



## **ASCIANO LIMITED**

**ABN 26 123 652 862**

### **4D - HALF YEAR REPORT**

## **For the half year ended 31 December 2010**

Asciano comprises Asciano Limited and its controlled entities.

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## **ASCIANO LIMITED**

**ABN 26 123 652 862**

## **DIRECTORS' REPORT**

**For the half year ended 31 December 2010**

This half year financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2010 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.

**Asciano Limited**  
**Directors' report**  
**For the half year ended 31 December 2010**

The Directors present their report, together with the consolidated half year report of Asciano Limited ("Company" or "Parent") and its controlled entities (collectively referred to as "Asciano") and the auditor's review report thereon, for the half year ended 31 December 2010.

**Directors**

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

Malcolm Broomhead  
Mark Rowsthorn (resigned 11 February 2011)  
Chris Barlow  
Bob Edgar  
Peter George  
Geoff Kleemann  
Shirley In't Veld (appointed 1 November 2010).

**Operating and financial review**

***Overview***

During the period, Asciano continued to implement and progress a number of initiatives to deliver on its key strategic objectives. Asciano's strategic framework seeks to deliver value to shareholders in the long term. The primary elements of Asciano's strategy and initiatives are:

- focusing on Asciano's core businesses and developing new opportunities: demonstrated by the successful negotiation of key contracts with major customers which will further build on Asciano's existing strong market position in rail and ports;
- maximising returns from existing businesses and optimising Asciano's capital structure: during the period, Asciano completed a key stage of its refinancing strategy with the issuance of US dollar denominated five and ten year bonds totalling US\$1 billion, and subsequent repayment of A\$1 billion of the syndicated term loan maturing in May 2012.

***Corporatisation***

On 27 October 2010, a special resolution was passed at Asciano's Annual General Meeting, approving the Corporatisation Deed which sanctioned the destapling of the Company and Asciano Finance Trust ("Trust") ("Corporatisation"). As a result, the stapling arrangement was cancelled on 15 November 2010 and the Company acquired all the units in the Trust for a consideration of \$1,466.0 million through the issue of 2,926,103,883 of its shares at \$0.50 per share. The shares on issue in the Company were subsequently consolidated, whereby every two Company shares on issue immediately following the acquisition by the Company of the Trust were consolidated into one Company share pursuant to Section 254H of the Corporations Act 2001.

**Asciano Limited**  
**Directors' report**  
**For the half year ended 31 December 2010**

**Operating and financial review (continued)**

Where this Directors' report makes reference to the terms shares and shareholders, this should be taken to be inclusive of the terms securities and securityholders up until the date of Corporatisation on 15 November 2010. Similarly, any reference to dividends should be taken to be inclusive of any distributions up until the date of Corporatisation.

***Review and results of operations***

The results for the financial period reflect the strength of Asciano's businesses and its unique operating capabilities. Revenue and other income for the six month period to 31 December 2010 was \$1,564.6 million (31 December 2009: \$1,438.4 million). Profit before net finance costs and tax was \$270.9 million (31 December 2009: \$230.8 million). Profit after tax was \$93.9 million (31 December 2009: \$79.1 million). A review of the results for the financial period by operating division is set out below:

- Coal: revenues were up by 35.0% on the previous corresponding period and EBIT ("earnings before interest and tax") increased to \$83.9 million (31 December 2009: \$59.3 million) primarily due to the ongoing growth of operations in Queensland, and continued strong demand for coal haulage services in New South Wales. Flooding and weather related events in Queensland had minimal financial impact in the period ended 31 December 2010.
- Intermodal: revenues increased by 1.0% with stronger demand for the premium Express service offsetting the impact of reduced SuperFreighter volumes compared with the previous corresponding period. Additionally there was a \$3.2 million profit recognised in the previous corresponding period in relation to the sale of the assets of Pacific National Tasmania in November 2009. Further the prior corresponding period included trading revenue of \$14.0 million from Pacific National Tasmania up to the date of sale. EBIT decreased to \$65.4 million (31 December 2009: \$76.4 million) primarily as a result of the prior corresponding period including the \$3.2 million profit on the sale of Pacific National Tasmania and the \$5.1 million of trading result for Pacific National Tasmania up to the date of sale. There was also a significant derailment in October 2010.
- Container Ports: despite revenues decreasing by 3.1% from the previous corresponding period, EBIT increased to \$79.8 million (31 December 2009: \$68.4 million). The reduction in revenue was predominantly driven by a 2.9% reduction in overall lift volumes in the Terminals business and the restructure of the Port Logistics at the end of the 2010 financial year. The EBIT improvement was predominantly driven by a reduction in the cost base as a result of the Port Logistics restructure and increased warehousing and transport volumes in Victoria and Queensland.
- Auto, Bulk and General: revenues were up by 10.0% on the previous corresponding period and EBIT increased to \$40.1 million (31 December 2009: \$28.4 million) driven by the return of storage volumes in Autocare, improved bulk volumes in Ports, stronger export steel volumes within General Stevedoring, and higher export grain demand and construction volumes in Bulk Rail.

Depreciation and amortisation costs decreased to \$137.9 million (31 December 2009: \$140.6 million) primarily driven by the impact of the impairment of customer contracts, the rail mounted gantries at Port Botany and other items of property, plant and equipment in May 2010. This was partially offset by higher depreciation in Coal as a result of the capitalisation of additional rolling stock in Queensland.

**Asciano Limited**  
**Directors' report**  
**For the half year ended 31 December 2010**

**Operating and financial review (continued)**

Net finance expenses for the period were \$154.8 million (31 December 2009: \$136.9 million) and include significant items of \$29.6 million (loss) relating to interest rate swap de-designation costs and the write-off of deferred establishment costs following the repayment of \$1 billion of the syndicated loan facilities in September 2010 (31 December 2009: \$4.6 million loss relating to interest rate swap de-designation costs).

