs of Pacific National in future financial years.

Operating and financial review (continued)

6. 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.



David Irwin
CEO
Sydney
8 March 2017



Deborah O'Toole
Director and Chairperson of the Audit and Risk Committee
Sydney
8 March 2017

Asciano Limited
ABN 26 123 652 862

Financial Report
For the half year ended 31 December 2016

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

Consolidated Statement of Profit or Loss

For the half year ended 31 December 2016

	Note	First half 2017 \$M	RESTATED ¹ First half 2016 \$M
Continuing operations			
Revenue from services rendered	2.3	1,164.7	1,205.4
Other income	2.3	6.5	7.2
Operating expenses excluding depreciation and amortisation:			
Employee benefits		(298.1)	(294.5)
Rail access		(247.9)	(238.4)
Fuel, oil and power		(90.8)	(112.1)
Repairs and maintenance		(86.7)	(89.8)
Lease and hire		(24.0)	(27.7)
Insurance		(4.3)	(0.5)
Other		(63.8)	(50.5)
Profit before depreciation, amortisation, net finance costs and tax		355.6	399.1
Depreciation		(126.3)	(116.1)
Amortisation		(17.6)	(24.1)
Profit before net finance costs and tax		211.7	258.9
Interest income	2.11	1.6	1.2
Interest expense		(94.0)	(101.3)
Other financing expenses		(6.7)	(6.2)
Credit value adjustment and fair value movements of unhedged derivatives		10.0	(1.2)
Finance expense	2.11	(90.7)	(108.7)
Net finance expense		(89.1)	(107.5)
Profit before tax		122.6	151.4
Tax benefit/(expense)	2.4	317.1	(8.4)
Profit from continuing operations		439.7	143.0
Profit from discontinued operations	2.2	624.1	57.6
Profit after tax		1,063.8	200.6
Attributable to:			
Owners of Asciano Limited		1,063.5	199.8
Non-controlling interests		0.3	0.8
		1,063.8	200.6

1. The comparatives have been restated to show only continuing operations as discontinued operations are disclosed separately in note 2.2.

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 2016

	Note	First half 2017 \$M	RESTATED ¹ First half 2016 \$M
Profit after tax		1,063.8	200.6
Other comprehensive income/(loss)			
Items that will not be reclassified to profit or loss:			
Defined benefit superannuation funds actuarial gains		33.6	0.7
Income tax expense on items that will not be reclassified to profit or loss	2.4	(10.1)	(0.2)
Total items that will not be reclassified to profit or loss net of tax		23.5	0.5
Items that may be reclassified subsequently to profit or loss:			
Effective portion of changes in fair value of cash flow hedges	2.11	8.0	0.9
Income tax expense on items that may be reclassified subsequently to profit or loss	2.11	(26.3)	(0.3)
Other comprehensive income/(loss) arising from discontinued operations	2.2.2	0.2	(2.0)
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		(26.1)	(1.4)
Other comprehensive loss net of tax		(2.6)	(0.9)
Total comprehensive income		1,061.2	199.7
Total comprehensive income attributable to:			
Owners of Asciano Limited		1,060.9	198.9
Non-controlling interests		0.3	0.8
		1,061.2	199.7
Total comprehensive income attributable to owners of Asciano Limited from:			
Continuing operations		444.9	144.1
Discontinued operations		616.3	55.6
		1,061.2	199.7

1. The comparatives have been restated to show only continuing operations as discontinued operations are disclosed separately in note 2.2.

