

Aurizon Network Pty Ltd

Costing Manual

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PART 1. PURPOSE OF COSTING MANUAL

1.1 Background

- (a) Aurizon Network Pty Ltd (Aurizon Network) has an Undertaking that provides the framework for negotiations with access seekers for Access to Rail Infrastructure for the purpose of operating Train Services.
- (b) The intent of the Undertaking is *inter alia* to ensure that Access negotiations are conducted expeditiously on a commercial basis, and in a competitively neutral environment. The Undertaking seeks to ensure that there will be no cross subsidy between individual Train Services or between combinations of Train Services. It also outlines pricing principles to be employed in determining applicable Access Charges.
- (c) Aurizon Network is a substantial and diverse rail infrastructure business serving train operators and supply chains in Queensland. Aurizon Network provides design, maintenance and management services on the rail network.
- (d) The Aurizon Holdings Limited (Aurizon) group of companies is an integrated railway provider, in that it provides both Below Rail Services as a Railway Manager and Above Rail Services as a Railway Operator. Aurizon is obligated, under the Act, to keep accounting records for Below Rail Services separate from its accounting records for its other operations. Consistent with this obligation, Aurizon Network has been created as a wholly owned subsidiary of Aurizon Operations Limited (Aurizon Operations), a direct subsidiary of Aurizon Holdings Limited, and the Undertaking contains a requirement for the production of separate Financial Statements for Below Rail Services provided by Aurizon Network.
- (e) Under the Act the QCA may prepare a Costing Manual (referred to as the “Manual”) or ask Aurizon Network to do so.

1.2 Legislative Context

This Manual has been prepared in accordance with the requirements of Section 159 of the Act.

1.3 Purpose

- (a) The principal purpose of the Manual is to provide a framework for the financial reporting obligations contained in the Undertaking to satisfy the accounting responsibilities under the Act.
- (b) The Manual provides the framework for the Identification, Attribution and Allocation of assets, costs and, revenues and investments relating to Queensland based Below Rail Services provided by Aurizon Network and the development of Financial Statements required in accordance with the Undertaking.
- (c) The Manual sets out the process for identifying the cost base for Below Rail Services separate from other services provided by Aurizon Network.
- (d) The Manual provides the basis for Aurizon Network to keep its accounting records for Below Rail Services separate from its accounting records for its other operations.
- (e) The Manual provides for an assignment of costs based on Aurizon Network’s current Costing accounts. The network system operated by Aurizon Network is essentially a stand alone system servicing predominately coal traffic and the cost centre structure in the financial systems reflect this.

- (f) The Manual provides a basis for the preparation of a statement of assets (a partial balance sheet) and, a statement of earnings before interest, tax, depreciation and amortisation (a partial profit and loss statement) based on the cost Identification, Attribution and Allocation methodology.
- (g) The “building blocks” of Maximum Allowable Revenue (MAR), being return on capital, depreciation, maintenance costs, operating costs and tax, are reviewed and approved by the QCA after consultation with stakeholders as part of the approval of the Access Undertaking (usually every 4 years). The purpose of the manual is not to identify efficient costs for the provision of Below Rail Services. The regulatory process described above identifies and approves the efficient costs of the operating costs building block for calculation of (MAR). However, costs should be presented in manner that allow comparison between actual costs and allowances.
- (h) The financial reporting to which this Manual applies does not include detailed Maintenance Costs or Regulatory Asset Base (RAB) reporting which are required under separate provisions of the Undertaking.

The annual RAB roll-forward report sets out by system: opening value of the RAB, indexation, depreciation, capital expenditure, disposals and closing value of the RAB. A report detailing capital expenditure for a financial year is provided to the QCA within four months after the end of that financial year, and the roll forward is provided to the QCA for acceptance within 1 month of the QCA’s acceptance of the capital expenditure for the financial year. The RAB roll-forward report is published within 4 weeks of QCA acceptance.

The annual maintenance cost report sets out actual maintenance costs incurred in a financial year compared to the forecast maintenance costs for general track maintenance , structures and facilities maintenance, trackside systems maintenance, electrical overhead maintenance, telecommunications maintenance and mechanised maintenance (split between ballast cleaning, rail grinding and rail resurfacing) for each coal system. As prescribed by UT4, Aurizon Network will provide access holders and customers with an annual presentation on details of the scope of maintenance for the forthcoming year and the maintenance report for the previous year.

Aurizon Network also prepares a quarterly performance report in accordance with the Undertaking, and general purpose financial statements half-yearly in accordance with the *Corporations Act 2001*.

PART 2. ADMINISTRATION OF COSTING MANUAL

2.1 Duration of Costing Manual

- (a) The Manual will take effect from the date specified as being the effective date, following approval by the QCA.
- (b) Aurizon Network must publish the current approved Costing Manual.
- (c) This Manual will apply to the annual Financial Statements prepared for the financial year commencing 1 July 2014, and will continue to apply, subject to paragraph (d) and (f) until superseded by approved changes in accordance with clause 2.2 below. No annual Financial statements have been prepared subsequent to those published for the year ended 30 June 2013, awaiting revisions to the Costing Manual.
- (d) If, for any 12 month financial period during the term of the Manual, the QCA ceases to be the regulator of Aurizon Network's Below Rail Services, Aurizon Network may withdraw the Manual.
- (e) If, for any 12 month financial period during the term of the Manual, Aurizon Network does not have an approved Undertaking, Aurizon Network may seek approval from QCA to defer the preparation of the annual Financial Statements.
- (f) Apart from the circumstances identified in Paragraph (d), Aurizon Network may withdraw the Manual at any time, provided it has received written agreement to such withdrawal by the QCA.

2.2 Review of Costing Manual

- (a) If, at any time during the term of the Manual, Aurizon Network is of the view that changes to the Manual are desirable, Aurizon Network may submit amendments to the QCA.
- (b) Where amendments to the Manual are submitted to the QCA, the QCA must consider the amendments to the Manual, and approve, or not approve them. If the QCA does not approve the amendments to the Manual, the previously approved Manual will continue to apply.
- (c) If the QCA does approve the amendments, the amended Manual will apply from:
 - (i) the date of the QCA's approval; or
 - (ii) a later date approved by the QCA.
- (d) The QCA may, from time to time, revise the Manual as long as it complies with section 159(3) of the Act.
- (e) Aurizon Network must publish any amendments to the Costing Manual including the date the amendments come in to force.

PART 3. COSTING FRAMEWORK

3.1 Organisational Structure

- (a) Aurizon Network is a wholly owned subsidiary of Aurizon Operations Limited and Aurizon Operations Limited is a wholly owned subsidiary of Aurizon Holdings Limited (Aurizon).

This Aurizon Structure is illustrated in Schedule B.

- (b) Aurizon has established its organisational structure to facilitate the separation of the management of Rail Infrastructure from the operation of Train Services.
- (c) Aurizon Network also represents a functional unit of Aurizon, separate from other operating and non-operating functional units. Aurizon Network is responsible for the provision of Below Rail Services.