A summary of revenue and other income, and EBIT for the period by business segment is set out below:

	<b>First half 2011</b>	First half 2010	Increase/ (decrease)
	<b>\$M</b>	\$M	%
<b>Revenue and other income</b>			
Coal	<b>428.5</b>	317.4	35.0
Intermodal	<b>434.5</b>	430.4	1.0
Container Ports	<b>364.3</b>	376.0	(3.1)
Auto, Bulk and General	<b>366.5</b>	333.2	10.0
Eliminations/unallocated	<b>(29.2)</b>	(18.6)	(57.0)
<b>Asciano</b>	<b>1,564.6</b>	1,438.4	8.8
<b>EBIT</b>			
Coal	<b>83.9</b>	59.3	41.5
Intermodal	<b>65.4</b>	76.4	(14.4)
Container Ports	<b>79.8</b>	68.4	16.7
Auto, Bulk and General	<b>40.1</b>	28.4	41.2
Eliminations/unallocated	<b>1.7</b>	(1.7)	200.0
<b>Asciano</b>	<b>270.9</b>	230.8	17.4

**Financing**

On 23 September 2010, Asciano Finance Limited issued US\$400 million of 3.125% Senior Guaranteed Notes due in September 2015 and US\$600 million of 4.625% Senior Guaranteed Notes due in September 2020 ("US dollar bond issuance") which are guaranteed by the Parent and certain of its subsidiaries. On 30 September 2010, the proceeds from this US dollar bond issuance were used to repay A\$1 billion of the syndicated term loan maturing in May 2012.

Asciano's net bank debt at 31 December 2010 stood at \$1,411.7 million (30 June 2010: \$2,534.7 million). Asciano had total committed credit facilities of \$2,390.0 million (30 June 2010: \$3,390.0 million), of which \$547.1 million were undrawn at 31 December 2010 (30 June 2010: \$520.5 million).

Asciano is in compliance with all its banking covenants at 31 December 2010. Asciano expects to remain in compliance with its banking covenants for the foreseeable future.

**Asciano Limited**  
**Directors' report**  
**For the half year ended 31 December 2010**

**Operating and financial review (continued)**

Asciano's funding consists of a mix of revolving credit facilities, syndicated term loans, US dollar denominated five and ten year bonds (swapped to Australian dollars) and working capital facilities (which are currently partly drawn in the form of bank guarantees and performance bonds). Asciano's loans and borrowings mature in the period between May 2012 and September 2020.

**Dividends**

The Board of Directors determined on 23 February 2011 that a fully franked interim dividend of 1.0 cent per share is payable by Asciano Limited on 24 March 2011 (31 December 2009: nil). The record date for entitlement to the dividend is 10 March 2011. The dividend of \$29.3 million is not recognised as a liability at 31 December 2010.

**Events subsequent to reporting date**

On 25 August 2010, Asciano announced an internal restructuring in which the businesses owned and operated by the Auto, Bulk and General division were to be transferred to the Intermodal and Container Ports divisions. The restructure was completed in the second half of this financial year and as a result there is no impact on the segment reporting at 31 December 2010.

On 7 February 2011, Asciano announced the appointment of John Mullen as the new Managing Director and Chief Executive Officer of Asciano. John, who commenced employment on 14 February 2011, succeeds Mark Rowsthorn who will remain available to assist the Company with transitional arrangements until 15 June 2011 as needed.

Other than for the declaration of a fully franked interim dividend of 1.0 cent per share and the items noted above, there has not arisen in the interval between 31 December 2010 and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the Board of Directors, to affect significantly the operations of Asciano, the results of those operations, or the state of affairs of Asciano in future financial periods.

**Rounding of amounts**

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the rounding off of amounts in the Directors' report and financial report. Amounts in the Directors' report and financial report have been rounded off in accordance with that Class Order to the nearest one hundred thousand dollars, or in certain cases, to the nearest one thousand dollars.

**Asciano Limited**  
**Directors' report**  
**For the half year ended 31 December 2010**

**Auditor's independence declaration**

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is set out on the following page and forms part of the Directors' report.

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



**Malcolm Broomhead**  
Chairman

Melbourne  
23 February 2011



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

To: the directors of Asciano Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2010 there have been:

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

KPMG

Duncan McLennan  
*Partner*

Sydney

23 February 2011



**ASCIANO LIMITED**

**ABN 26 123 652 862**

**FINANCIAL REPORT**

**For the half year ended 31 December 2010**

**Asciano Limited**  
**Consolidated Income Statement**  
**For the half year ended 31 December 2010**

	Note	First half 2011 \$M	First half 2010 \$M
Revenue from services rendered	5	1,553.8	1,430.4
Other income	5	10.8	8.0
Share of net profit of associates	9	8.5	4.2
Operating expenses excluding depreciation and amortisation	6	<b>(1,164.3)</b>	(1,071.2)
<b>Profit before depreciation, amortisation, net finance costs and tax</b>		<b>408.8</b>	371.4
Depreciation	6	<b>(108.4)</b>	(105.5)
Amortisation	6	<b>(29.5)</b>	(35.1)
<b>Profit before net finance costs and tax</b>		<b>270.9</b>	230.8
Finance income	7	9.1	41.2
Finance expense – other	7	<b>(134.3)</b>	(173.5)
Finance expense – significant items	7	<b>(29.6)</b>	(4.6)
<b>Profit before tax</b>		<b>116.1</b>	93.9
Tax expense	8	<b>(22.2)</b>	(14.8)
<b>Profit after tax</b>		<b>93.9</b>	79.1
<b>Attributable to:</b>			
Owners of Asciano Limited		<b>126.0</b>	188.2
Non-controlling interests:			
Unitholders of Asciano Finance Trust	13	<b>(32.9)</b>	(109.9)
Other	13	<b>0.8</b>	0.8
		<b>93.9</b>	79.1
<b>Earnings per Parent share</b>			
Basic and diluted – cents	4	<b>4.3</b>	7.0

Included in note 4 are Asciano basic and diluted earnings per share, reflecting the earnings per share as if the Asciano Finance Trust was a wholly consolidated subsidiary for the whole of both financial periods.