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 2016

	Note	December 2016 \$M	June 2016 \$M
Current assets			
Cash and cash equivalents	2.8	134.9	202.9
Trade and other receivables	2.8	280.2	472.9
Prepayments and other assets		16.8	36.7
Inventories		23.2	39.6
Derivative financial assets	2.8	21.1	25.1
Current tax assets		54.1	74.2
Other assets		41.8	–
Total current assets		572.1	851.4
Non-current assets			
Property, plant and equipment		3,147.2	4,382.6
Intangible assets		929.7	2,767.8
Equity accounted investments		–	45.3
Loans to joint ventures	2.8	–	52.4
Trade and other receivables	2.8	0.8	0.2
Prepayments and other assets		1.1	1.0
Inventories		18.9	22.4
Derivative financial assets		634.9	617.4
Deferred tax assets		255.9	–
Total non-current assets		4,988.5	7,889.1
Total assets		5,560.6	8,740.5
Current liabilities			
Trade payables	2.9	79.2	186.1
Other payables and accrued expenses	2.9	182.3	249.9
Provisions		19.0	56.4
Employee benefits		95.7	181.5
Loans and borrowings	2.9	–	0.6
Derivative financial liabilities	2.9	25.9	39.5
Total current liabilities		402.1	714.0
Non-current liabilities			
Other payables and accrued expenses	2.9	18.1	20.3
Provisions		33.6	35.1
Employee benefits		61.8	105.7
Loans and borrowings	2.9	3,683.9	3,723.6
Derivative financial liabilities	2.9	51.0	48.3
Deferred tax liabilities		–	5.1
Total non-current liabilities		3,848.4	3,938.1
Total liabilities		4,250.5	4,652.1
Net assets		1,310.1	4,088.4
Equity			
Contributed equity	2.13	5,618.8	8,586.7
Reserves		(1,784.3)	(1,440.1)
Accumulated losses		(2,524.4)	(3,066.4)
Equity attributable to owners of Asciano Limited		1,310.1	4,080.2
Non-controlling interests		–	8.2
Total equity		1,310.1	4,088.4

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 2016

First half 2016 \$M	Contributed equity	Reserves	Retained earnings	Total	Non- controlling interests	Total
Balance at 1 July 2015	8,604.5	(4,342.0)	(312.6)	3,949.9	18.6	3,968.5
Profit after tax	–	–	199.8	199.8	0.8	200.6
Other comprehensive income ("OCI"):						
Effective portion of changes in fair value of cash flow hedges	–	(1.4)	–	(1.4)	–	(1.4)
Defined benefit superannuation funds actuarial gains	–	–	0.7	0.7	–	0.7
Foreign currency translation differences for foreign operations	–	(0.8)	0.4	(0.4)	–	(0.4)
Income tax benefit on OCI	–	0.4	(0.2)	0.2	–	0.2
Total comprehensive income	–	(1.8)	200.7	198.9	0.8	199.7
Treasury shares allocated	3.0	–	–	3.0	–	3.0
Treasury shares acquired	(19.6)	–	–	(19.6)	–	(19.6)
Transactions with owners in their capacity as owners:						
Profits transferred to profit reserve	–	3,131.7	(3,131.7)	–	–	–
Dividends paid to non-controlling interests	–	–	–	–	(12.0)	(12.0)
Employee equity benefits	–	(0.6)	–	(0.6)	–	(0.6)
	–	3,131.1	(3,131.7)	(0.6)	(12.0)	(12.6)
Balance at 31 December 2015	8,587.9	(1,212.7)	(3,243.6)	4,131.6	7.4	4,139.0

First half 2017 \$M	Contributed equity	Reserves	Retained earnings	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	–	–	1,063.5	1,063.5	0.3	1,063.8
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)	1,087.0	1,068.4	(7.2)	1,061.2
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	–	545.0	(545.0)	–	–	–
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)	(325.6)	(545.0)	(3,862.2)	(1.0)	(3,863.2)
Balance at 31 December 2016	5,618.8	(1,784.3)	(2,524.4)	1,310.1	–	1,310.1

