



Monday, 10 October 2011

The Manager
Company Announcements Office
Australian Securities Exchange
Level 45, South Tower Rialto
525 Collins Street
MELBOURNE VIC 3000
ELECTRONIC LODGEMENT

Dear Sir or Madam,

Please find attached the following documents:

1. A letter from Asciano's Chairman to shareholders;
2. Asciano's 2011 Annual Report;
3. A Notice of Annual General Meeting; and
4. Proxy Form.

Asciano Limited will hold its Annual General Meeting at **11.00am on Thursday 10 November 2011**. The Meeting will be held in the Auditorium at the Melbourne Exhibition Centre, 2 Clarendon Street, Southbank, Victoria. A map showing the location of the Melbourne Exhibition Centre is included with the Chairman's letter.

Shareholders will note from the Notice of Meeting that Asciano will seek shareholder approval at the Annual General Meeting to implement a 1 for 3 share consolidation.

Asciano has a very large number of shares on issue (over 2.9 billion) due to the large number of shares issued on the Company's listing in 2007 and equity-based capital raisings undertaken since that time. If the consolidation is approved, the number of shares on issue will be decreased to approximately 967 million with a commensurate increase in share price to reflect this reduced number of shares.

The consolidation is being proposed to bring Asciano's capital structure in line with other ASX50 companies, and it is hoped that the improved capital structure will result in an enhancement of trading liquidity of the Company's shares.

Further information on the proposed consolidation is provided in the explanatory notes accompanying the Notice of Annual General Meeting.

Yours faithfully

A handwritten signature in black ink, appearing to read "F. Mead".

Fiona Mead
Company Secretary

MELBOURNE

Level 6/380 St Kilda Road,
Melbourne VIC 3004 Australia
Telephone: +61 3 9284 4000
Facsimile: +61 3 9699 2869

SYDNEY

Level 6/15 Blue Street,
North Sydney NSW 2060 Australia
Telephone: +61 2 8484 8000
Facsimile: +61 2 8484 8154

Email: info@asciano.com.au
www.asciano.com

ABN: 26 123 652 862



Asciano Limited ABN 26 123 652 862



000001 000 AIO
MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Dear Asciano Shareholder,

Asciano Annual General Meeting - 10 November 2011 at 11am

It gives me great pleasure to invite you to attend Asciano's 2011 Annual General Meeting and I enclose the Notice of Meeting. The meeting will be held at 11am on Thursday 10 November 2011 in the Auditorium at the Melbourne Exhibition Centre, 2 Clarendon Street, Southbank, Melbourne, Victoria (the same venue as last year). A map showing how to get to the Melbourne Exhibition Centre is attached to this letter for your convenience.

The Board of Directors of Asciano considers the Annual General Meeting to be an important event on our calendar and we look forward to the opportunity to update you on Asciano's performance for the year and also to answer any questions you may have on Asciano's businesses or the changes that have occurred at Asciano over the past 12 months.

In addition to the ordinary business of considering the financial report and remuneration report of Asciano for the 2011 financial year there are a number of additional items we will be asking shareholders to consider. These include the election of Ms Shirley In't Veld as a Director of the Company, the re-election of one of our current directors, Mr Chris Barlow, and a grant of options and a grant of rights to our new Managing Director and Chief Executive Officer, Mr John Mullen.

As we are continuing to move away from our previous capital structure to a standard company structure we are also asking shareholders to consider the adoption of a new constitution, and a share consolidation.

Details of all of these items are contained in the enclosed Notice of Meeting.

If you have any questions in relation to any of these items, or in relation to the upcoming Annual General Meeting generally, please call the Asciano shareholder information line on **[insert number]** (within Australia) or **[insert number]** (outside Australia).

If you are not able to attend the meeting to vote in person, please complete the enclosed proxy form and return it to us by mail or fax. You may also register your proxy appointment and voting instructions electronically via the internet, the website details are set out on the enclosed proxy form. **The Board recommends that you vote in favour of all items of business.**

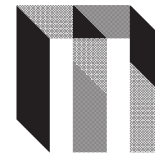
Finally, the Board of Directors and members of the Company's Senior Management Team would like to invite you to join us for light refreshments following the meeting.

I look forward to welcoming you to the 2011 Annual General Meeting.

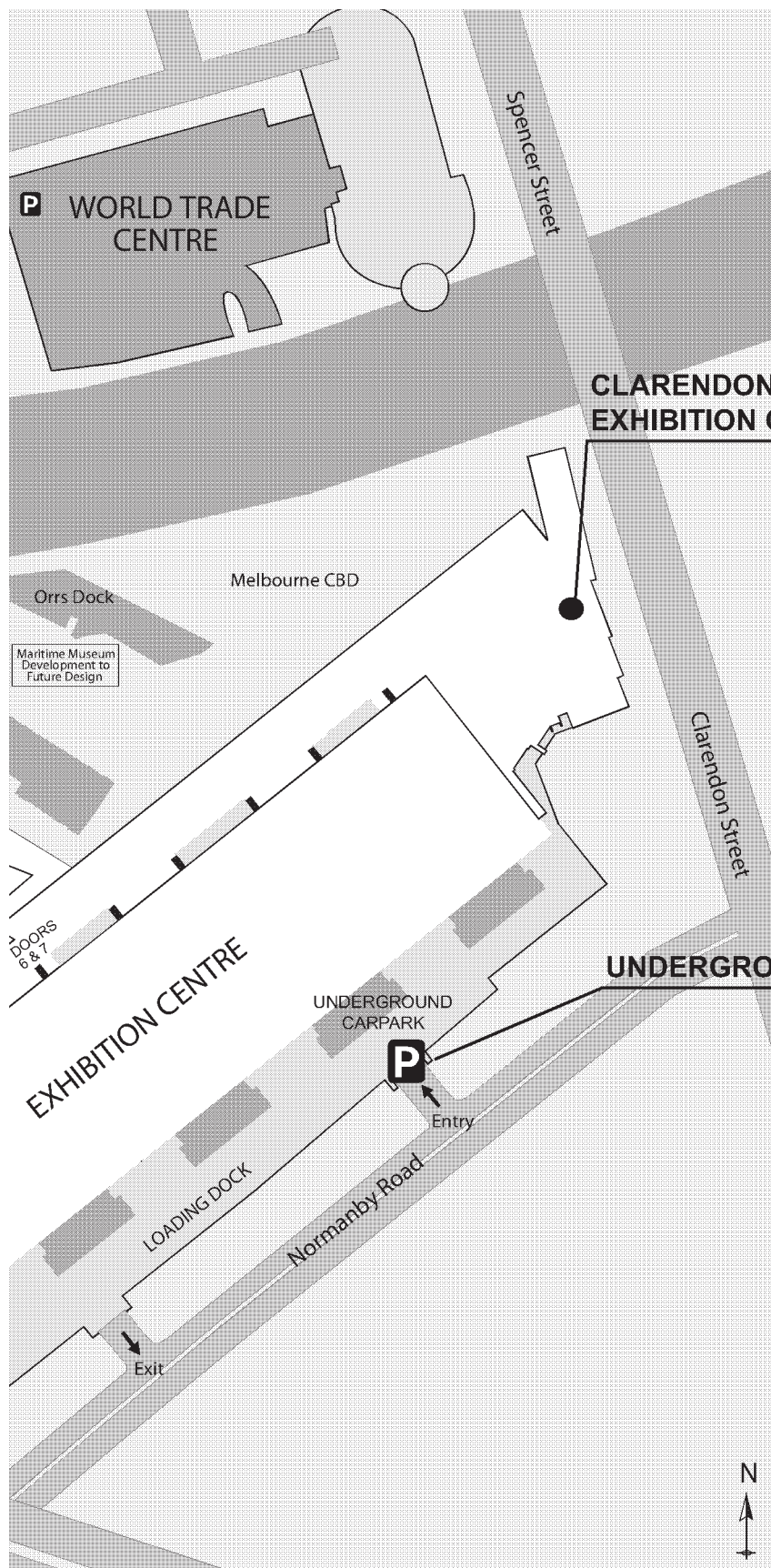
Yours sincerely,

Malcolm Broomhead

Chairman
Asciano Limited



MELBOURNE
CONVENTION
EXHIBITION
CENTRE



**CLARENDON STREET
EXHIBITION CENTRE ENTRANCE**

UNDERGROUND CAR PARK

Exhibition Centre entrance
2 Clarendon St,
Southbank 3006



COAL. GRAIN. MINERALS. STEEL. THE CAR IN YOUR DRIVEWAY. THE NEW FURNITURE FOR YOUR HOME OFFICE.

AS AUSTRALIA'S ONLY NATIONAL RAIL FREIGHT AND PORTS OPERATOR,
CHANCES ARE IT'S BEEN ACROSS OUR PORTS, OR ON OUR TRAINS.

Asciano brings together the powerful combination of Pacific National's rail operations and Patrick's ports and stevedoring businesses to play a critical role within Australia's supply chains. We hold leading positions in the markets we serve and operate the assets which are essential to Australia's future.

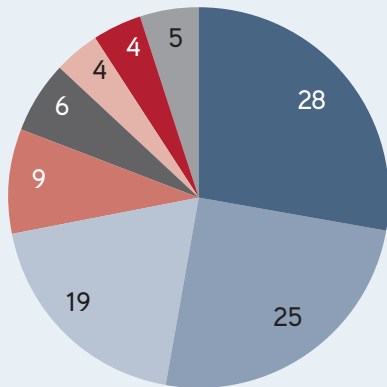




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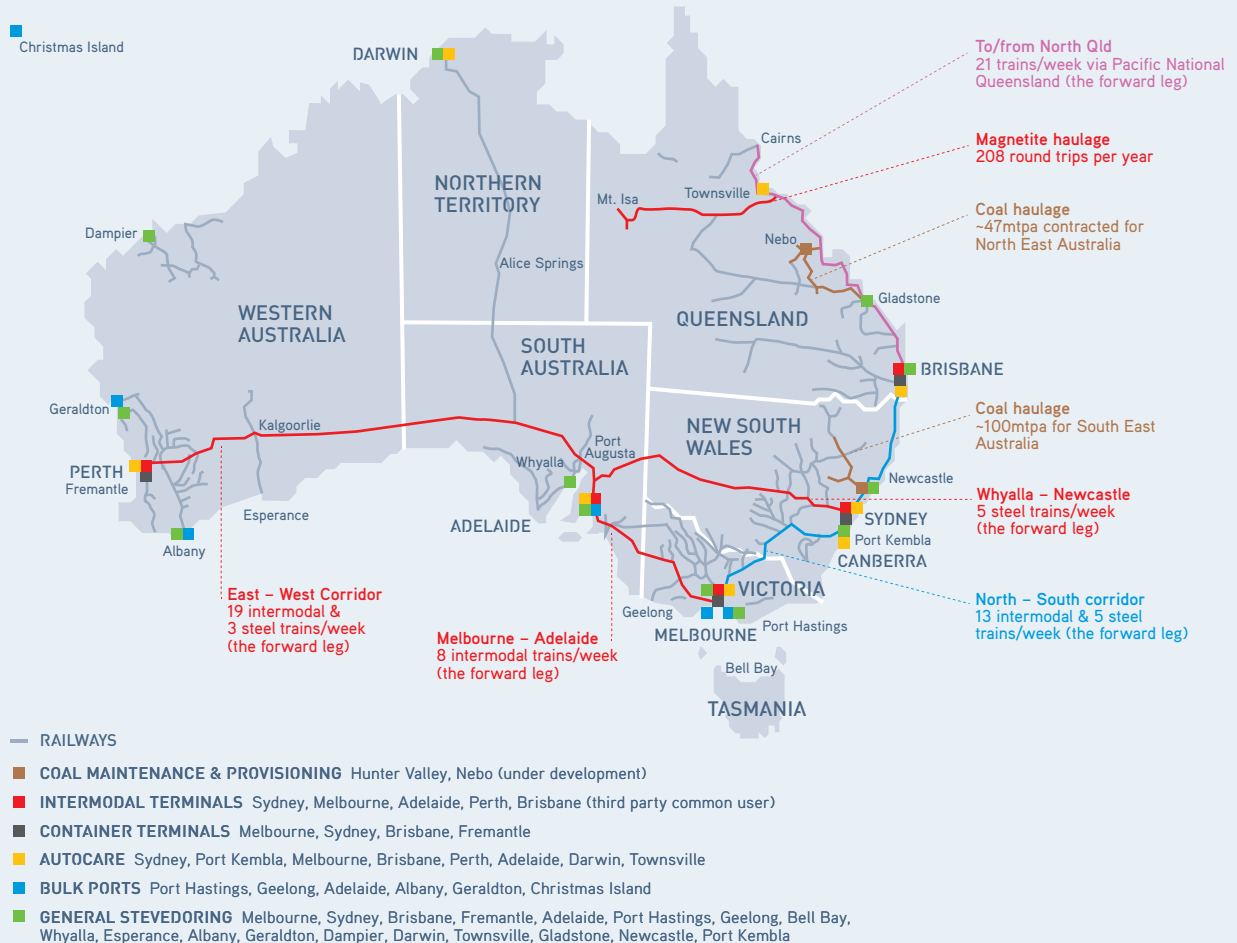
WE SERVICE A DIVERSE CUSTOMER MIX



CUSTOMER MIX % Based on FY11 revenue

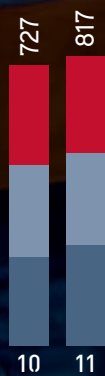
■ HARD COMMODITIES Includes coal and iron ore	■ AUTOMOTIVE
■ GENERAL CARGO	■ SOFT COMMODITIES Includes grain and woodchips
■ IMPORT - EXPORT (Containerised)	■ OTHER
■ STEEL	

WE'VE GOT A UNIQUE FOOTPRINT ACROSS AUSTRALIA WITH A NATIONAL NETWORK OF PORTS AND RAIL OPERATIONS



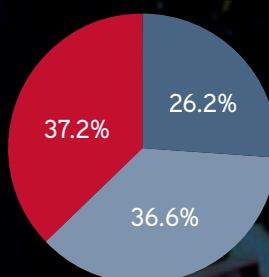


HISTORICAL
REVENUE BY
DIVISION
(\$M)

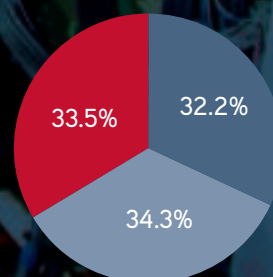


HISTORICAL
EBITDA BY
DIVISION
(\$M)

■ COAL ■ PN RAIL ■ PATRICK



TOTAL REVENUE
BY DIVISION



FY11 EBITDA
BY DIVISION

LETTER FROM

CHAIRMAN AND CEO

DEAR SHAREHOLDERS

The 2011 financial year has been a year of renewal at Asciano. The Company has made a number of significant changes to strengthen its capabilities in leadership, planning, finance, people and culture, and in doing so, has repositioned itself on a strong growth trajectory.

A comprehensive review of Asciano's strategic plans by the Board of Directors and senior management team has brought clarity to the objectives and initiatives formulated for each of the divisions and further strengthened the rigour of these plans.

A focus on optimising performance has resulted in a consolidation of the Asciano's business structure into three divisions, Pacific National Coal, Pacific National Rail and Patrick, which has delivered a number of successful outcomes throughout the year, including measurably improved customer service levels and important contract wins.

A revitalised leadership team, with a new Managing Director and Chief Executive Officer, a new Chief Financial Officer and new Human Resources Director is now in place and has created a platform of strength and stability from which Asciano can achieve its key strategic objectives in the medium and long-term.

As always, our focus has remained on creating shareholder value and on growing total shareholder returns. Despite operating under often challenging circumstances, the benefit of owning and operating assets that are intrinsically linked to the Australian economy has served the business well and we have demonstrated our resilience to downturns in the economy and taken advantage of the upturn in the resource sector.

FOCUS ON CORE BUSINESS

We have, in conjunction with external advisers, completed the annual review of Asciano's strategic plans with an in-depth analysis of the Company's strategic vision, key performance drivers, financial targets and competitor risks. The focus of this review was the three to five year time horizon.

After a significant amount of time examining a wide range of options for the business, we believe that the most effective way to boost returns for shareholders and capture the opportunities that exist, is for the management team to remain completely focused on managing our core divisions rather than pursuing structural alternatives such as divestment of a division or a demerger.

Progressing the growth initiatives that have been identified and continuing to build on the recent gains announced by the business will yield more certain results and build and protect the existing business base.

The Board of Directors has now approved the renewed strategic plan, and Asciano's vision to be Australia's leading provider of critical logistics services within essential infrastructure-based supply chains.

Asciano will seek to deliver measurably superior outcomes for our customers, which should result in the generation of improved returns for shareholders.

Asciano will deliver on this vision through:

- ✓ Living our values;
- ✓ Attracting, developing and inspiring talented and capable people;
- ✓ Targeting leadership positions in fast growing structurally attractive market sectors;
- ✓ Leveraging our strategic assets and deep expertise in operationally complex multi-user supply chains across freight types and modes;
- ✓ Innovating in partnership with customers to achieve differentiated performance within standalone and integrated supply chains;
- ✓ Collaborating with diverse stakeholders to create and deliver solutions for our Customers; and
- ✓ Developing, managing and operating integrated infrastructure by bringing together our Group capabilities.

MAXIMISING RETURNS FROM EXISTING BUSINESS

Asciano has continued to deliver strong earnings growth year on year despite a significant number of external factors impacting our three divisions over the twelve month period.

All divisions performed well and the Company delivered a markedly improved operating result with total revenue of \$3.056 billion for the year, an increase of 7.2% on the previous year.

The impact of the floods in Queensland, the aftermath of which continues to impact our Coal division, coal availability constraints and congestion in the rail network in the Hunter Valley, significant industrial relations activity in our Ports division and the overall downturn in economic activity in Australia have impacted both revenue and margins across the three divisions. In spite of these factors, Asciano delivered net profit after tax after material items of \$145.2 million, representing a significant turnaround from last year's loss of (\$975.9) million and placing Asciano on a strong footing for the year to come.

LETTER FROM CHAIRMAN AND CEO CONTINUED

EBITDA increased by 12.4% on the previous year to \$816.8 million, EBIT increased by 21.7% to \$539.1 million and Group EBIT margins improved to approximately 17.0%, with the underlying drivers being new and higher returning contracts, the successful renegotiation of legacy Hunter Valley Coal contracts and the delivery of business improvement initiatives in both Patrick and Pacific National Rail.

Overall return on capital employed improved by 220 basis points to 9.6% boosted by higher return on capital employed in the Rail and Coal divisions, and the benefit of the write down of assets within Patrick taken in the previous financial year. Despite the uncertainty in both the domestic and global economy, all three divisions signed new contracts for additional volume expected to commence over the next two years. The renegotiation and extension of a number of existing contracts will also further improve margins across the Group. Additional information regarding the performance of the divisions is included further on in this report.

Operating cashflow increased 34.5% to \$497.5 million reflecting earnings growth and lower interest payments over the period. Free cashflow of \$81.5 million was a turnaround from a negative \$(141.9) million in the previous year and was largely the result of lower than forecast capital expenditure over the period. Net debt at the end of the 12 month period was \$2.3 billion and committed available liquidity (including undrawn banking facilities plus cash and liquid assets) was \$946 million.

OPTIMISING CAPITAL STRUCTURE

Over the course of the fiscal year Asciano completed two 144a / Reg S bond issues to raise US\$2 billion which was used to repay debt maturing in 2012. As a result, Asciano has lengthened its average debt maturity to around six years, diversified its funding and dealt with refinancing risk. Asciano also achieved an upgrade in its credit rating from Moody's Investors Service to Baa2 (Stable), which reflects the strength of our assets and market positions, the performance of our divisions and our improved financial flexibility.

Material items declined significantly compared to the previous corresponding period at \$(69.2) million and included costs associated with interest rate swap de-designation costs, the write-off of deferred legacy facility establishment costs, redundancy costs associated with the business restructure and advisory costs associated with the Company's strategic review.

The strong cashflows generated by our three divisions, the focus of the management team on financial discipline and restructuring the balance sheet, and the move to corporatise the Company early in the 2011 fiscal year have placed Asciano in a position to commence paying fully franked dividends for the first time.

The Board of Directors is confident that based on the current outlook, Asciano will continue to pay dividends in the medium term and expects the payout ratio of 20–30% to be maintained as the Company continues to invest in realising the growth opportunities of all three divisions.

LEVERAGING OPERATING CAPABILITIES INTO NEW OPPORTUNITIES

Asciano's three divisions have a number of significant growth opportunities within their existing operations. Pacific National Coal will continue to focus on both capturing further volumes in the growing Queensland and New South Wales coal haulage markets and promoting organic growth through improvements to coal supply chain capacity. Pacific National Rail has a list of potential growth opportunities particularly in the non coal bulk haulage markets, while Patrick will look to grow its marketshare by improving operational efficiency across its terminals.

Asciano also continues to identify business improvement programs which are expected to result in all divisions meeting our return on capital employed hurdle rates over the next three to five years. We look forward to delivering on these initiatives and expect that this program will translate into improved shareholder returns over the medium term.

FOCUS ON SAFETY

Asciano continues to focus on safety as a priority. We recognise that safety is a management responsibility and throughout the 2011 financial year, there has been a business wide focus on increasing our safety leadership capability, engaging our employees in safety improvements, improving our safety management systems and addressing key risks and major hazards.

A Board Sustainability Committee has been formed to oversee the management of sustainability and safety issues throughout the Company and all of Asciano's operations have safety improvement plans and safety performance targets in place to ensure we deliver against our goal of all employees returning home safely everyday. Additional information regarding sustainability and safety are included further on in this report.

PEOPLE AND CULTURE

The Board of Directors has been strengthened over the last two years, so as to ensure effective governance and oversight on behalf of shareholders.

In September last year, Asciano appointed Ms Shirley In't Veld as a new Non-Executive Director to the Board. At the Annual General Meeting, shareholders approved the re-election of Mr Peter George as the Chairman of the Audit and Risk Committee and a member of the Nomination and Succession Planning Committee.

A new Chief Executive Officer, Mr John Mullen was appointed in February 2011, replacing Mr Mark Rowsthorn.

A strong management team is also essential if we are to achieve the growth targets we have outlined for the next financial year. Asciano has announced a number of new appointments to improve its leadership capability, including Mr Angus McKay to the role of Chief Financial Officer, Ms Alex Badenoch as Director of Human Resources and Mr Michael Walsh to the newly created role of General Manager Safety.

These new appointments reinforce the drive to attract a considerable depth of new talent to Asciano in order to support our ambitious growth objectives.

We believe that continued focus on employee engagement will support the delivery of a superior customer experience and therefore, ultimately improved business performance.

OUTLOOK

Asciano services a uniquely diverse customer mix with exposure to mining, shipping, industrial, steel, automotive and general cargo sectors. While the outlook for the three divisions over the medium term remains positive, there are a number of external factors impacting the businesses at the current time, causing the Board of Directors and senior management team to be cautious about the near term outlook.

We expect Pacific National Coal will continue to be impacted by the aftermath of weather events of the previous year, congestion issues and lower than contracted coal supply in the first six months of the year to come. The impact of announced new contracts and revised terms of existing contracts are expected to offset the impact of external factors.

Pacific National Rail will also continue to be impacted by the prevailing weak economic conditions in Australia however additional contract volumes secured during the previous financial year and ongoing buoyant volumes in some commodities should offset this weakness.

Over the last eighteen months Patrick has invested in a number of initiatives to improve operating efficiency and deliver an improved service offering. Recent contract wins as a result of these initiatives will see an increase in market share in the coming year. A resolution of the long running labour negotiations with the Maritime Union of Australia is a key focus of the management team to ensure that the business can continue to improve its customer service offering and to ensure market competitiveness prior to the introduction of a third operator.

Despite these uncertainties, the Board of Directors and senior management team believe that the business can continue to deliver solid growth for shareholders over the medium term.

Asciano will continue to maintain its leading positions within Australia's import / export and domestic freight supply chains and seek to further leverage our flexible business model to tailor transport, logistics and infrastructure solutions to meet our evolving customer requirements.

Through the quality and capability of our workforce, through leveraging our unique assets, and through strong financial discipline, we will ensure that we can continue to achieve long-term sustainable growth and improved returns for our shareholders.

We would like to take this opportunity to thank all Asciano stakeholders for their support over the past 12 months. We also appreciate the loyalty of our customer base and thank them for their ongoing business.

Lastly, we would like to recognise the contribution from all Asciano employees during the period and thank them for their role in delivering these outcomes.



MALCOLM BROOMHEAD
Chairman



JOHN MULLEN
Chief Executive Officer



DIVISIONAL PERFORMANCE

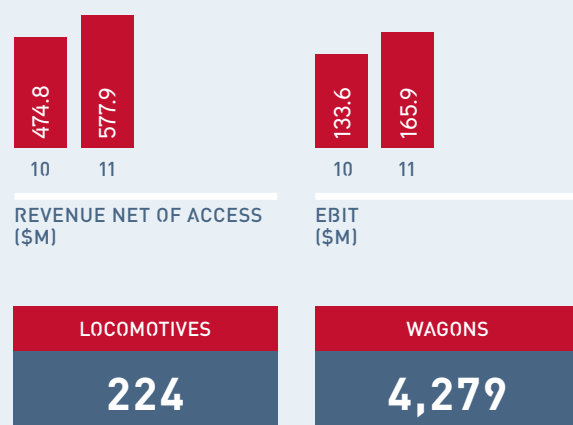
PACIFIC NATIONAL COAL

With coal exports expected to grow significantly into the future, Asciano's Coal division is well positioned to successfully expand its operations as a result of increasing demand from the Asia region, particularly China and India.

Pacific National Coal is one of two national coal haulage operators in Australia, operating rail haulage services for the export and domestic coal markets in New South Wales, Queensland and South Australia. The company is the dominant operator in New South Wales, with approximately 78.0% of the coal haulage market and is experiencing rapid growth in Queensland, with approximately 13.0% market share.

Pacific National Coal generated \$558 million of revenue (net of access charges), or 26.2% of Asciano's total revenue for the year, mainly due to new contracts in Queensland where volumes increased 33.0%. The majority of Pacific National Coal's revenue is now derived from long-term 'take or pay' style contracts, with the average contract maturity being eight years. The structure of these contracts allow for access charges to be passed directly through to the customer.

Volumes in the Hunter Valley declined 2.0% in net tonnes per kilometre due to increasing coal chain congestion, customer coal availability, and customer force majeure events, however overall EBIT increased 24.0% to \$165.9 million, EBITDA increased 23.0% to \$259 million, and EBITDA margins remained strong at 31.4%.



YEAR ENDED JUNE 30	2010	2011	%CHG
Volume NTKs – (millions)	18,146	19,097	5.2
Tonnes – (millions)	119.7	121.7	1.7

During the period the Coal division executed a number of new contracts in Queensland that will lift tonnes under contract by 6.3 million tonnes from January 2012, a further 10.9 million tonnes in FY13 and an additional 4.4 million tonnes in FY14. These included:

- The first Northern Missing Link contract in Queensland with Middlemount (a joint venture between Macarthur Coal and Noble);
- A contract with Anglo American Coal for the haulage of 3.5 million tonnes annually from Foxleigh Coal mine commencing 1 July 2012; and
- A contract with BHP Mitsui Coal for up to 4.2 million tonnes of coal per annum commencing on 1 January 2013. The coal will be hauled via the northern missing link (GAPE project) which will connect the Newlands and Goonyella coal systems in Northern Queensland.

Pacific National Coal also executed a number of important contract renewals in New South Wales, including:

- Centennial Coal with 4.5 million tonnes per year into Port Kembla for a further period of 10 years;
- Austar in the Hunter Valley;
- Integra Coal in the Hunter Valley for a further period of 10 years;
- The Muswellbrook Coal Company in the Hunter Valley for a further period of 5 years or end of mine life; and
- Coal & Allied in the Hunter Valley for the movement of up to 30 million tonnes annually for a minimum period of 10 years commencing 1 July 2011.

Continued investment in key infrastructure is instrumental in achieving these outcomes. The construction of two new train maintenance and support facilities at Greta in the Hunter Valley, New South Wales and Nebo in Queensland, along with additional investment in rolling stock for both regions places Pacific National Coal in a strong position to deliver this significant growth.

The achievements of the year gone by demonstrate that Pacific National Coal has the ability to meet, and in most cases exceed, its customer's expectations through offering an innovative and flexible rail haulage approach with a focus on maximising value in the coal chains in which they operate. The reciprocal benefits resulting from this type of contract and our ability to provide superior services are well recognised by coal customers.



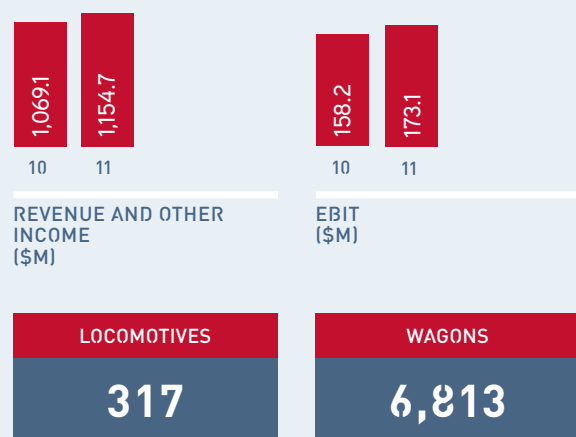
DIVISIONAL PERFORMANCE

PACIFIC NATIONAL RAIL

Pacific National Rail is Australia's largest Intermodal rail provider and a major provider of bulk haulage rail services. Pacific National Rail provides interstate rail freight services to freight forwarders, end users and steel manufacturers, as well as intrastate container and bulk commodity rail solutions.

Pacific National Rail's Intermodal operation has approximately 70.0% market share on the East-West and long haul North-South corridor. The company hauls 95.0% of steel transported domestically by rail and operates approximately 180 services per week across mainland Australia. Pacific National Rail also has proven experience in moving bulk commodities such as grain, magnetite and aggregates.

In the 2011 financial year, Pacific National Rail generated \$1.2 billion or 36.6% of Asciano's total revenue, an increase of 8.0% on the previous corresponding period, reflecting growth in tonnage of export grain and construction materials offset by lower freight forwarding volumes.



YEAR ENDED JUNE 30	2010	2011	%CHG
Total tonnes (m) – Bulk	11.3	13.7	21
Volume NTKs (m) – Bulk and International	25,615.3	26,116.8	2.0
TEUs Intermodal (m)	0.7	0.7	–

EBIT increased 9.4% to \$173.1 million, driven by growth in bulk tonnage and cost savings, while EBITDA increased 6.5% to \$275.8 million, boosted by a strong focus on managing the division's cost base and driving business improvement initiatives. These initiatives delivered net benefits of \$19 million over the 12 month period in the areas of asset utilisation, fuel consumption, labour costs and planning.

Overall Bulk Rail tonnes increased 21.0% and net tonnes hauled per kilometre increased 27.0% over the previous financial year.

Steel tonnage was up 1.0%, and freight forwarding volumes were down 3.0% on the previous corresponding period, impacted by soft consumer spending and track flooding in on the East-West corridor however this was largely offset by an increase in Express freight volumes of 11.0%.

Pacific National Rail commenced operating the first of two train sets in late April 2011 hauling magnetite for Xstrata. The second train set on this service commenced in August 2011.

Recently Pacific National Rail secured additional volume through its relationships with Linfox and Toll Holdings, which successfully secured the recent Foster's tender for East-West coast rail volume. This is expected to translate to approximately around 94,000 tonnes per annum of additional freight commencing in August 2011.

The outlook for Pacific National Rail will continue to be impacted by the prevailing weak economic conditions in Australia, however additional contract volumes secured during the previous financial year and ongoing buoyant volumes in some commodities should offset this weakness.