This Network structure is illustrated in Schedule C.

- (d) The principles of cost Identification, Attribution and Allocation recognise that Aurizon's organisational structure may change over time. Therefore, the Identification, Attribution and Allocation of assets, costs, revenues and investments are based on functions regardless of the area within Aurizon that provides them. The principles in the Manual have been developed on this basis, however at any point in time costing information will be drawn from responsibility-based accounts reflecting Aurizon's current organisational structure.

3.2 Costing Principles

- (a) All assets, costs, revenues and investments must be Identified, Attributed or Allocated as Below Rail Services or Other Services;
- (b) The fundamental principle underlying Aurizon Network's approach to costing is that, wherever possible, assets, costs, revenues and investments are directly Identified or Attributed to a function, and functions are directly Identified or Attributed as a Below Rail Service provided by Aurizon Network or Other Services provided by Aurizon Network. Assets, costs, revenues and investments are only Allocated to a function/service where it is not possible or practical to disaggregate those costs and assets in a manner that allows for them to be directly Identified or Attributed to a function/service. This principle avoids the application of general rules of Allocation applying to all circumstances. Rather, it requires a detailed process to be put in place to analyse the assets owned, and the costs incurred, by Aurizon Network.
- (c) The general approach described in the Manual is based on the following:
- (i) Where costs are directly incurred, or assets directly used, in the performance of Below Rail Services provided by Aurizon Network, those costs and assets are directly Identified as Below Rail Costs;
 - (ii) Where costs are incurred, or assets are used, in common for the provision of Below Rail Services provided by Aurizon Network and/or Other Services, and where there is a causal relationship between the resources used for Below Rail Services provided by Aurizon Network, and/or Other Services, these costs are Attributed on a reasonable basis of cost causality as approved by the QCA; and
 - (iii) Where assets, costs, revenues and investments are used jointly for the provision of Below Rail Services provided by Aurizon Network and/or Other

Services, and where there is no direct causal relationship between the resources used for Below Rail Services provided by Aurizon Network or Other Services, these costs are Allocated on a reasonable basis as approved by the QCA.

- (d) In Identifying, Attributing and Allocating assets, costs, revenue and investments, rigid application of the methodologies in the Manual is not necessary for immaterial amounts.
- (e) The Manual establishes a methodology for the Identification, Attribution and Allocation of costs based on the accounting information available and methodologies applicable at the time of its development. Where, in the future, costs or assets are identified for which the Identification, Attribution or Allocation methodology has not been explicitly defined within this Manual, Aurizon Network will, as far as reasonably possible, Identify, Attribute or Allocate these costs and assets in a manner consistent with the methodology and principles defined within the Manual.
- (f) The Financial Statements of Aurizon Network are prepared from the audited consolidated financial statements for Aurizon Network Pty Ltd and adjusted in accordance with the requirements of this Manual. These adjustments are audited to ensure compliance with this Manual.

3.3 Internal Costing Accounts

- (a) Aurizon maintains its Costing Accounts on a regular basis. Monthly management accounts are prepared for Network. These accounts provide detailed information on the costs of various business activities and reconcile to Aurizon Network's audited general purpose consolidated financial statements which are publicly available.
- (b) The Costing Accounts associate assets, costs and revenue to functional activities, and from this separate Aurizon Network's assets, costs and revenue into Below Rail or Other Services. The resulting information forms the basis for the Financial Statements.
- (c) For financial accounting purposes all transactions are booked to an appropriate cost centre and account code to allow identification of:
 - (i) the nature of the activity requiring the transaction;
 - (ii) the element of activity (e.g. labour, materials); and
 - (iii) the responsible cost centre and manager.
- (d) This financial account coding is designed primarily around the requirements for construction of Aurizon's Costing accounts based on the objectives of responsibility management. This financial account coding and underlying information is collected and arranged such that it is suitable for functional cost analysis.
- (e) The declared service provided by Aurizon Network is restricted to the Central Queensland coal region, and assets and activities serve this one geographic sector. Therefore the responsibility-based accounting provides direct Identification of all costs and assets to functions and hence to Below Rail or Other Services, rather than regions.

For example, costs incurred in providing train control services are Identified as relating to the region across which those train control services are provided – they are not Allocated to the provision of the individual line sections within that region. Any

Allocation of Below Rail Costs to a more detailed geographic level is essentially arbitrary in nature.

Assets are identified to line sections and coal systems. The RAB is reported by coal system.

- (f) The functional cost analysis process represents the financial accounts to reflect the functional activities that give rise to the costs and assets, using physical resource and empirical measures to Attribute and Allocate those costs and assets that cannot be directly Identified to a function.
- (g) The amount of internal charges shall be included in the cost base of the users of those services as recorded in Aurizon's Costing accounts.
- (h) For maintenance of Rail Infrastructure, a standard costing system using work orders underlies and balances to the Costing accounts. The work order system allows for the identification of costing information at an activity level, which then permits a functional analysis of such costs. Work orders typically incorporate a description of the nature of the activity undertaken and the location.
- (i) For activities other than maintenance of Rail Infrastructure, information is drawn from the cost centre/account code (primarily the responsible cost centre and manager) and supporting information, such as supporting transaction explanations and traffic statistics, in order to undertake a functional analysis of these costs. Where supporting information does not provide sufficiently detailed information regarding the functions undertaken at a particular location, Aurizon Network may undertake surveys in order to gain such detailed information.
- (j) The assets, costs and revenue associated with each function are then separated into Below Rail or Other Services in accordance with the process set out in Part 4 of the Manual.

PART 4. SEPARATION OF BELOW RAIL ASSETS, COSTS, REVENUE AND INVESTMENTS

4.1 SEPARATION OF BELOW RAIL ASSETS

4.1.1 Classification of Assets

- (a) Assets shall only include those items recorded in the accounts of Aurizon Network, except for fixed assets recorded in Aurizon's Fixed Asset Register held specifically for Aurizon Network (i.e. freehold land and some motor vehicles).
- (b) All assets included in the RAB are owned by Aurizon Network.
- (c) Assets shall be classified as Below Rail Services provided by Aurizon Network or Other Services provided by Aurizon Network by determining the function for which the assets are required. In some instances, Attribution or Allocation of assets may be required in order to align with the Identified functions (Ident). Aurizon Network's major asset categories are shown in Table 4.1.
- (d) Note that asset values are not apportioned where they are used for the provision of both Below Rail and Other Services