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 2016

	Note	First half 2017 \$M	First half 2016 \$M
Operating cash flows			
Receipts from customers		1,571.0	2,107.5
Payments to suppliers and employees		(1,346.1)	(1,593.6)
Interest and other costs of finance paid		(114.4)	(112.7)
Interest received		5.6	1.2
Dividends received from joint ventures		7.3	10.3
Net income tax refunds/(payments)		28.7	(83.0)
Net operating cash inflows		152.1	329.7
Investing cash flows			
Payments for property, plant and equipment and intangible assets		(139.6)	(180.1)
Proceeds from sale of property, plant and equipment and intangible assets		7.0	40.1
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	3.8
Repayment of loans by related parties		–	1.9
Net investing cash inflows/(outflows)		629.2	(134.3)
Financing cash flows			
Treasury shares acquired		–	(19.6)
Payment of finance lease liabilities		(0.7)	(0.3)
Repayment of US dollar 5 year bonds		–	(428.8)
Repayments of syndicated revolving credit facility		(1,500.0)	(230.0)
Drawdown of syndicated revolving credit facility		1,500.0	510.0
Loan from non-controlling interests		1.0	10.0
Dividends paid	2.12	(848.6)	–
Dividends paid to non-controlling interests		(1.0)	(12.0)
Net financing cash outflows		(849.3)	(170.7)
Net (decrease)/increase in cash and cash equivalents		(68.0)	24.7
Cash and cash equivalents at the beginning of the half year		202.9	127.3
Cash and cash equivalents at the end of the half year		134.9	152.0

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 8 March 2017.

Basis of preparation

This consolidated interim financial report for the half year reporting period ended 31 December 2016 has been prepared in accordance with Accounting Standard 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 with the exception of the accounting policies described below. Certain comparative amounts have been reclassified to conform with the current period's presentation.

Pacific National sold the Patrick businesses effective 18 August 2016. Income, expenses and other comprehensive income for the Patrick businesses are presented as discontinued operations and prior year comparatives have been restated to show the discontinued operations separately from continuing operations. The consolidated statement of cash flows includes cash flows from both continuing and discontinued operations; refer to note 2.2.2 for the cash flows from discontinued operations.

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 2016 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 2016.

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 only presents continuing operations. The Patrick segment was discontinued during the half year and is presented in note 2.2. Certain subsidiaries that had previously been included in the Corporate segment were sold with the Patrick businesses. These subsidiaries have also been presented in discontinued operations.

The segment results for the half year reconciled to the Group profit from continuing operations are set out in the following table:

First half 2017 \$M	Pacific National	Corporate / unallocated	Total
Revenue			
External revenue	1,154.0	10.7	1,164.7
Inter-segment revenue	0.9	(0.9)	–
	1,154.9	9.8	1,164.7
Other income	6.5	–	6.5
Revenue and other income	1,161.4	9.8	1,171.2
Operating expenses	(785.6)	(10.9)	(796.5)
Profit/(loss) before depreciation, amortisation, net finance costs, material items and tax	375.8	(1.1)	374.7
Depreciation	(124.9)	(1.4)	(126.3)
Amortisation	(13.1)	(4.5)	(17.6)
Profit/(loss) before net finance costs, material items and tax	237.8	(7.0)	230.8
Finance income			1.6
Finance expense			(90.7)
Profit before material items and tax			141.7
Material items			
Pacific National integration ¹	(19.1)	–	(19.1)
Profit before tax			122.6
Tax benefit ²			317.1
Profit from continuing operations			439.7

Material items

- The further restructure of the PN Rail business continued during the current reporting period with costs consisted of \$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.
- 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.

2.1 Segment reporting (continued)

First half 2016 RESTATED ¹ \$M	Pacific National	Corporate / unallocated	Total
Revenue			
External revenue	1,185.3	20.1	1,205.4
Inter-segment revenue	23.0	(23.0)	–
	1,208.3	(2.9)	1,205.4
Other income	6.6	0.6	7.2
Revenue and other income	1,214.9	(2.3)	1,212.6
Operating expenses	(794.6)	(13.6)	(808.2)
Profit/(loss) before depreciation, amortisation, net finance costs, material items and tax	420.3	(15.9)	404.4
Depreciation	(113.5)	(2.6)	(116.1)
Amortisation	(15.9)	(8.2)	(24.1)
Profit/(loss) before net finance costs, material items and tax	290.9	(26.7)	264.2
Finance income			1.2
Finance expense			(108.7)
Profit before material items and tax			156.7
Material items			
Pacific National integration ²	(5.2)	(0.1)	(5.3)
Profit before tax			151.4
Tax expense			(8.4)
Profit from continuing operations			143.0

1. The comparatives have been restated to show only continuing operations as discontinued operations are disclosed separately in note 2.2.