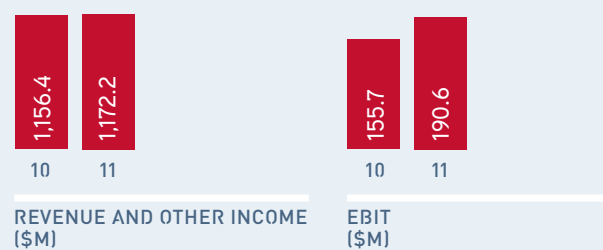
DIVISIONAL PERFORMANCE

PATRICK

Patrick is Australia's leading provider of port-related services to importers, exporters and shipping lines. As one of two national container terminal operators in Australia, Patrick has approximately 50% of the containerised traffic in the four major centres and long-term lease concessions for the operation of terminals in Brisbane, Sydney, Melbourne and Fremantle.

Patrick's Ports and Stevedoring business operates from 19 locations nationally, while Patrick's Autocare business is the only 'wharf to dealer' service for the automotive industry operating on wharf facilities in Queensland, New South Wales, Victoria, South Australia and Western Australia. Patrick also provides a range of land based logistics services via its Port Logistics business.

In the 2011 financial year, Patrick generated \$1.2 billion, or 37.2% of Asciano's total revenue, an increase of 1.4% over the previous corresponding period. EBIT increased 22.0% to \$190.6 million boosted by lower depreciation and amortisation charges reflecting a lower cost base after asset write downs in the previous financial year, while EBITDA increased 4.7% to \$269.2 million.



BERTHS	QUAY LINE	CONTAINER CRANES	STRADDLE CARRIERS
12	3,569m	22	112

YEAR ENDED JUNE 30	2010	2011	%CHG
Bulk vessels stevedored (#)	1,967	1,931	(1.8)
Vehicles stevedored ('000)	502	441	(12.2)
Terminals – Volume TEUs ('000)	2,683	2,563	(4.5)
Terminals – Volume lifts ('000)	1,838	1,759	(4.3)

The Container Terminals operation handled over 1.75 million container movements as measured by container lifts, which was a decrease of 4.3% on the previous corresponding year. There were several factors which contributed to the softness in volumes including the loss of contracts in the year prior, the loss of market share by some customers, changes to shipping consortia, soft market volumes and the impact of industrial action.

Ports & Stevedoring revenue increased by 13.0% reflecting volume growth in steel, fertilizer, crude oil, iron ore and the benefit of take or pay arrangements.

Autocare's revenue increased by 2.6% but was adversely impacted by the disruption to the supply chain following the Japan earthquake. The revenue within Port Logistics declined by 8.9% due to the sale and exit of non core businesses. Underlying revenue growth excluding the impact of these businesses was 3.8%.

Over the last 18 months, Patrick has invested in a number of initiatives to improve operating efficiency and deliver an improved service offering. Patrick has secured the Maersk contract on a five year term which will provide an additional 190,000 lifts per annum.

The Container Terminals operation also commenced a crane replacement program with five cranes on order. These cranes are due to be commissioned in the first quarter of FY13 at East Swanson Dock and Port Botany terminals and will assist in driving productivity improvements.

Resolution of the long running enterprise agreement negotiations with the Maritime Union of Australia is a key focus of the management team to ensure that the business can continue to improve its customer service offering and ensure market competitiveness prior to the introduction of a third operator. The EBIT impact in 2011 financial year of ongoing industrial activity across the Patrick division was estimated to be (\$8m).



SUSTAINABILITY

Asciano believes that an effective approach to sustainability is an essential part of how we operate.

Our key areas of focus in sustainability are:

- ✓ Protecting the health and safety of Asciano employees and visitors and improving our safety performance across all aspects of our business;
- ✓ Reducing our energy use, carbon emissions, management of waste and consumption of water;
- ✓ Ensuring we act responsibly in the communities in which we operate; and
- ✓ Ensuring we act responsibly in the manner in which we interact with our customers, suppliers, government and shareholders.

A Board Sustainability Committee has been formed to oversee the management of sustainability issues throughout the Company.

SAFETY

At Asciano, safety remains a key value. We believe that all injuries are preventable and we are committed as an organisation to ensuring that everyone is trained and fully competent to do the job they are asked to do. This is critical to providing a safe workplace for our employees and anyone who visits or interacts with our operations.

Throughout the year, Asciano launched the 'Home Safely' campaign across the business, reinforcing our beliefs that:

- ✓ All injuries are preventable;
- ✓ Safety is a management responsibility;
- ✓ Involvement of employees is essential;
- ✓ Working safely is a condition of employment;
- ✓ Effective safety standards well deployed and applied are essential to safeguard people from injury;
- ✓ Training and competence are essential for ensuring safe operations; and
- ✓ Everyone that interacts with our operations has the right to be safe.

Asciano reported a 19.0% improvement over the 12 month period in its Lost Time Injury Frequency Rate. While improving, the Company recognises it has significant work to do to reach best practice and is focused on rolling out programs in all three divisions to further improve safety. These initiatives include improving safety leadership, engaging employees in safety improvement, improving safety management systems, ensuring consistent and effective standards and addressing key risks and hazards. Safety metrics will again be incorporated as key performance indicators within the senior management and key staff's annual targets.

Asciano's Safety Committee meets on a regular basis to establish key safety policy and lead initiatives that aim to improve the Company's overall safety performance. The committee includes the Chief Executive Officer, all divisional Directors, together with other senior executives.

By actively working together to drive safety awareness and a culture that prioritises safe working behaviour, Asciano aims to deliver its goal of all employees returning home safely, everyday.

ENERGY AND CARBON

Given Asciano's carbon footprint is a direct output from its energy use, each of the divisions has been tasked with investigating energy use in order to identify and implement energy saving initiatives. This is challenging in the transport industry compared to static manufacturing due to the many external factors that can influence energy use, however, Asciano has been implementing initiatives to reduce our energy use and carbon footprint. These include introducing incentives to locomotive drivers for energy efficient operating practices, examining technologies for future equipment purchases and identifying the technologies that we can quickly implement in the short-term, to reduce our energy intensity.

SUSTAINABILITY CONTINUED

In December 2010, Asciano again met its requirements for the federal government's Energy Efficiency Opportunities ('EEO') scheme. The EEO scheme requires Asciano to assess 80.0% of its energy used and identify all energy reduction initiatives with up to a four year payback period. The mandatory public report on Asciano's EEO scheme findings are available on the Asciano website. All compliance requirements of the EEO scheme were met for the 2010 reporting year.

During this period, a desktop verification of Asciano's EEO compliance was conducted by the Federal Government Department of Resources, Energy and Tourism. Based on the results of the desktop verification, Asciano was assessed as having a low risk of non compliance with EEO legislation.

Energy reduction assessments to date for the EEO scheme assessed 2,896,727 gigajoules (19.0%) of the 15,056,094 gigajoules of energy used in the year by Asciano. These assessments identified energy reduction initiatives that have been implemented or planned for implementation that will save 142,063 gigajoules.

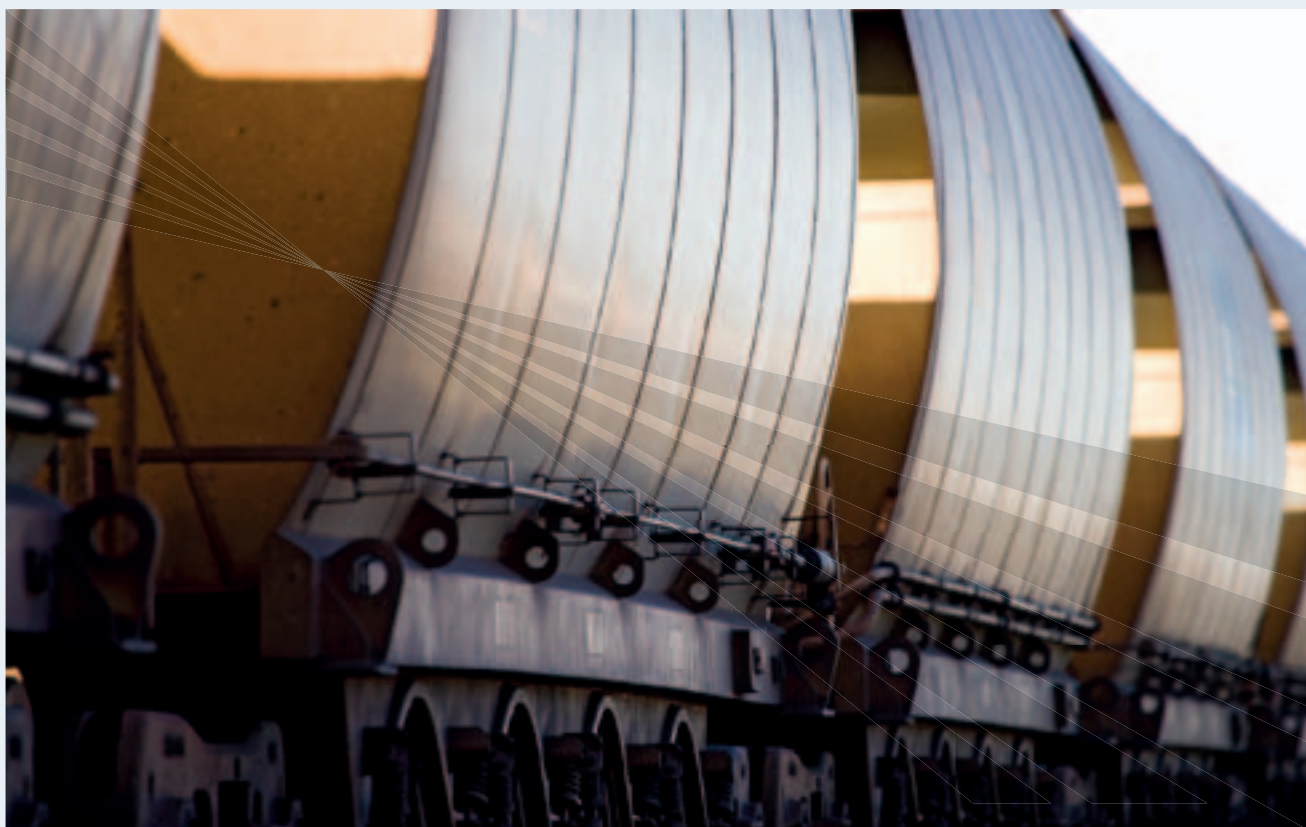
Asciano is required to comply with the National Greenhouse & Energy Reporting Act 2007 ('NGER Act'). Asciano met its reporting obligations for the NGER Act by the required deadline of 31 October 2010.

The amount of CO₂-e produced by Asciano's operations in the 2010 financial year remained relatively unchanged from the previous year, except for Scope 2 emissions from electricity which increased as a result of the new electric locomotive operations for coal haulage in Queensland.

Asciano continues to prepare for a carbon scheme in Australia that sets a price on carbon. This year, assessments on any direct and indirect financial impact on Asciano's revenue and profitability were conducted, and in particular the impact it will have on our customers.

Asciano is disappointed that despite both Federal and State government rhetoric around the need to shift freight from road to rail in Australia the proposed carbon scheme as announced by the Federal Government in July 2011, perpetuates and for at least an interim two year period, increases, the cost advantage road has over rail. Any modal shift of freight from road to rail makes sense environmentally and offers a lower carbon footprint transport alternative.

Asciano continues to work with various government and industry associations to encourage the improvement of transport infrastructure and related policies that lead to increased efficiency and decreased energy intensity.



Asciano also continues to work with various stakeholders to review the opportunities and threats that physical climate change presents to Asciano's operations and related infrastructure. Climate change and carbon risks are reported to and managed by the Executive Risk Committee.

There were no breaches to environmental sustainability related legislation during the 2011 financial year. In communicating Asciano's climate change response, Asciano provides an annual response to the Carbon Disclosure Project. Asciano is guided in its reporting by the Global Reporting Initiative G3 Sustainability Reporting Guidelines and is committed to increasing the availability of sustainability disclosure via its website.

COMMUNITY

Asciano undertakes a number of community activities across Australia, providing both direct and indirect support for the communities in which we operate. Participation is generally undertaken by the operating divisions and includes initiatives such as:

- ▮ Pacific National Coal's work within the town of Greta in the Hunter Valley, New South Wales, where both resources and funding have been committed to help improve the quality and safety of the local school facilities and road works;

- ▮ Pacific National Rail's support of the Starlight Children's Foundation Australia, in which the proceeds raised by specific line haul movements are donated to raise much needed funding; and

- ▮ Patrick's support of the 'Schools on Board' education program run by the Port of Melbourne Corporation, which enables hundreds of primary school children each year to tour vessels at the Port and Patrick operations. Patrick also works with various community and interest groups to coordinate tours of its operations across Australia.

Asciano, like the rest of Australia, was also shocked and saddened by the devastation caused by the Queensland floods. The Company committed both financial and in-kind support to assist those impacted, including resources to assist in the delivery of emergency services. Pacific National, in conjunction with Linfox and Sadleirs, assisted the Queensland Government by providing flood relief freight and containers, as well as the transportation of emergency supplies. Patrick Stevedores, in conjunction with Linfox, proactively contributed to the Queensland Flood Relief Effort by providing critical Shipping, Land and Port Logistics Services to ensure that crucial food, grocery and other essential supplies were shipped into the affected regions of Brisbane and Far North Queensland.




BOARD OF DIRECTORS / LEFT TO RIGHT

CHRIS BARLOW / JOHN MULLEN / SHIRLEY IN'T VELD / PETER GEORGE / MALCOLM BROOMHEAD / BOB EDGAR / GEOFF KLEEMANN

BOARD OF DIRECTORS

MALCOLM BROOMHEAD MBA, BE
Chairman and Independent Non-Executive Director
Age 59

Malcolm was appointed by the Board of Directors of Asciano Limited as a Non-Executive Director on 22 September 2009 and as Chairman of the Board on 23 October 2009. Malcolm is Chairman of the Nomination and Succession Planning Committee.

Malcolm was Managing Director ('MD') and Chief Executive Officer ('CEO') of Orica Limited from 2001 until September 2005. Prior to joining Orica Limited, Malcolm held a number of senior positions at North Limited including as MD and CEO. Prior to joining North Limited, Malcolm held senior management positions with Halcrow Group Limited (UK), MIM Holdings Limited, Peko Wallsend Limited and Industrial Equity Limited.

Malcolm is a non-executive director of BHP Billiton Limited, BHP Billiton Plc and Coates Group Holdings Pty Limited.

Malcolm holds a Bachelor of Engineering and an MBA from the University of Queensland.

JOHN MULLEN BSC
Managing Director & Chief Executive Officer
Age 56

John was appointed CEO by the Board of Directors of Asciano Limited on 14 February 2011 and as MD on 1 April 2011.

John was the Global CEO of DHL Express from 2006 to 2009 and Joint CEO in 2005. Prior to this, he was CEO of DHL Express Asia Pacific and held senior positions with the TNT Group for 10 years.

John is a non-executive director of Telstra Corporation Limited ('Telstra') and prior to joining Asciano was also a non-executive director of Brambles Limited and MAp Airports Limited.

Previously, John held various general management positions in TNT Limited, Compagnie Internationale de Restauration (CIR) and NACAP BV, Delft, Holland.

John holds a Bachelor of Science from the University of Surrey.

CHRIS BARLOW BSC (HONS), CE
Independent Non-Executive Director
Age 65

Chris joined Asciano Limited as a Non-Executive Director on 15 June 2007. Chris is Chairman of the Remuneration Committee and a member of the Nomination and Succession Planning Committee.

Chris has held a range of senior roles in the transport infrastructure industry for many years. He was the MD and CEO of Australia Pacific Airports Corporation, which was the operator of Melbourne and Launceston Airports.

Chris has over 30 years' experience in the aviation industry, having joined BAA Limited (formerly British Airports Authority) as an engineering project manager. He subsequently held a number of senior management positions within BAA managing airports and was responsible for its A\$1.5 billion business development program.

Chris is currently Chairman of Northern Territory Airports Pty Limited and Melbourne Convention and Visitors Bureau Limited.

Chris is a Chartered Engineer and holds a Bachelor of Science with Honours in Engineering from the University of London.

BOB EDGAR BEC (HONS), PHD
Independent Non-Executive Director
Age 65

Bob was appointed by the Board of Directors of Asciano Limited as a Non-Executive Director on 22 September 2009. Bob is a member of the Audit and Risk Committee, the Remuneration Committee and the Nomination and Succession Planning Committee.

Bob had a successful career at the ANZ Banking Group ('ANZ') spanning more than 25 years including the role of Deputy CEO. Other roles with ANZ included Chief Operating Officer; MD – Institutional Financial Services; and Chief Economist.

Before joining ANZ, Bob held senior positions with the Australian Bankers' Association and prior to that he worked at the Reserve Bank of Australia.

Bob is a non-executive director with Linfox Armaguard, Nufarm Limited, AMMB Holdings Berhad and the Transurban Group, and is Chairman of the Prince Henry's Institute of Medical Research.

Bob holds a Bachelor of Economics with Honours from the University of Adelaide and a PhD from Ohio State University.



SENIOR LEADERSHIP TEAM / LEFT TO RIGHT

DAVID IRWIN / SAUL CANNON / ALEXANDRA BADENOCH / ANGUS MCKAY / JOHN MULLEN / PAUL GARATY / CHRIS KEAST / FIONA MEAD

PETER GEORGE BCOM, LLB Independent Non-Executive Director Age 58

Peter was appointed a Non-Executive Director of Asciano Limited on 5 March 2007. He is Chairman of the Audit and Risk Committee and a member of the Nomination and Succession Planning Committee.

Peter has been a non-executive director of PMP Limited since 2002 and is an experienced executive and non-executive director specialising in corporate strategy and finance including acquisitions, divestments, company refinancing and turnarounds.

Peter was a non-executive director of Optus Communications from 1994 to 1998. He was the former MD of B Digital Limited from 2004 to 2006 and Executive Director of Strategy and Policy for Cable & Wireless Optus Limited from 1998 to 2002.

Peter holds a Bachelor of Commerce and a Bachelor of Laws.

GEOFF KLEEMANN CA Independent Non-Executive Director Age 62

Geoff was appointed by the Board of Directors of Asciano Limited as a Non-Executive Director on 22 September 2009. Geoff is a member of the Audit and Risk Committee, the Remuneration Committee and the Nomination and Succession Planning Committee.

Geoff had a long career as a senior executive in a listed company environment and was Chief Financial Officer ('CFO') at Crown Limited. Prior to that, Geoff was the CFO at Publishing & Broadcasting Limited and was also CFO at Woolworths Limited from 1996 to 1998.

Geoff is a member of The Institute of Chartered Accountants in Australia, commencing his career with Deloitte and working there for a number of years before becoming Chief Accountant at Industrial Equity Limited and Finance Director at Pioneer Concrete.

SHIRLEY IN'T VELD BCOM, LLB (HONS) Independent Non-Executive Director Age 56

Shirley was appointed a Non-Executive Director of Asciano Limited on 1 November 2010.

Shirley serves as the MD of Electricity Generation Corporation and has been MD and CEO of Verve Energy since April 2007.

Previously, she held senior positions with Alcoa Australia, including MD of Alcoa Australia Rolled Products. She also worked with WMC Resources Ltd, Bankwest and the legal firm Mallesons.

Shirley serves as a director of Electricity Generation Corporation and Energy Supply Association of Australia.

She previously served on the board of directors of Alcoa of Australia and was a member of the Australian Aluminium Council and the Packaging Council of Australia.

Shirley holds a Bachelor of Commerce and a Bachelor of Laws with Honours from the University of Melbourne.

MARK ROWSTHORN BECON, GRADDIPBUS Former Managing Director & Chief Executive Officer Age 56 (Not shown)

Mark ceased as MD and CEO of Asciano Limited on 11 February 2011. In accordance with the provisions of his services agreement, he ceased employment with Asciano on 15 June 2011. He was appointed MD and CEO on 20 January 2007.

SENIOR LEADERSHIP TEAM

JOHN MULLEN Managing Director & Chief Executive Officer

Mr John Mullen was appointed Chief Executive Officer by the Board of Directors of Asciano Limited on 14 February 2011 and as Managing Director on 1 April 2011. John was the Global CEO of DHL Express from 2006 to 2009 and Joint CEO in 2005. Prior to this, he was CEO of DHL Express Asia Pacific and held senior positions with the TNT Group for 10 years. John is a non-executive director of Telstra Corporation Limited ('Telstra') and prior to joining Asciano was also a non-executive director of Brambles Limited and MAp Airports Limited. Previously, John held various general management positions in TNT Limited, Compagnie Internationale de Restauration (CIR) and NACAP BV, Delft, Holland. John holds a Bachelor of Science from the University of Surrey, UK.

ANGUS MCKAY Chief Financial Officer

Mr Angus McKay joined Asciano as Chief Financial Officer in December 2010 and brings more than 23 years experience in finance to the role. Prior to this, Angus held the role of Chief Financial Officer at Foster's Group Limited since 2008.

SENIOR LEADERSHIP TEAM CONTINUED

ANGUS MCKAY CONTINUED

Angus was with the Foster's Group Limited for over six years where he held various senior finance positions in Australia.

Prior to joining Foster's Group Limited, Angus was the Chief Financial Officer for New Zealand Milk Products and before that held a range of senior finance positions within Diageo plc.

ALEXANDRA BADENOCH

Director Human Resources

Ms Alexandra Badenoch joined Asciano in May 2011 and is responsible for driving the HR strategy across the organisation with a particular focus on recruitment, remuneration, performance management, leadership development and cultural development programs.

With more than 15 years experience in senior international and domestic Human Resources roles, Alexandra has held roles at Telstra, where she was responsible for a direct workforce of approximately 43,000. Telstra operates throughout Australia, as well as Asia, the US and Europe.

Most recently she held the position of Executive Director Organisational Development and Talent, where she was responsible for recruitment, performance and talent management, leadership development and training, as well as diversity, culture and organisational development for all of Telstra's business units. Alexandra's extensive career also includes time as HR Director, Asia Pacific for Novell Inc, and General Manager Organisational Effectiveness for Coles Myer, where she was responsible for more than 175,000 employees across 12 businesses.

SAUL CANNON

Director Commercial & Legal; Group General Counsel

Mr Saul Cannon joined Asciano in July 2007 as Group General Counsel. Prior to joining Asciano, Saul held the position of General Counsel – Mergers & Acquisitions and Telstra Asia at Telstra Corporation Limited. During his nine years at Telstra, Saul also worked in a number of different business areas, including three years as General Counsel and Company Secretary of TelstraClear Limited, Telstra's New Zealand business. Prior to joining Telstra, Saul worked for the Australian law firm Mallesons Stephen Jaques. Saul holds a Bachelor of Commerce and Bachelor of Laws (Honours) from the University of Melbourne.

PAUL GARATY

Director Patrick

Mr Paul Garaty was appointed as Director Patrick in January 2011 and is responsible for driving the overall performance of the Patrick division and its individual business units. With more than 20 years experience in the transport industry, Paul has held a number of positions within the Asciano Group, including Director Container Ports and Director Intermodal – Pacific National. During his tenure he has driven significant improvement in the product offerings to customers and financial results to the Group. Prior to joining Pacific National, Paul managed the Patrick Port Services business following the formation of Asciano, after 7 years with the Toll Group specialising in shipping and ferry services (freight and

passenger) in Australia and New Zealand, stevedoring management, and wharf operations for both bulk and containerised products.

DAVID IRWIN

Director Pacific National Coal

Mr David Irwin was appointed as Director Pacific National Coal in April 2008 and is responsible for driving strategy, development, operations and profitability across NSW, QLD and SA. David has more than 20 years experience working in the Australian coal industry – primarily in management, commercial, financial, procurement, logistics, leadership and operational roles.

This includes significant experience working in mine, export port, construction and rail haulage operations. David joined Pacific National in 2003 with management accountabilities for the commercial, logistics and customer aspects of the Coal business. Prior to this, David played a key role in the establishment of the Hunter Valley Coal Chain Logistics Team while working in the role of Manager Planning at Port Waratah Coal Services (PWCS) as the last phase of a 13 year career with Rio Tinto.

David continues his involvement as a sponsor of the co-ordination of coal chain capacity planning as a Director of Hunter Valley Coal Chain Co-Ordinator Ltd (HVCCC) and a Director of Integrated Logistics Company Pty Ltd (ILC).

CHRIS KEAST

Director Pacific National Rail

Mr Chris Keast is the Director of Pacific National Rail, where he is responsible for driving the overall performance of Intermodal and Bulk Rail freight businesses. Chris has more than 30 years experience in the industrial sector and joined Asciano in 2009 as the Divisional General Manager Intermodal. Prior to joining Asciano, Chris held the position of Executive General Manager – Rod, Bar and Wire at OneSteel, as well as a number of senior roles at BHP in Steel and Transport over a 20 year period.

FIONA MEAD

Company Secretary

Ms Fiona Mead was appointed Company Secretary of Asciano Limited on 29 March 2007. Fiona holds a Bachelor of Economics and a Bachelor of Laws with Honours and is a Fellow of the Institute of Chartered Secretaries. Prior to joining Asciano, Fiona was Assistant Company Secretary at Telstra for five years, a role that included being Company Secretary of eight active subsidiaries, over 180 other subsidiaries and three joint ventures, as well as acting as Company Secretary of Telstra on a number of occasions. Prior to Fiona's role as Assistant Company Secretary, Fiona was Telstra's Networks Counsel, a role that required advising on all aspects of construction and management of telecommunications infrastructure. Fiona was a senior associate at a major Melbourne law firm prior to joining Telstra. Fiona is a member of the Victorian State Council for Chartered Secretaries Australia and sits on the Finance Committee at St Michael's Grammar School.

FULL YEAR FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2011



ASCIANO LIMITED ABN 26 123 652 862
Asciano comprises Asciano Limited and its controlled entities.

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DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2011



ASCIANO LIMITED ABN 26 123 652 862

Asciano comprises Asciano Limited and its controlled entities.

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2011

The Directors present their report, together with the financial report of Asciano Limited ('Company' or 'Parent') and its controlled entities (collectively referred to as 'Asciano') and the auditor's report thereon, for the year ended 30 June 2011.

1. DIRECTORS

The Directors of Asciano Limited at any time during or since the end of the financial year were as follows:

NAME, QUALIFICATIONS AND INDEPENDENCE STATUS	AGE	EXPERIENCE, SPECIAL RESPONSIBILITIES AND OTHER DIRECTORSHIPS
Malcolm Broomhead MBA, BE Chairman and Independent Non-Executive Director	59	Malcolm was appointed by the Board of Directors of Asciano Limited as a Non-Executive Director on 22 September 2009 and as Chairman of the Board on 23 October 2009. Malcolm is Chairman of the Nomination and Succession Planning Committee. Malcolm was Managing Director ('MD') and Chief Executive Officer ('CEO') of Orica Limited from 2001 until September 2005. Prior to joining Orica Limited, Malcolm held a number of senior positions at North Limited including as MD and CEO. Prior to joining North Limited, Malcolm held senior management positions with Halcrow Group Limited (UK), MIM Holdings Limited, Peko Wallsend Limited and Industrial Equity Limited. Malcolm is a non-executive director of BHP Billiton Limited, BHP Billiton Plc and Coates Group Holdings Pty Limited. Malcolm holds a Bachelor of Engineering and an MBA from the University of Queensland.
John Mullen BSc MD and CEO	56	John was appointed CEO by the Board of Directors of Asciano Limited on 14 February 2011 and as MD on 1 April 2011. John was the Global CEO of DHL Express from 2006 to 2009 and Joint CEO in 2005. Prior to this, he was CEO of DHL Express Asia Pacific and held senior positions with the TNT Group for 10 years. John is a non-executive director of Telstra Corporation Limited ('Telstra') and prior to joining Asciano was also a non-executive director of Brambles Limited and MAP Airports Limited. Previously, John held various general management positions in TNT Limited, Compagnie Internationale de Restauration (CIR) and NACAP BV, Delft, Holland. John holds a Bachelor of Science from the University of Surrey.
Chris Barlow BSc (Hons), CE Independent Non-Executive Director	65	Chris joined Asciano Limited as a Non-Executive Director on 15 June 2007. Chris is Chairman of the Remuneration Committee and a member of the Nomination and Succession Planning Committee. Chris has held a range of senior roles in the transport infrastructure industry for many years. He was the MD and CEO of Australia Pacific Airports Corporation, which was the operator of Melbourne and Launceston Airports. Chris has over 30 years' experience in the aviation industry, having joined BAA Limited (formerly British Airports Authority) as an engineering project manager. He subsequently held a number of senior management positions within BAA managing airports and was responsible for its A\$1.5 billion business development program. Chris is currently Chairman of Northern Territory Airports Pty Limited and Melbourne Convention and Visitors Bureau Limited. Chris is a Chartered Engineer and holds a Bachelor of Science with Honours in Engineering from the University of London.

NAME, QUALIFICATIONS AND INDEPENDENCE STATUS	AGE	EXPERIENCE, SPECIAL RESPONSIBILITIES AND OTHER DIRECTORSHIPS
Bob Edgar BEc (Hons), PhD Independent Non-Executive Director	65	Bob was appointed by the Board of Directors of Asciano Limited as a Non-Executive Director on 22 September 2009. Bob is a member of the Audit and Risk Committee, the Remuneration Committee and the Nomination and Succession Planning Committee. Bob had a successful career at the ANZ Banking Group ('ANZ') spanning more than 25 years including the role of Deputy CEO. Other roles with ANZ included Chief Operating Officer; MD – Institutional Financial Services; and Chief Economist. Before joining ANZ, Bob held senior positions with the Australian Bankers' Association and prior to that he worked at the Reserve Bank of Australia. Bob is a non-executive director with Linfox Armaguard, Nufarm Limited, AMMB Holdings Berhad and the Transurban Group, and is Chairman of the Prince Henry's Institute of Medical Research. Bob holds a Bachelor of Economics with Honours from The University of Adelaide and a PhD from Ohio State University.
Peter George BCom, LLB Independent Non-Executive Director	58	Peter was appointed a Non-Executive Director of Asciano Limited on 5 March 2007. He is Chairman of the Audit and Risk Committee and a member of the Nomination and Succession Planning Committee. Peter has been a non-executive director of PMP Limited since 2002 and is an experienced executive and non-executive director specialising in corporate strategy and finance including acquisitions, divestments, company refinancing and turnarounds. Peter was a non-executive director of Optus Communications from 1994 to 1998. He was the former MD of B Digital Limited from 2004 to 2006 and Executive Director of Strategy and Policy for Cable & Wireless Optus Limited from 1998 to 2002. Peter holds a Bachelor of Commerce and a Bachelor of Laws.
Geoff Kleemann CA Independent Non-Executive Director	62	Geoff was appointed by the Board of Directors of Asciano Limited as a Non-Executive Director on 22 September 2009. Geoff is a member of the Audit and Risk Committee, the Remuneration Committee and the Nomination and Succession Planning Committee. Geoff had a long career as a senior executive in a listed company environment and was Chief Financial Officer ('CFO') at Crown Limited. Prior to that, Geoff was the CFO at Publishing & Broadcasting Limited and was also CFO at Woolworths Limited from 1996 to 1998. Geoff is a member of the Institute of Chartered Accountants in Australia, commencing his career with Deloitte and working there for a number of years before becoming Chief Accountant at Industrial Equity Limited and Finance Director at Pioneer Concrete.
Shirley In't Veld BCom, LLB (Hons) Independent Non-Executive Director	56	Shirley was appointed a Non-Executive Director of Asciano Limited on 1 November 2010. Shirley serves as the MD of Electricity Generation Corporation and has been MD and CEO of Verve Energy since April 2007. Previously, she held senior positions with Alcoa Australia, including MD of Alcoa Australia Rolled Products. She also worked with WMC Resources Ltd, Bankwest and the legal firm Mallesons. Shirley serves as a director of Electricity Generation Corporation and Energy Supply Association of Australia. She previously served on the board of directors of Alcoa of Australia and was a member of the Australian Aluminium Council and the Packaging Council of Australia. Shirley holds a Bachelor of Commerce and a Bachelor of Laws with Honours from the University of Melbourne.
Mark Rowsthorn BEcon, GradDipBus Former MD and CEO	56	Mark ceased as MD and CEO of Asciano Limited on 11 February 2011. In accordance with the provisions of his services agreement, he ceased employment with Asciano on 15 June 2011. He was appointed MD and CEO on 20 January 2007. Mark was a co-founder of Toll Holdings Limited ('Toll') and assumed the role of executive director from the time the company was formed. He has more than 35 years' experience in the transport industry.