Table 4.1 Aurizon Network Asset Categories

	Aurizon Network		Aurizon (held for Aurizon Network)	
	Below Rail Services	Other Services	Below Rail Services	Other Services
Fixed Assets				
Land	Ident	Ident	Ident	
Buildings	Ident/Attrib/ Alloc	Ident/Attrib/ Alloc	Ident	
Plant and equipment	Ident/Attrib/ Alloc	Ident/Attrib/ Alloc		
Motor vehicles	Ident/Attrib/ Alloc	Ident/Attrib/ Alloc	Ident	
Computers & misc. equipment	Ident/Attrib/ Alloc	Ident/Attrib/ Alloc		
Permanent way	Ident		Ident	
Traction Power Equipment Distribution equipment Supply equipment	Ident Ident			
Facilities	Ident/Attrib/ Alloc	Ident/Alloc/ Attrib		
Signals Control systems Field signals	Ident Ident	Ident		
Telecommunications Backbone network	Ident			
Assets under construction	Attrib	Attrib		
Other Assets				
Intangible Assets	Ident/Attrib/ Alloc	Ident/Attrib/ Alloc		
Receivables	Ident/Attrib/ Alloc	Ident/Attrib/ Alloc		
Inventories	Alloc			
Prepayments	Ident/Attrib/ Alloc	Ident/Attrib/ Alloc		
Investments		Ident		
Cash, net deferred income tax assets	Alloc			

4.1.2 Fixed Assets

- (a) Details of fixed assets are recorded on Aurizon Network's Fixed Asset Register, or Aurizon's Fixed Asset Register (in respect to some freehold land, property and motor vehicles), including each asset's cost centre, class, description and physical location.
- (b) Separation of the fixed assets into Below Rail services provided by Aurizon Network or Other Services provided by Aurizon Network shall be based on an analysis of cost centre data in Aurizon Network's or Aurizon's Fixed Asset Registers to identify assets to areas within Aurizon Network. These assets are associated with the functions provided by those areas within Aurizon Network and then Identified, Attributed or Allocated in a manner consistent with how that function is Identified, Attributed or Allocated to Below Rail services provided by Aurizon Network or Other

Services provided by Aurizon Network, giving consideration to the asset class, description and location.

- (c) In analysing fixed assets' cost centre data the following general principles are to be followed:
- (i) Aurizon Network assets are Below Rail.
 - (ii) Assets attributed to support areas (i.e. Network Finance and Network Commercial) are insignificant and are to be allocated to Below Rail.
 - (iii) Aurizon assets specifically held on behalf of Aurizon Network (freehold land, property and motor vehicles) are Below Rail. The written down value of these assets is less than 1% of the total written down value of assets in Aurizon Network.
 - (iv) Where a particular function of the business to which the asset has been Identified as relating to performs both Below Rail Services and Other Services, the asset will be recognised as a Below Rail asset if the Other Services are incidental to, or insignificant compared to, the Below Rail Services (i.e. the value of the asset is not apportioned between Below Rail and Other Services on the same basis that expenses of the function may be apportioned).
- (d) Based on these principles, there is little difference between assets reported in the Balance Sheet of the general purpose financial statements required to be produced under section 3.7.1 of the Undertaking and what would be reported on a Statement of Assets for Below Rail Services.
- (e) The value of Fixed Assets on the Balance Sheet and the Statement of Assets are recognised in accordance with Australian Accounting Standards and does not represent the RAB due to differences in the calculation of the asset bases, including depreciation methods. The Fixed Assets on the Balance Sheet and Statement of Assets also includes assets that are not included in the RAB but for which a return on assets is included in the maintenance allowance for pricing purposes.

4.1.2.1 Land

- (a) Land assets include any parcels of land owned by Aurizon and held on behalf of Aurizon Network and parcels of land owned directly by Aurizon Network. Land assets exclude corridor land, as Aurizon subleases the corridor land from Department of Transport and Main Roads and, hence, Aurizon or Aurizon Network does not own the corridor land.
- (b) Land assets shall be Identified to areas within Aurizon Network through analysis of the cost centre and responsible manager for each parcel of land. Once land assets are Identified to areas within Aurizon Network, these assets become associated with the functions provided by those areas within Aurizon Network. The land is then Identified as Below Rail services provided by Aurizon Network or Other Services provided by Aurizon Network in a manner consistent with how that function is Identified to Below Rail services provided by Aurizon Network or Other Services provided by Aurizon Network.

4.1.2.2 Buildings

- (a) Buildings recorded in Aurizon Network's Asset Register are described according to the type of building and its location. Based on an analysis of this information, an assessment shall be made of the function/s associated with each building. To the

extent that more than one function is associated with a building, that building is Attributed between those functions.

- (b) Aurizon Network buildings, or portions thereof, shall be then Attributed or Allocated to Below Rail services provided by Aurizon Network or Other Services provided by Aurizon Network in a manner consistent with how the relevant function is Attributed or Allocated to Below Rail Services Rail services provided by Aurizon Network or Other Services provided by Aurizon Network.

4.1.2.3 Plant and Equipment

- (a) Plant and equipment assets shall be Identified to areas within Aurizon Network through analysis of the cost centre for each piece of equipment. Once plant and equipment assets are Identified to areas within Aurizon Network, these assets become associated with the functions provided by those areas within Aurizon Network. The plant and equipment assets are then Identified, Attributed or Allocated as Below Rail or Other Services provided by Aurizon Network in a manner consistent with how that function is Identified, Attributed or Allocated to Below Rail Services or Other Services provided by Aurizon Network.

4.1.2.4 Motor Vehicles

- (a) The majority of Aurizon Network's motor vehicle Assets are controlled within a central fleet. Aurizon's Fixed Asset Register or Aurizon Network's Fixed Asset Register (for those vehicles owned directly by Aurizon Network) contain the cost centre of the vehicle, allowing Identification to areas within Aurizon Network.
- (b) Once motor vehicles are Identified to areas within Aurizon Network, these assets become associated with the functions provided by those areas of Aurizon Network. The motor vehicles shall then be Identified, Attributed or Allocated as Below Rail or Other Services provided by Aurizon Network in a manner consistent with how that function is Identified, Attributed or Allocated to Below Rail Services or Other Services provided by Aurizon Network.

4.1.2.5 Computers and Miscellaneous Equipment

- (a) Computers and miscellaneous equipment assets shall be Identified to areas within Aurizon Network through analysis of the cost centre and responsible manager for each piece of equipment recorded on Aurizon Network's Fixed Asset Register.
- (b) Once computers and miscellaneous equipment are Identified to areas within Aurizon Network, these assets become associated with the functions provided by those areas within Aurizon Network. The equipment shall then be Attributed or Allocated as Below Rail or Other Services provided by Aurizon Network in a manner consistent with how that function is Attributed or Allocated.

4.1.2.6 Permanent Way

- (a) Permanent Way assets are Identified to individual Line Sections and are Identified according to cost centre and Line Section codes. Aurizon Network's Permanent Way assets are Below Rail.

4.1.2.7 Traction Power Distribution Equipment

- (a) Traction power distribution equipment includes contact wire and the overhead support structure. Traction power distribution assets are Identified to specific line sections and

to cost centres. All Aurizon Network's traction power distribution assets are Identified as Below Rail assets.