Material items

2. The integration of the PN Coal and PN Rail businesses into a single Pacific National business continued in the prior financial year, resulting in further material costs including employee restructuring costs of \$4.2 million recognised as part of the employee benefit expense, and project related labour and other costs of \$1.0 million.

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

December 2016 \$M	Patrick ¹	Pacific National	Corporate/ unallocated	Total
Segment assets	–	4,260.7	2,188.4	6,449.1
Segment liabilities	–	(1,052.0)	(4,087.0)	(5,139.0)
Net assets/(liabilities)	–	3,208.7	(1,898.6)	1,310.1
June 2016 RESTATED ²				
Segment assets	3,385.5	4,284.0	1,066.2	8,735.7
Segment liabilities	(655.5)	(968.5)	(3,023.3)	(4,647.3)
Net assets/(liabilities)	2,730.0	3,315.5	(1,957.1)	4,088.4

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

1. The Patrick businesses were sold effective 18 August 2016. Patrick's assets and liabilities are presented here so that the total assets and liabilities reconcile to the statement of financial position. For further disclosure in relation to the sale of the Patrick businesses refer to note 2.2.
2. The comparatives have been restated to reflect the segment assets and liabilities of the continuing group.

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.

The comparative income, expenses and other comprehensive income have been restated to show the discontinued operations separately from continuing operations.

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 current half year) and for the full reporting period ended 31 December 2015.

	Note	First half 2017 \$M	First half 2016 \$M
Revenue from services rendered		171.7	630.9
Other income		145.5	19.9
Share of net profit of joint ventures		2.9	8.8
Operating expenses excluding depreciation and amortisation		(181.0)	(511.1)
Depreciation and amortisation		(13.2)	(47.9)
Net finance expense		(18.7)	(0.2)
Profit before tax		107.2	100.4
Tax benefit/(expense)		13.6	(42.8)
Profit after tax		120.8	57.6
Gain on sale of Patrick businesses after tax	2.2.4	503.3	—
Profit from discontinued operations		624.1	57.6
Effective portion of changes in fair value of cash flow hedges		0.6	(2.3)
Foreign currency translation differences for foreign operations		(0.2)	(0.4)
Income tax expense on items that may be reclassified subsequently to profit or loss		(0.2)	0.7
Other comprehensive income/(loss) from discontinued operations		0.2	(2.0)
Net cash outflow from operating activities		(7.2)	(8.2)
Net cash inflow/(outflow) from investing activities		747.3	(54.2)
Net cash (outflow)/inflow from financing activities		(1.7)	37.8
Net increase/(decrease) in cash and cash equivalents from discontinued operations		738.4	(24.6)

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 2017 \$M	First half 2016 \$M
Gain on sale of Patrick businesses	2.2.4	503.3	–
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)	(8.4)
Swap de-designation ³		(0.8)	–
Patrick integration		–	(7.1)
Total discontinued material items		592.5	(15.5)

- 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.
- Costs incurred in relation to the Brookfield and Qube Consortium takeover proposals have been recognised as material items. For the current reporting period these costs 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.
- 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 Gain on sale of Patrick businesses

	\$M
Cash consideration received	586.7
Contingent sale adjustment	(7.5)
Promissory notes receivable	2,991.6
Total consideration received and receivable	3,570.8
Carrying amount of net assets sold	(3,075.5)
Gain on sale before tax and reclassification of reserves	495.3
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)
Tax expense on sale	–
Gain on sale of Patrick businesses after tax	503.3

2.2 Discontinued operations (continued)

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

	\$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	(83.9)
Other liabilities	(10.4)
Total liabilities	(271.7)
Net assets	3,075.5

2.3 Revenue and other income

Revenue recognised during the half year is set out below:

	First half 2017 \$M	RESTATED ¹ First half 2016 \$M
Revenue		
Rail haulage	1,082.0	1,113.6
Other logistics	82.7	91.8
Total revenue	1,164.7	1,205.4
Other income		
Lease rental income	6.5	6.9
Other	—	0.3
Total other income	6.5	7.2

1. The comparatives have been restated to show only continuing operations as discontinued operations are disclosed separately in note 2.2.