2. LEGAL FRAMEWORK

Asciano operated as a stapled structure until 15 November 2010. The entities that comprised Asciano up until this date were Asciano Limited (an Australian listed public limited company) and Asciano Finance Trust (an Australian listed trust) ('Trust').

On 15 November 2010, following shareholder approval at the 2010 Annual General Meeting ('AGM'), the stapling arrangement between the Company and the Trust was cancelled ('Corporatisation') and the Company acquired all the units in the Trust. Details of the Corporatisation are set out on page 31.

The Trust Company (RE Services) Limited (formerly Permanent Investment Management Limited), acted as the responsible entity for the Trust ('Responsible Entity') and also provided custodial services to the Trust until 29 June 2011 on which date it was replaced by Asciano Corporate Services Pty Ltd as both Responsible Entity and Trustee. The custodial arrangements were terminated effective from this date as they were no longer required.

It is anticipated that the Trust will be de-registered in the 2012 financial year.

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. Similarly, any reference to dividends should be taken to be inclusive of any distributions up until the date of Corporatisation.

3. COMPANY SECRETARY

Fiona Mead was appointed Company Secretary of Asciano Limited on 29 March 2007. Fiona holds a Bachelor of Economics and a Bachelor of Laws with Honours and is a Fellow of the Institute of Chartered Secretaries.

Prior to joining Asciano, Fiona was Assistant Company Secretary at Telstra for five years, a role that included being Company Secretary of eight active subsidiaries, over 180 other subsidiaries and three joint ventures, as well as acting as Company Secretary of Telstra on a number of occasions. Prior to Fiona's role as Assistant Company Secretary, Fiona was Telstra's Networks Counsel, a role that required advising on all aspects of construction and management of telecommunications infrastructure.

Fiona was a senior associate at a major Melbourne law firm prior to joining Telstra. Fiona is a member of the Victorian State Council for Chartered Secretaries Australia and sits on the Finance Committee at St Michael's Grammar School.

4. DIRECTORS' MEETINGS

The number of Directors' meetings (including meetings of committees of Directors) and number of meetings attended by each of the Directors of the Parent during the 2011 financial year were as follows:

DIRECTOR	BOARD		AUDIT AND RISK COMMITTEE		REMUNERATION COMMITTEE		NOMINATION AND SUCCESSION PLANNING COMMITTEE	
	A	B	A	B	A	B	A	B
Malcolm Broomhead	8	8	–	–	–	–	2	2
John Mullen	3	3	–	–	–	–	–	–
Chris Barlow	8	8	–	–	3	3	2	2
Bob Edgar	8	8	4	4	3	3	2	2
Peter George	8	8	4	4	–	–	2	2
Geoff Kleemann	8	8	4	4	3	3	2	2
Shirley In't Veld	5	5	–	–	–	–	–	–
Mark Rowsthorn	4	4	–	–	–	–	–	–

A – Number of meetings eligible to attend.

B – Number of meetings attended.

5. CORPORATE GOVERNANCE STATEMENT

Asciano is committed to meeting its stakeholders' and the community's expectations of robust and best practice corporate governance. This corporate governance statement outlines the Company's main corporate governance practices in place for the year ended 30 June 2011 and at the date of this report.

The Company continues to be proactive in respect of corporate governance and to implement arrangements that it believes are in the best interests of the Company and its shareholders and consistent with its responsibilities to other stakeholders. The Company reviews and updates its policies and charters on a regular basis by reference to corporate governance developments in Australia and overseas to ensure they remain in accordance with best practice. Copies or summaries of the corporate governance documents mentioned in this statement are available on the Company's website at www.asciano.com.

The Company's corporate governance framework meets the requirements of both the Corporations Act 2001 and the Australian Securities Exchange ('ASX') Listing Rules and complies with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations ('ASX Principles').

5. CORPORATE GOVERNANCE STATEMENT (CONTINUED)

The Board acknowledges the amendments to the ASX Principles released on 30 June 2010, in particular, in relation to diversity. While these changes do not take effect until the 2012 financial year, the Company has already taken steps to adopt key provisions of the amended recommendations, including adopting a diversity policy.

The following table indicates where specific ASX Principles are dealt with in this statement:

ASX PRINCIPLE	REFERENCE IN STATEMENT
Principle 1 – Lay solid foundations for management and oversight	5.2, 5.3 and 5.4
Principle 2 – Structure the board to add value	5.1, 5.2 and 5.3
Principle 3 – Promote ethical and responsible decision-making	5.5
Principle 4 – Safeguard integrity in financial reporting	5.2 and 5.4
Principle 5 – Make timely and balanced disclosure	5.5
Principle 6 – Respect the rights of shareholders	5.5
Principle 7 – Recognise and manage risk	5.4
Principle 8 – Remunerate fairly and responsibly	5.2

5.1 COMPOSITION OF THE BOARD

Relevant policies and charters (see www.asciano.com)	✓ Asciano Limited Constitution ✓ Board Charter ✓ Independence of Directors' Guidelines
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COMPOSITION AND MEMBERSHIP

Having a mix of qualifications, skills, diversity and business experience in Board composition is an important factor of good corporate governance. The skills, experience and expertise which the Board considers to be particularly relevant include those in the areas of transport and transport infrastructure, finance, capital management and external relations.

In respect of diversity, the Directors consider that differences in gender, age, ethnicity and cultural background in Board membership encourages diversity of thought and decision-making which will, in turn, drive and improve business efficiency and results for the Company and shareholders.

The Board's policy is that there should be a majority of independent Non-Executive Directors on the Board and this requirement is embodied in the Board Charter, ensuring that all Board discussions and decisions have the benefit of independent judgement. The criteria for assessing independence are set out in the Independence of Directors' Guidelines adopted by the Board. The Board reviews the independence of the Directors annually and assesses the materiality of any contractual relationship that may affect independence on a case-by-case basis.

Currently, the Board is comprised of six Non-Executive Directors and the MD and CEO. All of the Non-Executive Directors, including the Chairman, are considered to be independent. Profiles of the Directors, including their qualifications, experience and date of appointment can be found in section 1 of this Directors' report.

BOARD ELECTION PROCESS

The Nomination and Succession Planning Committee is responsible for identifying individuals who may be qualified to become Directors, having regard to such factors as the committee considers appropriate. A regular assessment of the range of qualifications, skills, experience and diversity represented on the Board is undertaken to identify particular competencies which would be a desirable addition to the Board. Where a need is identified or arises, the Nomination and Succession Planning Committee undertakes a search process (with the assistance of professional consultants as necessary) to ensure a diverse pool of candidates is considered. The committee will assess short-listed candidates and recommend the most appropriate person for consideration by the Board as a whole.

New Directors are nominated by the Board, and then stand for election at the AGM following their appointment in order to be confirmed into office. On 1 November 2010, Ms Shirley In't Veld was appointed as a Non-Executive Director and will be seeking election at the AGM to be held on 10 November 2011.

In accordance with the Asciano Limited Constitution, all Directors other than the MD and CEO must submit themselves for re-election every three years. The performance of Directors seeking re-election is considered by the Board to enable it to make a recommendation to shareholders.

APPOINTMENT

Each Independent Non-Executive Director has been provided with and has signed a letter of appointment detailing the terms of their appointment. These letters contain all of the matters recommended in the ASX Principles.

EDUCATION AND INDUCTION

Induction training is provided to all new Directors and includes information on the Company's corporate strategy, financial position, culture and values, company policies, rights and responsibilities of Directors, meeting arrangements and the role of the Board and management.

Asciano undertakes an ongoing program to keep Directors abreast of the nature of its business, current issues and corporate strategy. Directors also have access to, and are encouraged to undertake, continuing education opportunities to update and enhance their skills and knowledge and have a strong working relationship with operational management.

5. CORPORATE GOVERNANCE STATEMENT (CONTINUED)

5.2 BOARD COMMITTEES

Relevant policies and charters
(see www.asciano.com)

- / Audit and Risk Committee Charter
- / Remuneration Committee Charter
- / Nomination and Succession Planning Committee Charter
- / Sustainability Committee Charter

ROLE AND MEMBERSHIP

The Board has established four standing committees to assist with the effective discharge of its duties, as follows:

- / Audit and Risk Committee;
- / Remuneration Committee;
- / Nomination and Succession Planning Committee; and
- / a new committee, the Sustainability Committee.

The Sustainability Committee has recently been established and will commence meeting in the 2012 financial year.

Further detail regarding the standing committees is set out in the table on pages 6 and 7.

All four committees are chaired by, and comprise only, Independent Non-Executive Directors. Each committee has no less than three members. Non-committee members, including the MD and CEO, may attend committee meetings by invitation, and generally do attend where appropriate.

Each committee operates under a specific charter approved by the Board. The Board regularly reviews the appropriateness of the existing committee structure, as well as the membership and charter of each committee. All committee charters were reviewed and revised in the financial year ended 30 June 2011.

COMMITTEE	MEMBERS AND COMPOSITION	ROLE
Audit and Risk	The members of the committee are: / Peter George – Chairman; / Bob Edgar; and / Geoff Kleemann. The committee is required to consist of: / members who are all financially literate; / at least one member who is a qualified accountant or other finance professional; and / some members with an understanding of the transport infrastructure industry.	The primary responsibility of the committee is to review the integrity of Asciano's financial reporting process and to report the results of its activities to the Board. Other responsibilities of the committee include: / assessing internal controls; / overseeing the relationship with, and the independence of, the external auditor; / advising on the provision of non-audit services by the external auditor; and / overseeing: – the internal audit process; – the establishment and implementation of Asciano's risk management systems and reporting; – Asciano's compliance systems, including health and safety and the environment; and – Asciano's corporate governance processes. The committee meets with both the internal and external auditors on a regular basis.
Remuneration	The members of the committee are: / Chris Barlow – Chairman; / Bob Edgar; and / Geoff Kleemann.	The responsibilities of the committee include: / overseeing the remuneration of Non-Executive Directors; / reviewing and making recommendations to the Board on Asciano's remuneration policies including senior executive remuneration and short term incentives ('STI'); / reviewing Asciano's superannuation arrangements; / making recommendations to the Board in relation to the implementation and operation of equity-based incentive plans and other employee benefit programs; / reviewing Asciano's recruitment, retention and termination policies and fringe benefits; / reviewing the adequacy of Asciano's Directors and Officers insurance; and / reviewing remuneration for gender equality.

5. CORPORATE GOVERNANCE STATEMENT (CONTINUED)

COMMITTEE	MEMBERS AND COMPOSITION	ROLE
Nomination and Succession Planning	The members of the committee are: / Malcolm Broomhead – Chairman; / Chris Barlow; / Bob Edgar; / Peter George; / Geoff Kleemann; and / Shirley In't Veld (from the 2012 financial year).	The responsibilities of the committee include: / reviewing the size, composition and necessary competencies of the Board and making recommendations to the Board on the appointment and removal of Directors; / consideration of gender diversity in the context of Director and senior executive succession planning; / establishing guidelines for the selection and appointment of new Directors, including strategies to address diversity in the Board's composition; and / reviewing succession plans and overseeing the performance evaluation of senior executives including the MD and CEO.
Sustainability (meetings to commence in the 2012 financial year)	The members of the committee are: / Shirley In't Veld – Chairperson; / Chris Barlow; and / Peter George.	The responsibilities of the committee include: / monitoring the safety, health and wellbeing of Asciano's employees and monitoring the Company's health and safety compliance and risk management systems as they relate to health and safety matters; / monitoring the impact of Asciano's business operations on the environment; and / monitoring Asciano's sustainability initiatives, response to carbon related issues, and energy efficiency systems and initiatives.

5.3 BOARD RESPONSIBILITIES AND OPERATION

Relevant policies and charters (see www.asciano.com)	/ Board Charter / Performance Evaluation Process
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RESPONSIBILITIES

The Board has adopted a formal charter of Directors' functions and has also established delegations of authority that set out the matters to be delegated to management.

The Board's responsibilities are set out in the charter and include:

- / overseeing the composition of the Board, including consideration of the skills and competency of the Directors;
- / overseeing and appraising the strategies, policies and performance of Asciano;
- / approving annual budgets and major expenditure items;
- / overseeing Asciano's risk management compliance and corporate governance policies;
- / approving and monitoring internal and external reporting;
- / approving dividends;
- / appointing (and if appropriate, removing) the MD and CEO;
- / reviewing senior executive succession planning; and
- / approving Asciano's remuneration arrangements including for the MD and CEO and other senior executives.

This charter was reviewed and revised in the year ended 30 June 2011.

MEETINGS

The Board and the committees meet on a regular basis and additional meetings are called when required to address specific issues. Directors receive Board papers in advance of Board meetings and these papers provide them with sufficient information to enable them to participate in informed discussion at each meeting. It is the Board's practice that Non-Executive Directors meet periodically without the presence of management.

Details of Board and committee meetings held during the year and attendance at those meetings are set out in section 4 of this Directors' report.

ACCESS TO SENIOR EXECUTIVES AND FURTHER INFORMATION

The Board has access to senior executives as required and to any further information it considers necessary to make informed decisions and discharge its responsibilities.

All Directors have access to the Company Secretary, who is accountable to the Board through the Chairman. The Board must approve the appointment and removal of the Company Secretary.

5. CORPORATE GOVERNANCE STATEMENT (CONTINUED)

INDEPENDENT PROFESSIONAL ADVICE

Any Director can seek independent professional advice in the discharge of their duties and responsibilities to Asciano. Asciano will reimburse reasonable expenses incurred in obtaining this advice. Unless the Chairman determines otherwise, the advice will be generally circulated to the Board.

REVIEW OF BOARD, COMMITTEE, DIRECTOR AND EXECUTIVE PERFORMANCE

The Board has adopted a policy setting out a performance evaluation process for the Board. This policy is available on Asciano's website (www.asciano.com) and provides that the performance of the Board, each of its committees and each Director will be reviewed annually. Such review may be conducted by an external consultant. The policy also sets out matters that will be considered relevant in assessing their performance.

An independent, external consultant has been engaged to assist with the review of the performance of the Board. The Board will consider the results of the review and, where desirable, take steps to implement any recommendations for improving Board performance.

A comprehensive process for the evaluation of the performance of senior executives is conducted on an annual basis. The results of this review are used by the Remuneration Committee in determining future remuneration. All senior executives (with the exception of the newly appointed executives, being the MD and CEO, the CFO and the Director Human Resources) were evaluated during the reporting period using this process.

5.4 RISK MANAGEMENT

Relevant policies and charters
(see www.asciano.com)

- / Board Charter
- / Audit and Risk Committee Charter
- / Sustainability Committee Charter

The Board, through the Audit and Risk Committee and the Sustainability Committee, has the responsibility to ensure that there are adequate policies in place in Asciano in relation to risk management, compliance and internal control systems.

RISK OVERSIGHT AND MANAGEMENT

Asciano believes that shareholder value is driven by taking considered risks and that effective risk management is fundamental to achieving the strategic, operational and compliance objectives of Asciano.

The Board is responsible for overseeing the implementation of an effective system of risk management and internal control. The responsibility for designing, implementing and maintaining a sound system of risk management and internal control has been delegated to management through the MD and CEO.

The Audit and Risk Committee assists the Board with its oversight responsibility by reviewing, assessing and making recommendations to the Board in relation to the risk management framework and internal control structures put in place by management.

Management reports to the Audit and Risk Committee on the Company's key risks and the status of the risk mitigation activities on a quarterly basis. Senior executives, including, for example, Divisional Directors, may be required to attend these meetings to assist the Audit and Risk Committee in assessing the risk and management's planned response to those risks.

The Executive Risk Committee has been established to assist the MD and CEO and executive management oversee the implementation and effective operation of the systems of internal controls and risk management. The Executive Risk Committee meets at least on a quarterly basis and it reviews the material strategic, operational and compliance risks and risk treatment plans.

Detailed internal control questionnaires are also completed by divisional management on a six monthly basis. These reports are reviewed by the senior finance team and Asciano's external auditor as part of the half year and year end reporting to the market and to achieve compliance with section 295A of the Corporations Act 2001 and recommendation 7.3 of the ASX Principles and Recommendations.

RISK MANAGEMENT FRAMEWORK

Asciano's Risk Management Policy is to apply an integrated, enterprise-wide approach to managing risk across all aspects of its business operations and to provide a consistent and systematic view of the risks. The risk management framework is reviewed and updated on an annual basis.

The risk identification, analysis, treatment and monitoring procedures implemented by Asciano are in accordance with Standards Australia AS/NZS ISO 31000: 2009 Risk management – Principles and guidelines.

5. CORPORATE GOVERNANCE STATEMENT (CONTINUED)

The risk management framework incorporates input from a range of existing systems, programs and policies including:

- / a comprehensive occupational health and safety program, including specific targets for continuous improvement, occupational health and safety standards, rail safety standards and safety management systems, all of which are monitored and reviewed to achieve compliance with applicable legislation and regulations. Further details on these programs, as well as the Company's sustainability, climate change and energy plans, are set out in the Sustainability report in section 6 of this Directors' report or available on Asciano's website (www.asciano.com);
- / a delegation of authority policy, including guidelines and approval limits for operational and capital expenditure and investments;
- / a comprehensive annual insurance program;
- / a Board approved finance policy to manage exposure to credit, liquidity and market risks. Further details of Asciano's policies relating to the management of these risks are included in note 3 to and forming part of the financial statements;
- / annual budgeting and monthly reporting systems for all divisions to monitor performance against budget targets;
- / the identification and assessment of strategic risks in the annual review and updating of strategic plans and associated business models; and
- / an environmental regulation compliance policy and improvement strategies.

MANAGEMENT ASSURANCE

In accordance with section 295A of the Corporations Act 2001 and recommendation 7.3 of the ASX Principles, the MD and CEO¹ and the CFO² provided assurances to the Board attesting that to the best of their knowledge and belief:

- / Asciano has determined the material business risks it faces and has established the necessary policies for the oversight and management of material business risks;
- / there is a risk management and internal control system in place to manage Asciano's material business risks, including both financial and non-financial risks, and to ensure that those risks are being managed effectively;
- / the integrity of the financial statements is founded on a sound system of risk management and internal control and compliance; and
- / Asciano's risk management and internal control and compliance system is operating efficiently and effectively in all material respects regarding financial reporting risks.

The MD and CEO and the CFO require that management of the business divisions and of the corporate function complete a detailed and comprehensive questionnaire on a six monthly basis for each financial reporting period addressing financial reporting and the internal control environment.

The assurances provided to the Board, due to their nature, are not absolute. The assurances provided are based on judgements, use of sample testing and the inherent limitations of internal control.

INTERNAL AUDIT

The Asciano risk management and internal audit function reports to the Chairman of the Audit and Risk Committee and assists that committee in undertaking its risk management oversight role. The Audit and Risk Committee requires an independent assessment of the effectiveness of Asciano's risk management framework. The Group General Manager Risk and Internal Audit is responsible for developing the risk management framework and for undertaking the internal audit program. Internal audit conducts a series of risk-based reviews based on a plan agreed with management and the Audit and Risk Committee.

INHERENT OPERATIONAL RISKS

Asciano believes there are a number of operational risks which are inherent to the industries in which it operates. They include:

- / infrastructure capacity constraints and disruptions;
- / exposure to commodity flows and cycles;
- / increased competition; and
- / government policy, investment decisions and regulation.

These risks are identified to assist investors in understanding the nature of the risks faced by Asciano and the industries in which it operates. They are not intended to be an exhaustive list of risks.

QUALITY AND INTEGRITY OF PERSONNEL

Formal appraisals are conducted at least annually for all employees. Training and development and appropriate remuneration and incentives with regular performance reviews create an environment of co-operation and constructive dialogue with employees and management.

¹ As announced to the market on 7 February 2011, Mark Rowsthorn was succeeded by John Mullen as CEO of Asciano, effective 14 February 2011 and as MD on 1 April 2011. In accordance with the provisions of his contract, Mark Rowsthorn remained an employee of Asciano until 15 June 2011 assisting with transitional arrangements. The declaration referred to was provided by John Mullen.

² Angus McKay commenced as CFO on 6 December 2010.

5. CORPORATE GOVERNANCE STATEMENT (CONTINUED)

OCCUPATIONAL HEALTH AND SAFETY REGULATION

Asciano operates across eight Australian federal, state and territory occupational health and safety jurisdictions with no significant breaches in regulation.

Health and safety are key concerns for Asciano. Recognising the need to improve its safety performance, Asciano launched its 'Home Safely Everyday' project during the 2011 financial year.



Management's goal is to work towards achieving an injury-free workplace and to see all employees return home safely everyday. The 'Home Safely Everyday' project has been supported by key safety review programs using six sigma principles to ensure safety processes are stringent.

Asciano is also committed to ensuring that everyone is trained and competent to perform their job. This is critical to providing a safe workplace for employees and anyone who visits or interacts with Asciano's operations.

Asciano's safety beliefs are:

- / all injuries are preventable;
- / safety is a management responsibility;
- / involvement of employees is essential;
- / working safely is a condition of employment;
- / effective safety standards well deployed and applied are essential to safeguard people from injury;
- / training and competence are essential for ensuring safe operations; and
- / everyone that interacts with its operations has the right to be safe.

Asciano has an Integrated Safety Management System which drives positive safety outcomes, for example through extensive safety observation programs, as well as by capturing, monitoring and reporting safety incidents across each of the operating divisions.

Safety performance is a key performance indicator ('KPI') for all employees who are entitled to STI bonuses. Asciano had a new focus on the medical treatment injury frequency rate ('MTIFR') for the 2011 financial year and allowed individual divisions the flexibility to incorporate a broader set of measures including lead and lag indicators in their STIs which are relevant to their business. Targets were set for each operating division and a cumulative target was determined for Asciano. The performance measure for the 2010 financial year was the lost time injury frequency rate ('LTIFR').

Asciano's Executive Safety Committee meets on a regular basis to establish key safety policies, to address safety issues across the Company and to develop safety initiatives to build on employees' awareness of the importance of safety. The committee includes all Divisional Directors, the MD and CEO and other senior executives.

Asciano is committed to the prevention of injury and illness through providing a safe and healthy working environment.

Workers compensation and occupational health and safety coverage across the businesses is provided via two self-insurance licences (one under Comcare jurisdiction and the other under New South Wales jurisdiction) and 36 separate commercial insurance policies. As self-insurance drives proactivity, Asciano has adopted a 'best practice approach' in maintaining these diverse arrangements, to provide maximum benefit to its employees and organisation as a whole.

The organisation has a comprehensive and proactive Integrated Safety Management System which promotes a risk management approach that includes hazard identification, risk assessment and risk control for the prevention of workplace injuries and illnesses. Asciano has been self-insured in the Comcare jurisdiction since 2001 and this year was awarded the highest performance standard of tier three in all disciplines – prevention, rehabilitation and claims management. This is a great achievement and has seen the organisation recently listed as one of the finalists in the 2011 SRCC Safety Annual Awards in Return to Work/Rehabilitation.

Safety, health and environment policy and procedures have been developed and implemented to ensure the health, safety and welfare of workers underpin the Integrated Safety Management System, and are in line with the prescribed requirements of the Safety, Rehabilitation and Compensation Act 1988, the Occupational Health and Safety Act 1991 and all other applicable Australian occupational health and safety legislation. They also ensure compliance with the requirements of each of the state-based rail regulators. The safety, health and environment policy and procedures also support Asciano's other compliance responsibilities in areas of the environment and the transportation of dangerous goods. In the event of a workplace incident or injury, Asciano will conduct an investigation under a spirit of 'no fault'. The purpose of the investigation is to identify and review the cause of an injury or illness. This in turn allows relevant risk controls to be implemented to prevent further incidents from occurring.

RAIL SAFETY REGULATION

Asciano holds rail safety accreditation through its Pacific National ('PN') business in all five mainland Australian states and the Northern Territory, and through its Port Logistics business in three states being New South Wales, Victoria and South Australia. Asciano has operated in compliance with all material conditions of accreditation. Significant improvements in rail safety performance and regulatory compliance audit outcomes were achieved during the financial year.

5. CORPORATE GOVERNANCE STATEMENT (CONTINUED)

SECURITY REGULATION

The Company has taken a risk-based approach to security management and resilience planning. It continues to develop, review and refine its general and anti-terrorist security management and response plans. This process includes engaging with key government agencies on strategies to:

- / identify potential security threats;
- / implement appropriate counter measures; and
- / deliver full compliance with federal, state and territory security legislation.

Within this broad security context, Asciano has conducted simulated security exercises, involving key internal and external stakeholders, to test and improve preparedness and emergency response arrangements.

5.5 GOVERNANCE POLICIES

Relevant policies and charters (see www.asciano.com)	/ Share Trading Policy	/ Whistleblower Policy
	/ Disclosure Policy	/ Fraud and Corruption Prevention Policy
	/ Auditor Independence Policy	/ Diversity Policy
	/ Code of Conduct	

An annual review of Asciano's governance policies has been conducted which resulted in some amendments to the above policies to ensure they remain relevant and up to date.

CODE OF CONDUCT, WHISTLEBLOWER POLICY AND FRAUD AND CORRUPTION PREVENTION POLICY

A company-wide Code of Conduct was adopted in the 2011 financial year and is supported by a comprehensive training program that continues to be rolled out across the Company. The code reflects Asciano's corporate values of safety, customer service, teamwork and financial success and sets down the required standards of behaviour in relation to health and safety, complying with applicable laws and regulations, respecting the interests of all stakeholders, avoiding real or apparent conflicts of interest, appropriate use of Asciano's assets, maintaining the privacy of private and confidential information, communicating with all stakeholders, complying with Asciano's policies and procedures and reporting, in good faith, any suspected violations of the Code of Conduct. The code applies to Directors, executives, management and employees in all divisions.

A Whistleblower Policy and a Fraud and Corruption Prevention Policy were approved in the 2011 financial year and have been implemented early in the 2012 financial year. Training and awareness programs are in the process of being rolled out across Asciano's businesses. The Asciano Whistleblower Policy encourages employees to report concerns in relation to illegal, unethical and improper conduct. Asciano is committed to supporting and protecting those who report suspected violations in good faith.

TRADING IN SHARES

The Board has adopted and implemented a Share Trading Policy that sets out the circumstances in which Directors and other employees may deal in the Company's shares. The policy was amended in the 2010 calendar year to reflect the amendments to ASX Listing Rule 12.12 which came into effect on 1 January 2011.

In accordance with the prohibition in the Corporations Act 2001, the Share Trading Policy states that Directors, senior executives and other employees may not trade in the Company's shares at any time if they are in possession of inside information. The policy prohibits Directors and other employees from trading, procuring trading or hedging their interest in the Company's shares during 'blackout periods' (which are the four weeks leading up to release of the annual/half year report, as well as any other periods that the Board or MD and CEO may determine from time to time) unless there are exceptional circumstances and prior written approval is obtained.

The recommended time for Directors and senior executives to trade is during specified 'trading windows' (which are the four weeks following the AGM, half and full year results announcements and other major announcements). Trading outside the trading windows is subject to prior approval being obtained from the Chairman, which is only considered in exceptional circumstances. No approval will be granted in blackout periods.

Under the Share Trading Policy, Directors and other employees are also prohibited from dealing in the shares of other companies with which Asciano may have a close commercial relationship where they are in possession of inside information.

CONTINUOUS DISCLOSURE

Asciano is committed to providing timely, open and accurate information to all of its stakeholders including shareholders, regulators and the investment community.

The Board has adopted a Disclosure Policy that sets out the Company's approach to continuous disclosure and to external announcements generally. The policy provides an outline of the Company's continuous disclosure obligations and sets out the measures it has implemented to ensure compliance with these obligations, including listing the kind of matters that would generally require disclosure. The policy also provides guidelines for the management of external announcements and specifies the Company's authorised spokespeople.

5. CORPORATE GOVERNANCE STATEMENT (CONTINUED)

AUDITOR INDEPENDENCE

The Board has adopted an Auditor Independence Policy that sets out the Company's policy in relation to the engagement of the external auditor for audit and non-audit services. It outlines the process for the approval of certain non-audit services that are not prohibited but which are considered material. Details of the amounts paid to the external auditor are set out in note 36 to and forming part of the financial statements.

The Audit and Risk Committee is highly cognisant of the need for the Company to maintain an independent auditor.

SHAREHOLDER COMMUNICATIONS

Asciano is committed to the delivery of timely and relevant information to its shareholders and to the broader investment community. Shareholders are provided with access to online half yearly and annual reports and have the option of receiving hard copies of these documents if required. The website also provides a broad range of information about Asciano and is updated regularly. All Asciano announcements are made available on the website and shareholder and investor events are webcast.

The Board encourages full participation by shareholders at the AGM to ensure accountability and transparency. The external auditor will attend the AGM to answer shareholder queries about the auditor's report.

DIVERSITY

The Board has adopted a Diversity Policy, which sets out the principles guiding the Company's commitment to diversity and inclusion at Board, executive and employee level, being:

- / meritocracy;
- / fairness and equity; and
- / commercial success.

Asciano is committed to workplace diversity, with a particular focus on supporting the representation of all range of ages and women at all levels of the Company. The Company believes that developing a workforce which reflects the diversity of the community that it works in, in all levels of its business, is a commercial imperative.

For Asciano, diversity includes, but is not limited to, gender, age, ethnicity and cultural background. Building an inclusive workforce enables diversity of thought, decision-making and ultimately better business outcomes. In turn, this will assist Asciano to build sustainable and valuable relationships with its customers, employees, suppliers, shareholders, governments and the community.

The Company is committed to improving diversity in the workplace and ensuring alignment with the ASX Principles on diversity. The Company will establish and annually assess and disclose measurable objectives for achieving diversity.

6. SUSTAINABILITY REPORT

ENVIRONMENTAL REGULATION

Asciano's operations are subject to significant environmental regulation under federal, state and territory legislation in relation to its environmental compliance for all its rail and port operations, incident management and emissions reporting.

Asciano recognises the need to protect the environment and ensures that all current legislative requirements are met and supports this with audits, training, promoting employee awareness, comprehensive business unit assessments, site environmental management plans, environmental incident response and management plans.

All material compliance requirements of environmental regulations and with specific requirements of site environmental licenses were achieved, with no significant breaches across all operations.

SUSTAINABILITY, CLIMATE CHANGE AND ENERGY

Asciano believes that an effective approach to sustainability forms an important element in ensuring that the Company maintains its market leadership position.

It is Asciano's view that sustainability is about identifying and seizing opportunities, as well as identifying and addressing risks that are not limited to financial performance. To better understand the impact sustainability related matters have on Asciano, a review was conducted during the 2011 financial year to identify what is important to Asciano. The material areas of significance identified relate to: safety; carbon management; energy; environment; infrastructure; government; employees; and community.

As part of ensuring that Asciano responds to these matters, a Board Sustainability Committee has been formed to oversee the management of sustainability issues from the 2012 financial year.

KEY MATTERS

Following Asciano's materiality review of sustainability matters, the key sustainability measures currently facing Asciano and its stakeholders are:

- / protecting the health and safety of Asciano employees and visitors and improving its safety performance;
- / reducing its energy use and ensuring the management of issues related to greenhouse gases and a price on carbon;
- / increasing market share through improved national transport infrastructure for ports and rail to ensure freight transport capacity is available and goods can be moved on time; and
- / working with a wide range and number of government stakeholders and regulators to ensure these support successful outcomes for the movement of goods at a local, state and national level.

6. SUSTAINABILITY REPORT (CONTINUED)

The Asciano sustainability mission is:

To strive to meet stakeholder expectations on sustainability, Asciano operates responsibly according to commercial, regulatory and ethical principles in order to maximise commercial opportunities and minimise/prevent harm to people and the environment.