4.1.2.8 Traction Power Supply Equipment

- (a) Traction power supply equipment is used to supply electric energy for traction over the overhead traction power distribution system. Traction power supply equipment includes traction substation switchboards and transformers, power distribution assets and earthing and bonding equipment. Traction power supply equipment is Identified separately to any power supply assets that are used to provide electricity to facilities and buildings.
- (b) Given that energy is taken from Aurizon Network's electric overhead system by all electric trains in common, all traction power supply equipment is Identified as Below Rail assets.

4.1.2.9 Facilities

- (a) Each facility is described in Aurizon Network's asset register according to the type of facility and its location. Based on an analysis of this information, an assessment shall be made of the function/s associated with each facility. To the extent that more than one function is associated with a facility, that facility shall be Attributed between those functions.
- (b) Facilities, or portions thereof, shall then be Attributed or Allocated to Below Rail Services provided by Aurizon Network or Other Services provided by Aurizon Network in a manner consistent with how the relevant function is Attributed or Allocated to Below Rail Services provided by Aurizon Network or Other Services provided by Aurizon Network.

4.1.2.10 Control Systems

- (a) Control systems include real time information systems, signal control systems, traction power control systems and Train/Track monitoring systems.
- (b) Control systems shall be assessed according to cost centre and all such Aurizon Network assets, shall be treated as Below Rail, (typically wayside and control centre equipment).

4.1.2.11 Field Signals

- (a) Field signals include electrical signal interlocking, train order/DTC (field componentry), level crossing protection and tramway crossings.
- (b) Field signals shall be Identified as Below Rail services provided by Aurizon Network or Other Services provided by Aurizon Network assets from an analysis of asset cost centres.

4.1.2.12 Telecommunications

- (a) Telecommunications assets can be Identified as those required for the "backbone" telecommunication systems and can be categorised by type of asset, e.g. cable, hand held radios, microwave.
- (b) Telecommunications backbone assets have a primary purpose of providing train control services as part of Below Rail Services.

4.1.2.13 Assets Under Construction

- (a) Aurizon Network capital projects are assessed in terms of whether, and to what extent, the project is being undertaken for the purpose of providing Below Rail Services or Other Services provided by Aurizon Network.
- (b) Assets under construction shall be Identified as Below Rail or Other Services provided by Aurizon Network based on an identification of each project currently underway and the extent to which the individual projects are related to Below Rail Services or Other Services provided by Aurizon Network.

4.1.3 Intangible Assets

- (a) Intangible assets are items such as computer software, patents or copyrights. Aurizon Network has computer software that is classified as intangible assets. Details of computer software is recorded on Aurizon Network's fixed asset register and amortised over its expected useful life.
- (b) Intangible assets shall be Identified to areas within Aurizon Network through analysis of the cost centre and responsible manager for the intangible asset recorded on Aurizon Network's Fixed Asset Register.
- (c) Once intangible assets are Identified to areas within Aurizon Network, these assets become associated with the functions provided by those areas within Aurizon Network. The intangible asset shall then be Attributed or Allocated as Below Rail or Other Services provided by Aurizon Network in a manner consistent with how that function is Attributed or Allocated.

4.1.4 Other Assets

- (a) Receivables recorded in the accounts of Aurizon Network shall be assessed and Identified to business areas through an analysis of the customer and the nature of the service that is provided to that customer. Once Identified to business areas, these assets shall be Identified, Attributed or Allocated as Below Rail or Other Services provided by Aurizon Network in a manner consistent with the way that service is Identified, Attributed or Allocated to Below Rail or Other Services provided by Aurizon Network.

Aurizon Network's GST receivable and GST payable shall be offset and reported as an asset if a net receivable or treated as a liability if a net payable.
- (b) Inventories recorded in the accounts of Aurizon Network shall be Identified in terms of store location and cost centre that holds them. All inventory will be treated as being for Below Rail Services, as it cannot be identified at the point of acquisition where it will be used.
- (c) Prepayments recorded in the accounts of Aurizon Network shall be assessed and Identified to business areas through an analysis of the service provider and the nature of the service that is received from that service provider. Once Identified to business areas, these assets shall be Identified, Attributed or Allocated as Below Rail Services provided by Aurizon Network or Other Services provided by Aurizon Network in a manner consistent with the way in which that function is Identified, Attributed or Allocated to Below Rail Services provided by Aurizon Network or Other Services provided by Aurizon Network.
- (d) For the purposes of the Financial Statements, Aurizon Network's deferred tax assets and deferred tax liabilities shall be offset and only reported as an asset if a net

deferred tax asset, and treated as a liability if a net deferred tax liability. Any resulting net deferred tax asset shall be Allocated as Below Rail.

- (e) Investments in other entities or joint ventures shall be Identified as Other Services provided by Aurizon Network.
- (f) Cash is Allocated as Below Rail.

4.2 SEPARATION OF BELOW RAIL EXPENSES

- (a) Expenses shall only include those items recorded in the Costing accounts of Aurizon Network. However:
- (b) Corporate overhead costs are included as calculated using the methodology for the calculation of efficient stand-alone corporate costs in section 4.2.10. Expenses shall be classified as relating to Below Rail Services provided by Aurizon Network or Other Services provided by Aurizon Network by responsibility-based accounting determining the cost centre and function for which the costs are incurred.

In some instances, Attribution or Allocation of expenses may be required in order to align with the Identified functions. Aurizon Network's major expense categories, aligned to the categories in the UT4 Final Decision where applicable, are shown in Table 4.2 which also lists their assignment.

The costs associated with these functions (except a net Gain on Disposal of Assets or net Gain on Derivatives) shall be aggregated and reported under "Expenses" in the Statement of Earnings Before Interest, Tax, Depreciation and Amortisation.

Table 4.2 Summary of Procedures for Assigning Expenses

Aurizon Network Cost	Below Rail Services	Other Services
Network Control Services		
Signalling and safeworking	Ident	
Train control and scheduling	Ident	
Operations management	Ident	
Infrastructure Maintenance	Ident	Ident
Derailment / Flood Repairs		
Derailments and collisions	Ident	Ident
Flood Repairs	Ident	Ident
Infrastructure management	Ident	Ident
Business Management	Ident/Alloc	Alloc
Insurance		
Insurance Premium	Ident	Ident
Traction Electricity	Ident	
Other Items		
QCA Levy	Ident	
(Gain)/ Loss on disposal of assets ²	Ident	Ident
Professional fees (eg audit)	Alloc	Alloc
Bad/doubtful debts	Ident	Ident
Miscellaneous	Ident	Ident
Corporate Overhead	Allocated	

4.2.1 Network Control Services

- (a) Network Control Services are performed by Aurizon Network staff and are Identified in Aurizon's Costing System in separate cost centres from other activities. Network Control Services includes train control and scheduling, signalling and safeworking and yards management.
- (b) There is no allocation of Network Control Services costs in the Costing accounts between coal and non-coal services to assist in establishing coal tariffs. In the UT4 Final Decision, the QCA has determined an allocation of 9% of costs of train control to non-coal services based on % of train paths. The total costs of Network Control Services are reported as Below Rail Services in the Financial Statements since it relates to the use of coal systems for providing transportation by rail.