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

**Asciano Limited**  
**Consolidated Statement of Comprehensive Income**  
**For the half year ended 31 December 2010**

	<b>First half 2011 \$M</b>	First half 2010 \$M
<b>Profit after tax</b>	<b>93.9</b>	79.1
<b>Other comprehensive income/(expense)</b>		
Net movement in fair value of hedges	7.3	61.3
Defined benefit superannuation funds actuarial gains	9.1	3.1
Foreign currency translation differences for foreign operations	(1.4)	0.2
Employee equity benefits	0.2	-
Income tax expense on other comprehensive income	(4.6)	(19.4)
Other comprehensive income	10.6	45.2
<b>Total comprehensive income</b>	<b>104.5</b>	124.3
<b>Total comprehensive income/(expense) attributable to:</b>		
Owners of Asciano Limited	136.6	233.4
Non-controlling interests:		
Unitholders of Asciano Finance Trust	(32.9)	(109.9)
Other	0.8	0.8
	<b>104.5</b>	124.3

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

**Asciano Limited**  
**Consolidated Balance Sheet**  
**As at 31 December 2010**

		December 2010 \$M	June 2010 \$M
	<b>Note</b>		
<b>Current assets</b>			
Cash and cash equivalents		338.3	215.3
Trade and other receivables		333.6	296.6
Prepayments		36.4	20.9
Inventories		23.2	22.0
Derivative financial assets		-	3.7
Non-current assets classified as held for sale		0.3	-
<b>Total current assets</b>		<b>731.8</b>	<b>558.5</b>
<b>Non-current assets</b>			
Trade and other receivables		71.1	72.9
Prepayments		10.5	14.0
Inventories		38.1	26.8
Derivative financial assets		-	0.7
Net deferred tax assets		132.0	150.3
Equity accounted investments	9	15.4	13.4
Property, plant and equipment		2,855.6	2,822.6
Intangible assets		2,834.5	2,860.3
Other assets		2.3	2.3
<b>Total non-current assets</b>		<b>5,959.5</b>	<b>5,963.3</b>
<b>Total assets</b>		<b>6,691.3</b>	<b>6,521.8</b>
<b>Current liabilities</b>			
Trade and other payables		285.6	261.3
Derivative financial liabilities		29.1	39.5
Current tax liabilities		-	1.4
Provisions and employee benefits		197.6	197.3
<b>Total current liabilities</b>		<b>512.3</b>	<b>499.5</b>
<b>Non-current liabilities</b>			
Trade and other payables		55.0	79.7
Loans and borrowings	10	2,696.0	2,714.5
Derivative financial liabilities		140.1	49.5
Provisions and employee benefits		71.6	74.8
<b>Total non-current liabilities</b>		<b>2,962.7</b>	<b>2,918.5</b>
<b>Total liabilities</b>		<b>3,475.0</b>	<b>3,418.0</b>
<b>Net assets</b>		<b>3,216.3</b>	<b>3,103.8</b>
<b>Equity</b>			
Contributed equity	11	8,609.7	8,180.7
Reserves		(4,962.5)	(4,977.2)
Retained earnings		(441.1)	(573.4)
<b>Equity attributable to owners of Asciano Limited</b>		<b>3,206.1</b>	<b>2,630.1</b>
Non-controlling interests	13	10.2	473.7
<b>Total equity</b>		<b>3,216.3</b>	<b>3,103.8</b>

The above Consolidated Balance Sheet should be read in conjunction with the accompanying notes.

**Asciano Limited**  
**Consolidated Statement of Changes in Equity**  
**For the half year ended 31 December 2010**

\$M	Contributed equity	Reserves	Retained earnings	Total	Non- controlling interests	Total
<b>First half 2011</b>						
Balance at 1 July 2010	8,180.7	(4,977.2)	(573.4)	2,630.1	473.7	3,103.8
Profit/(loss)	-	-	126.0	126.0	(32.1)	93.9
Other comprehensive income ("OCI"):						
Net movement in fair value of hedges	-	7.3	-	7.3	-	7.3
Defined benefit superannuation funds actuarial gains	-	-	9.1	9.1	-	9.1
Foreign currency translation differences for foreign operations	-	(1.4)	-	(1.4)	-	(1.4)
Treasury shares	-	0.2	-	0.2	-	0.2
Income tax expense on OCI	-	(1.8)	(2.8)	(4.6)	-	(4.6)
Total comprehensive income/(expense)	-	4.3	132.3	136.6	(32.1)	104.5
Treasury shares	(1.5)	-	-	(1.5)	-	(1.5)
Transactions with owners in their capacity as owners:						
Corporatisation, net of transaction costs	430.5	8.5	-	439.0	(431.4)	7.6
Employee equity benefits	-	1.9	-	1.9	-	1.9
	430.5	10.4	-	440.9	(431.4)	9.5
<b>Balance at 31 December 2010</b>	<b>8,609.7</b>	<b>(4,962.5)</b>	<b>(441.1)</b>	<b>3,206.1</b>	<b>10.2</b>	<b>3,216.3</b>
<b>First half 2010</b>						
Balance at 1 July 2009	7,189.4	(5,022.8)	224.9	2,391.5	(187.7)	2,203.8
Profit/(loss)	-	-	188.2	188.2	(109.1)	79.1
OCI:						
Net movement in fair value of hedges	-	61.3	-	61.3	-	61.3
Defined benefit superannuation funds actuarial gains	-	-	3.1	3.1	-	3.1
Foreign currency translation differences for foreign operations	-	0.2	-	0.2	-	0.2
Income tax expense on OCI	-	(18.5)	(0.9)	(19.4)	-	(19.4)
Total comprehensive income/(expense)	-	43.0	190.4	233.4	(109.1)	124.3
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs	991.3	-	-	991.3	848.8	1,840.1
Employee equity benefits	-	1.5	-	1.5	-	1.5
	991.3	1.5	-	992.8	848.8	1,841.6
Balance at 31 December 2009	8,180.7	(4,978.3)	415.3	3,617.7	552.0	4,169.7