This mission supports the values of Asciano:

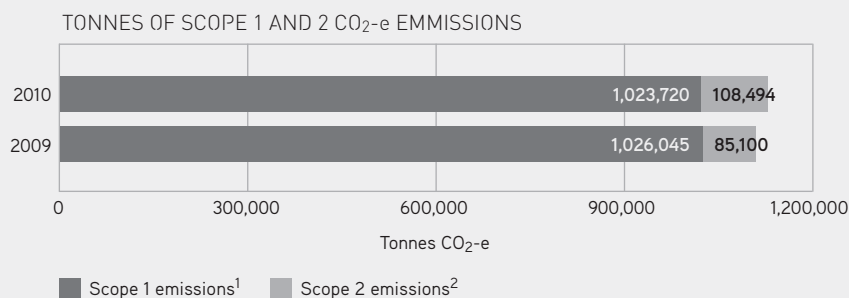
- / safety first, financial success, teamwork, and customer service;
- / ensuring Asciano effectively applies safety laws, standards, hazard reduction techniques, and safe working procedures to reduce risk and exposure of its employees, contractors and the public to harm;
- / ensuring effective use of energy, natural resources and minimising the emission of carbon dioxide equivalent ('CO₂-e') and damage to the environment as a consequence of its operations;
- / gaining government support for improved transport infrastructure and policies;
- / assisting in achieving a competitive advantage in providing product differentiation and superior customer service from a lower carbon footprint and associated services and cost savings;
- / supporting the communities in which Asciano operates so that it has their continued support in the conduct of its operations; and
- / demonstrating Asciano is a responsible organisation to allow better interaction with and to work co-operatively with its customers, government, communities and other stakeholders.

CARBON AND ENERGY

Asciano is required to comply with the National Greenhouse and Energy Reporting Act 2007 ('NGER Act'). Asciano met its reporting obligations for the NGER Act by the required deadline of 31 October 2010.

The amount of CO₂-e produced by Asciano's operations in the 2010 financial year remained relatively unchanged from that in the previous year, except for Scope 2 emissions from electricity which increased as a result of the new electric locomotive operations for coal haulage in Queensland.

The graph below shows levels of CO₂-e produced by Asciano in the 2010 and 2009 financial years:



1 Direct emissions from direct energy use (e.g. diesel, petrol, gas) and sulfurhexafluoride use in electrical switching gear.

2 Indirect emissions from electricity use.

Asciano continues to prepare for a carbon scheme in Australia that sets a price on carbon. This year assessments on any direct and indirect financial impact on Asciano's revenue and profitability were conducted. Following the announcement of the framework of a Carbon Scheme by the Federal Government in July 2011, Asciano continues to be proactive in reducing its carbon emissions through a range of fuel efficiency measures and it has fuel surcharge arrangements in place to recover additional costs while ensuring it remains competitive in this market. Asciano also believes the market positions of its customers will not be materially impacted as a result of the implementation of the proposed scheme.

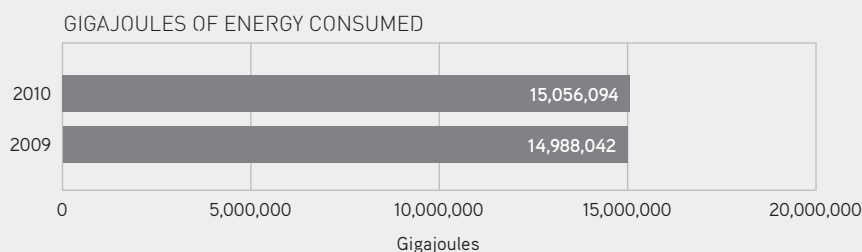
Asciano continues to work with various government and industry associations to encourage the improvement of transport infrastructure and related policies that lead to increased efficiency and decreased energy intensity.

In December 2010, Asciano again met its requirements for the Federal Government's Energy Efficiency Opportunities ('EEO') scheme. The EEO scheme requires Asciano to assess 80% of its energy used and identify all energy reduction initiatives with up to a four year payback period. The mandatory public report on Asciano's EEO scheme findings has been placed on the Asciano website (www.asciano.com). All compliance requirements of the EEO scheme were met for the 2010 reporting year.

During this period, a desktop verification of Asciano's EEO compliance was conducted by the Federal Government Department of Resources, Energy and Tourism. Based on the results of the desktop verification, Asciano was assessed as having a low risk of non-compliance with EEO legislation.

6. SUSTAINABILITY REPORT (CONTINUED)

Energy reduction assessments to date for the EEO scheme assessed 2,896,727 gigajoules (19%) of the 15,056,094 gigajoules of energy used in the year by Asciano. These assessments identified energy reduction initiatives that have been implemented or planned for implementation that will save 142,063 gigajoules. The graph below shows Asciano's energy use for the 2010 and 2009 financial years:



Asciano continues to work with various stakeholders to review the opportunities and threats that physical climate change presents to Asciano's operations and related infrastructure. Climate change and carbon risks are reported to and managed by the Executive Risk Committee.

There were no breaches to environmental sustainability related legislation during the 2011 financial year.

SUSTAINABILITY INDICES

In communicating Asciano's climate change response, Asciano provides an annual response to the Carbon Disclosure Project. Asciano is guided in its reporting by the Global Reporting Initiative G3 Sustainability Reporting Guidelines and is committed to increasing the availability of sustainability disclosure via its website.

7. INTRODUCTION TO EXECUTIVE REMUNERATION — UNAUDITED

7.1 CHAIRMAN'S LETTER

Dear Shareholder

On behalf of the Board of Asciano Limited and the Asciano Remuneration Committee, I am pleased to present Asciano's 2011 Remuneration report.

The report illustrates how Asciano's performance for the 2011 financial year has resulted in the reported remuneration outcomes and outlines the changes Asciano has made to its remuneration structure going forward to ensure it is fully aligned to the objectives set by the Board.

1. The 2011 financial year

The 2011 financial year has been a year of renewal at Asciano. We underwent a review of our strategy and have made significant leadership changes. We now have a new MD and CEO, Mr John Mullen, who joined the Company in February 2011. Mr Angus McKay also joined as CFO in December 2010 and Ms Alexandra Badenoch joined as our new Director Human Resources in May 2011. We have also seen the consolidation of the Company's divisions from four to three with the integration of our former Auto, Bulk and General business unit into our Patrick and Pacific National Rail divisions.

Operating conditions have been difficult for the Company this year, with the impact of ongoing soft economic conditions, weather conditions across the country but particularly in Queensland, congestion in the Hunter Valley rail system and industrial action by the Maritime Union of Australia. These factors have impacted on the Company's ability to meet its internal financial objectives and hence on the level of reward to many of our executives under the STI Plan. Payments under the STI Plan will be in accordance with the plan rules and business criteria.

The changes to Asciano's management team this year have resulted in a number of 'one-off' remuneration outcomes which are fully disclosed and explained in this report. These include:

- remuneration arrangements (including sign-on arrangements) put in place for our newly appointed MD and CEO and CFO;*
- separation arrangements put in place for the departing MD and CEO;*
- a one-off retention plan put in place for key executives to encourage them to commit to the creation of long-term growth and shareholder value in Asciano; and*
- redundancy arrangements put in place for the departing head of our former Auto, Bulk and General division.*

While we recognise the above remuneration outcomes may not be viewed favourably by some stakeholders we do firmly believe they were essential in supporting Asciano's future growth and performance.

7. INTRODUCTION TO EXECUTIVE REMUNERATION — UNAUDITED (CONTINUED)

2. Changes to the remuneration structure going forward

Having now made some key management changes, we have taken the opportunity to ensure we are aligning our remuneration practices to the market. These changes ensure we not only have the structure in place to ensure we can reward strong performance but also ensure we have the right measures in place to support our strategy.

These changes include:

- aligning our executive incentive opportunity to ASX 100 market benchmarks at the median to ensure we are positioned to attract, retain and reward top talent;
- the introduction of a deferral component in the STI plan;
- a reduction of the number of participants in the Company's Long Term Incentive ('LTI') Plan and a move from the use of options to performance rights;
- the addition of 'customer service' as one of the KPIs in the STI Plan, recognising the importance of our customers to the Company's success;
- ensuring Safety remains a key business priority through its inclusion in our STI plan measures;
- including a 'balanced scorecard' approach in our STI which balances the emphasis between our key priorities of financial success, safety and customer service with our strong focus on personal achievement and driving a performance-based culture for our employees; and
- the inclusion of return on capital employed ('ROCE'), a key driver of success for the Company, as a performance hurdle for the LTI Plan (note, the ROCE measure was previously held in the STI Plan).

A table showing the drivers of the Company's success, and how these link to our remuneration strategy is set out in section 7.2 of the Directors' report. Further detail of the remuneration framework and key developments for the 2012 financial year are contained throughout the Remuneration report in section 8.

Asciano's Board and Remuneration Committee continue to be focused on driving and rewarding executive performance to deliver the Company's strategy and business objectives and ultimately the growth in wealth of its shareholders.

I hope you will find this year's Remuneration report to be informative and useful in understanding the Company's remuneration philosophy.

Yours faithfully



Chris Barlow
Chairman, Asciano Remuneration Committee

7.2 FY12 REMUNERATION FRAMEWORK AND LINK TO PERFORMANCE

During the year, the Board and Remuneration Committee undertook a comprehensive review of Asciano's remuneration framework and approved certain enhancements in order to strengthen the alignment between Asciano recognised 'key drivers' of business success and Asciano executive remuneration programs. This link is demonstrated in the table below:

DRIVER OF SUCCESS	HOW THIS DRIVER IS RECOGNISED IN THE ASCIANO REMUNERATION PROGRAM
Strong financial success	STI – Inclusion of EBIT as 50% of potential STI
Ensuring our employees get home safely everyday	STI – Inclusion of safety improvement as 15% of potential STI
Delivering outstanding service to our customers	STI – Introduction of new customer service satisfaction hurdle as 15% of potential STI
Ensuring our employees' interests are aligned with those of our shareholders	STI – Introduction of a mandatory deferral component in the STI Plan, which requires up to 25% of the STI opportunity to be deferred into the Company's shares
Ensuring that our employees achieve their full potential and the goals that are set for them	STI – Individual performance goals constitute 20% of potential STI
Running our assets as efficiently and profitably as possible	LTI – Inclusion of ROCE as a performance hurdle in the LTI Plan. This measure was transferred from the STI to provide better alignment with shareholder objectives.
Increasing shareholder wealth	LTI – Inclusion of relative total shareholder return ('TSR') as a performance hurdle in the LTI Plan.

7. INTRODUCTION TO EXECUTIVE REMUNERATION — UNAUDITED (CONTINUED)

7.3 TAKE HOME PAY OF THE EXECUTIVE DIRECTOR AND OTHER EXECUTIVES FOR THE YEAR ENDED 30 JUNE 2011

The following table sets out details on the take home pay of Asciano's continuing Executive Director and other executives i.e. the current gross salary package and actual incentives earned in the 2011 financial year. It has been included to give shareholders a better understanding of the amounts the Executive Director and other executives actually received (or were entitled to receive) for each component of remuneration during the 2011 financial year.

Accounting standards require that the expense relating to equity instruments be reflected over the 'performance period', notwithstanding that the Executive Director and other executives may never receive any actual value from such a grant. For example, under Asciano's LTI arrangements, the value ultimately received will depend on the security price at the time the option is exercised. This disclosure is in addition to that contained on page 27 in the Remuneration report (audited).

2011 REMUNERATION COMPONENTS \$	FIXED ANNUAL REMUNERATION ¹	SHORT TERM INCENTIVE ²	VESTED LONG TERM INCENTIVE ³	OTHER INCENTIVE	TOTAL	PERFORMANCE RELATED REMUNERATION
Executive Director						
John Mullen ⁴ MD and CEO	675,616	–	–	675,000	1,350,616	0%
Executives						
Paul Garaty Director Patrick	700,000	35,280	–	–	735,280	5%
Chris Keast Director PN Rail	650,000	238,095	–	–	888,095	27%
David Irwin Director PN Coal	600,000	–	–	–	600,000	0%
Saul Cannon Director Commercial and Legal	525,000	71,750	–	–	589,102	11%
Angus McKay ⁵ CFO	510,411	183,150	–	97,394	790,955	35%
Alexandra Badenoch ⁶ Director Human Resources	87,740	11,752	–	–	99,492	12%

1 Fixed annual remuneration based on current gross salary package, which includes base salary, superannuation contributions and the value of non-salary benefits provided to the executive (inclusive of all applicable taxes). For the purpose of this table this amount has been pro-rated for the Executive Director and the other executives who commenced employment during the year.

2 The STI amount represents the actual STI to be paid in October 2011 based on performance over the 2011 financial year.

3 The value of the vested entitlement for the 2011 financial year is \$nil, as no options vested under Asciano's LTI Plan in the period. The options granted to executives in 2007 with a performance period from 1 July 2007 to 30 June 2010 have lapsed as the performance hurdles were not met.

4 John Mullen commenced employment on 14 February 2011. Mr Mullen was paid a sign-on payment (shown in the 'Other incentive' column) on his commencement.

5 Angus McKay commenced employment on 6 December 2010. The 'Other incentive' column includes the value of a pro-rated number of shares granted under the CFO Sign-on Rights that became unrestricted on 30 June 2011. In accordance with his contractual arrangements, Mr McKay was entitled to participate in the STI Plan for the full 2011 financial year.

6 Alexandra Badenoch commenced employment on 2 May 2011. Ms Badenoch's STI amount was pro-rated for the service period.

8. REMUNERATION REPORT — AUDITED

The information provided in the Remuneration report has been audited as required by section 308 (3C) of the Corporations Act 2001.

An overview of the elements of remuneration is set out in the table below. A more detailed discussion of each element is contained in this Remuneration report.

ELEMENTS OF REMUNERATION		DIRECTORS		
		NON-EXECUTIVE	EXECUTIVE	EXECUTIVES
Fixed annual remuneration	Fees	✓ (page 25)	✗	✗
	Salary	✗	✓ (page 18)	✓ (page 19)
At-risk remuneration	STI	✗	✓ ¹	✓ (page 19)
	LTI	✗	✓ (page 19)	✓ (page 21)
	Retention shares	✗	✗	✓ (page 23)
Post-employment	Superannuation	✓ (page 25)	✓ (page 18)	✓ (page 19)
	Notice periods and termination benefits	✗	✓ (page 19)	✓ (page 24)

1 The new MD and CEO will be eligible to participate in the STI Plan from the 2012 financial year onward.

8.1 KEY MANAGEMENT PERSONNEL

This Remuneration report outlines the remuneration arrangements in place for the key management personnel ('KMP') of Asciano, which comprises all Directors (Executive and Non-Executive) as well as those executives who have authority and responsibility for planning, directing and controlling the activities of Asciano. In this Remuneration report, 'executives' refers to the KMP, other than the Non-Executive Directors, and the five highest remunerated senior managers.

The following were KMP of Asciano during the 2011 financial year and unless otherwise indicated were KMP for the entire year:

EXECUTIVE DIRECTOR		NON-EXECUTIVE DIRECTORS	
John Mullen	MD and CEO ¹	Malcolm Broomhead	Chairman (Non-Executive)
EXECUTIVES		Chris Barlow	Non-Executive Director
Paul Garaty	Director Patrick	Bob Edgar	Non-Executive Director
Chris Keast	Director PN Rail	Peter George	Non-Executive Director
David Irwin	Director PN Coal	Geoff Kleemann	Non-Executive Director
Saul Cannon	Director Commercial and Legal	Shirley In't Veld	Non-Executive Director ⁶
Angus McKay	CFO ²		
Alexandra Badenoch	Director Human Resources ³		
FORMER EXECUTIVES			
Mark Rowsthorn	MD and CEO ⁴		
Steven Ford	Director Auto, Bulk and General ⁵		

1 Commenced as CEO on 14 February 2011 and as MD on 1 April 2011.

2 Commenced 6 December 2010.

3 Commenced 2 May 2011.

4 Employment ceased 15 June 2011.

5 Employment ceased 31 January 2011.

6 Appointed 1 November 2010.

8.2 EXECUTIVE REMUNERATION POLICY AND FRAMEWORK

REMUNERATION PHILOSOPHY AND PRINCIPLES

The purpose of Asciano's remuneration philosophy is to ensure that the remuneration package properly reflects the executive's duties, responsibilities, and level of performance and that these are aligned with the drivers of the Company's success. It also aims to ensure that remuneration is market competitive in attracting, motivating and retaining people of the highest quality.

8. REMUNERATION REPORT — AUDITED (CONTINUED)

Asciano's Remuneration Committee is committed to continually reviewing and improving the remuneration framework to ensure that a robust link exists between executive reward and Company performance, and that employee reward drives desired behaviours. To assist in exercising its responsibilities, the Remuneration Committee seeks independent advice on matters such as remuneration strategies, mix and structure. During the year, the committee engaged Ernst & Young to provide advice on specific remuneration matters, including the changes to the remuneration framework for the 2012 financial year as well as the remuneration arrangements for the new CFO, who was appointed during the 2011 financial year.

The key principles that govern Asciano's remuneration framework and the design of its reward programs are to:

- / ensure remuneration outcomes are linked to the drivers of Company success and the achievement of individual, business unit and Asciano objectives over the short and long term;
- / ensure the total remuneration package is market competitive in attracting, motivating, retaining and appropriately rewarding high performing executives and other employees; and
- / be clear, simple to understand and acceptable to all stakeholders.

OVERVIEW OF REMUNERATION FRAMEWORK AND COMPONENTS AS A PROPORTION OF TOTAL REMUNERATION

Components of total employment remuneration for the 2011 financial year are as follows:

FIXED ANNUAL REMUNERATION (‘FAR’)	SHORT TERM INCENTIVE (‘STI’)	LONG TERM INCENTIVE (‘LTI’)
↓	↓	↓
/ Fixed salary / Superannuation / Salary-sacrificed non-monetary benefits	/ Annual cash incentive / 12 month period / Targets linked to Asciano, divisional and individual performance	/ Grant of options / 3 to 4 year period / Performance hurdle linked to TSR

The table below outlines executive FAR and target performance-based remuneration as a proportion of total remuneration:

	FAR %	STI %	LTI %
MD and CEO ¹	34	33	33
CFO	48	26	26
Other executives	60	20	20

¹ As the MD and CEO did not receive an STI for the 2011 financial year, the breakdown shown above is that for the 2012 financial year.

8.3 MD AND CEO REMUNERATION ARRANGEMENTS

Mr John Mullen was appointed as CEO on 14 February 2011 and as MD with effect from 1 April 2011. Details of his remuneration arrangements and service agreement were announced to the market on 7 February 2011, and are summarised below:

Fixed annual remuneration	The MD and CEO is entitled to FAR of \$1.8 million inclusive of superannuation contributions, effective from 14 February 2011.
Short term incentive	The MD and CEO will participate in the Company's STI Plan from the 2012 financial year, and his target STI opportunity will be equivalent to 100% of FAR. The Board has approved enhancements to the structure of the STI Plan for the 2012 financial year in order to ensure alignment with the Company's key business drivers. The MD and CEO's KPIs for the 2012 financial year will be based on the categories set out below, which will be largely replicated across the senior Executive Team: / strategic plan and delivery; / financial performance; / safety; / customer satisfaction; / people and culture; and / relationships and communication.

8. REMUNERATION REPORT — AUDITED (CONTINUED)

Long term incentive	The MD and CEO is eligible to receive a pro-rated grant of options under the LTI Plan for the 2011 financial year, reflecting the part of the financial year actually worked and to ensure alignment with the other members of the senior Executive Team. The terms of the grant are the same as for other participants and are outlined in section 8.4 in this Remuneration report. He will also be eligible to receive an allocation under the Company's LTI Plan for the 2012 financial year, and shareholders will be asked to approve both of these allocations at the 2011 AGM.
Sign-on payment	The MD and CEO received a sign-on payment of \$675,000 upon his commencement with Asciano Limited, as recognition that he did not participate in the STI Plan for the 2011 financial year, and also that he gave up his non-executive board positions with Brambles Limited and MAp Airports Limited as well as significant private interests.
Service agreement – key terms	The Company may terminate the MD and CEO's employment at any time for cause and, otherwise, by giving six months' notice and with a severance payment equivalent to six months' fixed remuneration. Mr Mullen must provide six months' notice of resignation.

8.4 EXECUTIVE REMUNERATION ARRANGEMENTS

Key developments: 2012 financial year

- Aligning our executive incentive opportunity to S&P/ASX 1000 benchmarks at the median to ensure we are positioned to attract, retain and reward top talent.

FIXED ANNUAL REMUNERATION

FAR consists of base compensation (calculated on a total basis and includes fringe benefits tax charges related to employee benefits including motor vehicles), as well as contributions to superannuation plans. The level of FAR for KMP has been determined with reference to executive pay in S&P/ASX 100 Index companies, taking into account the individual's performance, responsibilities, and their level of knowledge, skills and experience.

Remuneration levels for executives are reviewed annually through a process which considers individual performance and overall performance of Asciano. External consultants also provide analysis and guidance both to the Company and independently to the Board and Remuneration Committee, to ensure executive remuneration levels remain competitive and in line with current market trends.

SHORT TERM INCENTIVE

Key developments: 2012 financial year

- Introducing a balanced scorecard methodology to emphasise achievement of personal goals and to improve understandability for participants and drive performance.
- Introducing mandatory deferral of a portion of the STI opportunity into Asciano shares, with a deferral period of one to two years.

ACTUAL PERFORMANCE: 2011 FINANCIAL YEAR

Asciano's overall financial performance in the 2011 financial year did not meet the target level set by the Board and, accordingly, the financial component of Asciano's STI program at a Group level was not met. This performance is reflected in STI reward payments to the Company's Executive Team.

This result was due to Asciano's EBIT before material items being \$539.1 million for the year ended 30 June 2011 (2010: \$442.8 million). While this represented an improvement of \$96.3 million in the year, it did not meet the internal targets set by the Company. The ROCE and EBIT margin performance targets were only partially met during the year.

Asciano's safety performance, measured by MTIFR was 36.1 for the financial year, which did not meet the target set by the Board. Accordingly, the 10% of the STI measured against this target was forfeited.

Specific information relating to the actual STI payable, as well as the percentage forfeited by executives is set out in the table on page 21.

8. REMUNERATION REPORT – AUDITED (CONTINUED)

DETAIL OF STI ARRANGEMENTS

WHAT IS THE STI AND WHO PARTICIPATES?

The STI Plan for the 2011 financial year is a cash-based plan that rewards executives for achievement of Asciano, divisional and individual performance goals over the 12 month annual performance review period.

The process of determining each executive's actual STI is outlined below, and the incentive is based on three factors:

TARGET STI (\$)	X	STI KEY MEASURES OUTCOME	X	PERFORMANCE REVIEW SCORE	=	ACTUAL STI PAYABLE (\$)
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WHAT IS THE MAXIMUM AMOUNT THAT EXECUTIVES CAN EARN?

The target STI opportunity for executives (excluding the MD and CEO) is between 30% and 55% of FAR.

The current MD and CEO did not participate in the STI Plan for the 2011 financial year; however, his target STI opportunity going forward will be equivalent to 100% of FAR.

Executives are advised of their target STI at the start of the financial year. This is a percentage of their FAR and is based upon their measured job grade, utilising job grading methodology and general contribution to the profitability of Asciano.

Provided the executive has achieved the required overall annual performance rating, they will be allocated a performance review score based upon achievement against their pre-agreed personal goals. Depending on achievement against the STI performance measures (outlined below) and the performance review score allocated to the executive, there is the potential for executives to receive 'above target' awards for exceptional performance.

Executives who do not achieve the threshold annual performance rating are not eligible to receive an STI payment.

Executives are able to achieve above the target STI allocated, dependent on financial performance of the Group and/or division. The EBIT KPI is leveraged up or down by a financial performance multiplier. The multiplier is uncapped, commencing at 0.7, provided a threshold of 95% of the target EBIT KPI is achieved. The financial performance multiplier provides executives with an increased incentive to focus on EBIT performance as STI payable increases as EBIT performance improves.

WHAT ARE THE PERFORMANCE MEASURES?

For the 2011 financial year, the KPIs have been categorised into the performance clusters set out below. The financial performance measures are set at group level for corporate executives and at a divisional level for the divisional executives:

PERFORMANCE CLUSTER	COMMENT	ALLOCATION
EBIT	This target measures achievement against a set target EBIT at an Asciano or divisional level. The EBIT KPI is leveraged up or down by a financial performance multiplier. The multiplier is uncapped, commencing at 0.7, provided a threshold of 95% of the target EBIT KPI is achieved.	50%
ROCE	This target measures absolute improvement against a set ROCE target at an Asciano or divisional level.	30%
EBIT margin	This target measures absolute improvement against a set EBIT margin target at an Asciano or divisional level.	10%
Safety	This target measures absolute improvement against a set LTIFR target at an Asciano or divisional level.	10%

WHY WERE THESE PERFORMANCE MEASURES CHOSEN?

The Board believes the above performance measures appropriately reflect Asciano's current strategic priorities and value creating activities.

In determining performance measures for the STI, the Board is keen to ensure an appropriate mix of financial and non-financial targets and to provide executives a clear line of sight to the targets so that they are able to affect results through their actions.

The Board considers the financial performance measures to be appropriate as they are aligned with Asciano's objective of delivering profitable growth which flows through to improved shareholder returns.

Asciano's strategic business goals cascade from the target EBIT which measures the underlying financial performance of each of the business units.

In addition, the ROCE measure indicates the efficiency and profitability of Asciano's capital investments, a measure which is particularly suited to Asciano's capital intensive business units.

The non-financial measures encourage executives to act in alignment with Asciano's corporate philosophy – particularly, Asciano's continued focus on providing a safe workplace for its employees.

8. REMUNERATION REPORT — AUDITED (CONTINUED)

HOW AND WHEN IS PERFORMANCE ASSESSED?

The STI payable is determined after the preparation of the financial statements each year (in respect of the financial measures) and after the executive's performance review score is determined by the MD and CEO (or in the case of the MD and CEO, by the Board).

STI payments are generally made to executives in October.

ARE THERE ANY ARRANGEMENTS TO DEFER THE STI INTO SHARES?

The STI for the 2011 financial year will be paid in cash.

The Board has determined that for the 2012 plan year, a portion of the STI will be deferred into shares with 50% having a one year holding lock and 50% having a two year holding lock and which are subject to the executive's ongoing employment with Asciano. The Board has determined this enhancement to link part of the reward for short-term performance with longer-term Company performance.

WHAT HAPPENS TO THE STI AWARD ON CESSATION OF EMPLOYMENT?

In general, where an executive's employment is terminated by the Company 'without cause' during the course of a performance year, the executive is entitled to a pro-rata STI for that proportion of the current financial year elapsed on the termination date.

In general, where an executive's employment ceases by reason of resignation, any STI opportunity lapses.

The actual STI payable, the percentage of the total STI payable and the percentage of the STI forfeited by continuing executives for the 2011 financial year were as follows:

2011	ACTUAL STI PAYABLE \$	% OF TARGET STI PAYABLE	% OF TARGET STI FORFEITED
Executives			
John Mullen ¹	–	–	–
Paul Garaty	35,280	17%	83%
Chris Keast	238,095	111%	–
David Irwin	–	–	100%
Saul Cannon	64,102	41%	59%
Angus McKay ²	183,150	37%	63%
Alexandra Badenoch ²	11,752	41%	59%

1 John Mullen was not entitled to participate in the Company's STI Plan for the 2011 financial year.

2 The STI amounts are pro-rated for the service period in the 2011 financial year, with the exception of the CFO, who was entitled to participate in the STI plan for the full year in accordance with his contractual arrangements.

LONG TERM INCENTIVE

Key developments: 2012 financial year

- ✓ ROCE introduced as a second performance hurdle to ensure there is a longer-term focus on capital investments.
- ✓ Performance rights to be used as the LTI instrument rather than options.

ACTUAL PERFORMANCE: 2011 FINANCIAL YEAR

Asciano's TSR performance measured from 1 July 2010 to 30 June 2011 was 41st percentile.

Given Asciano's share price record since demerger and the \$8.43 exercise price of the 2007 LTI options, the options granted to executives in 2007, with a performance period from 1 July 2007 to 30 June 2010 (and a retest of the TSR hurdle at 30 June 2011), have lapsed.

The LTI options granted to executives in 2008 with an exercise price of \$4.24 and a performance period from 1 July 2008 to 30 June 2011 (with a retest of the TSR hurdle at 30 June 2012) may vest.

8. REMUNERATION REPORT — AUDITED (CONTINUED)

DETAIL OF LTI ARRANGEMENTS

WHAT IS THE LTI PLAN AND WHO PARTICIPATES?

The Asciano Options and Rights Plan is the LTI component of remuneration for selected executives with responsibility for significant Asciano outcomes. Under the plan, executives are granted options, with a right to acquire a share in the future at a specified exercise price, subject to achievement of certain time-based and performance-based vesting conditions.

The LTI Plan is designed to:

- / align executive interests with those of Asciano's shareholders;
- / incentivise executives to drive Asciano's share price above the exercise price of the options;
- / allow the executives to share in the growth in value of Asciano; and
- / assist Asciano in building a performance-oriented culture over the long-term.

HOW IS THE NUMBER OF OPTIONS TO BE GRANTED DETERMINED?

The target LTI is determined using a Board approved internal framework which considers appropriate market benchmarking, and the executive's seniority and contribution to the profitability of Asciano.

The number of options issued to each executive is calculated by dividing their target LTI by the valuation per option.

WHAT IS THE PERFORMANCE HURDLE AND WHY WAS IT CHOSEN?

The options granted in the 2011 financial year are subject to a single performance hurdle based on Asciano's TSR performance relative to companies in the S&P/ASX 100 Index (excluding resources and financial companies) over a three to four year period.

This peer group will be used again for the 2012 plan year because following further consideration, the Board continues to believe that it represents the most appropriate comparator group, being broad-based and appropriately reflecting Asciano's market positioning at the time of approval of the LTI grant.

The vesting schedule for the options is below and was chosen to ensure that executives are only rewarded when Asciano's TSR is at least at the median against the comparator group of companies:

PERCENTILE RANKING	PERCENTAGE OF OPTIONS THAT VEST
Less than the 50th percentile	0% vesting
Equal to the 50th percentile	50% vesting
Between the 50th and 75th percentile	An additional 2% of options will vest for each 1 percentile increase above the 50th percentile
Equal to the 75th percentile or above	100% vesting

The Board believes that TSR as a performance measure is both transparent and robust (i.e. it is not subject to the exercise of judgement or interpretation) and is generally well understood by both shareholders and management, thereby providing a 'real' incentive to participants. It also ensures there is alignment between comparative shareholder return and executive rewards.

The options also have an additional performance hurdle linked to share price growth, in that the options are not able to be exercised by an executive unless the share price is above the exercise price.

WHAT IS THE PERFORMANCE PERIOD AND WHEN DO OPTIONS VEST?

Options vest over a three to four year period, subject to achieving the time-based and performance-based vesting conditions described above.

For the grant of options made during the year, this performance period commenced on 1 July 2010, with testing dates on 30 June 2013 and 30 June 2014.

Any options which do not vest at the end of the applicable performance period will lapse.

ARE THERE ANY RESTRICTIONS ON THE TRADING OF THE SHARES ONCE VESTED?

Yes. Any shares acquired upon exercise of vested options will be subject to a holding lock (which means the relevant executive cannot transfer or otherwise dispose of the shares) for seven years from the date the options are granted.

The Board may lift this trading restriction upon application by an executive in exceptional circumstances.

In addition, Asciano's Share Trading Policy prohibits Executive Directors and other executives from entering into transactions or arrangements that transfer the risk of any fluctuation in the value of options obtained under the LTI Plan during the period in which the options have not yet vested.

All trading must be confined to trading windows as defined by the Share Trading Policy and the Company Secretary must be notified.

IS ANY AMOUNT PAYABLE ON GRANT OF THE OPTIONS?

No amount was payable in respect of the grant of the options.

8. REMUNERATION REPORT – AUDITED (CONTINUED)

WHAT IS THE EXERCISE PRICE OF THE OPTIONS?

Vested options will have an exercise price which is based on the average trading price of the Company's shares on the ASX over the 10 trading days immediately prior to the date the invitation to Asciano executives was made.

The exercise price for options granted during the year is \$1.67 per share.

WHAT HAPPENS ON A CHANGE OF CONTROL OF THE COMPANY?

In accordance with the plan rules, the Board has discretion to waive any vesting conditions attached to the options.

WHAT HAPPENS IF THE EXECUTIVE CEASES EMPLOYMENT?