2.4 Taxes

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

	First half 2017 \$M	RESTATED ¹ First half 2016 \$M
Reconciliation of income tax expense to prima facie tax payable:		
Profit before tax	122.6	151.4
Income tax at 30% (2016: 30%)	36.8	45.4
Derecognition of previously recognised revenue losses	8.0	–
Other non-deductible expenses	1.1	–
Adjustments of current tax for prior periods	1.8	(50.6)
Adjustments of deferred tax for prior periods	(10.8)	–
Effect of tax bases being reset by the change in ownership ²	(354.0)	–
Adjustments in respect of prior periods	–	33.4
Franking credit rebate on taxable dividends	–	6.8
Assessable franking credits on dividends	–	(22.8)
Non-assessable income	–	(2.9)
Recognition and derecognition of temporary differences	–	(0.9)
Income tax (benefit)/expense recognised in the profit or loss	(317.1)	8.4
Tax recognised directly in other comprehensive income		
Changes in fair value of cash flow hedge	26.3	0.3
Defined benefit superannuation funds actuarial gains	10.1	0.2
	36.4	0.5

1. The comparatives have been restated to show only continuing operations as discontinued operations are disclosed separately in note 2.2.
2. 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 Operating lease commitments

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

	December 2016 \$M	RESTATED ¹ June 2016 \$M
Non-cancellable operating lease rentals are payable as follows:		
Within one year	24.9	27.8
One year or later and no later than five years	88.5	93.6
Later than five years	331.6	343.5
	445.0	464.9

1. Comparatives have been restated to show only continuing operations.

2.6 Capital and other commitments

	December 2016 \$M	RESTATED ¹ June 2016 \$M
Plant and equipment		
Contracted capital expenditure committed but not yet payable:		
Within one year	37.5	40.6
One year or later and no later than five years	16.3	26.5
Later than five years	0.6	–
	54.4	67.1
Maintenance commitments		
Non-cancellable maintenance contracts committed but not yet payable:		
Within one year	14.9	16.2
One year or later and no later than five years	16.2	23.0
	31.1	39.2
Other commitments		
Non-cancellable other contracts committed but not yet payable:		
Within one year	–	0.3
	–	0.3

1. Comparatives have been restated to show only continuing operations.

2.7 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 2016.

2.8 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 2016 \$M	June 2016 \$M
Current		
Cash and cash equivalents	134.9	202.9
Trade receivables (net of impairment)	212.4	385.9
Other receivables	67.8	87.0
Derivative financial assets	21.1	25.1
	436.2	700.9
Non-current		
Other receivables	0.8	0.2
Loans to joint ventures	–	52.4
Derivative financial assets	634.9	617.4
	635.7	670.0
Total financial assets	1,071.9	1,370.9

2.9 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 2016 \$M	June 2016 \$M
Current		
Trade payables	79.2	186.1
Other payables and accrued expenses	182.3	249.9
Derivative financial liabilities	25.9	39.5
Finance lease liabilities	–	0.6
	287.4	476.1
Non-current		
Other payables and accrued expenses	18.1	20.3
Derivative financial liabilities	51.0	48.3
Loans and borrowings:	3,683.9	3,723.6
Syndicated revolving facility	580.0	580.0
NZ dollar debt facility	–	31.8
US dollar bonds (net of discount)	2,215.4	2,145.1
GBP bonds (net of discount)	511.7	534.7
AUD bonds (net of discount)	346.2	346.0
Unrealised fair value loss on US dollar bonds	52.5	93.5
Capitalised debt issuance costs	(21.9)	(17.6)
Loan from related parties	–	10.0
Finance lease liabilities	–	0.1
	3,753.0	3,792.2
Total financial liabilities	4,040.4	4,268.3

2.9 Financial liabilities (continued)

On 3 August 2016, a \$500.0 million bridge facility was fully drawn to partially fund the payment of the special dividend on 11 August 2016. This facility was fully repaid and cancelled on 30 August 2016.