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

**Asciano Limited**  
**Consolidated Statement of Cash Flows**  
**For the half year ended 31 December 2010**

	<b>First half 2011 \$M</b>	First half 2010 \$M
<b>Operating cash flows</b>		
Receipts from customers	<b>1,720.7</b>	1,629.0
Payments to suppliers and employees	<b>(1,410.4)</b>	(1,330.0)
Interest and other costs of finance paid	<b>(133.4)</b>	(194.9)
Interest received	<b>9.0</b>	39.1
Dividends received from associates	<b>6.5</b>	2.9
Net income tax payments	<b>(2.0)</b>	(2.0)
<b>Net operating cash flows</b>	<b>190.4</b>	144.1
<b>Investing cash flows</b>		
Payments for property, plant and equipment	<b>(188.2)</b>	(229.9)
Proceeds from sale of property, plant and equipment	<b>49.7</b>	0.3
Proceeds from sale of business	<b>-</b>	29.8
Loans from associates	<b>2.5</b>	5.6
<b>Net investing cash flows</b>	<b>(136.0)</b>	(194.2)
<b>Financing cash flows</b>		
Proceeds from issues of equity, net of transaction costs	<b>-</b>	1,833.0
Corporatisation transaction costs	<b>(1.2)</b>	-
Proceeds from US dollar bond issuance, net of transaction costs	<b>1,069.9</b>	-
Proceeds from borrowings	<b>-</b>	590.7
Repayment of borrowings	<b>(1,000.0)</b>	(2,781.3)
<b>Net financing cash flows</b>	<b>68.7</b>	(357.6)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>123.1</b>	(407.7)
Effect of exchange rate fluctuations on cash held	<b>(0.1)</b>	-
Cash and cash equivalents at the beginning of the half year	<b>215.3</b>	680.6
<b>Cash and cash equivalents at the end of the half year</b>	<b>338.3</b>	272.9

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

**Asciano Limited**  
**Notes to and forming part of the financial statements**  
**For the half year ended 31 December 2010**

**1. Basis of preparation of the half year report**

This consolidated interim financial report for the half year reporting period ended 31 December 2010 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001.

This half year financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2010 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.

Where this half year financial report makes reference to the terms shares and shareholders, this should be taken to be inclusive of the terms securities and securityholders up until the date of Corporatisation on 15 November 2010. Similarly, any reference to dividends should be taken to be inclusive of any distributions up until the date of Corporatisation.

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

Certain comparative amounts have been reclassified to conform with the current year's presentation.

**2. Critical accounting estimates and judgements**

The preparation of half year financial reports requires management to make estimates, judgements and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation and critical judgements in applying accounting policies that have had the most significant effect on the amounts recognised in the financial statements are described below.

Further details of the nature of these assumptions and conditions may be found in the annual report for the year ended 30 June 2010.

**Impairment**

Asciano assesses whether goodwill and intangible assets with indefinite useful lives are impaired at least annually. These calculations involve an estimation of the recoverable amount of the cash-generating units ("CGUs") to which goodwill and intangible assets with indefinite useful lives have been allocated. The recoverable amounts of CGUs have been determined, based on value-in-use calculations. These calculations require the use of assumptions.

Asciano assesses impairment by evaluating conditions specific to Asciano and to the particular asset, which may lead to impairment. These include technological, market, economic or legal environments in which Asciano operates.

**Asciano Limited**  
**Notes to and forming part of the financial statements**  
**For the half year ended 31 December 2010**

**2. Critical accounting estimates and judgements (continued)**

**Taxation**

Asciano's accounting policy for taxation requires management's judgement as to the types of arrangements considered to be subject to a tax. Judgement is also required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the Balance Sheet. Deferred tax assets, including those arising from carried forward tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered. Recoverability is dependent on the generation of sufficient future taxable profits.

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These in turn depend on estimates of future sales volumes, operating costs, capital expenditure, distributions to shareholders and other capital management transactions. Judgements are also required about the application of income tax legislation. These judgements and assumptions are subject to risk and uncertainty; hence, there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the Balance Sheet and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may then require adjustment, resulting in a corresponding credit or charge to the Income Statement.

**Incident provision**

Where Asciano is involved in an incident, such as a train derailment, and it is probable that Asciano will be held liable for the consequential damage, a provision equal to the estimated cost of third party claims is set aside. The cost estimate is made by loss adjusters where material, but the final quantum of the potential claims can be significantly different to the estimate. Adjustments to the provision are booked to earnings in the period in which the finding is made.

**Site restoration provision**

The provision is the best estimate of the present value of the expenditure required to settle the restoration obligation at the reporting date, based on current legal requirements and technology. Future restoration costs are reviewed annually and any changes are reflected in the present value of the restoration provision at the end of the reporting period.

Significant uncertainties exist as to the amount of restoration obligations that will be incurred due to the uncertainty as to the remaining life of existing operating sites, and the impact of changes in environmental legislation.

Assumptions have been made as to the remaining life of existing sites based on studies conducted by independent technical advisers.

**Asciano Limited**  
**Notes to and forming part of the financial statements**  
**For the half year ended 31 December 2010**