Where an executive ceases employment with Asciano, any unvested options or any vested options that have not been exercised within the required period will lapse, except in specified circumstances in accordance with the plan rules.

OTHER EQUITY INCENTIVE ARRANGEMENTS

RETENTION INCENTIVE PLAN

WHAT IS THE PLAN AND WHO PARTICIPATES?

Following the appointment of the current MD and CEO in February 2011, the Board approved a grant of restricted shares as a retention incentive to selected senior executives to encourage these key executives to commit to the creation of long-term growth and shareholder value in Asciano.

HOW IS THE NUMBER OF SHARES DETERMINED?

The number of retention shares allocated to each executive was equivalent in value to 40% of FAR at the time of allocation divided by the allocation price of the shares.

Details of the number and value of shares allocated to executives during the year are set out in section 8.7 of this Remuneration report.

WHAT ARE THE KEY TERMS OF THE SHARES?

The shares are subject to a two year restriction on dealing, during which time the executive may not sell or otherwise deal with the shares. During the restriction period, the executive is entitled to receive dividends on the shares.

The shares are also subject to forfeiture if the executive resigns during the restriction period or is terminated by the Company for cause or for failure to meet acceptable standards of performance.

CFO SIGN-ON RIGHTS

WHAT IS THE PLAN AND WHO PARTICIPATES?

Sign-on arrangements were put in place with the CFO following his appointment in December 2010, primarily to recognise the benefits forgone under his previous employment arrangements.

To ensure alignment with shareholder interests, the sign-on arrangements took the form of restricted shares in Asciano Limited, with the majority of the shares being subject to a hurdle based on Asciano's relative TSR performance.

HOW IS THE NUMBER OF SHARES DETERMINED?

The Board received independent remuneration advice regarding the quantum and structure of the sign-on grant, and the number of shares was determined by dividing the CFO's incentive opportunity by the allocation price of the shares.

Details of the number and value of shares allocated to the CFO are set out in section 8.7 of this Remuneration report.

WHAT ARE THE KEY TERMS OF THE SHARES?

The shares are split into two separate holdings – the first holding is subject to time-based conditions, and the second holding is subject to both time and performance-based conditions.

	HOLDING 1	HOLDING 2
Time-based condition	Tranche 1 – 30 June 2011 Tranche 2 – 30 June 2012 Tranche 3 – 30 June 2013	Tranche 1 – 30 June 2011 Tranche 2 – 30 June 2012
Performance-based condition	N/A	Yes – relative TSR ¹
Dividends payable	Yes	Yes

¹ Asciano's TSR performance relative to companies in the S&P/ASX 100 Index (excluding resources and financial companies must be at the 50th percentile for 50% of the restricted shares in a Tranche to become unrestricted, which increases to 100% at the 75th percentile (and straight line vesting in between these points).

All shares are subject to forfeiture if the CFO resigns during the applicable restriction period or is terminated by the Company for cause or material breach of his service agreement. The shares in holding 2 are also subject to forfeiture if the performance condition is not met (which was the case for Tranche 1 of this holding).

8. REMUNERATION REPORT – AUDITED (CONTINUED)

SERVICE AGREEMENTS – EXECUTIVES

Details of the service agreement for the MD and CEO are set out in section 8.3 of this Remuneration report. All service agreements for the executives are for unlimited duration. The Company may terminate an executive's employment by providing six months' notice (or by making payment in lieu), and may terminate immediately for misconduct or where there is a material breach of contract.

Each of the executives may terminate by giving three or six months' notice to the Company depending on the individual's service agreement.

The service agreements for a number of the current KMP were entered into prior to the amendments to the Corporations Act 2001 regarding the payment of benefits on termination (which came into effect on 24 November 2009) and, in accordance with the Federal Government's intention, entitlements under those pre-existing contracts will, in general, not be subject to the new legislative limits. Those agreements which have been entered into with executives appointed since that date, have been drafted to comply with the new laws.

8.5 FORMER EXECUTIVE REMUNERATION ARRANGEMENTS

FORMER MD AND CEO

Mr Mark Rowsthorn ceased as MD and CEO of the Company on 11 February 2011. In accordance with the provisions of his services agreement, he ceased employment with Asciano on 15 June 2011. Details of Mr Rowsthorn's remuneration for the year is set out in the remuneration table on page 27.

Under the terms of his service agreement, Mr Rowsthorn became entitled to a severance payment of \$1,815,000 upon cessation of his employment. As set out in the 2010 financial year's Remuneration report, Mr Rowsthorn's service agreement also provided for a signing and retention bonus of \$900,000 in return for his agreeing to the extension of his employment on the expiry of his previous services deed and for foregoing certain benefits under that deed during the 2010 financial year. This bonus was paid on 1 July 2011 following the end of the contractual retention period.

Mr Rowsthorn participated in the Company's STI and LTI schemes through to the date of cessation of employment. His entitlements under these incentive arrangements were pro-rated for the period of his employment and determined based on actual performance against the applicable performance conditions at the end of the relevant period. Details of his actual incentive entitlements on cessation are set out below.

FORMER DIRECTOR AUTO, BULK AND GENERAL

As announced to the market as part of the 2010 financial year results announcement, Asciano restructured the business from four divisions to three during the 2011 financial year. This restructure resulted in Mr Steven Ford's position as Director Auto, Bulk and General being made redundant. Detail of his remuneration for the year, which included a redundancy payment in accordance with the Asciano Group Redundancy Policy, is set out in the remuneration table on page 27.

In accordance with his contractual entitlements, Mr Ford participated in the Company's STI and LTI schemes in the 2011 financial year. His STI entitlement was based on satisfaction of divisional (not Group) financial targets, which due to the strong performance of the Auto, Bulk and General business unit at that time were actually met in full when tested at the date of cessation of his employment on 31 January 2011. He was entitled to a pro-rated number of options granted under the LTI scheme, which were tested based on actual performance. Details of his actual incentive entitlements on cessation are set out in the table below.

INCENTIVE ENTITLEMENTS – FORMER EXECUTIVES

The actual STI payable, the percentage of the total STI payable to and the percentage forfeited by the former executives is set out in the table below:

2011	ACTUAL STI PAYABLE \$	% OF TARGET STI PAYABLE	% OF TARGET STI FORFEITED
Mark Rowsthorn ¹	645,721	37	63
Steven Ford ²	150,000	100	–

1 Mr Rowsthorn's entitlements have been pro-rated to the date of ceasing employment and have been tested against the performance conditions applicable to other corporate KMP.

2 Mr Ford's entitlements were based on divisional targets which were tested at the employment cessation date of 31 January 2011. These targets were fully met at this date.

8. REMUNERATION REPORT — AUDITED (CONTINUED)

The table below details the options granted to the former executives and which vested during the 2011 financial year:

2011	HELD AT 1 JULY 2010	GRANTED DURING THE YEAR	FAIR VALUE OF OPTIONS GRANTED (\$)	VESTED/ EXERCISED DURING THE YEAR	LAPSED DURING THE YEAR	HELD AT 30 JUNE 2011
Mark Rowsthorn ^{1,2}	7,146,751	3,361,111	974,722	–	(7,778,925)	2,728,937
Steven Ford ^{1,2}	393,760	277,778	94,445	–	(521,183)	150,355

1 In accordance with the terms of the Asciano Options and Rights Plan, the performance conditions applicable to the options were tested as at 30 June 2011 and after determining his maximum entitlement on a pro-rated basis, the available options vested and/or lapsed based on actual performance against those performance conditions.

2 The options granted during the 2010 financial year which are subject to the EBIT growth per share performance hurdle will be tested on 7 September 2011 upon release of the relevant GDP data.

8.6 NON-EXECUTIVE DIRECTOR REMUNERATION

REMUNERATION POLICY

POLICY OBJECTIVE	COMMENT
Aggregate fees approved by shareholders	The current aggregate fee pool for Non-Executive Directors of \$3 million per annum was approved by shareholders at the 2010 AGM. Board and committee fees, as well as statutory superannuation contributions made on behalf of the Non-Executive Directors, are included in the aggregate fee pool.
Promote independence and objectivity	Non-Executive Directors receive a cash fee for service. To preserve independence and impartiality, Non-Executive Directors do not receive any performance related remuneration or any retirement benefits other than statutory superannuation.
Regular reviews of remuneration	Non-Executive Director fees are determined by the Board by reference to non-executive director fees paid by S&P/ASX 100 Index companies, while also considering the responsibilities, skills and workload of the Non-Executive Directors. The Board also seeks independent advice in benchmarking the level of fees paid and, as a result of advice received during the year, committee fees were increased slightly. No increase was made to Board fees.

STRUCTURE AND LEVEL OF FEES

Key developments: 2012 financial year

- Establishment of a new Board Sustainability Committee to sharpen Board focus on health, safety, environment and community
- Committee to be chaired by Ms Shirley In't Veld with Mr Chris Barlow and Mr Peter George as members. Committee fees paid will be consistent with those of the Remuneration Committee.

The table below shows the structure and level of Non-Executive Director fees for the 2011 and 2010 financial years:

BOARD/COMMITTEE	ROLE	2011 \$	2010 \$
Board	Chairman	525,000	525,000
	Member	150,000	150,000
Audit and Risk Committee	Chairman	40,000	20,000
	Member	20,000	10,000
Remuneration Committee	Chairman	25,000	20,000
	Member	15,000	10,000
Nomination and Succession Planning Committee	Chairman ¹	–	–
	Member	12,000	10,000

1 The Chairman of the Board is currently Chairman of the Nomination and Succession Planning Committee and no additional fee is payable for this role.

Where applicable, the fee increase was effective 1 January 2011.

8. REMUNERATION REPORT — AUDITED (CONTINUED)

REMUNERATION OF NON-EXECUTIVE DIRECTORS FOR THE YEAR ENDED 30 JUNE 2011

\$	YEAR	SHORT-TERM BENEFITS		SUB-TOTAL	POST-EMPLOYMENT BENEFITS	
		FEES	NON-MONETARY BENEFITS		SUPERANNUATION	TOTAL
Non-Executive Directors						
Malcolm Broomhead	2011	497,801	–	497,801	27,199	525,000
Independent Chairman	2010	340,699	–	340,699	32,591	373,290
Chris Barlow	2011	183,500	–	183,500	–	183,500
Independent Director	2010	177,958	–	177,958	–	177,958
Bob Edgar	2011	173,469	–	173,469	15,031	188,500
Independent Director	2010	124,242	–	124,242	10,905	135,147
Peter George	2011	175,969	–	175,969	15,031	191,000
Independent Director	2010	157,398	–	157,398	13,875	171,273
Geoff Kleemann	2011	173,469	–	173,469	15,031	188,500
Independent Director	2010	128,543	–	128,543	11,192	139,735
Shirley In't Veld ¹	2011	91,743	–	91,743	8,257	100,000
Independent Director	2010	–	–	–	–	–
	2011	1,295,951	–	1,295,951	80,549	1,376,500
	2010	928,840	–	928,840	68,563	997,403

1 Appointed as a Non-Executive Director by the Board on 1 November 2010.

8. REMUNERATION REPORT – AUDITED (CONTINUED)

8.7 REMUNERATION TABLES AND DATA

REMUNERATION OF THE EXECUTIVE DIRECTOR AND EXECUTIVES FOR THE YEAR ENDED 30 JUNE 2011

\$	YEAR	SHORT-TERM BENEFITS			SUB-TOTAL	POST-EMPLOYMENT BENEFITS	OTHER LONG-TERM BENEFITS	TERMINATION BENEFITS	SHARE-BASED PAYMENTS			
		SALARY AND FEES ¹	CASH INCENTIVE ²	NON-MONETARY BENEFITS		SUPERANNUATION	LONG SERVICE ACCRUAL	TERMINATION PAYMENTS	EQUITY-SETTLED ³	VALUES OF OPTIONS AS % OF TOTAL REMUNERATION	PERCENTAGE PERFORMANCE RELATED	
Executive Director												
John Mullen ⁴ MD and CEO	2011 2010	737,525 -	671,897 -	466 -	1,409,888 -	7,600 -	452 -	- -	120,789 -	8 -	8 -	
Executives												
Paul Garaty Director Patrick	2011 2010	614,874 698,407	35,280 -	25,334 26,250	675,488 724,657	47,369 24,194	7,310 56,586	- -	229,307 94,569	24 11	28 11	
Chris Keast Director PN Rail	2011 2010	650,593 490,326	238,095 184,725	1,253 1,521	889,941 676,572	15,199 12,051	3,761 973	- -	151,732 55,851	14 7	37 32	
David Irwin Director PN Coal	2011 2010	560,045 409,604	- 184,395	36,659 36,961	596,704 630,960	16,913 16,175	34,812 14,797	- -	175,753 62,129	21 9	21 34	
Saul Cannon Director Commercial and Legal	2011 2010	524,439 469,637	64,102 164,400	2,545 18,879	591,086 652,916	15,199 14,461	10,488 6,197	- -	207,146 100,073	25 13	33 34	
Angus McKay ⁵ CFO	2011 2010	542,791 -	183,150 -	738 -	726,679 -	8,701 -	1,123 -	- -	688,107 -	48 -	61 -	
Alexandra Badenoch ⁶ Director Human Resources	2011 2010	92,689 -	11,752 -	215 -	104,656 -	2,533 -	188 -	- -	- -	- -	11 -	
Former Executives												
Mark Rowsthorn ⁷ Former MD and CEO	2011 2010	1,642,593 1,934,665	1,512,388 2,022,573	19,278 25,829	3,174,259 3,983,067	50,000 19,071	- 34,913	1,815,000 -	803,717 959,582	14 19	25 60	
Steven Ford ⁸ Director Auto, Bulk and General	2011 2010	279,942 399,161	150,000 166,800	2,484 3,292	432,426 569,253	31,606 50,000	4,861 9,029	890,054 -	44,281 64,881	3 9	14 33	
Total	2011 2010	5,645,491 4,401,800	2,866,664 2,722,893	88,972 112,732	8,601,127 7,237,425	195,120 135,952	62,995 122,495	2,705,054 -	2,420,832 1,337,085	17 15	27 46	

1 Salary and fees includes cash salary and accrued annual leave.

2 The cash incentive amount represents the actual STI to be paid in October 2011 based on performance over the 2011 financial year except where otherwise stated.

3 Equity-settled remuneration is comprised of options and rights expense.

4 John Mullen was entitled to a sign-on bonus of \$675,000 less superannuation. The equity-settled remuneration for Mr Mullen relates to the pro-rated expense for his service period in the 2011 financial year in respect of the LTI grant of 2,390,625 options that shareholders will be asked to approve at the 2011 AGM.

5 Commenced employment effective 6 December 2010.

6 Commenced employment effective 2 May 2011.

7 Ceased employment effective 15 June 2011. The cash incentive amount includes the actual STI payable based on performance over the 2011 financial year and pro-rated to the cessation date. As set out in the 2010 financial year's Remuneration report, Mark Rowsthorn's service agreement also provided for a signing and retention bonus of \$900,000 in return for his agreeing to the extension of his employment on the expiry of his previous services deed and for foregoing certain benefits under that deed during the 2010 financial year. This bonus was paid on 1 July 2011 following the end of the contractual retention period. A portion of this payment (\$33,333) was expensed in the prior year in relation to the period of service from 15 June 2010 to 30 June 2010. Outstanding long service leave amounts were written back on termination.

8 Ceased employment effective 31 January 2011.

8. REMUNERATION REPORT — AUDITED (CONTINUED)

OPTIONS ALLOCATED UNDER THE ASCIANO OPTIONS AND RIGHTS PLAN

Further detail of the terms and conditions of options granted to KMP during the 2011 financial year are outlined in note 34 to and forming part of the financial statements. The options enable the participant to acquire the specified number of shares in the Company provided certain time-based and performance-based vesting conditions are achieved.

The table below sets out details of options held by and granted to executives during the 2011 financial year.

2011	HELD AT 1 JULY 2010	GRANTED DURING YEAR ¹	FAIR VALUE OF OPTIONS GRANTED (\$) ²	VESTED/ EXERCISED DURING YEAR	LAPSED DURING YEAR	HELD AT 30 JUNE 2011
Executives						
Paul Garaty	559,776	370,370	125,926	–	(61,728)	868,418
Chris Keast	319,149	370,370	125,926	–	–	689,519
David Irwin	362,896	370,370	125,926	–	(30,864)	702,402
Saul Cannon	621,505	277,778	94,445	–	(123,457)	775,826
Angus McKay	–	1,031,250	330,000	–	–	1,031,250

1 The options were granted to the executives (excluding the CFO) on 15 July 2010 and to the CFO on 17 December 2010. The options granted are subject to the relative TSR hurdle (tested semi-annually). The exercise price per option is \$1.67.

2 The options have a value per option of \$0.34 and \$0.32 for those granted on 15 July 2010 and 17 December 2010 respectively. These have been valued at grant date using a Monte Carlo simulation, which takes into account the impact of the relative TSR performance hurdle on the value of the options. The inputs used to value the options are set out in note 34 to and forming part of the financial statements.

No options are currently held by Alexandra Badenoch.

As outlined in section 8.3 of this Remuneration report, shareholders will be asked to approve an LTI grant of 2,390,625 options to John Mullen at the 2011 AGM. This reflects a pro-rated grant of options under the LTI Plan for the 2011 financial year, reflecting the part of the financial year actually worked and to ensure alignment with the other members of the senior Executive Team.

SHARES ALLOCATED UNDER OTHER INCENTIVE PLANS

The table below sets out shares allocated to the executives during the 2011 financial year under the CFO Sign-on Rights and Retention Incentive Plan (as outlined in section 8.4):

NAME	DATE ALLOCATED	NUMBER ALLOCATED	FAIR VALUE AT ALLOCATION (\$)	FAIR VALUE (\$)
Executives				
Paul Garaty	3 March 2011	161,630	279,620	1.73
Chris Keast	3 March 2011	150,085	259,647	1.73
David Irwin	3 March 2011	138,540	239,674	1.73
Saul Cannon	3 March 2011	121,223	209,716	1.73
Angus McKay ¹	6 December 2010	970,983	966,100	–
Angus McKay	3 March 2011	207,810	359,511	1.73

1 58,671 of the CFO sign-on restricted shares vested and 364,535 of the CFO sign-on restricted shares lapsed as at 30 June 2011, in line with the hurdles of these shares. The balance held as at 30 June 2011 is 547,777. Refer to note 34 for the fair value of each holding.

No shares allocated under other incentive plans are currently held by John Mullen or Alexandra Badenoch. Other than as indicated below, all shares continue to be held by the executives as at 30 June 2011.

8. REMUNERATION REPORT — AUDITED (CONTINUED)

TOTAL OPTIONS AND RIGHTS GRANTED AS COMPENSATION

Details of vesting profiles of the options granted as remuneration to each KMP are detailed below:

SHARE-BASED PAYMENTS					
	NUMBER OF OPTIONS OR RIGHTS	GRANT DATE	% VESTED IN YEAR	% LAPSED/ FORFEITED IN YEAR	VESTING DATE
Executives					
Paul Garaty	161,630	3 March 2011	–	–	8 March 2013
Director Patrick	370,370	15 July 2010	–	–	30 June 2013
	319,149	8 October 2009	–	–	30 June 2012
	178,899	23 September 2008	–	–	30 June 2011 ¹
	61,728	19 November 2007	–	100	30 June 2010
Chris Keast	150,085	3 March 2011	–	–	8 March 2013
Director PN Rail	370,370	15 July 2010	–	–	30 June 2013
	319,149	8 October 2009	–	–	30 June 2012
David Irwin	138,540	3 March 2011	–	–	8 March 2013
Director PN Coal	370,370	15 July 2010	–	–	30 June 2013
	212,766	8 October 2009	–	–	30 June 2012
	119,266	23 September 2008	–	–	30 June 2011 ¹
	30,864	19 November 2007	–	100	30 June 2010
Saul Cannon	121,223	3 March 2011	–	–	8 March 2013
Director Commercial and Legal	277,778	15 July 2010	–	–	30 June 2013
	319,149	8 October 2009	–	–	30 June 2012
	178,899	23 September 2008	–	–	30 June 2011 ¹
	123,457	19 November 2007	–	100	30 June 2010
Angus McKay	207,810	3 March 2011	–	–	8 March 2013
CFO	1,031,250	17 December 2010	–	–	30 June 2013
	970,983	6 December 2010	6	38	30 June 2011/12/13
Former Executives					
Mark Rowsthorn	3,361,111	27 October 2010	–	100	30 June 2013
Former MD and CEO	3,861,703	23 October 2009	–	29	30 June 2012
	2,164,679	22 October 2008	–	100	30 June 2011
	1,120,370	19 November 2007	–	100	30 June 2010
Steven Ford	277,778	15 July 2010	–	100	30 June 2013
Director Auto, Bulk and General	212,766	8 October 2009	–	29	30 June 2012
	119,266	23 September 2008	–	100	30 June 2011
	61,728	19 November 2007	–	100	30 June 2010

¹ The LTI options granted to executives in 2008 with an exercise price of \$4.24 and a performance period from 1 July 2008 to 30 June 2011 (with a retest hurdle of the TSR hurdle at 30 June 2012) may vest.

As outlined in section 8.3 of this Remuneration report, shareholders will be asked to approve an LTI grant of 1,548,558 options to John Mullen at the 2011 AGM. This reflects a pro-rated grant of options under the LTI Plan for the 2011 financial year, reflecting the part of the financial year actually worked and to ensure alignment with the other members of the senior Executive Team.

8. REMUNERATION REPORT — AUDITED (CONTINUED)

8.8 ADDITIONAL INFORMATION – COMPANY PERFORMANCE

The table below summarises key indicators of Asciano's performance and the effect on shareholder value since the Company listed in June 2007. The EBIT – before material items and ROCE measures were used as measures in relation to the STI in the 2011 financial year.

YEAR ENDED 30 JUNE	2011	2010	2009	2008
EBIT – before material items (\$M)	539.1	442.8	382.3	422.6
EBIT – before material items per share (cents)	18.4	15.1	46.7	59.3
Net profit/(loss) after tax (\$M)	145.2	(975.9)	(244.1)	(182.1)
Parent earnings per share (cents)	6.0	(28.2)	(8.8)	(27.5)
Dividends per share (cents)	2.0	–	–	46.0
Closing share price (\$ as at 30 June)	1.64	1.62	1.34	3.47
ROCE (%)	9.64	7.39	6.68	5.23

9. PRINCIPAL ACTIVITIES

The principal activities of Asciano during the course of the financial year were the ownership and management of ports and rail assets and associated operations and services. There has been no significant change in the nature of these activities of Asciano during the financial year.

10. OPERATING AND FINANCIAL REVIEW

OVERVIEW

Asciano reported a net profit after tax of \$145.2 million representing a significant turnaround from the loss of \$975.9 million in the 2010 financial year. Excluding the impact of the significant impairment charges in the 2010 financial year, this improved result can be largely attributed to the new coal and bulk contracts, as well as the organic growth in the Bulk Rail business.

STRATEGIC OBJECTIVES

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 longer term. The primary elements of Asciano's strategy and initiatives are:

- / focusing on Asciano's core businesses and leveraging operating capability into new opportunities: demonstrated by the successful signing of new coal contracts in Queensland and the renewal of existing long-term coal contracts and increases in rail tonnage;
- / maximising returns from existing businesses: demonstrated by the growth in Hunter Valley coal tonnage and rail tonnage, the repricing of existing agreements and the achievement of targeted efficiency benefits; and
- / optimising Asciano's capital structure: during the 2011 financial year, Asciano raised US\$2.0 billion in the international debt capital markets to refinance its bank debt maturing in May 2012. The new five, seven, 10 and 12 year debt eliminated near-term refinancing risk, diversified the Company's funding, demonstrated access to international markets, lengthened Asciano's weighted average maturity to six years at 30 June 2011 (2010: 2.4 years), and reduced Asciano's largest single maturity to 25% of drawn debt (2010: 78%).

FINANCING

During the 2011 financial year, Asciano raised a total of US\$2.0 billion in two separate issuances of unsecured Senior Guaranteed Notes ('notes' or 'US dollar bonds') in the 144a/Reg S international debt capital markets. As mentioned above, the notes have maturities ranging from five to 12 years. Substantially all of the proceeds of the notes were applied to the repayment of Asciano's syndicated bank loan maturing in May 2012. The notes are issued by Asciano Finance Limited and are guaranteed by Asciano Limited and certain of its subsidiaries. Asciano's principal and interest obligations in respect of the notes have been fully hedged back to Australian dollars.

As a result of Asciano's refinancing activity during the 2011 financial year:

- / Asciano's reliance on bank financing was significantly reduced. Bank debt at 30 June 2011 comprised 30% of total drawn debt (2010: 100%);
- / the weighted average maturity of Asciano's drawn debt increased to 6.1 years (2010: 2.4 years);
- / Asciano's largest single debt maturity was reduced to 25% of drawings (2010: 78%); and
- / concurrent with the completion of Asciano's debut offering, Asciano's bank syndicate released security held over the Group and Moody's Investors Service announced an upgrade in Asciano's long-term credit rating from Baa3 (Positive outlook) to Baa2 (Stable outlook).

10. OPERATING AND FINANCIAL REVIEW (CONTINUED)

BANK FACILITIES AND CASH

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

	MATURITY	2011		2010	
		TOTAL FACILITY \$M	UTILISED \$M	TOTAL FACILITY \$M	UTILISED \$M
Syndicated bank loan	May 2012	300.0	300.0	2,250.0	2,250.0
Syndicated revolving credit facility	Dec 2013	500.0	–	500.0	–
Syndicated bank loan	Dec 2014	500.0	500.0	500.0	500.0
Less: cash and cash equivalents		–	(398.5)	–	(215.3)
Net bank debt		1,300.0	401.5	3,250.0	2,534.7
Working capital facilities ¹	Dec 2013	140.0	92.6	140.0	119.5
		1,440.0		3,390.0	

¹ All drawings under the working capital facilities are in the form of performance bonds and bank guarantees.

US DOLLAR BONDS

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

	MATURITY	2011		2010	
		US\$M	A\$M ¹	US\$M	A\$M
US dollar 5 year bonds	Sep 2015	400.0	373.3	–	–
US dollar 7 year bonds	Apr 2018	750.0	699.9	–	–
US dollar 10 year bonds	Sep 2020	600.0	559.9	–	–
US dollar 12 year bonds	Apr 2023	250.0	233.3	–	–
Discount on US dollar bonds		(7.0)	(7.0)	–	–
		1,993.0	1,859.4	–	–

¹ Australian dollar equivalent calculated at the spot rate on 30 June 2011.

At 30 June 2011, all syndicated bank loans and US dollar bonds were unsecured.

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 the Trust. 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.

FINANCIAL PERFORMANCE

The improvement across all metrics of financial performance during the 2011 financial year is a reflection of the strength of Asciano's core businesses, its unique operating capabilities and the ongoing commitment to business efficiency.

Revenue and other income for the 2011 financial year was \$3,093.3 million, representing an 8.1% increase on the 2010 financial year (2010: \$2,862.3 million). This increase was driven primarily by the impact of new coal contracts in Queensland, further growth in Hunter Valley tonnage and the repricing of existing agreements in our Coal business, and increases in Intermodal and Bulk Rail tonnages offset by the extreme weather conditions in Queensland. The Patrick division reported flat revenue over the 12 month period impacted by the loss of contracts in the 2010 financial year, softer volumes reported by some of its customers and the impact of the ongoing negotiations with the Maritime Union of Australia.

EBIT before material items was \$539.1 million (2010: \$442.8 million), representing a year-on-year increase of 21.7%. In addition to the factors noted above, this reflects a lower amortisation charge on the reduced intangible base and lower depreciation in the Patrick division (as a result of the write-down in asset values in the 2010 financial year) offset by a 30.5% increase in depreciation in the Coal division reflecting the significant capital investment made to service new contracts secured by the division over the last two years.

10. OPERATING AND FINANCIAL REVIEW (CONTINUED)

Net profit after tax was \$145.2 million (2010: loss of \$975.9 million) representing a year-on-year improvement of 114.9%.

A review of the results for the financial year by operating division is set out below:

- / PN Coal: revenues were up by 22.8% on the 2010 financial year and EBIT before material items increased to \$165.9 million (2010: \$133.6 million) primarily due to the impact of new coal contracts in Queensland, further growth in Hunter Valley coal tonnage, and continued repricing activity across legacy New South Wales contracts offset by the impact of flooding in Queensland and Northern New South Wales, which will continue to influence cycle times and coal availability in both regions in the 2012 financial year;
- / PN Rail: revenues increased by 8.0% and EBIT before material items by 9.4% driven by a 23.0% increase in bulk rail volumes reflecting growth in tonnage of grain, construction materials and specialised products, as well as business improvement initiatives in asset management, fuel, labour efficiencies and operational and planning improvements, offset by lower SuperFreighter volumes; and
- / Patrick: revenues were up by 1.4% and EBIT before material items increased by 22.4% to \$190.6 million (2010: \$155.7 million) due to a 10.6% increase in throughput tonnes in the Ports and Stevedoring business, marginal increases in Autocare revenue, and the settlement of a consequential damages dispute associated with crumbling pavement works carried out by a third party at the Fisherman Islands site. This was offset by the loss of two customer contracts in the second half of the 2010 financial year, changes to shipping consortia, reduced market volumes and industrial activity at the terminals.

Depreciation and amortisation costs decreased by 2.3% to \$277.7 million in the 2011 financial year (2010: \$284.1 million) primarily driven by the lower amortisation charge on the reduced intangible asset base and lower depreciation in the Patrick division driven by the write-down in asset values in the 2010 financial year. The PN Coal division reported a 30.5% increase in depreciation charge, reflecting the significant capital investment made for new contracts secured by the division over the last two financial years.

Net finance expense before material items decreased by 0.9% to \$249.6 million in the 2011 financial year (2010: \$251.8 million).

Material items of \$69.2 million (2010: \$1,139.9 million) before tax, were recognised for the 2011 financial year comprising:

- / restructure costs of \$17.4 million related to restructuring within the General Stevedoring business in the Patrick division and costs associated with the change in MD and CEO and other senior executive positions;
- / a net impairment reversal of \$1.4 million comprising the reversal of \$4.4 million of previous impairment charges against items of plant and equipment in the PN Rail division, offset by the impairment of customer contracts and relationships of \$3.0 million in the Patrick division; and
- / de-designation of interest rate swaps of \$42.3 million (2010: \$4.6 million) and the write-off of deferred establishment costs of \$10.9 million arising as a result of the refinancing during the year.

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

REVENUE AND OTHER INCOME	2011 \$M	2010 \$M	MOVEMENT %
PN Coal	826.0	672.6	22.8
PN Rail	1,154.7	1,069.1	8.0
Patrick	1,172.2	1,156.4	1.4
Corporate/eliminations	(59.6)	(35.8)	(66.8)
Asciano	3,093.3	2,862.3	8.1

A summary of EBIT before material items for the period by business segment is set out below:

EBIT – BEFORE MATERIAL ITEMS	2011 \$M	2010 \$M	MOVEMENT %
PN Coal	165.9	133.6	24.2
PN Rail	173.1	158.2	9.4
Patrick	190.6	155.7	22.4
Corporate/eliminations	9.5	(4.7)	302.1
Asciano	539.1	442.8	21.7

11. DIVIDENDS

The Board of Directors determined on 24 August 2011 that a fully franked final dividend of 1.0 cent per share is payable by Asciano Limited on 22 September 2011. The record date for entitlement to the dividend is 8 September 2011. The dividend of \$29.3 million was not recognised as a liability at 30 June 2011.

A fully franked interim dividend of 1.0 cent per share was paid on 24 March 2011, with a record date for entitlement to the dividend of 10 March 2011.

12. LIKELY DEVELOPMENTS

The Board is considering the appointment of an additional Board member in the next six to 12 months.

Apart from the development noted above, in the opinion of the Directors, it would prejudice the interests of Asciano to provide additional information relating to likely developments in the operations of Asciano and the expected results of those operations in financial periods subsequent to 30 June 2011.