On 18 August 2016, the \$38.3 million NZD debt facility was repaid in full and the facility cancelled.

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, a \$2.5 billion bridge facility maturing in September 2018, and two \$75.0 million bank guarantee facilities both maturing in September 2021.

The \$2.5 billion bridge facility remained undrawn and \$864.0 million of the facility was cancelled on 18 November 2016. The remaining \$1,636.0 million facility balance was also cancelled on 9 December 2016. Of the two bank guarantee facilities one was cancelled on 23 December 2016.

As at 31 December 2016, all syndicated revolving credit facilities, working capital facilities, US dollar bonds, GBP bonds and AUD bonds were unsecured.

2.9.1 Bank facilities

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

\$M	Maturity	December 2016		June 2016	
		Facility	Utilised	Facility	Utilised
Syndicated revolving facility	September 2019	650.0	580.0	—	—
Syndicated revolving facility	September 2021	650.0	—	—	—
Syndicated revolving facility	October 2019	—	—	650.0	380.0
Syndicated revolving facility	September 2021	—	—	650.0	200.0
NZ dollar cash advance facility ¹	June 2019	—	—	38.3	31.8
		1,300.0	580.0	1,338.3	611.8
Less: cash and cash equivalents		—	(134.9)	—	(202.9)
Net bank debt		1,300.0	445.1	1,338.3	408.9
Bank guarantee facility	September 2021	75.0	57.3	—	—
Bank guarantee facility	December 2018	—	—	150.0	69.0
		1,375.0	502.4	1,488.3	477.9

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. As at 31 December 2016 Pacific National's interest rate exposure on the syndicated bank loan was hedged to 34.5% (30 June 2016: 37.4%) through the use of interest rate swaps.

2.9.2 US dollar bonds

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

\$M	Maturity	December 2016		June 2016	
		US\$	A\$ ¹	US\$	A\$
US dollar 7 year bonds ²	April 2018	750.0	1,039.3	750.0	1,006.6
US dollar 10 year bonds ³	September 2020	600.0	831.5	600.0	805.3
US dollar 12 year bonds ²	April 2023	250.0	346.5	250.0	335.5
US bonds		1,600.0	2,217.3	1,600.0	2,147.4
Discount on US dollar bonds		(1.9)	(1.9)	(2.3)	(2.3)
US bonds (net of discount)		1,598.1	2,215.4	1,597.7	2,145.1

1. Australian dollar equivalent calculated at the spot rate on 31 December 2016.

2. As at 31 December 2016, Pacific National's currency exposure on the US dollar 7 and 12 year bonds was hedged to 100% (30 June 2016: 100%) and Pacific National's interest rate exposure for all of the bonds was hedged to 52.0% (30 June 2016: 52.0%) using interest rate swaps.

3. As at 31 December 2016, Pacific National's currency and interest rate exposure on the US dollar 10 year bonds was hedged to 100% (30 June 2016: 100%) through the use of fixed-for-fixed cross-currency interest rate swaps.

2.9.3 Sterling bonds

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

\$M	Maturity	December 2016		June 2016	
		GB£	A\$ ¹	GB£	A\$
GBP 10 year bonds ²	September 2023	300.0	513.0	300.0	536.0
Discount on GBP bonds		(0.7)	(1.3)	(0.8)	(1.3)
GBP bonds (net of discount)		299.3	511.7	299.2	534.7

1. Australian dollar equivalent calculated at the spot rate on 31 December 2016.

2. As at 31 December 2016, Pacific National's currency and interest rate exposure on the GBP bonds was hedged to 100% (30 June 2016: 100%) through the use of fixed-for-fixed cross-currency interest rate swaps.