4.2.2 Infrastructure Maintenance

4.2.2.1 Maintenance of Track, Bridges, Signals and Traction Power Distribution Equipment

- (a) The cost of these functions is identified by cost centre in Aurizon's Costing System by utilising work orders with standard unit rates that allow for direct costs, indirect costs (leave, training, downtime etc) and a share of administration costs.
- (b) All the costs are Below Rail except for the following costs Identified from work orders:
 - (i) Maintenance of lines which are not part of the declared network and are maintained by Aurizon Network under contracts with the relevant infrastructure owner (these costs should be treated as Other Services provided by Aurizon Network).
- (c) Costs associated with new construction on the declared Aurizon network shall be capitalised.
- (d) Costs associated with new construction on lines that are not part of Aurizon Network's declared network shall be treated as Other Services provided by Aurizon Network.

4.2.2.2 Maintenance of Traction Power Supply Equipment

- (a) All maintenance of the traction power supply systems is Identified as a Below Rail cost.

4.2.2.3 Maintenance of Buildings and Facilities

- (a) Maintenance of Aurizon Network's building and facilities is derived in the Aurizon's Costing Accounts from work order cost details recorded in Aurizon's costing system, including location and type of building or facility and maintenance activity.
- (b) Maintenance costs are Identified with particular buildings or facilities, and Allocated to Below Rail Services provided by Aurizon Network or Other Services provided by Aurizon Network depending on the building or facilities use. Specific allocations are:
 - (i) Maintenance of water, power and lighting facilities in Below Rail yards (Identified in the Undertaking) are 100% Below Rail;
 - (ii) Buildings or facilities utilised for housing telecommunications backbone equipment are 100% Below Rail;

4.2.2.4 Telecommunications

- (a) Telecommunications maintenance relates to the Communications Network.

These core assets of the network include pole routes, optic fibre installations, microwave links, radio networks and associated interface equipment (eg power supplies and buildings to house equipment). Most railways including Aurizon developed telecommunications networks for the purpose of linking train control centres to signals and other safe working communications. Over the years the backbone has been expanded in size, complexity and technical sophistication to cater for technical developments in train control and signalling.

Aurizon Network is the “owner” of the Control Communications assets in the CQCR and maintenance costs for the assets are separately Identified by work order. These costs are to be treated 100% Below Rail.

4.2.3 Derailment/Flood repairs

4.2.3.1 Derailments and Collisions

- (a) Infrastructure repair and other costs arising from derailments, collisions and other accidents recorded in the accounts of Aurizon Network shall be treated as Below Rail unless it relates to lines which are not part of the declared network and are maintained by Aurizon Network under contracts with the relevant infrastructure owner, in which case it will be Identified as Other Services.

4.2.3.2 Flood Repairs

- (a) Infrastructure repair and other costs arising from flooding and other natural disasters shall be separately recorded in the accounts of Aurizon Network, and treated as Below Rail unless it relates to lines which are not part of the declared network and are maintained by Aurizon Network under contracts with the relevant infrastructure owner, in which case it will be Identified as Other Services.

4.2.4 Infrastructure Management

- (a) This item refers to the management of the Below Rail infrastructure by Aurizon Network. This includes Regional Managers in major regional locations responsible for maintenance strategies.
- (b) Aurizon's Costing Accounts shall separate Aurizon Network's infrastructure management costs from specific infrastructure maintenance costs in the Aurizon Network cost centres.
- (c) All the costs are Below Rail except for the management of infrastructure on lines which are not part of the declared network and are maintained by Aurizon Network under contracts with the relevant infrastructure owner (these costs should be treated as Other Services provided by Aurizon Network) and can be identified from work orders/timesheets.

4.2.5 Business management costs

- (a) Business management costs includes areas within the Network function that provide management and support services to the operational areas of Network. These include Executive Vice President (EVP), Finance, Regulation and Commercial.
- (b) Business management costs are incurred within Aurizon Network and are Identifiable in Aurizon Network's Costing accounts by cost centre.

Table 4.3 summarises the separation of business support costs.

Table 4.3 Summary of Business management costs

Business management costs	Below Rail Services	Other Below Rail Services
EVP Network	Ident/Alloc	Alloc
Network Finance	Ident/Alloc	Alloc
Network Regulation	Ident/Alloc	Alloc
Commercial	Ident/Alloc	Alloc

- (c) Costs of Finance, Regulation and Commercial by their nature predominantly relate to Below Rail Services. As timesheets are not kept to record time spent on various activities, an allocation to Other Services will be made based on % revenue for Other Services compared to revenue for Below Rail Services. The allocation to Other Services has been set by the QCA in the UT4 Final Decision as 13% for the year ended 30 June 2014, and decreasing 1% each year thereafter to 30 June 2017.
- (d) Costs of EVP are included within the costs of Below Rail Services and Other Services using the same allocation percentages for the other business management costs. It should be noted however that costs of EVP were disallowed from the UT4 allowances for business management costs.

4.2.6 Insurance

- (a) Insurance premiums charged directly to Aurizon Network are able to be identified via the cost centre structure and can be identified with Below Rail Services provided by Aurizon Network or Other Services provided by Aurizon Network from an analysis of these cost centres.
- (b) The Aurizon Group has in place a group insurance program for a number of different insurance policies direct with the insurance market. The policies in this program cover Aurizon Network and its activities. A specific premium is not allocated by the insurers to Aurizon Network. The amounts recognised as insurance premiums in the Costing Accounts for Aurizon Network represent an allocation of the Aurizon Group's premium. The insurance allowance included in the reference tariffs has been estimated for Aurizon Network on a standalone basis and not the allocation basis noted above.

4.2.7 Traction Electricity Energy Costs

- (a) Traction Electricity Energy cost is the actual cost of electric energy for motive power traction. It shall be treated as a Below Rail cost, because the electricity is taken from Aurizon Network's electric overhead system by all electric trains in common. Therefore, it is necessary for rail operators to purchase traction electricity from Aurizon Network.

- (b) Aurizon Network is responsible for the traction electricity supply contract. The cost can be Identified in the accounts of Aurizon Network.

4.2.8 Other Items

4.2.8.1 Qld Competition Authority Levy

- (a) The QCA Levy is Identified in Aurizon Network's Costing accounts and is Below Rail.

4.2.8.2 Miscellaneous

- (a) Other items occurring in the cost centres of Aurizon Network will be Below Rail Services provided by Aurizon Network or Other Services provided by Aurizon Network by Identification, depending on their specific nature.
- (b) Costs incurred in respect to investments in other entities or joint ventures shall be Identified as Other Services provided by Aurizon Network.