13. DIRECTORS' INTERESTS

The relevant interests of each Director in the shares and options issued by the Company and other related bodies corporate, as notified by the Directors to the ASX in accordance with section 205G (1) of the Corporations Act 2001, are as set out below:

	SHARES	OPTIONS
Non-Executive Directors		
Malcolm Broomhead	330,000	–
Chris Barlow	26,273	–
Bob Edgar	79,884	–
Peter George	136	–
Geoff Kleemann	50,000	–

No shares or options are currently held by Shirley In't Veld, and no shares are held by John Mullen.

John Mullen is eligible to receive a pro-rated grant of options under the LTI Plan for the 2011 financial year, reflecting the part of the financial year actually worked and to ensure alignment with the other members of the senior Executive Team. Shareholders will be asked to approve this allocation of 2,390,625 options at the 2011 AGM. If the grant of these options is approved, the exercise price and expiry date will be the same as for other participants.

14. OPTIONS OVER SHARES

OPTIONS GRANTED TO DIRECTORS AND EXECUTIVES OF ASCIANO

During the 2011 financial year, Asciano granted options for no consideration to acquire shares in Asciano to the following Directors and KMP of Asciano as part of their remuneration:

	NUMBER OF OPTIONS GRANTED	EXERCISE PRICE \$	EXPIRY DATE
Executives			
Paul Garaty	370,370	1.67	30 June 2015
Chris Keast	370,370	1.67	30 June 2015
David Irwin	370,370	1.67	30 June 2015
Saul Cannon	277,778	1.67	30 June 2015
Angus McKay	1,031,250	1.67	30 June 2015
Former Executives			
Mark Rowsthorn ¹	3,361,111	1.67	30 June 2015
Steven Ford ¹	277,778	1.67	30 June 2015

¹ The options granted lapsed due to the termination of the executives' employment during the 2011 financial year.

In accordance with the Asciano Options and Rights Plan, Asciano has the discretion in deciding whether options will be satisfied upon exercise by purchase of shares on-market or by new issue.

14. OPTIONS OVER SHARES (CONTINUED)

UNISSUED SHARES UNDER OPTION

During the financial year, there were a total of 10,461,106 options granted over shares. 5,509,269 options were granted on 15 July 2010, a further 3,361,111 options were granted on 27 October 2010 and 1,590,726 options were granted on 17 December 2010. All of these options were granted at an exercise price of \$1.67 per share and with an expiry date of 30 June 2015.

All options expire on the earlier of their expiry date or termination of the executives' employment. In addition, the ability to exercise the options is conditional on Asciano achieving a relative TSR performance hurdle. Further details are included in the Remuneration report.

SHARES ISSUED ON EXERCISE OF OPTIONS

No options were converted to shares during the 2011 financial year (2010: nil).

15. INDEMNITIES AND INSURANCE FOR DIRECTORS AND OFFICERS

Asciano has entered into insurance contracts that indemnify Directors and Officers of the Parent and its controlled entities against liabilities. In accordance with normal commercial practices, under the terms of the insurance contracts, the nature of the liabilities insured against and the amount of the premium paid are confidential.

Indemnity agreements have been entered into between the Parent and each of the Directors and certain Officers. Under the agreement, the Parent has agreed to indemnify the Directors/Officers against any claim or for any expenses or costs, which may arise as a result of the performance of their duties as Directors/Officers. There are no monetary limits to the extent of these indemnities.

16. UNDERTAKINGS TO THE AUSTRALIAN COMPETITION AND CONSUMER COMMISSION

On 18 April 2007, the Australian Competition and Consumer Commission ('ACCC') accepted enforceable undertakings from Asciano ('ACCC Undertakings') in order to facilitate the restructure of Toll and the creation of Asciano ('Restructure'). The undertakings expired on 1 April 2011 and are no longer in force.

The ACCC Undertakings included a range of measures designed to ensure that Toll and Asciano were independent and separate of one another and included the prohibitions set out below.

The ACCC Undertakings prohibited:

- / employment of senior ex-Toll personnel in PN's East West Intermodal rail business;
- / sharing or secondment of management or employees between Asciano and Toll;
- / payment of performance or incentive fees by Asciano to Toll or Toll employees, other than in the ordinary course of business;
- / sharing of profits and revenues between Asciano and Toll;
- / any preferential treatment in terms of price and service quality on a like-for-like basis by PN's East West Intermodal rail business in favour of Toll's freight forwarding and logistics operations and Patrick Autocare;
- / any preferential treatment in terms of price and service quality on a like-for-like basis by Patrick's container terminals business at Sydney, Melbourne, Brisbane and Fremantle in favour of Toll landside operations;
- / joint ventures between Asciano and Toll group entities;
- / acquisition by Asciano of any Toll shares or asset interests (whether legal or equitable); and
- / shared services and joint procurement arrangements between Asciano and Toll.

The ACCC Undertakings required that:

- / all contracts, arrangements or understandings between Asciano and Toll must be non-exclusive and be approved by the Board as being arm's length and in Asciano's best interests;
- / Asciano must collect and keep certain KPIs and provide this information to the auditor and, when requested, to customers; and
- / half yearly independent audits be carried out of Asciano's compliance with all obligations under the undertakings.

The ACCC Undertakings also imposed a number of restrictions on Directors of Asciano companies that were intended to ensure independence of governance.

The relevant Directors were required to give undertakings to the ACCC to divest their interest in Toll following the Restructure. The relevant Directors were also required to give undertakings to the ACCC to resign all positions, including their employment, if they are no longer independent of Toll. The existing Directors of Asciano and its controlled entities had given such undertakings, which have now expired.

17. LEGAL MATTERS

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

18. ROUNDING OF AMOUNTS

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

19. NON-AUDIT SERVICES OF THE EXTERNAL AUDITOR

During the year, KPMG, Asciano's auditor, performed certain services in addition to their statutory duties as external auditor.

Details of the amounts paid to KPMG and its related practices for statutory audit and non-audit services are set out in note 36 to and forming part of the financial statements. The Board is satisfied, based on advice from the Audit and Risk Committee, that the non-audit services provided are compatible with the general standard of independence for auditors imposed by the Corporations Act 2001 and do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for Asciano, acting as an advocate for Asciano or jointly sharing risks and rewards.

20. EVENTS SUBSEQUENT TO THE REPORTING DATE

On 20 July 2011, Asciano announced that the Patrick division has signed a new five year contract with the Maersk Line effective immediately. The new contract encompasses the movement of existing volumes (approximately 503,000 containers in the 2011 financial year) combined with an additional proforma 190,000 containers per annum.

Other than for the item noted above and for the resolution to pay a final dividend of 1.0 cent per share (refer to section 11), there has not arisen in the interval between the end of the 2011 financial year 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 years.

21. OUTLOOK

Longer-term Asciano remains confident on the outlook and the prospects of continuing to generate value for shareholders through a combination of:

- / continued significant investment of capital with a focus on ROCE, high quality coal/bulk rail opportunities;
- / a continued focus on cost management efficiency gains and margin improvement; and
- / the competitive advantages Asciano enjoys as a result of the quality and strategic positioning of our operations.

22. 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 page 36 and forms part of the Directors' report.

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



Malcolm Broomhead
Chairman

Sydney
24 August 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 audit for the financial year ended 30 June 2011 there have been:

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

A stylized signature of the KPMG firm, written in a cursive, handwritten style.

KPMG

A handwritten signature of Duncan McLennan, written in a cursive, handwritten style.

Duncan McLennan
Partner

Sydney

24 August 2011

FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2011



ASCIANO LIMITED ABN 26 123 652 862

Asciano comprises Asciano Limited and its controlled entities.

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CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2011

	NOTE	2011 \$M	2010 \$M
Revenue from services rendered	7	3,056.3	2,849.9
Other income	7	37.0	12.4
Share of net profit of associates	18	15.5	10.0
Operating expenses ¹ excluding depreciation, amortisation and impairment	9	(2,309.4)	(2,150.7)
Profit before impairment, depreciation, amortisation, net finance costs and tax		799.4	721.6
Net impairment reversal/(expense) – material items	9	1.4	(1,130.0)
Depreciation	9	(219.1)	(215.7)
Amortisation	9	(58.6)	(68.4)
Profit/(loss) before net finance costs and tax		523.1	(692.5)
Finance income	8	20.1	48.3
Finance expense – other	8	(269.7)	(300.1)
Finance expense – material items	8	(53.2)	(4.6)
Profit/(loss) before tax		220.3	(948.9)
Tax expense	10	(75.1)	(27.0)
Profit/(loss) after tax		145.2	(975.9)
Attributable to:			
Owners of Asciano Limited	27	176.8	(788.5)
Non-controlling interests:			
Unitholders of Asciano Finance Trust	28	(32.8)	(189.1)
Other	28	1.2	1.7
		145.2	(975.9)
Earnings per Parent share			
Basic and diluted – cents	6	6.0	(28.2)

1 Operating expenses include \$17.4 million (2010: \$5.3 million) of restructure and reorganisation costs. Refer note 9.

Included in note 6 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 years.

The notes on pages 43 to 100 are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2011

	NOTE	2011 \$M	2010 \$M
Profit/(loss) after tax		145.2	(975.9)
Other comprehensive income/(loss)			
Changes in fair value of cash flow hedge		(3.5)	63.0
Net change in fair value of cash flow hedge reclassified to profit or loss		1.0	–
Defined benefit superannuation funds actuarial losses	29	(8.3)	(14.1)
Foreign currency translation differences for foreign operations		(1.3)	0.2
Income tax benefit/(expense) on other comprehensive income		3.7	(14.7)
Other comprehensive (loss)/income, net of tax		(8.4)	34.4
Total comprehensive income/(loss)		136.8	(941.5)
Total comprehensive income/(loss) attributable to:			
Owners of Asciano Limited		168.4	(754.1)
Non-controlling interests:			
Unitholders of Asciano Finance Trust	28	(32.8)	(189.1)
Other	28	1.2	1.7
		136.8	(941.5)

The notes on pages 43 to 100 are an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2011

	NOTE	2011 \$M	2010 \$M
Current assets			
Cash and cash equivalents	11	398.5	215.3
Trade and other receivables	13	348.6	296.6
Prepayments	14	26.6	20.9
Inventories	15	22.2	22.0
Derivative financial assets	16	–	3.7
Total current assets		795.9	558.5
Non-current assets			
Trade and other receivables	13	69.8	72.9
Prepayments	14	9.4	14.0
Inventories	15	31.2	26.8
Derivative financial assets	16	–	0.7
Net deferred tax assets	17	100.3	150.3
Equity accounted investments	18	20.7	13.4
Property, plant and equipment	19	2,974.0	2,822.6
Intangible assets	20	2,806.2	2,860.3
Other assets		1.3	2.3
Total non-current assets		6,012.9	5,963.3
Total assets		6,808.8	6,521.8
Current liabilities			
Trade and other payables	21	322.2	261.3
Loans and borrowings	22	300.0	–
Derivative financial liabilities	23	87.3	39.5
Current tax liabilities	17	9.4	1.4
Provisions and employee benefits	24	193.9	197.3
Total current liabilities		912.8	499.5
Non-current liabilities			
Trade and other payables	21	80.7	79.7
Loans and borrowings	22	2,358.4	2,714.5
Derivative financial liabilities	23	168.5	49.5
Provisions and employee benefits	24	70.6	74.8
Total non-current liabilities		2,678.2	2,918.5
Total liabilities		3,591.0	3,418.0
Net assets		3,217.8	3,103.8
Equity			
Contributed equity	25	8,607.4	8,180.7
Reserves	26	(4,968.6)	(4,977.2)
Retained earnings/(accumulated losses)	27	(431.6)	(573.4)
Equity attributable to owners of Asciano Limited		3,207.2	2,630.1
Non-controlling interests	28	10.6	473.7
Total equity		3,217.8	3,103.8

The notes on pages 43 to 100 are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2011

\$000	CONTRIBUTED EQUITY	RESERVES	RETAINED EARNINGS	TOTAL	NON- CONTROLLING INTERESTS	TOTAL
2011						
Balance at 1 July 2010	8,180.7	(4,977.2)	(573.4)	2,630.1	473.7	3,103.8
Profit/(loss) after tax	–	–	176.8	176.8	(31.6)	145.2
Other comprehensive income ('OCI'):						
Net movement in cash flow hedge reserve	–	(2.5)	–	(2.5)	–	(2.5)
Defined benefit superannuation funds actuarial losses	–	–	(8.3)	(8.3)	–	(8.3)
Foreign currency translation differences for foreign operations	–	(1.3)	–	(1.3)	–	(1.3)
Income tax benefit on OCI	–	1.1	2.6	3.7	–	3.7
Total comprehensive income	–	(2.7)	171.1	168.4	(31.6)	136.8
Treasury shares acquired	(3.1)	–	–	(3.1)	–	(3.1)
Transactions with owners in their capacity as owners:						
Corporatisation, net of transaction costs	429.8	9.3	–	439.1	(431.5)	7.6
Interim dividend paid	–	–	(29.3)	(29.3)	–	(29.3)
Employee equity benefits	–	2.0	–	2.0	–	2.0
	429.8	11.3	(29.3)	411.8	(431.5)	(19.7)
Balance at 30 June 2011	8,607.4	(4,968.6)	(431.6)	3,207.2	10.6	3,217.8
2010						
Balance at 1 July 2009	7,189.4	(5,022.8)	225.0	2,391.6	(187.8)	2,203.8
Loss after tax	–	–	(788.5)	(788.5)	(187.4)	(975.9)
OCI:						
Net movement in cash flow hedge reserve	–	63.0	–	63.0	–	63.0
Defined benefit superannuation funds actuarial losses	–	–	(14.1)	(14.1)	–	(14.1)
Foreign currency translation differences for foreign operations	–	0.2	–	0.2	–	0.2
Income tax (expense)/benefit on OCI	–	(18.9)	4.2	(14.7)	–	(14.7)
Total comprehensive income	–	44.3	(798.4)	(754.1)	(187.4)	(941.5)
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs	991.3	–	–	991.3	848.9	1,840.2
Employee equity benefits	–	1.3	–	1.3	–	1.3
	991.3	1.3	–	992.6	848.9	1,841.5
Balance at 30 June 2010	8,180.7	(4,977.2)	(573.4)	2,630.1	473.7	3,103.8

The notes on pages 43 to 100 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2011

	NOTE	2011 \$M	2010 \$M
Operating cash flows			
Receipts from customers		3,432.9	3,244.0
Payments to suppliers and employees		(2,711.9)	(2,593.1)
Interest and other costs of finance paid		(223.2)	(320.5)
Termination of interest rate swaps		(27.1)	(12.7)
Interest received		18.7	47.8
Dividends received from associates		12.3	7.6
Net income tax payments		(4.2)	(3.2)
Net operating cash flows	12	497.5	369.9
Investing cash flows			
Payments for property, plant and equipment and intangible assets		(404.0)	(511.8)
Proceeds from sale of property, plant and equipment and intangible assets		39.1	2.3
Proceeds from sale of business		–	29.7
Investment in associate	18	(4.0)	–
Repayments of loans from associates		4.5	7.5
Net investing cash flows		(364.4)	(472.3)
Financing cash flows			
Proceeds from issues of equity, net of transaction costs		–	1,833.0
Corporatisation transaction costs		(2.3)	–
Treasury shares acquired	25	(3.1)	–
Proceeds from US dollar bond issuances, net of discount		2,034.8	–
Proceeds from borrowings		–	590.7
Repayments of borrowings	22	(1,950.0)	(2,785.8)
Finance lease repayments		–	(0.8)
Interim dividend paid	5	(29.3)	–
Net financing cash flows		50.1	(362.9)
Net increase/(decrease) in cash and cash equivalents		183.2	(465.3)
Cash and cash equivalents at the beginning of the year		215.3	680.6
Cash and cash equivalents at the end of the year	11	398.5	215.3

The notes on pages 43 to 100 are an integral part of these financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

The consolidated financial statements comprise the financial statements of the consolidated entity ('Asciano') consisting of Asciano Limited ('Parent') and its controlled entities (together 'the Group'). Asciano Limited is a company domiciled in Australia. Asciano Limited is primarily involved in the ownership and management of port and rail assets and associated operations and services. Asciano Finance Trust ('the Trust') is a controlled entity of Asciano Limited.

The consolidated financial statements were authorised for issue by the Board of Directors on 24 August 2011.

The significant accounting policies that have been adopted in the preparation of these consolidated financial statements are set out below.

BASIS OF PREPARATION

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, including the Australian Accounting Interpretations adopted by the Australian Accounting Standards Board ('AASB'), and the Corporations Act 2001. The consolidated financial statements of Asciano comply with the International Financial Reporting Standards and the interpretations adopted by the International Accounting Standards Board ('IASB').

Where this 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, being 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 set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by its controlled entities.

Certain comparative amounts including segment reporting (note 4), CGU composition (note 20), and loans and borrowings (note 22) have been reclassified to conform to the current year's presentation. Additionally, the presentation of material items has been amended throughout the financial report, to align with items of a similar nature.

HISTORICAL COST CONVENTION

These consolidated financial statements have been prepared under the historical cost basis except for the following material items:

- / derivative financial assets and liabilities are measured at fair value; and
- / a liability or asset in respect of defined benefit superannuation funds is measured as the present value of the defined benefit obligation less the fair value of the superannuation fund's assets and any unrecognised past service cost.

FUNCTIONAL AND PRESENTATION CURRENCY

These consolidated financial statements are presented in Australian dollars, which is the Parent's functional currency.

ROUNDING OF AMOUNTS

Asciano 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 financial report. Amounts in the 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.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount 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 uncertainty and critical judgements in applying accounting policies are described in note 2.

PRINCIPLES OF CONSOLIDATION

CORPORATISATION AND STAPLING

On 27 October 2010, a special resolution was passed at Asciano's 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.

Prior to Corporatisation, the Company and the Trust were stapled together to form Asciano. AASB Interpretation 1002 Post-Date-of-Transition Stapling Arrangements requires that a parent be identified for a stapled group. As a consequence, the Company was identified as the accounting parent of the stapled group. The Company therefore consolidated the Trust until the date of Corporatisation. Under AASB Interpretation 1002, the interests of the securityholders in the Trust were shown as non-controlling interests in the Income Statement, Statement of Comprehensive Income, Balance Sheet and Statement of Changes in Equity of the Company until the date of Corporatisation even though the unitholders of the Trust were also shareholders of the Company by virtue of the stapling arrangement.

Other non-controlling interests are interests in partly owned subsidiaries, which are not held either directly or indirectly by Asciano Limited.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BUSINESS COMBINATIONS INVOLVING ENTITIES UNDER COMMON CONTROL

The opening Balance Sheet of Asciano, as at its formation on 15 June 2007, reflected the values for assets and liabilities acquired from Toll's consolidated accounting records. As a common control transaction, the demerger did not reflect the fair value of assets and liabilities acquired or any recording of additional goodwill at the time of the formation of Asciano. The difference between the fair value of the consideration given and the carrying value of the assets and liabilities acquired was recognised as a common control reserve.

SUBSIDIARIES

Subsidiaries, other than those that Asciano has deemed to have been either directly or indirectly acquired through stapling arrangements, are those entities over which Asciano has the power, directly or indirectly, to govern the financial and operating policies generally accompanied by an equity holding of more than half the voting rights. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control of the subsidiary commences until the date that control ceases.

Inter-entity transactions, balances and unrealised gains on transactions between Group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset being transferred.

ASSOCIATES

Associates are those entities in which Asciano has significant influence, but not control over the financial and operating policies, generally accompanied by an equity holding of between 20% and 50% of the voting rights. The financial statements include Asciano's share of the total recognised gains and losses of associates on an equity accounted basis from the date that significant influence over the associate commences until the date that significant influence ceases.

When Asciano's share of losses exceeds its interest in an associate, Asciano's carrying amount is reduced to \$nil and recognition of further losses is discontinued except to the extent that Asciano has incurred legal or constructive obligations or made payments on behalf of an associate.

Unrealised gains on transactions between Asciano and its associates are eliminated to the extent of Asciano's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by Asciano.

SEGMENT REPORTING

A segment is a distinguishable component of Asciano that participates in business activities from which it may earn revenues and incur expenses. The operating results of the segments are regularly reviewed by the entity's chief operating decision-maker enabling him to make decisions about the allocation of resources to the segments and assess their performance.

Segment information is comprised of reporting segments delineated according to services. Parts of the business are aggregated into segments where they have similar economic characteristics or are similar in regard to the nature of the services, type or class of customer or methods used to provide the services. The segments are not delineated on a geographical basis as all segments operate Australia-wide.

During the 2011 financial year, Asciano restructured the business from four divisions to three divisions to enable better extraction of synergies through integration and alignment of the ports and rail businesses.

As a result of this operational restructure, Asciano has also determined that the number of reportable segments has decreased from four segments to three segments.

As such Asciano now comprises the following three segments:

- PN Coal – consists of the haulage of export coal in bulk quantities from mine to port by rail, and domestic coal from mine to power stations and steelworks in New South Wales, Queensland and South Australia;
- PN Rail – consists of interstate containerised and bulk rail freight and intermodal terminal services, operating approximately 180 services per week between all mainland state capital cities, and provides non-coal bulk rail services to the Australian grain and industrial sectors; and
- Patrick – consists of container and automotive stevedoring, associated import/export container supply chain logistics services from ship to destination and origin to ship, and vehicle processing. This division holds long-term lease concessions at container terminals in Brisbane, Sydney, Melbourne and Perth (Fremantle).

The restructure was implemented early in the 2011 calendar year and therefore, the prior year comparatives have been restated to conform with the new segmental presentation.

Inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment, as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly investments and related revenue, loans and borrowings and related expenses, corporate assets and head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FOREIGN CURRENCY TRANSACTIONS AND BALANCES

Transactions in foreign currencies are translated into the entity's functional currency at the foreign exchange rate ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the respective entity's functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Income Statement or the Statement of Comprehensive Income where appropriate.

REVENUE

Revenue is measured at the fair value of the consideration received or receivable net of GST. Revenue is recognised following the provision of the service and/or in accordance with agreed contractual terms in the period in which the service is provided. Amounts disclosed as revenue are net of rebates and amounts collected on behalf of third parties.

EXPENSES

OPERATING LEASE PAYMENTS

Payments made under operating leases are recognised in the Income Statement on a straight line basis over the term of the lease. Lease incentives received are recognised in the Income Statement as an integral part of the total lease expense and spread over the lease term.

FINANCE LEASE PAYMENTS

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

BORROWING COSTS

Borrowing costs are expensed as incurred unless they relate to qualifying assets. Qualifying assets are assets that take more than 12 months to commission. In these circumstances, borrowing costs are capitalised to the cost of the assets. Capitalisation is based on the period of time that is required to complete and prepare the asset for its intended use.

FINANCE INCOME AND EXPENSE

Dividends and distributions are recognised when Asciano's right to receive payment is established.

Finance income comprises interest income on funds invested, and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues, using the effective interest method.

Finance expense comprises interest expense on loans and borrowings, unwinding of the discount on provisions, losses on hedging instruments that are recognised in profit or loss and impairment losses recognised on financial assets, other than trade receivables. All borrowing costs are recognised in profit or loss using the effective interest method, except for borrowing costs on capitalised qualifying assets that are deferred and amortised over the life of the underlying facilities.

MATERIAL ITEMS

Material items comprise items of income or expense which are considered to be relevant to explaining the performance of Asciano and are, either individually or in aggregate, material to Asciano. Such items are likely to include, but are not restricted to, gains or losses on the sale or termination of operations, the cost of significant Asciano-wide reorganisations or restructurings, impairment charges to tangible or intangible assets, de-designation of interest rate swaps, write-off of deferred establishment costs and guarantee and commitment fees. This information assists the users of Asciano's financial statements in their understanding of the underlying business results.

INCOME TAX

Prior to Corporatisation, pursuant to the Income Tax Assessment Act 1936, income tax is not brought to account in respect of the Trust, as the Trust is not liable for income tax provided that its taxable income, including any assessable realised capital gains, is fully distributed to unitholders each year. Accordingly, income tax amounts recognised in Asciano's financial statements relate to Asciano Limited and other taxpaying entities within Asciano.

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the Income Statement except to the extent that it relates to items recognised directly within other comprehensive income or reserves, in which case it is recognised in other comprehensive income or reserves as appropriate.

Current tax is the expected tax payable on the taxable income for the year using notional income tax rates for each jurisdiction, enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences:

- / the initial recognition of goodwill;
- / the initial recognition of assets or liabilities in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss; and
- / differences relating to investments in subsidiaries and associates to the extent that they will probably not reverse in the foreseeable future.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis, or their tax assets and liabilities will be realised simultaneously.

Additional income tax that arises from the distribution of dividends is recognised at the same time as the liability to pay the related dividend.

TAX CONSOLIDATION

Asciano Limited and its wholly owned Australian resident entities are part of a tax-consolidated group and are therefore taxed as a single entity.

IMPAIRMENT

Goodwill and intangible assets that have indefinite lives or that are not yet available for use are tested annually at the same time for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit ('CGU') exceeds its recoverable amount. A CGU is the smallest identifiable asset group that generates cash flows that largely are independent from those of other assets and groups. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Impairment losses are recognised in the Income Statement. Impairment losses recognised in respect of an impaired CGU are allocated first to reduce the carrying amount of any goodwill allocated to the impaired CGU and then to reduce the carrying amount of the other assets on a pro-rata basis.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

The recoverable amount of an asset or CGU is the greater of its value in use, and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss in respect of goodwill is not reversed. In respect of other non-financial assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

LEASED ASSETS

Leases under which Asciano assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

The corresponding liability is also established with lease payments allocated between the lease liability and finance cost. The finance cost is charged to the Income Statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

Other leases are operating leases and the leased assets are not recognised on the Balance Sheet.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash balances, short-term bills and term deposits. Bank overdrafts that are repayable on demand and form an integral part of Asciano's cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows. Bank overdrafts are shown within loans and borrowings in current liabilities on the Balance Sheet.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

TRADE AND OTHER RECEIVABLES

Trade and other receivables are stated at their amortised cost using the effective interest method, less impairment losses. Trade receivables are generally due for settlement after 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectable are written off. An allowance for impairment of trade receivables is established when there is objective evidence that Asciano will not be able to collect all amounts due according to the original terms of receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 180 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment loss is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted.

INVENTORIES

Inventories consist predominantly of spare parts and consumables used in maintenance activities and are stated at the lower of cost and net realisable value. Cost of inventories includes all costs of purchases and other expenses incurred in bringing the inventories to their present location and condition. Costs are assigned to individual items of inventory on the basis of either weighted average cost or a first in, first out basis unless specific identification is possible.

Non-current inventories represent long lived spare parts also known as capital spares. This class of inventory represents major spare parts that can be cyclically overhauled and reused, and as such, are depreciated over the lower of their expected useful life and the expected useful life of the equipment they are used in. Specific obsolete items of inventory are written off.

NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

Non-current assets (or disposal groups comprising of assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured. Thereafter, generally the assets (or disposal group) are measured at the lower of their carrying amount, and fair value less costs to sell. The assets are thereafter not depreciated or amortised. Any impairment loss on the disposal group first is allocated to goodwill, and then to the remaining assets and liabilities on a pro-rata basis (except that no loss is allocated to inventories, financial assets, deferred tax assets and employee benefit assets). Impairment losses on initial classification of assets as held for sale and subsequent gains or losses on remeasurement are recognised in the Income Statement. Gains are not recognised in excess of any cumulative impairment loss.

INVESTMENTS AND OTHER FINANCIAL ASSETS

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when Asciano provides cash or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date, which are classified as non-current assets.

DERIVATIVE FINANCIAL INSTRUMENTS

Asciano enters into derivative financial instruments from time to time to hedge its interest rate and foreign currency risk exposures.

At the inception of the hedging transaction, Asciano documents the type of hedge, the hedged item or transaction, the hedging instrument, the nature of the risk being hedged, the relationship between the hedging instrument and hedged item, as well as its risk management objective and strategy for undertaking the relevant hedge transaction. Asciano's hedge documentation also demonstrates, both at hedge inception and on an ongoing basis that the hedge has been and is expected to continue to be highly effective.

Derivatives are recognised initially at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below:

DERIVATIVES THAT QUALIFY FOR HEDGE ACCOUNTING

Fair value hedges

For a derivative or financial instrument designated as hedging the change in fair value of a recognised asset or liability, the gain or loss on the derivative or financial instrument is recognised in the Income Statement immediately, together with the loss or gain on the hedged asset or liability that is attributable to the hedge risk.

Cash flow hedges

Changes in the fair value of derivatives designated as cash flow hedges are recognised directly in other comprehensive income to the extent that the hedge is highly effective. To the extent that the hedge is not highly effective, changes in fair value are recognised immediately in the Income Statement within finance income or expense.

If the derivative no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised or the designation is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the underlying forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognised in equity is transferred to the carrying amount of the asset when it is recognised. In other cases, the amount recognised in equity is transferred to the Income Statement in the same period that the hedged item affects the Income Statement.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

DERIVATIVES THAT DO NOT QUALIFY FOR HEDGE ACCOUNTING

Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the Income Statement.

FAIR VALUE ESTIMATION

The fair value of financial assets and liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives and shares) is based on quoted market prices at the reporting date.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. Asciano uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date.

The fair value of interest rate swaps and cross-currency interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using spot foreign exchange market rates and market forward curves for each currency pair at the balance sheet date.

The nominal value less estimated credit adjustments of short-term receivables and payables are assumed to approximate their fair values. The fair value of non-derivative financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to Asciano for similar instruments.

The fair value of the Asciano employee options and rights plan is measured using the Monte Carlo simulation methodology and binomial tree methodology. Measurement inputs include the share price on the measurement date, the exercise price of the instrument, expected volatility, expected term of the instruments, expected dividends, and the risk-free interest rate (based on Commonwealth government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

PROPERTY, PLANT AND EQUIPMENT

OWNED ASSETS

Items of property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of self-constructed assets includes the cost of materials, direct labour, other directly attributable costs, where applicable, the cost of dismantling and removing the items and restoring the sites on which they are located, and capitalised borrowing costs. Subsequent costs of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to Asciano, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate components of property, plant and equipment.

The profit or loss on disposal of assets is brought to account at the date an unconditional offer and acceptance of sale are determined. The profit or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal, and is recognised in other income in the Income Statement.

DEPRECIATION

Items of property, plant and equipment, including buildings and leasehold property but excluding freehold land, are depreciated on a straight line basis over their estimated useful lives. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately. Leased assets are depreciated over the shorter of the lease term and their useful lives. Depreciation rates used for each class of asset in the current and comparative year are as follows:

- / buildings – 20 to 40 years;
- / plant and equipment – 3 to 45 years; and
- / leasehold improvements – 5 to 40 years.

Depreciation methods and useful lives, as well as residual values, are reassessed annually. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

INTANGIBLE ASSETS

GOODWILL

Goodwill represents the excess of the cost of an acquisition over the fair value of Asciano's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to CGUs and is not amortised but is tested at least annually for impairment. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associate. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Negative goodwill arising on an acquisition is recognised directly in the Income Statement.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IT DEVELOPMENT AND SOFTWARE

Research costs are expensed as incurred.

Costs incurred in developing products or systems and costs incurred in acquiring software and licences that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and services, and direct payroll and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight line basis over periods generally ranging from three to 15 years.

IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where Asciano has an intention and ability to use the asset.

CUSTOMER CONTRACTS AND RELATIONSHIPS

Customer contracts and relationships acquired as part of a business combination are recognised separately from goodwill. The customer contracts and relationships are carried at their fair value at the date of acquisition less accumulated amortisation and impairment losses. Amortisation is calculated based on the timing of projected cash flows of the contracts and relationships over their estimated useful lives, which range from five to 10 years from initial recognition.

BRAND NAMES

Brand names recognised by Asciano that have an indefinite useful life are not amortised. The useful life of this intangible asset is reviewed each period to determine whether events and circumstances continue to support an indefinite useful life assessment for the asset, which is tested for impairment annually.

TRADE AND OTHER PAYABLES

Trade and other payables are stated at their amortised cost. Trade payables are non-interest bearing.

INTEREST BEARING LOANS AND BORROWINGS

Interest bearing loans and borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest bearing loans and borrowings are stated at amortised cost, with any difference between cost and redemption value being recognised in the Income Statement over the period of the loans and borrowings on an effective interest basis.