**3. Segment reporting**

First half 2011 \$M	Coal	Intermodal	Container Ports	Auto, Bulk and General	Eliminations/ unallocated	Total
<b>Revenue</b>						
External revenue	428.5	423.9	338.1	363.3	-	1,553.8
Inter-segment revenue	-	4.4	25.1	-	(29.5)	-
	428.5	428.3	363.2	363.3	(29.5)	1,553.8
Other income	-	6.2	1.1	3.2	0.3	10.8
<b>Revenue and other income</b>	<b>428.5</b>	<b>434.5</b>	<b>364.3</b>	<b>366.5</b>	<b>(29.2)</b>	<b>1,564.6</b>
Operating expenses	(294.9)	(324.5)	(254.1)	(307.3)	16.5	(1,164.3)
Corporate charges	(3.9)	(4.5)	(3.6)	(3.5)	15.5	-
Net profit of associates	-	-	0.8	7.4	0.3	8.5
<b>Profit before depreciation, amortisation, net finance costs and tax</b>	<b>129.7</b>	<b>105.5</b>	<b>107.4</b>	<b>63.1</b>	<b>3.1</b>	<b>408.8</b>
Depreciation	(30.9)	(36.4)	(22.7)	(17.7)	(0.7)	(108.4)
Amortisation	(14.9)	(3.7)	(4.9)	(5.3)	(0.7)	(29.5)
<b>Profit before net finance costs and tax</b>	<b>83.9</b>	<b>65.4</b>	<b>79.8</b>	<b>40.1</b>	<b>1.7</b>	<b>270.9</b>
Finance income	-	-	-	-	9.1	9.1
Finance expense – other	-	-	-	-	(134.3)	(134.3)
Finance expense – significant items	-	-	-	-	(29.6)	(29.6)
<b>Profit/(loss) before tax</b>	<b>83.9</b>	<b>65.4</b>	<b>79.8</b>	<b>40.1</b>	<b>(153.1)</b>	<b>116.1</b>
Tax expense						(22.2)
<b>Profit after tax</b>						<b>93.9</b>

**Asciano Limited**  
**Notes to and forming part of the financial statements**  
**For the half year ended 31 December 2010**

**3. Segment reporting (continued)**

First half 2010 \$M	Coal	Intermodal	Container Ports	Auto, Bulk and General	Eliminations/ unallocated	Total
Revenue						
External revenue	316.7	421.3	362.1	330.3	-	1,430.4
Inter-segment revenue	-	4.6	13.9	-	(18.5)	-
	316.7	425.9	376.0	330.3	(18.5)	1,430.4
Other income	0.7	4.5	-	2.9	(0.1)	8.0
Revenue and other income	317.4	430.4	376.0	333.2	(18.6)	1,438.4
Operating expenses	(219.2)	(310.2)	(266.2)	(280.5)	4.9	(1,071.2)
Corporate charges	(2.8)	(3.7)	(4.1)	(3.3)	13.9	-
Net profit of associates	-	-	0.4	3.8	-	4.2
Profit before depreciation, amortisation, net finance costs and tax	95.4	116.5	106.1	53.2	0.2	371.4
Depreciation	(21.1)	(36.4)	(28.0)	(18.8)	(1.2)	(105.5)
Amortisation	(15.0)	(3.7)	(9.7)	(6.0)	(0.7)	(35.1)
Profit/(loss) before net finance costs and tax	59.3	76.4	68.4	28.4	(1.7)	230.8
Finance income	-	-	-	-	41.2	41.2
Finance expense – other	-	-	-	-	(173.5)	(173.5)
Finance expense – significant items	-	-	-	-	(4.6)	(4.6)
Profit/(loss) before tax	59.3	76.4	68.4	28.4	(138.6)	93.9
Tax expense						(14.8)
Profit after tax						79.1

**Asciano Limited**  
**Notes to and forming part of the financial statements**  
**For the half year ended 31 December 2010**

**3. Segment reporting (continued)**

\$M	Coal	Intermodal	Container Ports	Auto, Bulk and General	Eliminations/ unallocated	Total
<b>Segment assets</b>						
<b>31 December 2010</b>	<b>1,907.2</b>	<b>1,165.9</b>	<b>2,026.0</b>	<b>631.1</b>	<b>961.1</b>	<b>6,691.3</b>
30 June 2010	1,841.8	1,173.9	2,046.3	640.2	819.6	6,521.8

**4. Earnings per share**

	<b>First half 2011 Cents</b>	First half 2010 Cents
Parent basic and diluted earnings per share	<b>4.3</b>	7.0
Asciano basic and diluted earnings per share	<b>3.2</b>	2.9

The calculation of earnings per share was based on the information as follows:

	\$M	\$M
Profit attributable to Parent shareholders	<b>126.0</b>	188.2
Profit attributable to Asciano shareholders	<b>93.1</b>	78.3
	<b>000</b>	000
Basic weighted average number of ordinary shares	<b>2,925,676</b>	2,685,585
Diluted weighted average number of ordinary shares	<b>2,926,023</b>	2,685,763

The prior period comparative has been adjusted to remove the impact of the bonus factor arising from the theoretical ex-rights value of the shares issued in July and August 2009. The comparative figure has been adjusted to ensure comparability with current period earnings per share. This has resulted in the comparative Parent earnings per share increasing from 6.3 cents per share to 7.0 cents per share and the comparative Asciano earnings per share increasing from 2.6 cents per share to 2.9 cents per share.

Until the date of Corporatisation (refer Note 11), the interests of unitholders in the Trust were shown as non-controlling interests of Asciano by virtue of the stapling arrangement. Therefore, in the current period to the date of Corporatisation and in the prior period, the losses of the Trust (after adjusting for intercompany interest changes) were excluded from the profit attributable to Parent shareholders used in the calculation of earnings per share.

**Asciano Limited**  
**Notes to and forming part of the financial statements**  
**For the half year ended 31 December 2010**

**4. Earnings per share (continued)**

As a result of the Corporatisation, effective from 15 November 2010 the Trust is a fully consolidated subsidiary of the Parent and therefore the interest charges from this date onwards form part of the profit attributable to Parent shareholders. Therefore to provide comparability of earnings per share between periods the basic and diluted earnings per share of Asciano (assuming the Trust is fully consolidated for the entirety of both periods) have been provided.