4.2.9 Expenses not reported in financial statements

- (a) The following costs of Aurizon Network are excluded from the Statement of Earnings before Interest, Tax, Depreciation and Amortisation:
- Financing Costs
 - Income Tax Expense
 - Depreciation and amortisation
- (b) Depreciation and amortisation expenses in the Costing accounts are recorded against cost centres of Aurizon Network which by analysis allows Identification, Attribution or Allocation of these expenses to Below Rail or Other Services provided by Aurizon Network. Line section codes attached to assets in the Fixed Asset Register may be used to identify the infrastructure on which non-coal freight trains are run. Depreciation on this infrastructure will be reported as Other Services.
- (c) Depreciation in the Costing accounts does not represent the depreciation allowance in the reference tariffs due to differences in methodology between depreciation on the RAB and depreciation calculated under the Australian Accounting Standards. The Statement of Earnings is presented before deductions for depreciation and amortisation since it is not comparable to the regulatory depreciation allowances.

4.2.10 Corporate Overhead

- (a) Under the functional organisational model of the Aurizon Group, corporate services (e.g. payroll, HR services, computer services, admin building services, motor vehicle fleet management, legal services) are not charged to the operating functional units separately and are therefore included in corporate overhead.
- (b) Corporate overhead comprises the following functions:
- (i) Board & CEO
 - (ii) Finance, incorporating
 1. Treasury – provide specialised advisory support including establishment of policies, management of liquidity, management of banking relationships,

establishment and management of debt facilities, development and execution of hedging strategies

2. Tax – provision of tax strategy, calculation of income taxes and preparation of income tax returns, monitoring of tax compliance, provision of specialist advice to the business on potential and executed transactions.
3. Finance Shared Services – includes standardised transactional processing for accounts payable, accounts receivable, payroll and corporate cards as well as establishment and ongoing review of policies for payments and receipts and preparation of statutory returns associated with employee benefits.
4. Investor relations – provide market investment intelligence and management the performance and strategic communications for the investment community.
5. Enterprise procurement – provide the best cost commercial outcomes across all suppliers through a systematic and disciplined sourcing process, and maintain the commercial relationships with all suppliers under contract.

(iii) Enterprise Services

1. Enterprise Real Estate – responsible for delivering services for: all commercial office and other work place accommodation; operational facilities including depots, yards and other buildings used to accommodate or support operational activities; and housing and camp accommodation for staff. This includes acquisitions, disposals, leasing and portfolio management, facilities management and workplace management including space planning on commercial and operational sites.
2. Legal – incorporating Network Legal and General Counsel providing legal advice for the enterprise and management of the engagement of external legal service providers.
3. Safety, health and environment (SHE) – provide expertise, coaching and governance to the Board and management; manage Aurizon's environmental footprint and enterprise SHE resources; and manage Aurizon's interface with external regulatory bodies.
4. Internal audit – provide independent and objective assurance to management and the Board on the adequacy of governance, risk management and internal control systems and procedures.
5. Information technology – responsible for: managing all information and business systems (excluding operational technology) as well as external IT partnerships across the Group; and the effectiveness of IT investments aligned to the business priorities.
6. Company secretary – prime interface between the Board and management and is responsible for ensuring compliance with statutory obligations under the *Corporations Act 2001*.

(iv) Human Resources, including:

1. policy setting and advice on remuneration;
2. employee relations;
3. management of organisational capability through leading the strategic framework, system development and ongoing monitoring and evaluation of components of the employee life cycle (from recruitment to exits);

4. internal and external communication programs including stakeholder relations, corporate affairs and community engagement;
 5. partnering with senior management and their teams to enable the achievement of business objectives.
- (c) Corporate overhead is Allocated as relating to Below Rail Services because it is calculated using the same methodology as the regulatory allowance, and hence pertains only to Below Rail Services.
- (d) The methodology employed for allocating the Aurizon Group’s corporate costs to Below Rail Services is as follows:
- (i) Obtain from Costing Accounts the operating expenses for each non-operational function of the Aurizon Group – e.g. Finance (excluding direct Network Finance), Enterprise Services, Human Resources, and Board & CEO.
 - (ii) Exclude cost centres in the Costing Accounts for each of these functional areas that are specifically related to operating functions other than below rail services.
 - (iii) Apply allocators calculated as at the end of the financial year to all other cost centres in the Costing Accounts as summarised in Table 4.4 where:
 1. FTEs % is the number of below rail network employees (and a notional allocation of corporate employees) as a percentage of total Aurizon Group employees.
 2. Aurizon Network direct costs % is the direct operational costs (excluding labour and depreciation) of the below rail network business as a percentage of the total direct operational costs (excluding labour and depreciation) of the Aurizon Group.

Table 4.4 Summary of Aurizon Corporate Overhead Allocation

Corporate Non-operating function	Allocator Applied
Board & CEO	Direct costs
Finance (excluding Network Finance) <ul style="list-style-type: none"> - Mergers & Acquisitions, Finance Partner Marketing and Operations and Group Accounting, Planning & Reporting - Payroll - All other sub- functions – Treasury, Tax, Accounts Payable, Accounts Receivable, Inventor Relations. 	Nil FTEs Direct costs
Enterprise Services <ul style="list-style-type: none"> - Real Estate - Branding - Network legal counsel - Safety - All other sub functions – Internal Audit, Information Technology, Company Secretary 	Generally identifiable by occupancy, with FTEs used for unidentifiable costs Nil100% Identifiable below rail costs – 100% Allocable costs – FTEs for labour costs and Direct costs for other costs Direct costs

Corporate Non-operating function	Allocator Applied
Human Resources - EVP, bonuses, External Relations & Communications - Network function HR management - All other sub-functions (excluding VERS costs)	Direct costs 100% FTEs

4.3 SEPARATION OF BELOW RAIL REVENUE

- (a) Revenue shall only include those items recorded in the Costing accounts of Aurizon Network.

Table 4.5 summarises the procedures for separating Aurizon Network revenue into Below Rail Services provided by Aurizon Network or Other Services provided by Aurizon Network.

Table 4.5 Summary of Procedures for Separating Revenue

	Below Rail Services provided by Aurizon Network	Other Services provided by Aurizon Network
SALES REVENUE		
Access charges - Coal	Ident	
Access charges - Other	Ident	
Electric traction energy charges	Ident	
OTHER REVENUE		
Access facilitation charges Contributions from developers		Ident
Insurance claims revenue	Ident	Ident
Other	Ident	Ident

4.3.1 Sales Revenue

- (a) This category relates to the main activities of Aurizon Network – provision of network infrastructure services.
- (b) Revenue items in this category are:
- External and internal below rail access revenue for Aurizon Network, net of external rebates
 - Electric traction energy charges (EC)
 - Other revenue

4.3.1.1 Access Charges

- (a) External and internal access revenue is recorded in cost centres representing coal systems in the accounts of Aurizon Network. These items are to be the amounts advised by Aurizon Network as being in accordance with the access agreements for the year concerned.

- (b) Revenue from access charges for bulk coal trains shall be reported separately in the Financial Statements. Access charges for bulk coal trains shall comprise regulated tariffs AT1 to AT5. Any other non-regulated charges for these trains are reported as Below Rail Services revenue.
- (c) 'Access charges – other' comprises access revenue received from the running of non-coal freight services and are also reported as Below Rail Services revenue since it is derived from the coal systems used to provide transportation by rail.