2.9.4 Australian dollar bonds

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

\$M	Maturity	December 2016	June 2016
		A\$	A\$
AUD 10 year bonds	May 2025	350.0	350.0
Discount on AUD bonds		(3.8)	(4.0)
AUD bonds (net of discount)		346.2	346.0

2.10 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 2016		June 2016	
	Carrying amount \$M	Fair value \$M	Carrying amount \$M	Fair value \$M
US dollar bonds, gross of discount and unrealised fair value loss	2,269.7	2,299.5	2,240.9	2,227.7
GBP bonds, gross of discount	513.0	572.8	536.0	569.0
AUD bonds, gross of discount	350.0	343.9	350.0	361.9

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.

2.11 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 2017 \$M	RESTATED ¹ First half 2016 \$M
Recognised directly in the Consolidated Statement of Profit or Loss		
Interest income	1.6	1.2
Finance income	1.6	1.2
Interest expense	(94.0)	(101.3)
Amortisation of deferred borrowing costs	(2.6)	(2.1)
Guarantee and commitment fees	(2.9)	(3.3)
Unwind of discount on long-term provisions	(1.2)	(0.8)
Credit value adjustment recognised in the profit or loss	(0.1)	0.9
Net change in fair value of derivatives not designated in a hedge relationship	10.1	(2.1)
Finance expense	(90.7)	(108.7)
Net finance expense	(89.1)	(107.5)
Recognised directly in the Consolidated Statement of Comprehensive Income		
Effective portion of changes in fair value of cash flow hedges	8.0	0.9
Tax on finance income and finance costs recognised in the Consolidated Statement of Comprehensive Income	(26.3)	(0.3)
Finance (expense)/income recognised directly in the Consolidated Statement of Comprehensive Income, net of tax	(18.3)	0.6

1. Comparatives have been restated to show only continuing operations as discontinued operations are disclosed separately in note 2.2.

2.12 Dividends

On 29 July 2016, the Board resolved to pay a fully franked special dividend of 87.0 cents per share (31 December 2015: No dividend was paid).

	Cents per share	Total amount \$M	Franked/ unfranked	Date of payment
Special dividend	87.0	848.6	Fully franked	11 August 2016

The Board has resolved to not pay an interim dividend (31 December 2015: 13.0 cents per share, fully franked).

2.13 Contributed equity

	Date	Price per share \$	Number of fully paid ordinary shares	\$M
Balance at	1 July 2015		975,385,664	8,604.5
Treasury shares acquired		8.45		(21.0)
Treasury shares allocated		6.42		3.2
Balance	30 June 2016		975,385,664	8,586.7
Parent				
Balance at	1 July 2016		975,385,664	8,586.7
Treasury shares allocated		8.19		23.7
Return of capital	19 August 2016			(2,991.6)
Balance	31 December 2016		975,385,664	5,618.8

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.

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.

2.14 Events subsequent to the reporting date

The \$7.5 million contingent purchase price adjustment from the sale of the Patrick businesses was paid on 16 February 2017.

The final purchase price adjustment, in accordance with the arrangements between the Consortium Investor Group, is currently underway and to be recognised against the gain on sale from the Patrick businesses.

Other than for the items noted above, there has not arisen in the interval between 31 December 2016 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.

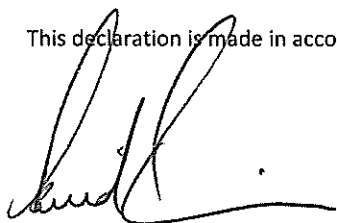
Directors' Declaration

For the half year ended 31 December 2016

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

1. the financial statements and notes, set out on pages 6 to 23, 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 2016 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.



David Irwin
CEO
Sydney
8 March 2017



Deborah O'Toole
Director and Chairperson of the Audit and Risk Committee
Sydney
8 March 2017