**5. Revenue and other income**

	<b>First half 2011 \$M</b>	First half 2010 \$M
<b>Revenue</b>		
Services rendered	<b>1,553.8</b>	1,430.4
<b>Other income</b>		
Lease rental income	<b>4.6</b>	4.7
Net profit/(loss) from sale of non-current assets	<b>6.0</b>	(0.4)
Profit on sale of assets of Pacific National Tasmania	-	3.2
Other	<b>0.2</b>	0.5
	<b>10.8</b>	8.0

**6. Expenses**

	<b>First half 2011 \$M</b>	First half 2010 \$M
Employee benefits	<b>455.1</b>	433.9
Rail access	<b>245.6</b>	199.1
Fuel, oil and power	<b>141.8</b>	139.0
Repairs and maintenance	<b>149.4</b>	135.0
Lease and hire	<b>77.8</b>	71.6
Insurance related	<b>23.7</b>	25.1
Other	<b>70.9</b>	67.5
<b>Operating expenses excluding depreciation and amortisation</b>	<b>1,164.3</b>	1,071.2
Depreciation	<b>108.4</b>	105.5
Amortisation	<b>29.5</b>	35.1
<b>Total operating expenses</b>	<b>1,302.2</b>	1,211.8

**Asciano Limited**  
**Notes to and forming part of the financial statements**  
**For the half year ended 31 December 2010**

**7. Finance income and expense**

	<b>First half 2011 \$M</b>	First half 2010 \$M
<b>Recognised in the Income Statement</b>		
Interest income	<b>9.1</b>	41.2
Interest expense	<b>(121.9)</b>	(160.3)
Amortisation of capitalised borrowing costs	<b>(5.6)</b>	(10.5)
Commitment and other facility fees	<b>(7.0)</b>	(2.6)
Unwind of discount on long term provisions	<b>0.2</b>	(0.1)
<b>Finance expense – other</b>	<b>(134.3)</b>	(173.5)
Swap de-designation costs	<b>(22.9)</b>	(4.6)
Deferred establishment costs	<b>(6.7)</b>	-
<b>Finance expense – significant items</b>	<b>(29.6)</b>	(4.6)
<b>Finance expense including significant items</b>	<b>(163.9)</b>	(178.1)
<b>Recognised directly in the Statement of Comprehensive Income</b>		
Net movement in fair value of hedges	<b>5.1</b>	42.9
Foreign currency translation differences	<b>(1.0)</b>	0.1
<b>Finance income recognised directly in the Statement of Comprehensive Income</b>	<b>4.1</b>	43.0

**Swap de-designation costs**

As a direct consequence of the refinancing completed by Asciano in December 2009 and of the bond issuance in September 2010, the notional value of Asciano's interest rate swap hedge book exceeded the balance of the bank debt at those dates. As a result, the ineffective portion of the fair value of the hedges, amounting to \$4.6 million in 2010 and \$22.9 million in 2011, was transferred from the hedge reserve to the Income Statement.

**Deferred establishment costs**

As the proceeds of the bond issuance were used to repay \$1 billion of the syndicated loan facility (refer to Note 10), an amount of \$6.7 million of the deferred establishment costs relating to the syndicated loan facility was charged to the Income Statement.

**Asciano Limited**  
**Notes to and forming part of the financial statements**  
**For the half year ended 31 December 2010**

**8. Income tax**

	<b>First half 2011 \$M</b>	First half 2010 \$M
<b>Reconciliation between profit before tax and income tax expense</b>		
Profit before tax	<b>116.1</b>	93.9
Income tax at 30%	<b>34.8</b>	28.2
Capital losses (recognised)/derecognised	<b>(5.3)</b>	0.5
Assessable gains on sale	<b>2.4</b>	-
Other non-deductible items	<b>3.6</b>	2.2
Recognition and derecognition of temporary differences	<b>(9.3)</b>	(2.3)
Adjustment to deferred tax on prior year	-	(10.9)
Non-assessable equity accounted profit	<b>(2.5)</b>	(1.3)
Other deductible items	<b>(1.5)</b>	(1.6)
<b>Income tax expense</b>	<b>22.2</b>	14.8
<b>Income tax recognised directly in equity</b>		
Revaluation of derivatives	<b>2.2</b>	18.4
Gain arising on Asciano Finance Trust entering tax consolidated group	<b>3.5</b>	-
Loss transferred on Asciano Finance Trust entering tax consolidated group	<b>(3.3)</b>	-
Actuarial gains on defined benefit funds	<b>2.8</b>	0.9
Share issue transaction costs	<b>(9.1)</b>	(7.4)
	<b>(3.9)</b>	11.9

Asciano Limited formed a tax consolidated group with effect from 15 June 2007. The consolidation process leads to a resetting of the tax cost base of Asciano's assets, including property, plant and equipment. This tax cost base setting process has a direct consequence on determination of tax depreciation. Furthermore, in May 2010, legislation was passed enabling taxpayers to take deductions over time for tax base allocated to rights to receive future income. Asciano is likely to have amounts of this nature in relation to its customer contracts held on demerger. As at the date of these financial statements efforts are ongoing in respect of the finalisation of the tax cost base setting process, including determining amounts associated with rights to future income. The finalisation of this process may result in a significant adjustment to recognised amounts.

**Asciano Limited**  
**Notes to and forming part of the financial statements**  
**For the half year ended 31 December 2010**

**9. Equity accounted investments**

	<b>December 2010 \$M</b>	June 2010 \$M
Equity accounted investments	<b>15.4</b>	13.4

Summary financial information for associates, adjusted for the percentage ownership held by Asciano, is as follows:

	<b>Ownership %</b>	<b>Share of profit/(loss)</b>	
		<b>First half 2011 \$M</b>	First half 2010 \$M
C3 Limited	50	<b>3.3</b>	2.4
Australian Amalgamated Terminals Pty Limited	50	<b>5.0</b>	2.2
Albany Bulk Handling Pty Limited	50	<b>1.2</b>	0.7
1-Stop Connections Pty Limited	50	<b>0.8</b>	0.5
Car Compounds of Australia Pty Limited	50	<b>0.7</b>	0.2
Australian Automotive Terminals Pty Limited	50	-	-
Logistics Planning Services Pty Limited	50	<b>0.4</b>	-
Patrick PortLink (SA) Pty Limited	50	-	(0.1)
Geelong Unit Trust	30	<b>(0.1)</b>	(0.1)
		<b>11.3</b>	5.8
Share of income tax expense		<b>(2.8)</b>	(1.6)
Share of profit after tax		<b>8.5</b>	4.2

All associates were incorporated or formed in Australia, apart from C3 Limited, which was incorporated in New Zealand.