4.3.1.2 Electric Traction Energy Charges

- (a) This item relates to the EC charge only in respect to electric coal trains. These items are in the accounts of Aurizon Network with the amounts being in accordance with the access agreements for the year concerned.

4.3.2 Other Revenue

4.3.2.1 External Other Revenue

- (a) Any external other revenue for Aurizon Network is Identifiable as Below Rail Services provided by Aurizon Network or Other Services provided by Aurizon Network from an analysis of cost centre data or Costing System account codes.
- (b) The most significant other revenue is developer contributions and access facilitation charges received pursuant to access facilitation deeds. These agreements and deeds are negotiated separately to reference tariffs and associated revenue recorded in separate Costing Accounts account codes than access revenue. This is recognised as Other Rail Services revenue.
- (c) As a result of sizing of telecommunications equipment, particularly transmission systems, there is some capacity that is used to carry additional voice and data transmissions. Some is related to the coal supply chain, some is related to providing voice services (business communications) for Aurizon Network, and some is used by third parties. Aurizon Network charges revenue for use of the backbone by External customers (e.g. Queensland Rail). This is classified as Other Services Revenue.

4.3.2.2 Other Items

- (a) From time to time other revenue items may occur which this Manual does not specifically anticipate. In such cases the general principles in Part 3 shall be followed.

4.4 SEPARATION OF BELOW RAIL INVESTMENTS

4.4.1 Information Source

- (a) Investments relate only to capital projects recorded in the accounts of Aurizon Network and are to be classified as Below Rail Services provided by Aurizon Network or Other Services provided by Aurizon Network by reference to the project details. Reports can be produced from the Costing System showing for every investment project, the project number, the responsible officer, the responsible group, the project title providing a brief description of the project, budget details and project-to-date and year-to-date expenditure. The supporting individual project reports can be referred to if further information is required about a project to assist in its classification.

- (b) Expenditure on fixed assets attributable to Below Rail Services are submitted to the QCA each year for inclusion in the RAB.
- (c) The annual RAB roll-forward report sets out by system: opening value of the RAB, indexation, depreciation, capital expenditure, disposals and closing value of the RAB. A report detailing capital expenditure for a financial year is provided to the QCA within four months after the end of that financial year, and the roll forward is provided to the QCA for acceptance within 1 month of the QCA's acceptance of the capital expenditure for the financial year. The public RAB roll-forward report is published within 4 weeks of QCA acceptance.

4.4.2 General Methodology for Classification

- (a) The general principle to be followed in analysing the capital projects of Aurizon Network is the same as described in section 4.1.2.13 for Assets under Construction.
- (b) Aurizon Network capital projects are assessed in terms of whether, and to what extent, the project is being undertaken for the purpose of providing Below Rail Services or Other Services provided by Aurizon Network.
- (c) Expenditure on Assets under construction shall be Identified as Below Rail or Other Services provided by Aurizon Network based on an identification of each project currently underway and the extent to which the individual projects are related to Below Rail Services or Other Services provided by Aurizon Network.

PART 5. FINANCIAL STATEMENTS

5.1 Format of Financial Statements

- (a) Paragraph 3.7.1(a) of the Undertaking requires Aurizon Network to “develop, on an annual basis:...
- (i) *General purpose financial statements for Aurizon Network in accordance with relevant legislation and applicable Australian accounting standards; and*
 - (ii) *a supplementary set of financial statements which*
 - (A) *separately identifies Aurizon Network’s business in respect of the supply of the declared services contemplated by section 250(1)(a) of the Act from other business conducted by Aurizon Group*
 - (B) *identifies costs common to both Aurizon Network and Aurizon Group and the way in which such costs are allocated; and*
 - (C) *are otherwise developed in accordance with the methodology and format set out in the Costing Manual.*
- (b) The format to be used for the Financial Statements is specified in Schedule A to this Manual.
- (c) Comparative information for the previous financial year should be restated for changes in the Costing Manual from one financial year to another.

5.2 Minor Changes to the Format

Minor changes to the wording, line items and columns in the Financial Statements can be made to meet changing circumstances subject to the approval of the QCA.

5.3 Notes to the Financial Statements

The Financial Statements shall be accompanied by notes which shall:

- (a) Refer to this Manual as the methodological basis of preparation of the Financial Statements;
- (b) Refer to the underlying records for Aurizon Network and where applicable Aurizon as being the source of information for preparation of the Financial Statements;
- (c) Refer to (but not repeat) the notes accompanying Aurizon Network’s general purpose financial statements for explanation of Aurizon Network’s accounting policies;
- (d) Explain the terms “Below Rail Services Provided by Aurizon Network” and “Coal System” and any changes during the year;
- (e) Disclose other amendments made to the Manual during the year, including the financial impact, where such amendments have a material impact on the Financial Statements; and
- (f) Provide explanation of material matters about which an informed reader would need to be aware to understand the Financial Statements.
- (g) Provide details on Self-Insurance in accordance with clause 3.7.2 of the Undertaking.

- (h) Identify costs common to Aurizon Network and Aurizon Group and the allocation basis that has been applied to these costs.
- (i) Provide a comparison between costs allocated using allocation percentages calculated for the current financial year, and those approved for the Undertaking.

PART 6. DEFINITIONS

In this Manual, the following words and expressions shall have the meanings identified in this Part 6. Other parts of speech or grammatical forms of a word or phrase defined in this Manual have a corresponding meaning.

Capitalised terms included in this Manual but not defined in this Part 6, or elsewhere in this Manual, have the same meaning as in the Undertaking.

“Allocation” means, where assets, costs, or revenues are jointly used for the provision of a function/service and where there is no direct causal relationship between the resources used and the function/service provided, the sharing of such joint costs between those functions/services.

“Attribution” means, where assets, costs or revenues are jointly used for the provision of a function/service and where there is a causal relationship between the resources used and function/service provided, the sharing of costs between those functions/services on a basis of cost causality.

“Aurizon” means Aurizon Holdings Limited, the listed parent holding company. Aurizon wholly owns Aurizon Operations Limited that wholly owns Aurizon Network Pty Ltd.

“Aurizon Network” means Aurizon Network Pty Ltd ACN 132 181 116.

“Below Rail Costs” means the assets and/or costs, revenue and investments (as the context implies) associated with the provision of Below Rail Services.

“Central Queensland Coal Region” means the following coal systems as defined in the Undertaking:

- (i) the Goonyella system;
- (ii) the Blackwater system;
- (iii) the Moura system;
- (iv) the Newlands system; and
- (v) the Goonyella to Abbot Point system.

“Corporate Overhead” costs are the cost of those activities that relate predominantly to the overall management, strategy and governance of the corporation and which under the Aurizon functional organisational model and incurred centrally and not within the operational functions. Under the Aurizon functional organisational model, Corporate Overhead also includes Corporate Services.