PROVISIONS

A provision is recognised if, as a result of a past event, Asciano has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

WORKERS COMPENSATION SELF-INSURANCE

Where Asciano acts as a self-insurer for workers compensation claims under relevant federal, state and territory legislation, a provision is made for all assessed workers compensation liabilities incurred and both reported and not reported claims up to \$1.0 million. Independent actuarial valuations are used to estimate the provision required. All claims over \$1.0 million are reinsured.

RESTRUCTURING

A provision for restructuring is recognised when the business has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly. A restructuring provision includes only the direct expenditures arising from the restructuring and does not include future operating costs.

INCIDENT

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.

TRAVEL PASSES

Asciano's net obligation in respect of travel passes is the amount of expected future benefits that employees/retirees have earned in return for their service in the current and prior periods as determined by a qualified actuary. The obligation for travel passes is based on the age of the passholder, length of service, expected exit date, and life expectancy. A significant portion of the liability is in relation to retirees who were never employees of Asciano, but the liability was assumed by Asciano as a result of a business combination in 2002, and therefore the provision is not treated as an employee benefit for reporting purposes.

SITE RESTORATION

In accordance with the environment policy and applicable legal requirements, provision for site restoration costs in respect of contaminated land, is recognised when the need for restoration is identified.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

EMPLOYEE BENEFITS

LONG-TERM SERVICE BENEFITS

Asciano's net obligation in respect of long-term service benefits, other than superannuation but including long service leave, is the amount of future benefits that employees have earned in return for their service in the current and prior periods. The long service leave obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates, and is discounted using the rates attached to the Commonwealth Government bonds at the reporting date that have maturity dates approximating to the terms of Asciano's obligations.

Long service leave is classified as current where the leave has vested, or will vest within the next 12 months, in accordance with the relevant state legislation under which the employee operates.

DEFINED CONTRIBUTION SUPERANNUATION FUNDS

Obligations for contributions to defined contribution superannuation funds are recognised as an expense in the Income Statement as incurred.

DEFINED BENEFIT SUPERANNUATION FUNDS

Asciano's net obligation in respect of defined benefit superannuation funds is calculated separately for each fund by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. The benefit is discounted to determine its present value, and the fair value of any fund assets and any unrecognised past service cost is deducted.

The discount rate is the yield at the balance sheet date on Commonwealth Government bonds that have maturity dates approximating to the terms of Asciano's obligations. The calculation is performed annually by a qualified actuary using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Expected future payments are discounted using market yields at the reporting date on Commonwealth Government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Future taxes are taken into account in the actuarial assumptions used to determine the relevant components of the employer's defined benefit liability or asset.

When the benefits of a fund are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the Income Statement on a straight line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the Income Statement. Actuarial gains and losses are recognised directly in other comprehensive income.

SHARE-BASED PAYMENT TRANSACTIONS

The Asciano Options and Rights Plan allows executives and selected employees to acquire shares. The fair value of options granted is recognised as an employee benefits expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using the Monte Carlo and binomial methods, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

WAGES, SALARIES, ANNUAL LEAVE, SICK LEAVE AND NON-MONETARY BENEFITS

Liabilities for employee benefits for wages, salaries, annual leave and sick leave that are due within 12 months of the reporting date represent present obligations resulting from employees' services provided at the reporting date. These balances are calculated at undiscounted amounts based on remuneration wage and salary rates that Asciano expects to pay as at the reporting date including related on-costs, such as workers compensation insurance and payroll tax. Non-accumulating non-monetary benefits (such as parking and mobile telephone expenses) are expensed based on the net marginal cost to Asciano as the benefits are taken by the employees.

CONTRIBUTED EQUITY

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in contributed equity as a deduction, net of tax, from the proceeds of issue.

TREASURY SHARES

The acquisition of Asciano's own equity instruments are not recognised as financial assets regardless of the reason for which they are reacquired. If Asciano reacquires its own equity instruments, those instruments ('treasury shares') are deducted from equity. No gain or loss is recognised in the profit or loss on the purchase, sale, issue or cancellation of Asciano's own equity instruments. Such treasury shares may be acquired and held by the Parent or by other members of the consolidated group. Consideration paid or received for the transfer of treasury shares is recognised directly in equity.

DIVIDENDS

Once declared, dividends are a liability of Asciano and, to the extent they are not paid at the reporting date, are accounted for as other financial liabilities.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit or loss attributable to shareholders of the Parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the post-tax effect of interest and other financing costs associated with dilutive ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2011 reporting periods. The Group's assessment of the impact of these new standards and interpretations that are likely to impact Asciano are set out below:

- / AASB 9 Financial Instruments becomes mandatory for Asciano's 2014 consolidated financial statements and is likely to change the classification and measurement of financial assets;
- / On 16 June 2011, the IASB published an amendment to IAS 19 Employee Benefits which removes certain options in respect of accounting for defined benefit post-employment plans, while introducing certain other new measurement and disclosure requirements. The main change arising from the amendments to IAS 19 that will impact Asciano is that the components of interest cost less expected return on assets in superannuation expense will be replaced by a net interest cost, equal to the discount rate multiplied by the net asset/liability. This change is expected to result in an increase in superannuation expense as the impact of the excess of the expected rate of investment return over the discount rate will no longer be reflected in the expense. Additionally, more detailed disclosure will be required which is designed to provide users of the financial statements with more information about the risks faced in relation to the defined benefit funds; and
- / On 16 June 2011, the IASB published an amendment to IAS 1 Presentation of Financial Statements. Under the requirements of the amended standard, the IASB requires an entity to present separately amounts recognised in other comprehensive income that it expects to be reclassified to the statement of comprehensive income in the future (even if contingent on future events) separate to those amounts that would never be classified.

Asciano does not plan to early adopt any of these standards.

GOING CONCERN

Asciano has a net current asset deficiency as at 30 June 2011 of \$116.9 million. This is primarily due to \$300.0 million of syndicated debt which matures on 31 May 2012. Given Asciano has an unutilised syndicated revolving credit facility of \$500.0 million maturing in December 2013, the Directors believe Asciano has the capacity to pay its debts in full as and when they fall due.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires management to make judgements, estimates 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 relevant notes.

IMPAIRMENT

Asciano assesses whether goodwill and intangible assets with indefinite useful lives are impaired at least annually, in accordance with the accounting policy in note 1. These calculations involve an estimation of the recoverable amount of the 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, which are detailed in note 20.

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.

If an indicator of impairment exists, the recoverable amount of the asset is determined. Refer to note 9 for impairment charges recognised or reversed.

TAXATION

INTERPRETATION AND APPLICATION OF TAX LEGISLATION

Asciano's accounting for income tax requires management's judgement as to the types of arrangements considered to be subject to tax. Judgement is also required in relation to the application of existing tax legislation, including the impact of Australian Tax Office interpretation and ongoing government reviews of existing legislation. For example, during the year ended 30 June 2011, the Government announced a review of the tax consolidation legislation and the application of rights to future income deductions. The Federal Government has also announced a proposed amendment and review of the application of tax legislation in respect of certain financing arrangements, such as those used by some stapled structures.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

In each of these situations, Asciano has been required to interpret and apply existing legislation. Where appropriate, Asciano seeks external advice regarding the interpretation and application of tax legislation. Furthermore, from time to time, in the ordinary course of business Asciano may receive enquiries from the Australian Tax Office regarding the treatment of various transactions. When responding to these matters, management uses its judgement to interpret the relevant legislation and case law applying to the particular matter.

As a result of these uncertainties, there is a possibility that changes in circumstances may occur. These changes may result in amendments to amounts previously claimed as deductions and/or the measurement of deferred taxes. Any such change may result in a corresponding adjustment in the Income Statement.

RECOVERABILITY OF DEFERRED TAX ASSETS

Deferred tax assets, including those arising from carried forward losses, capital losses and temporary differences, are recognised when 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, which in turn depend on estimates of future sales volumes, operating costs, capital expenditure, dividends to shareholders and other capital management transactions.

WORKERS COMPENSATION SELF-INSURANCE PROVISION

Independent actuarial valuations are used to estimate the provision required for self-insured workers compensation. The determination of the provision required is dependent on a number of assumptions including the total future cost to finalise existing open claims, wage increases that will impact existing claims, a discount rate that is based on Commonwealth Government bond yields, inflation, and the amount of claims that have been incurred but not yet reported.

Variances in any of the assumptions used, and in particular the costs associated with claims, can have a material impact on the provision estimates in the following year.

RESTRUCTURING PROVISION

Although a restructuring provision is based on a detailed plan, the provision calculation includes several estimates and assumptions including the timing and cost of site closures, timing and cost of curtailment of operations and costs for incidental services such as legal, accounting and consulting. Estimates are also required of the exact number of employees who will exit the business, number of staff who may accept redeployment, final cost of property and site make-good, asset valuations and realisation from sale of discontinued assets.

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.

TRAVEL PASSES

The travel passes provision relates to the cost of retiree rail travel passes and is based on an independent actuarial assessment conducted by ABS (PL) Pty Limited. Retiree rail travel passes relate to retired ex-employees of FreightCorp (the business acquired by an Asciano subsidiary in 2002) who held a life-long travel pass and ex-employees of FreightCorp who became employees of Pacific National who were expected to become entitled to a retiree pass on exiting the business. Timing of the expenditure is dependent upon the age of the passholder, length of service, expected exit date and life expectancy.

DEFINED BENEFIT SUPERANNUATION FUNDS

A liability or asset in respect of defined benefit superannuation funds is recognised on the Balance Sheet, and is measured as the present value of the defined benefit obligation less the fair value of the superannuation fund's assets and any unrecognised past service cost. The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method. Assumptions have been made by the actuaries as to expected future wage and salary levels, experience of employee departures and periods of service.

3. FINANCIAL RISK MANAGEMENT

(A) OVERVIEW

Asciano has exposure to credit, liquidity and market risks relating to its use of financial instruments. This note presents information about Asciano's exposure to each of these risks, Asciano's objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout the financial statements.

The Board has overall responsibility for the establishment and oversight of Asciano's risk management framework. The Board has established the Audit and Risk Committee, which is responsible for developing and monitoring Asciano's risk management policies. The committee reports regularly to the Board on its activities.

Asciano's risk management policies are established to identify and analyse the risks faced by Asciano, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed to reflect changes in market conditions and Asciano's activities. Asciano, through its management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit and Risk Committee oversees how management monitors compliance with Asciano's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by Asciano. The Audit and Risk Committee is assisted in its oversight role by internal audit. Internal audit undertakes reviews of risk management controls and procedures, the results of which are reported to the committee.

(B) FAIR VALUES

The fair values of financial assets and liabilities, together with the carrying amounts shown in the Balance Sheet, are presented below:

	NOTE	CARRYING AMOUNT \$M	FAIR VALUE \$M
2011			
Financial assets			
Cash and cash equivalents	11	398.5	398.5
Trade and other receivables	13	351.1	351.1
Loans to associates	13	67.3	68.3
		816.9	817.9
Financial liabilities			
Trade and other payables	21	322.2	322.2
Forward exchange contracts	23	17.4	17.4
Syndicated bank loan	22	800.0	800.0
US dollar bonds, gross of discount	22	1,892.9	1,857.4
Interest rate swaps	23	31.9	31.9
Cross-currency swaps	23	206.5	206.5
		3,270.9	3,235.4
Net financial liabilities		(2,454.0)	(2,417.5)
2010			
Financial assets			
Cash and cash equivalents	11	215.3	215.3
Trade and other receivables	13	296.6	296.6
Forward exchange contracts	16	4.4	4.4
Loans to associates	13	72.9	73.4
		589.2	589.7
Financial liabilities			
Trade and other payables	21	261.3	261.3
Forward exchange contracts	23	0.5	0.5
Syndicated bank loan	22	2,750.0	2,750.0
Interest rate swaps	23	88.5	88.5
		3,100.3	3,100.3
Net financial liabilities		(2,511.1)	(2,510.6)

The fair value of the US dollar bonds has been determined using market prices from third party information.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

All derivative financial instruments are carried at fair value, by valuation method. The different levels have been defined as follows:

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

All of Asciano's financial instruments fall into the Level 2 classification.

INTEREST RATES USED IN DETERMINING FAIR VALUE

The interest rates used to discount estimated cash flows, where applicable, are based on the Australian dollar and US dollar yield curves at the reporting date and were as follows:

	2011 % pa	2010 % pa
Australian dollar derivatives	4.9 to 5.8	4.8 to 5.0
US dollar derivatives and fair value adjustments to US dollar bonds	0.2 to 3.4	–

(C) CREDIT RISK

Credit risk is the risk of financial loss to Asciano if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from Asciano's receivables from customers and from treasury activities.

Asciano's credit risk is managed within the limits set by the Board.

TRADE AND OTHER RECEIVABLE EXPOSURE

Asciano's credit risk on trade and other receivables arises principally from the creditworthiness of individual customers. Asciano's customers are primarily large Australian and international companies of good credit standing. The vast majority of receivables are denominated in Australian dollars.

AGEING PROFILE OF TRADE RECEIVABLES	2011 \$M	2010 \$M
Current	233.0	237.5
31 to 60 days overdue	20.9	25.1
Over 61 days overdue	7.3	7.6
	261.2	270.2

The allowance for impairment losses of \$3.0 million (refer to note 13) is all aged within the over 61 days overdue category. All other receivables are current.

Asciano has established a credit policy under which each new customer is analysed individually for creditworthiness before Asciano's standard payment and delivery terms and conditions are offered, and credit limits are then established for each customer. Asciano's credit policy includes collection guidelines, such as the setting of collection targets, as well as follow-up procedures to manage overdue accounts and minimise collection risk.

Asciano's allowance for impairment represents its estimate of incurred losses in respect of trade and other receivables. The allowance is composed of a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on analysis of historical data, including payment statistics for similar financial assets. The allowance for impairment losses in relation to trade receivables is disclosed in note 13.

TREASURY ACTIVITIES

Credit risk in relation to Asciano's treasury activities arises through the potential for loss of income and principal on investments. The Board has established policies governing Asciano's treasury activities, including the monitoring and management of credit risks arising from investments and the use of derivatives.

Cash is deposited with creditworthy counterparties in accordance with Board approved credit limits.

The table in note 3(B) shows the carrying amount of financial assets that represents the maximum credit exposure at the reporting date.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(D) LIQUIDITY RISK

Liquidity risk is the risk that Asciano will not be able to meet its financial obligations as they fall due. Asciano's policy in managing liquidity risk is to ensure that it always has sufficient liquidity to meet its financial obligations when due, as well as to accommodate unforeseen cash requirements over both the short and long term.

Asciano's liquidity risk is managed through:

- / maintenance of at call access to funds in the form of cash balances or committed, available revolving credit facilities;
- / maintenance of rigorous and regular cash flow forecasts;
- / regular review of the adequacy of banking arrangements; and
- / centralisation of surplus cash balances, and management thereof in compliance with Asciano's credit risk policies.

The following table provides maturities of both the principal and interest components of Asciano's financial liabilities:

	NOTE	CARRYING AMOUNT \$M	LESS THAN 1 YEAR \$M	1 TO 2 YEAR(S) \$M	2 TO 5 YEAR(S) \$M	OVER 5 YEAR(S) \$M	TOTAL \$M
2011							
Non-derivatives							
Syndicated bank loans	22	800.0	360.1	44.1	569.0	–	973.2
US dollar bonds (gross of discount)	22	1,892.9	65.1	86.6	627.1	1,804.1	2,582.9
Trade and other payables	21	322.2	322.2	–	–	–	322.2
Derivatives							
Forward exchange contracts	23	17.4	188.4	8.4	–	–	196.8
Interest rate swaps	23	31.9	20.4	13.9	–	–	34.3
Cross-currency swaps	23	206.5	54.6	72.3	285.1	359.8	771.8
Total financial liabilities		3,270.9	1,010.8	225.3	1,481.2	2,163.9	4,881.2
2010							
Non-derivatives							
Secured bank borrowings	22	2,750.0	186.6	2,438.6	613.8	–	3,239.0
Trade and other payables	21	261.3	261.3	–	–	–	261.3
Derivatives							
Forward exchange contracts	23	0.5	7.1	–	–	–	7.1
Interest rate swaps	23	88.5	41.9	39.5	14.5	–	95.9
Total financial liabilities		3,100.3	496.9	2,478.1	628.3	–	3,603.3

In addition to the principal amounts under bank loans, interest is accrued at a floating rate. The weighted average rate as at 30 June 2011 was 7.9% (2010: 7.1%) per annum. In addition to the principal of US dollar bonds issued during the reporting period, interest is accrued at fixed coupon rates. The weighted average rate as at 30 June 2011 was 4.6% per annum.

(E) MARKET RISK

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and other market prices, impact on cash flows and the value of assets or liabilities, and as a consequence, on the value of Asciano.

The goal of Asciano's hedging activities is to manage and control, within acceptable parameters and in a cost effective manner, the potential adverse variations in Asciano's value due to movements in market prices or rates. Asciano uses derivative financial instruments to hedge market risks where appropriate. All hedging activity is subject to the financial risk management policies approved by the Board. The following principles govern Asciano's use of derivative instruments:

- / no speculative transactions are permitted;
- / only transactions involving approved instruments are allowed; and
- / transactions are not permitted unless in compliance with approved credit limits and delegated authorities.

Generally, Asciano seeks to apply hedge accounting principles in respect of derivative instruments to ensure accounting treatments fully and accurately reflect the commercial substance of such transactions.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

INTEREST RATE RISK MANAGEMENT

Asciano borrows at floating rates of interest and holds cash or short-term investments that earn interest at floating rates. Consequently, Asciano's cash flows are exposed to the impact of adverse changes in benchmark interest rates. Asciano also borrows at fixed rates of interest and may, from time to time, hold investments that earn interest at fixed rates. Where this occurs, the fair value of Asciano's assets and liabilities are exposed to the impact of adverse changes in benchmark interest rates.

Asciano manages its interest rate exposures by maintaining a policy to combine fixed and floating rate liabilities, through the use of approved derivative instruments and entry into fixed rate borrowings, all in accordance with Asciano's finance policy.

INTEREST RATE SWAPS

All interest rate swaps exchanging floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges where they hedge Asciano's exposure to changes in cash flows or forecast transactions.

The notional amount of interest rate derivative contracts at 30 June 2011 was \$1.0 billion (2010: \$2.2 billion) including \$800.0 million (2010: \$2.2 billion) designated as hedges against syndicated bank loans. During the period \$250.0 million of interest rate swaps were redesignated to combination cross-currency swap and interest rate swap hedges. At the time of redesignation \$7.6 million of unrealised fair value losses were reclassified from the hedge reserve to the Income Statement. All outstanding derivative interest rate contracts have been stated at their fair value at the reporting date.

During the period between designation of these derivative interest rate contracts and the reporting date, the ineffective portion of movements in fair value comprising a profit of \$1.0 million (2010: \$nil) was identified by Asciano's retrospective and prospective effectiveness testing over this period and has been recorded in the Income Statement. The effective portion of movements in fair value over the life of the instrument was a cumulative liability of \$17.7 million (2010: \$61.9 million) after tax. This has been deferred in the hedge reserve and will be released either over the life of the hedging relationship or when the anticipated transaction occurs.

In the prior reporting period \$620.0 million of interest rate swaps were terminated. In the current reporting period \$12.7 million of losses related to those interest rate contracts deferred in the hedge reserve, were transferred to the Income Statement as a result of the repayment of the underlying hedged syndicated bank loans. In the current reporting period \$1.1 billion of derivative interest rate swaps were terminated as a result of the repayment of the underlying hedged syndicated bank loans. Consequently, a further \$22.0 million of losses previously deferred in the hedge reserve were transferred to the Income Statement.

CROSS-CURRENCY SWAPS

During the period US\$2.0 billion of US dollar fixed rate to Australian dollar fixed rate and US dollar fixed rate to Australian dollar floating rate cross-currency swaps were transacted and designated against US\$2.0 billion of US dollar bonds issued. At the current reporting date these bonds had a fair value of \$1.9 billion.

The following table summarises the nature, fair value and maturity profile of Asciano's hedging instruments used to manage interest rate risk:

	NOTE	CARRYING AMOUNT \$M	LESS THAN 1 YEAR \$M	1 TO 2 YEAR(S) \$M	2 TO 5 YEAR(S) \$M	OVER 5 YEAR(S) \$M	TOTAL \$M
2011							
Financial liabilities							
Interest rate swaps – cash flow	23	31.9	19.0	12.9	–	–	31.9
Cross-currency swaps – fair value	22	(26.5)	(20.4)	(23.5)	(12.4)	29.8	(26.5)
Cross-currency swaps – cash flow		57.1	71.6	85.5	110.5	(210.5)	57.1
		62.5	70.2	74.9	98.1	(180.7)	62.5
2010							
Financial liabilities							
Interest rate swaps – cash flow	23	88.5	39.0	36.7	12.8	–	88.5

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

The following table summarises Asciano's exposure to interest rate risk:

		VARIABLE INTEREST RATE \$M	FIXED INTEREST RATE				TOTAL \$M
			LESS THAN 1 YEAR \$M	1 TO 2 YEAR(S) \$M	2 TO 5 YEAR(S) \$M	OVER 5 YEAR(S) \$M	
2011	NOTE						
Financial assets							
Cash and cash equivalents	11	194.4	204.1	–	–	–	398.5
Loans to associates	13	–	–	–	12.8	–	12.8
		194.4	204.1	–	12.8	–	411.3
Non-interest bearing:							
Trade and other receivables	13						351.1
Loans to associates	13						54.5
Total financial assets							816.9
Financial liabilities							
Syndicated bank loans	22	800.0	–	–	–	–	800.0
US dollar bonds (gross of discount)	22	–	–	–	373.3	1,493.1	1,866.4
Interest rate swaps ¹		(1,050.0)	150.0	900.0	–	–	–
Cross-currency swaps ²		933.2	–	–	–	(933.2)	–
		683.2	150.0	900.0	373.3	559.9	2,666.4
Non-interest bearing:							
Trade and other payables	21						322.2
Unrealised fair value loss on US dollar bonds	22						26.5
Forward exchange contracts	23						17.4
Interest rate swaps	23						31.9
Cross-currency swaps	23						206.5
Total financial liabilities							3,270.9

1 Notional principal amounts of floating for fixed interest rate swaps.

2 Notional US dollar principal amounts of fixed for floating cross-currency swaps as translated at the year end exchange rate.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

2010	NOTE	VARIABLE INTEREST RATE \$M	FIXED INTEREST RATE				TOTAL \$M
			LESS THAN 1 YEAR \$M	1 TO 2 YEAR(S) \$M	2 TO 5 YEAR(S) \$M	OVER 5 YEAR(S) \$M	
Financial assets							
Cash and cash equivalents	11	125.1	90.2	–	–	–	215.3
Loans to associates	13	0.5	–	–	13.5	–	14.0
		125.6	90.2	–	13.5	–	229.3
Non-interest bearing:							
Trade and other receivables	13						296.6
Forward exchange contracts	16						4.4
Loans to associates	13						58.8
Total financial assets							589.1
Financial liabilities							
Secured bank borrowings	22	2,750.0	–	–	–	–	2,750.0
Interest rate swaps ¹		(2,150.0)	–	1,250.0	900.0	–	–
		600.0	–	1,250.0	900.0	–	2,750.0
Non-interest bearing:							
Trade and other payables	21						261.3
Forward exchange contracts	23						0.5
Interest rate swaps	23						88.5
Total financial liabilities							3,100.3

1 Notional principal amounts of floating for fixed interest rate swaps.

FAIR VALUE SENSITIVITY ANALYSIS FOR FIXED INTEREST RATE INSTRUMENTS

As at 30 June 2011, Asciano had US dollar fixed interest rate borrowings recorded at amortised cost. At inception, these were designated into fair value hedge relationships whereby the fair value impact for changes in interest rates of the hedged item were offset by an opposite impact in the fair value of the hedging instruments. Consequently a change in interest rates at the reporting date would not have a material net impact on the profit or loss.

CASH FLOW SENSITIVITY ANALYSIS FOR VARIABLE INTEREST RATE INSTRUMENTS

A 1.0% (100 basis points) per annum change in interest rates at the reporting date would have increased/(decreased) the Income Statement and Equity by the amounts shown below. This analysis assumes that all other variables remain constant.

	INCOME STATEMENT		EQUITY	
	1% PA INCREASE \$M	1% PA DECREASE \$M	1% PA INCREASE \$M	1% PA DECREASE \$M
2011				
Variable interest rate instruments	3.6	(3.6)	–	–
Interest rate swaps	–	–	15.2	(15.5)
	3.6	(3.6)	15.2	(15.5)
2010				
Variable interest rate instruments	5.8	(5.8)	–	–
Interest rate swaps	–	–	42.8	(44.0)
	5.8	(5.8)	42.8	(44.0)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

EXCHANGE RATE RISK MANAGEMENT

Asciano is exposed to exchange rate risk where it has entered into transactions denominated in foreign currencies. The principal source of Asciano's foreign exchange exposure is the purchase of capital equipment and the issuance of US dollar bonds. From time to time, exchange rate exposures may also arise from operational outgoings and receipts. The exchange rates to which Asciano is primarily exposed are US dollars and euros.

Asciano manages its exchange rate exposures by passing on the impact of adverse exchange rate movements, where possible and appropriate, to customers, and through the use of derivative instruments in accordance with the policy approved by the Board. The table below provides details of settlement dates, amounts to be received and contractual exchange rates of Asciano's outstanding currency derivative contracts:

	WEIGHTED AVERAGE EXCHANGE RATE	FOREIGN CURRENCY M	CONTRACT VALUE \$M	FAIR VALUE \$M	LESS THAN 1 YEAR \$M	1 TO 2 YEAR(S) \$M	2 TO 5 YEAR(S) \$M	OVER 5 YEAR(S) \$M	TOTAL \$M
2011									
Assets									
Buy euro	0.747	0.9	1.3	-	-	-	-	-	-
			1.3	-	-	-	-	-	-
Liabilities									
Buy US dollar	0.960	160.1	166.8	(14.5)	(14.1)	(0.4)	-	-	(14.5)
Buy euro	0.664	19.9	30.0	(2.9)	(2.9)	-	-	-	(2.9)
Cross-currency swaps	0.979	2,000.0	2,042.2	(175.8)	-	-	(55.5)	(120.3)	(175.8)
			2,239.0	(193.2)	(17.0)	(0.4)	(55.5)	(120.3)	(193.2)
2010									
Assets									
Buy US dollar	0.878	54.7	62.3	4.0	3.5	0.5	-	-	4.0
Buy euro	0.671	30.8	46.0	0.4	0.2	0.2	-	-	0.4
			108.3	4.4	3.7	0.7	-	-	4.4
Liabilities									
Buy US dollar	0.816	4.0	5.0	(0.1)	(0.1)	-	-	-	(0.1)
Buy euro	0.574	1.3	2.2	(0.4)	(0.4)	-	-	-	(0.4)
			7.2	(0.5)	(0.5)	-	-	-	(0.5)

There has been no material hedge ineffectiveness during the period between designation of these forward exchange rate contracts and the reporting date. The movement in fair value over the life of the instrument was a cumulative liability of \$12.1 million (2010: \$2.8 million asset) after tax, which has been deferred in the hedge reserve and will be released to the Income Statement when the anticipated transaction occurs.

The forward exchange contracts Asciano has entered into to hedge its certain and highly probable foreign currency transactions are designated as cash flow hedges. The following table summarises the fair value of the net hedging assets/(liabilities) used by Asciano to manage exchange rate risk and maturity profile:

	CARRYING AMOUNT \$M	EXPECTED CASH FLOW \$M	LESS THAN 1 YEAR \$M	1 TO 2 YEAR(S) \$M	2 TO 5 YEAR(S) \$M	OVER 5 YEAR(S) \$M	TOTAL \$M
2011							
Forward exchange contracts	(17.4)	(17.4)	-	-	-	-	(17.4)
Cross-currency swaps	(175.8)	(175.8)	-	-	(55.5)	(120.3)	(175.8)
	(193.2)	(193.2)	-	-	(55.5)	(120.3)	(193.2)
2010							
Forward exchange contracts	3.9	3.9	3.2	0.7	-	-	3.9

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

The notional value of Asciano's foreign exchange contracts at balance date were as follows:

	US DOLLAR \$M	EURO \$M
2011		
Forward exchange contracts	160.1	20.9
Cross-currency swaps	2,000.0	–
	<u>2,160.1</u>	<u>20.9</u>
2010		
Forward exchange contracts	<u>58.7</u>	<u>32.1</u>

The following significant exchange rates applied during the financial year:

	AVERAGE RATE	YEAR END RATE 30 JUNE
2011		
US dollar	0.991	1.072
euro	<u>0.726</u>	<u>0.739</u>
2010		
US dollar	0.883	0.840
euro	<u>0.636</u>	<u>0.687</u>

CURRENCY SENSITIVITY ANALYSIS

The Income Statement impact of a 10% per annum change in the Australian dollar would be \$nil during the period between designation and the reporting date as no ineffective portion of movements in fair value was identified by Asciano's hedge effectiveness testing. A 10% per annum change in the Australian dollar against the following currencies at 30 June 2011 would have (increased)/decreased equity by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	2011 10% PA INCREASE \$M	2011 10% PA DECREASE \$M	2010 10% PA INCREASE \$M	2010 10% PA DECREASE \$M
US dollar	(13.6)	16.6	(6.3)	7.7
euro	<u>(2.6)</u>	<u>3.1</u>	<u>(4.2)</u>	<u>5.2</u>
	<u>(16.2)</u>	<u>19.7</u>	<u>(10.5)</u>	<u>12.9</u>

No currency sensitivity analysis is presented in respect of the US dollar bonds as the cross-currency swaps that Asciano has put in place fully hedge any currency movements.

OTHER MARKET PRICE RISK MANAGEMENT

Asciano is exposed to market price risk on contracts for the purchase of fuel. Asciano manages its exposure by passing on the impact of fuel price movements, where possible and appropriate, to customers.

Given the objective of Asciano's financial risk management is to reduce the risk from potential adverse market price movements to acceptable levels on a cost-effective basis, active management of this exposure via the use of approved derivative instruments is not considered necessary.

This exposure is reviewed at least annually to ensure the treatment remains appropriate.

(F) CAPITAL MANAGEMENT

The role of capital management at Asciano is to support the maximisation of shareholder value. Asciano's capital management strategy, therefore, is to establish a framework that supports and facilitates the pursuit of Asciano's business strategy while minimising Asciano's costs of funding. Asciano is not subject to any externally imposed capital requirements. Specifically, the components of Asciano's financial strategy are to:

- / optimise the capital structure;
- / provide sufficient financial flexibility to enable Asciano to develop its businesses;
- / maintain access to a broad range of funding sources; and
- / raise funds in the most cost effective manner possible.