**Asciano Limited**  
**Notes to and forming part of the financial statements**  
**For the half year ended 31 December 2010**

**10. Loans and borrowings**

	<b>December 2010 \$M</b>	June 2010 \$M
Syndicated term loan	<b>1,750.0</b>	2,750.0
US dollar bonds	<b>976.7</b>	-
Capitalised borrowing costs	<b>(30.7)</b>	(35.5)
<b>Total non-current loans and borrowings</b>	<b>2,696.0</b>	2,714.5

As at 30 June 2010, the syndicated bank borrowings were secured by a pledge over the assets and undertakings of the Parent and each of the holding companies that sit immediately below it. This pledge was extinguished during September 2010.

On 23 September 2010, Asciano Finance Limited issued US\$400 million of 3.125% Senior Guaranteed Notes due in September 2015 and US\$600 million of 4.625% Senior Guaranteed Notes due in September 2020 which are guaranteed by the Parent and certain of its subsidiaries. On 30 September 2010, the proceeds from this US dollar bond issuance were used to repay A\$1 billion of the syndicated term loan maturing in May 2012.

**Bank facilities**

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

<b>\$M</b>	<b>Maturity</b>	<b>December 2010</b>		June 2010	
		<b>Facility</b>	<b>Utilised</b>	Facility	Utilised
Syndicated term loan	December 2014	<b>500.0</b>	<b>500.0</b>	500.0	500.0
Syndicated revolving credit facility	December 2013	<b>500.0</b>	-	500.0	-
Syndicated term loan	May 2012	<b>1,250.0</b>	<b>1,250.0</b>	2,250.0	2,250.0
Less: cash and cash equivalents		-	<b>(338.3)</b>	-	(215.3)
<b>Net bank debt</b>		<b>2,250.0</b>	<b>1,411.7</b>	3,250.0	2,534.7
Working capital facilities <sup>1</sup>	December 2013	<b>140.0</b>	<b>92.9</b>	140.0	119.5
		<b>2,390.0</b>		3,390.0	

<sup>1</sup> All of the utilised working capital facilities are in respect of performance bonds and bank guarantees.

Asciano pays interest on its bank facilities at a margin above the bank bill swap rate. As at 31 December 2010, Asciano's outstanding interest rate swaps hedged the debt to 74% (30 June 2010: 78%).

**Asciano Limited**  
**Notes to and forming part of the financial statements**  
**For the half year ended 31 December 2010**

**10. Loans and borrowings (continued)**

**US dollar bonds**

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

\$M	Maturity	December 2010		June 2010	
		US\$	A\$	US\$	A\$
US dollar 5 year bonds	September 2015	400.0	391.5	-	-
US dollar 10 year bonds	September 2020	600.0	587.3	-	-
Discount on US dollar bonds		(1.9)	(2.1)	-	-
		<b>998.1</b>	<b>976.7</b>	-	-

The US dollar bonds are hedged by cross currency swaps, which were entered into on 17 September 2010 to convert US dollar fixed rate borrowings into Australian dollar fixed rate borrowings.

**11. Equity securities**

On 27 October 2010, a special resolution was passed at Asciano's Annual General Meeting, approving the Corporatisation Deed which sanctioned the destapling of the Company and the Trust ("Corporatisation"). As a result, the stapling arrangement was cancelled on 15 November 2010 and the Company acquired all the units in the Trust for a consideration of \$1,466.0 million through the issue of 2,926,103,883 of its shares at \$0.50 per share. The shares on issue in the Company were subsequently consolidated, whereby every two Company shares on issue immediately following the acquisition by the Company of the Trust were consolidated into one Company share pursuant to Section 254H of the Corporations Act 2001.

As a direct consequence of the Corporatisation on 15 November 2010, the 2,926,103,883 units in the Trust are now all held by the Company.

Movement in number of issued shares	Allotment date	Price \$	Number of shares	\$M
<b>December 2010</b>				
<b>Parent</b>				
Balance at 1 July 2010			2,926,103,883	8,180.7
Shares issued to the unitholders of the Trust	15 November 2010	0.50	2,926,103,883	1,466.0
Share consolidation	15 November 2010		(2,926,103,883)	-
Corporatisation adjustment			-	(1,034.6)
Transaction costs, net of tax			-	(0.9)
Treasury shares acquired			-	(1.5)
Balance at 31 December 2010			<b>2,926,103,883</b>	<b>8,609.7</b>

The Corporatisation adjustment arises as the difference between the value of the shares issued and the value of the non-controlling interest in the Trust on 15 November 2010 (refer to Note 13).

**Asciano Limited**  
**Notes to and forming part of the financial statements**  
**For the half year ended 31 December 2010**

**11. Equity securities (continued)**

Movement in number of issued shares/units	Allotment date	Issue price \$	Number of shares/units	\$M
June 2010				
Parent				
Balance at 1 July 2009			1,218,837,054	7,189.4
Retail entitlement offer	21 July 2009	0.59	388,442,791	229.2
Conditional placement	27 July 2009	0.59	1,227,272,727	724.1
Security Purchase Plan ("SPP")	20 August 2009	0.60	91,551,311	54.9
Transaction costs, net of tax			-	(16.9)
Balance at 30 June 2010			<u>2,926,103,883</u>	<u>8,180.7</u>
Asciano Finance Trust				
Balance at 1 July 2009			1,218,837,054	581.2
Retail entitlement offer	21 July 2009	0.51	388,442,791	198.1
Conditional placement	27 July 2009	0.51	1,227,272,727	625.9
SPP	20 August 2009	0.50	91,551,311	45.8
Transaction costs			-	(20.9)
Balance at 30 June 2010			<u>2,926,103,883</u>	<u>1,430.1</u>

**12. Dividends**

The Board determined on 23 February 2011 that a fully franked interim dividend of 1.0 cent per share will be payable by the Company on 24 March 2011 (31 December 2009: nil). The record date for entitlement to the dividend is 10 March 2011. The dividend of \$29.3 million is not recognised as a liability at 31 December 2010. No distributions from the Trust were paid to unitholders or determined to be paid during the prior period.