“Corporate Services” costs are the costs of services that are provided at the corporation wide level to groups and divisions within Aurizon and include, for example, payroll, HR services, computer services, administration building services, motor vehicle fleet management and legal services.

“Costing accounts” or **“Costing system”** means the SAP General Ledger used by the Aurizon Group and which are used to extract information for the preparation of management accounts and Financial Statements.

“Costing Manual” or **“Manual”** means this document which is the cost allocation manual prepared by Aurizon Network and approved by the QCA.

“Expenses” means all operating expenses including corporate overhead.

“Financial Statements” means the statement of assets and, statement of earnings before interest, tax, depreciation and amortisation and associated notes for the financial statements, which separately identify Aurizon Network’s business in respect of the declared services contemplated by section 250(1)(a) of the Act, from other business conducted by Aurizon Network, and which are required in accordance with the Undertaking.

“Identification” means, where costs are directly incurred, or assets directly used in the performance of a function/service, the identification of those costs to that function/service.

“Line Section” means a section of railway route as defined by Aurizon’s Network Assets division from time to time and that is identified for the purpose of classifying the Rail Infrastructure into line sections with reasonably consistent traffic (in terms of type of traffic and density of traffic) and reasonably consistent track standards.

“Network” means the operational business division established within the Aurizon Group to provide management services on the rail network.

“Network Wide” means assets, costs, revenue and investments associated with the provision of Below Rail Services not able to be Identified or Attributed to a Line Section or a geographic region.

“Other Services” means the activities of Aurizon Network other than those associated with the provision of the service declared for the purposes of Part 5 of the Act pursuant to section 250(1)(a) of the Act.

“Permanent Way” means track and bridge assets including formation, retaining walls, drainage systems, access roads, cuttings, embankments, tunnels, subways, fences along the rail corridor, ballast, sleepers, rails, rail fastenings, points and crossings, culverts and pipes (major), rail bridges and road overbridges (excluding footbridges). The term excludes fences surrounding other assets such as stations, freight terminals, workshops, depots and buildings.

“Region Specific” means assets, costs, revenue and investments associated with the provision of Below Rail Services not able to be Identified or Attributed to a specified Line Section, but able to be Identified or Attributed to a geographic region.

“Undertaking” refers to Aurizon Network’s access undertaking approved by the QCA in accordance with the Act in respect to the provision of Rail Infrastructure for the purpose of operating Train Services.

COSTING MANUAL – SCHEDULE A

PRO FORMA FINANCIAL STATEMENTS

FINANCIAL STATEMENTS PURSUANT TO THE ACCESS UNDERTAKING

BELOW RAIL SERVICES PROVIDED BY AURIZON NETWORK

STATEMENT OF EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION

	FOR THE YEAR ENDED 30 JUNE XXXX	FOR THE YEAR ENDED 30 JUNE XXXX
	Below Rail Services	Below Rail Services
	\$000's	\$000's
REVENUE		
Access charges – Coal	X,XXX	X,XXX
Access charges – Other	X,XXX	X,XXX
Electric traction energy charges	X,XXX	X,XXX
Other	X,XXX	X,XXX
Total revenue	X,XXX	X,XXX
EXPENSES		
Infrastructure maintenance	X,XXX	X,XXX
Derailment / collision / flood repairs	X,XXX	X,XXX
Network control services	X,XXX	X,XXX
Infrastructure management	X,XXX	X,XXX
Business management	X,XXX	X,XXX
Insurance	X,XXX	X,XXX
Traction electricity	X,XXX	X,XXX
Other expenses	X,XXX	X,XXX
Corporate overhead	X,XXX	X,XXX
Total expenses	X,XXX	X,XXX
EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION	X,XXX	X,XXX

COSTING MANUAL – SCHEDULE A (cont)

PRO FORMA FINANCIAL STATEMENTS

BELOW RAIL SERVICES PROVIDED BY AURIZON NETWORK

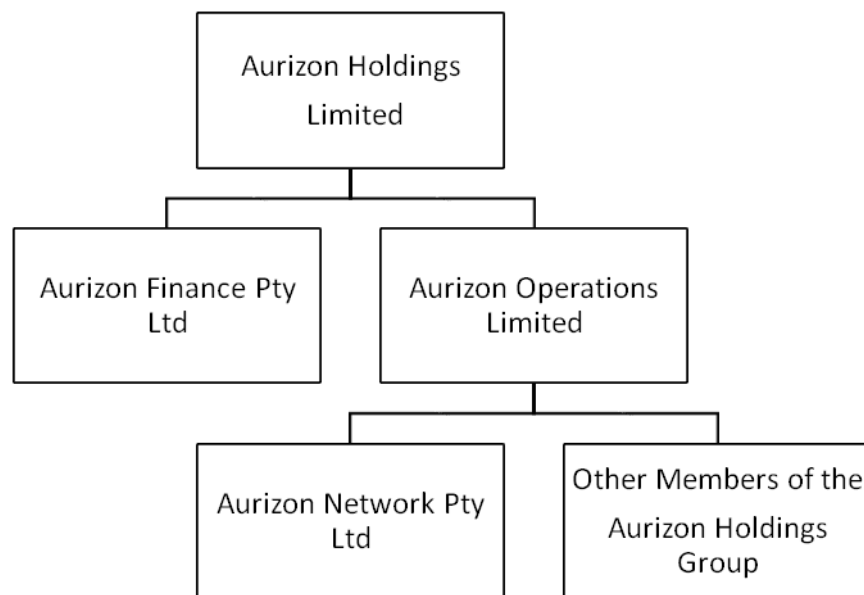
STATEMENT OF ASSETS

	AS AT 30 JUNE XXXX	AS AT 30 JUNE XXXX
	Below Rail Services	Below Rail Services
	\$000's	\$000's
CURRENT ASSETS		
Cash	X,XXX	X,XXX
Receivables	X,XXX	X,XXX
Inventories	X,XXX	X,XXX
Other	X,XXX	X,XXX
Total Current Assets	X,XXX	X,XXX
NON – CURRENT ASSETS		
Receivables	X,XXX	X,XXX
Inventories	X,XXX	X,XXX
Fixed Assets		
Property (Land and Buildings)	X,XXX	X,XXX
Plant and Equipment	X,XXX	X,XXX
Infrastructure		
Permanent way	X,XXX	X,XXX
Other	X,XXX	X,XXX
Assets under construction	X,XXX	X,XXX
	X,XXX	X,XXX
Intangibles Assets	X,XXX	X,XXX
Other	X,XXX	X,XXX
Total Non-Current Assets	X,XXX	X,XXX
TOTAL ASSETS	X,XXX	X,XXX

AURIZON NETWORK COSTING MANUAL

SCHEDULE B

AURIZON STRUCTURE



AURIZON NETWORK COSTING MANUAL

SCHEDULE C

NETWORK FUNCTION STRUCTURE