**13. Non-controlling interests**

	December 2010			December 2009		
	Trust \$M	Other \$M	Total \$M	Trust \$M	Other \$M	Total \$M
Contributed equity	-	-	-	1,430.1	-	1,430.1
Reserves	-	6.4	6.4	-	6.4	6.4
Retained earnings	-	3.8	3.8	(886.6)	2.1	(884.5)
	<u>-</u>	<u>10.2</u>	<u>10.2</u>	<u>543.5</u>	<u>8.5</u>	<u>552.0</u>

**Asciano Limited**  
**Notes to and forming part of the financial statements**  
**For the half year ended 31 December 2010**

**13. Non-controlling interests (continued)**

**Trust non-controlling interest**

Under AASB Interpretation 1002 Post-Date-of-Transition Stapling Arrangements, the interests of unitholders in the Trust were shown as non-controlling interests of Asciano until the date of Corporatisation on 15 November 2010, even though the unitholders of the Trust were also shareholders of the Company, being by virtue of the stapling arrangement.

**Other non-controlling interests**

Other non-controlling interests relate to the 20% of Patrick Autocare Pty Limited and 20% of Patrick Technology & Systems Pty Limited not held by the Parent.

**Movement in non-controlling interests**

As a result of the Corporatisation (refer to Note 11), the Parent acquired all the units in the Trust on 15 November 2010. The following table provides details of the movement in non-controlling interests:

	December 2010			December 2009		
	Trust \$M	Other \$M	Total \$M	Trust \$M	Other \$M	Total \$M
<b>Contributed equity</b>						
Balance at 1 July	1,430.1	-	1,430.1	581.3	-	581.3
Issue of units	-	-	-	848.8	-	848.8
Corporatisation	(1,430.1)	-	(1,430.1)	-	-	-
<b>Balance at 31 December</b>	-	-	-	1,430.1	-	1,430.1
<b>Reserves</b>						
Balance at 1 July	-	6.4	6.4	-	6.4	6.4
<b>Balance at 31 December</b>	-	6.4	6.4	-	6.4	6.4
<b>Retained earnings</b>						
Balance at 1 July	(965.8)	3.0	(962.8)	(776.7)	1.3	(775.4)
Total comprehensive income/(expense)	(32.9)	0.8	(32.1)	(109.9)	0.8	(109.1)
Corporatisation	998.7	-	998.7	-	-	-
<b>Balance at 31 December</b>	-	3.8	3.8	(886.6)	2.1	(884.5)
<b>Total</b>	-	10.2	10.2	543.5	8.5	552.0

**Asciano Limited**  
**Notes to and forming part of the financial statements**  
**For the half year ended 31 December 2010**

**14. Capital and other commitments**

	<b>December 2010 \$M</b>	June 2010 \$M
<b>Plant and equipment</b>		
Contracted capital expenditure committed but not yet payable:		
Within one year	<b>379.5</b>	214.2
One year or later and no later than five years	<b>110.2</b>	141.3
	<b>489.7</b>	355.5
<b>Maintenance</b>		
Non-cancellable maintenance contracts committed but not yet payable:		
Within one year	<b>43.0</b>	46.2
One year or later and no later than five years	<b>40.5</b>	49.8
	<b>83.5</b>	96.0

**15. Contingencies**

**Litigation**

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

**Environmental liabilities**

Asciano provides for all known environmental liabilities. While the Board believes that its provisions for environmental rehabilitation are adequate, there can be no assurance that material new provisions will not be required as a result of new information or regulatory requirements with respect to known sites or identification of new remedial obligations at other sites.

**Contingent assets**

Asciano has instituted proceedings for the recovery of consequential damages suffered as a result of the subsidence and crumbling of pavement works carried out by third parties at both the Fisherman Islands and Port Botany sites. The Directors are confident the claim will be successful; however, as recovery is not virtually certain as defined by the accounting standards, no assets have been recognised.

**Asciano Limited**  
**Notes to and forming part of the financial statements**  
**For the half year ended 31 December 2010**

**16. Events subsequent to the reporting date**

On 25 August 2010, Asciano announced an internal restructuring in which the businesses owned and operated by the Auto, Bulk and General division were to be transferred to the Intermodal and Container Ports divisions. The restructure was completed in the second half of this financial year and as a result there is no impact on the segment reporting at 31 December 2010.

On 7 February 2011, Asciano announced the appointment of John Mullen as the new Managing Director and Chief Executive Officer of Asciano. John, who commenced employment on 14 February 2011, succeeds Mark Rowsthorn who will remain available to assist the Company with transitional arrangements until 15 June 2011 as needed.

Other than for the declaration of an interim dividend of 1.0 cent per share (refer to Note 12) and the items noted above, there has not arisen in the interval between 31 December 2010 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 Asciano, the results of those operations, or the state of affairs of Asciano in future financial periods.

**Asciano Limited**  
**Directors' declaration**  
**For the half year ended 31 December 2010**

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

1. the financial statements and notes, set out on pages 9 to 28, 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 2010 and of its performance for the half year ended on that date;
  - (b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) 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.



**Malcolm Broomhead**  
Chairman

Melbourne  
23 February 2011



## **Independent auditor's review report to the members of Asciano Limited**

### **Report on the financial report**

We have reviewed the accompanying half-year financial report of Asciano Limited ("Company"), which comprises the consolidated balance sheet as at 31 December 2010, consolidated income statement and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes 1 to 16 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year period.

#### *Directors' responsibility for the half-year financial report*

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

#### *Auditor's responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Asciano Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

#### *Independence*

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



*Conclusion*

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

- (a) giving a true and fair view of the Group's financial position as at 31 December 2010 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*.

KPMG

Duncan McLennan  
*Partner*

Sydney

23 February 2011