4. SEGMENT REPORTING

2011 \$M	PN COAL	PN RAIL	PATRICK	ELIMINATIONS/ UNALLOCATED	TOTAL
Revenue					
External revenue	822.6	1,134.4	1,099.2	0.1	3,056.3
Inter-segment revenue	–	9.3	53.0	(62.3)	–
	822.6	1,143.7	1,152.2	(62.2)	3,056.3
Other income	3.4	11.0	20.0	2.6	37.0
Revenue and other income	826.0	1,154.7	1,172.2	(59.6)	3,093.3
 Operating expenses	 (559.1)	 (867.5)	 (906.8)	 41.4	 (2,292.0)
Corporate charges	(7.6)	(11.4)	(11.4)	30.4	–
Share of net profit of associates	–	–	15.2	0.3	15.5
 Profit/(loss) before depreciation, amortisation, net finance costs, material items and tax	 259.3	 275.8	 269.2	 12.5	 816.8
Depreciation	(63.0)	(94.8)	(59.9)	(1.4)	(219.1)
Amortisation	(30.4)	(7.9)	(18.7)	(1.6)	(58.6)
 Profit/(loss) before net finance costs, material items and tax	 165.9	 173.1	 190.6	 9.5	 539.1
Finance income				20.1	20.1
Finance expense				(269.7)	(269.7)
Profit before material items and tax					289.5
 Material items					
Restructure and reorganisation costs	–	–	(4.7)	(12.7)	(17.4)
Impairment of other intangible assets	–	–	(3.0)	–	(3.0)
Impairment of plant and equipment	–	4.4	–	–	4.4
De-designation of interest rate swaps	–	–	–	(42.3)	(42.3)
Write-off of deferred establishment costs	–	–	–	(10.9)	(10.9)
Profit before tax					220.3
Tax expense					(75.1)
Profit after tax					145.2

4. SEGMENT REPORTING (CONTINUED)

2010 \$M	PN COAL	PN RAIL	PATRICK	ELIMINATIONS/ UNALLOCATED	TOTAL
Revenue					
External revenue	671.6	1,054.1	1,123.6	0.6	2,849.9
Inter-segment revenue	–	9.0	27.9	(36.9)	–
	671.6	1,063.1	1,151.5	(36.3)	2,849.9
Other income	1.0	6.0	4.9	0.5	12.4
Revenue and other income	672.6	1,069.1	1,156.4	(35.8)	2,862.3
Operating expenses	(455.1)	(800.0)	(897.5)	7.2	(2,145.4)
Corporate charges	(5.9)	(10.2)	(11.8)	27.9	–
Share of net profit of associates	–	–	10.0	–	10.0
Profit/(loss) before depreciation, amortisation, net finance costs, material items and tax	211.6	258.9	257.1	(0.7)	726.9
Depreciation	(48.2)	(92.8)	(72.7)	(2.0)	(215.7)
Amortisation	(29.8)	(7.9)	(28.7)	(2.0)	(68.4)
Profit/(loss) before net finance costs, material items and tax	133.6	158.2	155.7	(4.7)	442.8
Finance income				48.3	48.3
Finance expense				(300.1)	(300.1)
Profit before material items and tax					191.0
Material items					
Restructure and reorganisation costs	0.1	1.3	(6.7)	–	(5.3)
Impairment of goodwill	–	–	(962.9)	–	(962.9)
Impairment of other intangible assets	–	–	(28.2)	–	(28.2)
Impairment of plant and equipment	–	(18.3)	(120.6)	–	(138.9)
De-designation of interest rate swaps	–	–	–	(4.6)	(4.6)
Loss before tax					(948.9)
Tax expense					(27.0)
Loss after tax					(975.9)

4. SEGMENT REPORTING (CONTINUED)

	PN COAL	PN RAIL	PATRICK	ELIMINATIONS/ UNALLOCATED	TOTAL
2011					
\$M					
Assets	1,998.1	1,454.8	2,308.4	1,026.8	6,788.1
Equity accounted investments	–	–	20.7	–	20.7
Segment assets	1,998.1	1,454.8	2,329.1	1,026.8	6,808.8
Segment liabilities	100.3	100.3	175.9	3,214.5	3,591.0
Net assets/(liabilities)	1,897.8	1,354.5	2,153.2	(2,187.7)	3,217.8
Capital expenditure	255.3	106.0	52.3	2.3	415.9
2010					
\$M					
Assets	1,841.8	1,424.5	2,383.6	858.5	6,508.4
Equity accounted investments	–	–	13.4	–	13.4
Segment assets	1,841.8	1,424.5	2,397.0	858.5	6,521.8
Segment liabilities	80.8	108.0	175.7	3,053.5	3,418.0
Net assets/(liabilities)	1,761.0	1,316.5	2,221.3	(2,195.0)	3,103.8
Capital expenditure	369.4	94.1	45.9	2.4	511.8

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

5. DIVIDENDS

The following dividend was declared and paid by the Company in the 2011 financial year:

	CENTS PER SHARE	TOTAL AMOUNT \$M	FRANKED/ UNFRANKED	DATE OF PAYMENT
Interim dividend	1.0	29.3	Fully franked	24 March 2011

No dividends were declared or paid in the 2010 financial year.

Franked dividends declared or paid during the year were franked at the tax rate of 30%.

On 24 August 2011, the Board determined that a fully franked final dividend of 1.0 cent per share will be payable by the Company. The record date for entitlement to the dividend is 8 September 2011. The dividend of \$29.3 million was not recognised as a liability at 30 June 2011.

	CENTS PER SHARE	TOTAL AMOUNT \$M	FRANKED/ UNFRANKED	DATE OF PAYMENT
Final dividend	1.0	29.3	Fully franked	22 September 2011

DIVIDEND FRANKING ACCOUNT

On demerger from Toll on 15 June 2007, the opening balance in the dividend franking account was \$nil since all franking credits generated prior to the demerger date remained with Toll.

The balance in the franking account as at 30 June 2011 of \$18,440,988 (2010: \$17,193,233) arises from franked dividends received or receivable by the Asciano tax-consolidated group, adjusted for franking credits that will arise from the payment of the current tax liabilities. The ability to utilise the franking credits is dependent upon their being sufficient available profit. The impact on the dividend franking account of dividends proposed after the balance sheet date but not recorded as a liability is to reduce it by \$12.6 million.

6. EARNINGS PER SHARE

	2011 CENTS	2010 CENTS
Parent basic and diluted earnings per share	6.0	(28.2)
Asciano basic and diluted earnings per share	4.9	(34.9)

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

	2011 \$M	2010 \$M
Profit/(loss) attributable to Parent shareholders	176.8	(788.5)
Profit/(loss) attributable to Asciano shareholders	144.0	(977.6)
	000	000
Basic weighted average number of ordinary shares	2,925,423	2,800,178
Shares issuable under equity-based compensation plans	1,221	–
Diluted weighted average number of ordinary shares	2,926,644	2,800,178

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.

At 30 June 2011, there were 5.5 million options (2010: 15.6 million options) excluded from the diluted weighted average number of ordinary shares calculation as their effect would have been anti-dilutive. As the Parent had a net loss in 2010, no potentially dilutive shares were included in the denominator computing dilutive earnings per share since the impact in earnings per share would be anti-dilutive.

Until the date of Corporatisation (refer to note 25), the interests of unitholders in the Trust were shown as non-controlling interests of Asciano by virtue of the stapling arrangement. Therefore, in the 2011 financial year to the date of Corporatisation and in the whole of the 2010 financial year, the losses of the Trust (after adjusting for inter-entity interest charges) were excluded from the profit attributable to Parent shareholders used in the calculation of earnings per share.

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 financial years the basic and diluted earnings per share of Asciano (assuming the Trust was fully consolidated for the entirety of both financial years) have been provided.

7. REVENUE AND OTHER INCOME

	2011 \$M	2010 \$M
Revenue		
Services rendered	3,056.3	2,849.9
Other income		
Net gain/(loss) on sale of property, plant and equipment	6.9	(0.9)
Lease rental income	9.6	9.1
Profit on sale of assets of PN Tasmania	–	3.2
Other	20.5	1.0
Total other income	37.0	12.4

Other income in the 2011 financial year is inclusive of compensation received in respect of consequential damages suffered as a result of subsidence and crumbling of pavement works previously carried out by a third party at the Fisherman Islands site.

Other income in the 2011 financial year is also inclusive of insurance recoverables related to the significant weather events experienced in Queensland during the year.

8. FINANCE INCOME AND EXPENSE

The net interest expense for the year is as follows:

	2011 \$M	2010 \$M
Interest income	20.1	48.3
Interest expense	(244.0)	(271.3)
Hedge ineffectiveness recognised in the Income Statement	1.0	–
Net interest expense	(222.9)	(223.0)

The finance income and expense are reconciled to the Income Statement and Statement of Comprehensive Income as follows:

	2011 \$M	2010 \$M
Interest income	20.1	48.3
Interest expense	(244.0)	(271.3)
Hedge ineffectiveness recognised in the Income Statement	1.0	–
Amortisation of capitalised borrowing costs	(10.2)	(16.0)
Guarantee and commitment fees	(13.9)	(9.9)
Unwind of discount on long-term provisions	(2.6)	(2.9)
Finance expense – other	(269.7)	(300.1)
Swap de-designation costs	(42.3)	(4.6)
Write-off of deferred establishment costs	(10.9)	–
Finance expense – material items	(53.2)	(4.6)
Finance expense including material items	(322.9)	(304.7)
Recognised directly in the Statement of Comprehensive Income		
Changes in fair value of cash flow hedges	(2.5)	44.1
Net change in fair value of cash flow hedge reclassified to profit or loss	0.7	–
Foreign currency translation differences for foreign operations	(0.9)	0.2
Finance (expense)/income recognised directly in the Statement of Comprehensive Income net of tax	(2.7)	44.3

DE-DESIGNATION OF INTEREST RATE SWAPS

As a direct consequence of the refinancing completed by Asciano in December 2009 and of the bond issuances in September 2010 and April 2011, 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 \$42.3 million in 2011, was transferred from the hedge reserve to the Income Statement.

WRITE-OFF OF DEFERRED ESTABLISHMENT COSTS

As the proceeds of the bond issuances were substantially used to repay the syndicated loan facility (refer to note 22), an amount of \$10.9 million of the deferred establishment costs relating to the syndicated loan facility was charged to the Income Statement in the 2011 financial year.

9. EXPENSES

	EXPENSES BEFORE MATERIAL ITEMS \$M	MATERIAL ITEMS \$M	EXPENSES AFTER MATERIAL ITEMS \$M
2011			
Employee benefits	898.0	12.3	910.3
Rail access	460.2	–	460.2
Fuel, oil and power	298.8	–	298.8
Repairs and maintenance	277.1	–	277.1
Lease and hire	159.9	–	159.9
Insurance related	46.6	–	46.6
Other	151.4	5.1	156.5
Operating expenses excluding depreciation, amortisation and impairment	2,292.0	17.4	2,309.4
Depreciation	219.1	–	219.1
Amortisation	58.6	–	58.6
Total operating expenses excluding impairment	2,569.7	17.4	2,587.1
Impairment of other intangible assets	–	3.0	3.0
Reversal of impairment of plant and equipment	–	(4.4)	(4.4)
Total expenses	2,569.7	16.0	2,585.7
2010			
Employee benefits	865.7	5.3	871.0
Rail access	402.8	–	402.8
Fuel, oil and power	273.5	–	273.5
Repairs and maintenance	265.2	–	265.2
Lease and hire	142.6	–	142.6
Insurance related	53.9	–	53.9
Other	141.7	–	141.7
Operating expenses excluding depreciation, amortisation and impairment	2,145.4	5.3	2,150.7
Depreciation	215.7	–	215.7
Amortisation	68.4	–	68.4
Total operating expenses excluding impairment	2,429.5	5.3	2,434.8
Impairment of goodwill	–	962.9	962.9
Impairment of other intangible assets	–	28.2	28.2
Impairment of plant and equipment	–	138.9	138.9
Total expenses	2,429.5	1,135.3	3,564.8

9. EXPENSES (CONTINUED)

RESTRUCTURE AND REORGANISATION COSTS

Restructure and reorganisation costs of \$17.4 million in the 2011 financial year include: the costs associated with the change in MD and CEO from Mark Rowsthorn to John Mullen (including the resultant strategic review process); the costs associated with the termination of other senior executives and a restructure of the General Stevedoring business within the Patrick division.

Restructure costs of \$5.3 million in the 2010 financial year largely related to a restructure of the Port Logistics business in New South Wales and Victoria within the Patrick division. The costs comprised primarily provisions for redundancies and the accelerated cost of make-good for exited land and properties.

IMPAIRMENT OF OTHER INTANGIBLE ASSETS

As a consequence of the deterioration in the financial performance and the associated restructuring of the General Stevedoring business, the Patrick division recognised an impairment charge of \$3.0 million in respect of customer contracts. In the 2010 financial year, an impairment charge of \$28.2 million was recognised in the Patrick division.

IMPAIRMENT OF PLANT AND EQUIPMENT

In the 2011 financial year, an amount of \$4.4 million was reversed against the prior year's impairment charge of \$18.3 million in the Bulk Rail business due to changes in the assumptions about the future use of certain assets. In the 2010 financial year, an impairment charge of \$138.9 million was recognised. Refer to note 19 for further information on the impairment of plant and equipment.

GOODWILL IMPAIRMENT

In the 2010 financial year, an impairment charge of \$759.5 million was recorded against the goodwill in the Container Ports CGU, \$152.8 million was recorded against the goodwill in the General Stevedoring CGU and \$50.6 million was recorded against the goodwill in the Autocare CGU. Refer note 20 for further information on the impairment of goodwill.

10. INCOME TAX

	2011 \$M	2010 \$M
Current tax expense	4.5	16.9
Deferred tax expense	66.3	10.9
Adjustments in respect of prior years current tax	4.3	(0.8)
Total income tax expense	75.1	27.0

10. INCOME TAX (CONTINUED)

	NOTE	2011 \$M	2010 \$M
Reconciliation between income tax expense and profit/(loss) before tax			
Profit/(loss) before tax		220.3	(948.9)
Income tax at 30% (2010: 30%)		66.1	(284.7)
Intangible asset impairment not deductible		–	289.6
Other non-deductible items		6.5	10.5
Recognition and derecognition of temporary differences		13.9	5.8
Tax base reset on entry to tax consolidation	17	2.1	13.7
Research and development tax concession		(1.0)	(0.7)
Non-assessable equity accounted profit		(4.6)	(3.0)
Adjustments in respect of prior years current tax		4.3	(0.8)
Recognition of capital losses		(6.2)	(0.9)
Non-assessable income		(3.5)	–
Assessable gains on sale		–	0.4
Other deductible items		(2.5)	(2.9)
Total income tax expense recognised in the Income Statement		75.1	27.0
Income tax recognised directly in other comprehensive income			
Foreign currency translation differences for foreign operations		(0.4)	–
Changes in fair value of cash flow hedge		(1.0)	–
Net change in fair value of cash flow hedge reclassified to profit or loss		0.3	18.9
Defined benefit superannuation funds actuarial losses	29	(2.6)	(4.2)
		(3.7)	14.7
Income tax recognised directly in equity			
Gain arising on Asciano Finance Trust entering tax-consolidated group		3.2	–
Loss transferred on Asciano Finance Trust entering tax-consolidated group		(3.9)	–
Share issue transaction costs		(8.6)	(7.4)
Transaction costs	25	(0.6)	–
		(9.9)	(7.4)
11. CASH AND CASH EQUIVALENTS			
Bank balances		398.5	215.3

12. RECONCILIATION OF NET OPERATING CASH FLOWS

	2011 \$M	2010 \$M
Profit/(loss) after tax	145.2	(975.9)
Adjustments for non-cash items:		
Net impairment (reversal)/charge	(1.4)	1,130.0
Depreciation	219.1	215.7
Amortisation of intangible assets	58.6	68.4
Amortisation of capitalised borrowings	10.2	16.0
Unwind of discount on long-term provisions	2.6	2.9
Share of associates' profit net of dividends	(3.2)	(2.4)
Profit on sale of PN Tasmania	–	(3.2)
Net (gain)/loss on sale of property, plant and equipment	(6.9)	0.9
Movement in cash flow hedges	26.0	–
Equity-settled share-based payment transactions	2.0	1.3
Borrowing costs capitalised to qualifying assets	–	(3.0)
Other non-cash items	1.1	2.2
(Increase)/decrease in assets		
Trade and other receivables	(53.5)	2.0
Inventories	(6.0)	(14.2)
Prepayments and other assets	(0.2)	(26.1)
Change in net deferred tax assets	73.3	10.7
Increase/(decrease) in liabilities		
Trade and other payables	35.2	(30.7)
Current tax liabilities	8.0	0.8
Provisions and employee benefits	(12.6)	(25.5)
Net operating cash flows	497.5	369.9

13. TRADE AND OTHER RECEIVABLES

Current		
Trade receivables	261.2	270.2
Allowance for impairment losses	(3.0)	(3.2)
	258.2	267.0
Other receivables	90.4	29.6
	348.6	296.6
Non-current		
Loans to associates	67.3	72.9
Other receivables	2.5	–
	69.8	72.9

14. PREPAYMENTS

	2011 \$M	2010 \$M
Current		
Rent	13.3	5.2
Insurance	3.7	4.2
Registrations	2.4	2.3
Other	7.2	9.2
	<u>26.6</u>	<u>20.9</u>
Non-current		
Rent	9.4	14.0

15. INVENTORIES

Current		
Inventories	25.3	23.9
Provision for obsolete and slow-moving items	(3.1)	(1.9)
	<u>22.2</u>	<u>22.0</u>
Non-current		
Inventories	54.7	49.4
Provision for obsolete items including depreciation of capital spares	(23.5)	(22.6)
	<u>31.2</u>	<u>26.8</u>

16. DERIVATIVE FINANCIAL ASSETS

Current		
Derivatives used for hedging foreign exchange risk	–	3.7
Non-current		
Derivatives used for hedging foreign exchange risk	–	0.7

17. TAX BALANCES

CURRENT TAX ASSETS AND LIABILITIES

The current tax liability is \$9.4 million (2010: \$1.4 million). This is the first year that the tax consolidated group will be required to pay income tax as it has previously had sufficient group tax losses to offset any tax payable.

RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are attributable to the following:

	ASSETS \$M	LIABILITIES \$M	NET \$M
2011			
Property, plant and equipment	57.1	(78.2)	(21.1)
Intangible assets	(0.3)	(30.2)	(30.5)
Derivatives	76.8	(44.9)	31.9
Inventories	4.8	(0.9)	3.9
Annual leave	19.2	–	19.2
Long service leave	23.8	–	23.8
Other employee provisions	29.2	–	29.2
Restructuring provision	1.6	–	1.6
Other provisions	20.8	–	20.8
Other items	18.7	(11.3)	7.4
Tax losses carried forward:			
Revenue	3.1	–	3.1
Capital	11.0	–	11.0
Net tax assets/(liabilities)	265.8	(165.5)	100.3
2010			
Property, plant and equipment	109.8	(132.4)	(22.6)
Intangible assets	0.2	(21.1)	(20.9)
Derivatives	25.4	–	25.4
Inventories	4.4	(1.0)	3.4
Annual leave	20.1	–	20.1
Long service leave	22.5	–	22.5
Other employee provisions	29.0	0.9	29.9
Restructuring provision	4.4	–	4.4
Other provisions	20.3	–	20.3
Tax losses carried forward:			
Revenue	50.5	–	50.5
Capital	10.5	–	10.5
Other	15.6	(8.8)	6.8
Net tax assets/(liabilities)	312.7	(162.4)	150.3

A deferred tax asset of \$3.1 million has been recognised for revenue tax losses (2010: \$50.5 million). The balance in the 2011 financial year represents tax losses transferred to the tax consolidated group when Asciano Finance Trust joined the Group after corporatisation on 15 November 2010. The use of these losses is restricted by an available fraction calculation but Asciano considers it will be probable that they will be used in 2012. A deferred tax asset of \$11.0 million (\$2010: \$10.5 million) has also been recognised for realised capital losses as these could be used against the deferred tax liability being carried in relation to capital assets (land and brand name), therefore satisfying the requirement of AASB 112 Income Taxes.

The Asciano tax consolidated group has no unbooked capital losses carried forward (2010: \$34.4 million) and \$101.7 million of unrecognised temporary differences (\$30.5 million deferred tax asset) relating to capital assets which have not been recognised as it is not considered probable that there would be taxable income against which they could be utilised.

17. TAX BALANCES (CONTINUED)

Asciano Limited formed a tax consolidated group with effect from 15 June 2007. In May 2010, legislation was enacted enabling taxpayers in certain situations to take deductions over time for tax base allocated to rights to receive future income. Asciano has completed work in relation to a group of its customer contracts which has enabled it to claim deductions from the date of consolidation to 30 June 2011 of \$60.3 million (\$18.1 million tax effected). This legislation is now being reviewed by the Government, following recommendations by the Board of Taxation. It is likely the legislation will be amended so as to restrict its application but at this stage, the amendments are unknown and accordingly, the accounts have been prepared in accordance with the legislation as enacted. Additional valuation work is required for remaining contracts before a reasonable estimate can be made of the effect on the deferred tax balances. This work will commence after the Government has finalised its review.

MOVEMENT IN TEMPORARY DIFFERENCES DURING THE YEAR

2011	BALANCE AT 1 JULY 2010 \$M	RECOGNISED IN THE INCOME STATEMENT \$M	RECOGNISED IN EQUITY \$M	BALANCE AT 30 JUNE 2011 \$M
Property, plant and equipment	(22.6)	1.5	–	(21.1)
Intangible assets	(20.9)	(9.6)	–	(30.5)
Derivatives and financial instruments	25.4	5.8	0.7	31.9
Inventories	3.4	0.5	–	3.9
Annual leave	20.1	(0.9)	–	19.2
Long service leave	22.5	1.3	–	23.8
Other employee provisions	29.9	(3.3)	2.6	29.2
Restructuring provision	4.4	(2.8)	–	1.6
Other provisions	20.3	0.5	–	20.8
Other	6.8	(8.3)	8.9	7.4
Tax losses carried forward:				
Revenue	50.5	(51.5)	4.1	3.1
Capital	10.5	0.5	–	11.0
Net tax assets/(liabilities)	150.3	(66.3)	16.3	100.3

2010	BALANCE AT 1 JULY 2009 \$M	RECOGNISED IN THE INCOME STATEMENT \$M	RECOGNISED IN EQUITY \$M	BALANCE AT 30 JUNE 2010 \$M
Property, plant and equipment	(52.4)	29.8	–	(22.6)
Intangible assets	(35.3)	14.4	–	(20.9)
Derivatives	48.1	(3.8)	(18.9)	25.4
Inventories	(1.7)	5.1	–	3.4
Annual leave	21.1	(1.0)	–	20.1
Long service leave	23.6	(1.1)	–	22.5
Other employee provisions	26.4	(0.7)	4.2	29.9
Restructuring provision	7.5	(3.1)	–	4.4
Other provisions	24.0	(3.7)	–	20.3
Tax losses carried forward:				
Revenue	81.2	(30.7)	–	50.5
Capital	9.7	0.8	–	10.5
Other	16.3	(16.9)	7.4	6.8
Net tax assets/(liabilities)	168.5	(10.9)	(7.3)	150.3

18. EQUITY ACCOUNTED INVESTMENTS

	2011 \$M	2010 \$M
Equity accounted investments	20.7	13.4

Asciano's share of profit after tax in its equity accounted investees was \$15.5 million (2010: \$10.0 million).

Summary financial information for equity accounted investees, not adjusted for the percentage ownership held by Asciano, is as follows:

	OWNED %	ASSETS \$M	LIABILITIES \$M	REVENUES \$M	PROFIT BEFORE TAX \$M
2011					
1-Stop Connections Pty Limited ¹	50	6.6	(2.2)	11.0	3.3
Albany Bulk Handling Pty Limited	50	12.0	(1.4)	8.4	3.7
Australian Amalgamated Terminals Pty Limited ²	50	118.0	(113.5)	64.6	18.4
Car Compounds of Australia Pty Limited	50	5.4	(1.6)	13.2	2.9
Logistics Planning Services Pty Limited	50	–	–	0.9	0.9
Patrick PortLink (SA) Pty Limited	50	4.4	(2.2)	7.7	0.2
C3 Limited	50	54.3	(36.2)	81.7	12.6
Geelong Unit Trust ³	30	98.2	(66.2)	11.9	–
		298.9	(223.3)	199.4	42.0
2010					
1-Stop Connections Pty Limited ¹	50	3.5	(2.5)	9.6	2.0
Albany Bulk Handling Pty Limited	50	11.9	(1.3)	7.1	2.8
Australian Amalgamated Terminals Pty Limited ²	50	126.5	(123.2)	57.0	12.4
Car Compounds of Australia Pty Limited	50	4.8	(1.8)	8.4	1.6
Logistics Planning Services Pty Limited	50	1.4	(1.4)	1.7	–
Patrick PortLink (SA) Pty Limited	50	4.2	(2.2)	7.3	–
C3 Limited	50	50.5	(35.1)	71.8	9.1
Geelong Unit Trust	30	101.0	(81.4)	7.5	(0.3)
		303.8	(248.9)	170.4	27.6

¹ Reporting date is 31 December.

² Reporting date changed during the 2011 financial year from 31 December to 30 June.

³ An additional equity investment of \$4.0 million was made in the Geelong Unit Trust during the 2011 financial year. There was no change in ownership share of the Geelong Unit Trust as each of the other investors made a similar contribution pro-rated for ownership share in the Geelong Unit Trust.

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

19. PROPERTY, PLANT AND EQUIPMENT

	LAND \$M	BUILDINGS \$M	PLANT AND EQUIPMENT \$M	LEASEHOLD IMPROVEMENTS \$M	WORK IN PROGRESS \$M	TOTAL \$M
2011						
Cost						
Opening balance	313.0	109.6	3,091.9	581.6	291.6	4,387.7
Acquisitions ¹	–	–	–	–	396.3	396.3
Transfers ²	0.5	1.8	300.9	49.0	(359.1)	(6.9)
Disposals ³	(20.1)	(0.2)	(53.5)	(0.9)	–	(74.7)
Closing balance	293.4	111.2	3,339.3	629.7	328.8	4,702.4
Accumulated depreciation and impairment losses						
Opening balance	–	(32.6)	(1,254.5)	(278.0)	–	(1,565.1)
Depreciation	–	(5.0)	(186.1)	(26.3)	–	(217.4)
Transfers	–	(0.2)	12.2	(5.1)	–	6.9
Impairment reversal	–	–	4.4	–	–	4.4
Disposals ³	–	0.2	41.8	0.8	–	42.8
Closing balance	–	(37.6)	(1,382.2)	(308.6)	–	(1,728.4)
Carrying amounts						
At 1 July 2010	313.0	77.0	1,837.4	303.6	291.6	2,822.6
At 30 June 2011	293.4	73.6	1,957.1	321.1	328.8	2,974.0
2010						
Cost						
Opening balance	312.2	86.1	2,555.1	583.4	412.6	3,949.5
Acquisitions ¹	–	–	–	–	512.1	512.1
Transfers ²	0.8	23.5	587.7	21.1	(633.1)	–
Disposals ³	–	–	(50.9)	(23.0)	–	(73.9)
Closing balance	313.0	109.6	3,091.9	581.6	291.6	4,387.7
Accumulated depreciation and impairment losses						
Opening balance	–	(27.4)	(1,037.6)	(216.3)	–	(1,281.3)
Depreciation	–	(4.9)	(180.6)	(30.0)	–	(215.5)
Impairment	–	(0.3)	(86.1)	(52.5)	–	(138.9)
Disposals ³	–	–	49.8	20.8	–	70.6
Closing balance	–	(32.6)	(1,254.5)	(278.0)	–	(1,565.1)
Carrying amounts						
At 1 July 2009	312.2	58.7	1,517.5	367.2	412.6	2,668.2
At 30 June 2010	313.0	77.0	1,837.4	303.6	291.6	2,822.6

1 Included in the cost of property, plant and equipment acquisitions is \$nil (2010: \$3.0 million) of borrowing costs capitalised to qualifying assets.

2 Transfers include transfer of software from plant and equipment to intangible assets in 2011.

3 The written-down value of disposals resulting from an incident are charged to an insurance recovery account or incident provision as appropriate.

19. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

WORK IN PROGRESS

Work in progress comprises amounts spent on various capital projects including construction and capital improvement of locomotives, wagons and lifting equipment, and development works at various rail and port terminals.

IMPAIRMENT

The \$4.4 million reversal of the impairment of plant and equipment in the 2011 financial year results from changes in previous assumptions related to the assessment of future use of assets in the Bulk Rail business within the PN Rail division.

The impairment of plant and equipment in the 2010 financial year related to the following:

- / the \$56.2 million write-down of the rail mounted gantries at Port Botany to \$nil net book value following a management review of the future viability of the assets under both the original intended use and other uses;
- / the impairment of \$24.3 million of assets at Webb Dock East following a reassessment of the future cash flows due to changed assumptions around the expected date of exit from the site;
- / the impairment of \$18.3 million for rolling stock assets used in the Bulk Rail business in New South Wales and Victoria due to a reassessment of future use of the assets;
- / the impairment of \$12.4 million of assets related to the exit from business within Port Logistics; and
- / the impairment of other assets within the Patrick division of \$27.7 million.

The key assumptions used in the value-in-use calculations performed to determine the recoverable values of the impaired assets included growth rates and discount rates consistent with those outlined in note 20.

20. INTANGIBLE ASSETS

	GOODWILL \$M	SOFTWARE \$M	CUSTOMER CONTRACTS AND RELATIONSHIPS \$M	BRAND NAME \$M	TOTAL \$M
2011					
Cost					
Opening balance	3,514.1	235.3	445.9	25.0	4,220.3
Acquisitions	–	7.7	–	–	7.7
Transfers from property, plant and equipment	–	6.9	–	–	6.9
Disposals	–	(1.6)	–	–	(1.6)
Closing balance	3,514.1	248.3	445.9	25.0	4,233.3
Accumulated amortisation and impairment losses					
Opening balance	(962.9)	(155.0)	(242.1)	–	(1,360.0)
Amortisation	–	(16.0)	(42.6)	–	(58.6)
Impairment	–	–	(3.0)	–	(3.0)
Transfers from property, plant and equipment	–	(6.9)	–	–	(6.9)
Disposals	–	1.4	–	–	1.4
Closing balance	(962.9)	(176.5)	(287.7)	–	(1,427.1)
Carrying amounts					
At 1 July 2010	2,551.2	80.3	203.8	25.0	2,860.3
At 30 June 2011	2,551.2	71.8	158.2	25.0	2,806.2
2010					
Cost					
Opening balance	3,514.1	241.6	445.9	25.0	4,226.6
Acquisitions	–	3.1	–	–	3.1
Disposals	–	(9.4)	–	–	(9.4)
Closing balance	3,514.1	235.3	445.9	25.0	4,220.3
Accumulated amortisation and impairment losses					
Opening balance	–	(145.5)	(164.4)	–	(309.9)
Amortisation	–	(16.5)	(51.9)	–	(68.4)
Impairment	(962.9)	(2.4)	(25.8)	–	(991.1)
Disposals	–	9.4	–	–	9.4
Closing balance	(962.9)	(155.0)	(242.1)	–	(1,360.0)
Carrying amounts					
At 1 July 2009	3,514.1	96.1	281.5	25.0	3,916.7
At 30 June 2010	2,551.2	80.3	203.8	25.0	2,860.3

20. INTANGIBLE ASSETS (CONTINUED)

INDEFINITE USEFUL LIFE OF BRAND NAME

The Patrick brand is associated with businesses that currently operate within a duopoly or have extremely high pecuniary, legislative and availability of resource barriers to entry. It is anticipated that there is no foreseeable limit to the period over which the brand name is expected to generate net cash inflows for Asciano, and as such has been regarded as an indefinite useful life intangible asset.

ALLOCATION OF GOODWILL TO CGUs

	2011 \$M	2010 \$M
PN Coal	524.0	524.0
PN Rail	350.0	350.0
Container Ports	1,497.5	1,497.5
General Stevedoring	84.8	84.8
Autocare	94.9	94.9
Total goodwill	2,551.2	2,551.2

During the 2011 financial year, an internal restructuring occurred which resulted in the restructure of the Intermodal and Bulk Rail divisions into a single PN Rail division. This restructuring has led to a change in the way in which the businesses are managed and to the composition of groups of assets that are used to generate largely independent cash flows. As a result, the Intermodal and Bulk Rail CGUs have been merged into a single Pacific National Rail CGU.

No goodwill is allocated to the Bulk Ports CGU.

The assessment of the recoverable amounts of goodwill is based on value-in-use calculations undertaken at the CGU level. Value in use is calculated using a discounted cash flow methodology covering a 10 year period with a terminal value at the end of the period.

The carrying amounts of goodwill in the CGUs were fully supported as at the reporting date. The following describes the key assumptions on which management has based its cash flow projections:

CASH FLOW FORECASTS

Cash flow forecasts are based on the most recent 10 year financial projections and have been adjusted to exclude the costs and benefits of non-committed expansionary capital expenditure. The 10 year period is believed to be a more reliable and accurate prediction of the eventual cash flows than shorter-term (five year) forecasts, due to the quantum of upfront investment, the length of time and capital expenditure required to bring the infrastructure assets into full production, the longevity of the infrastructure assets, the lack of available substitutes and the strategic importance of the various infrastructure businesses to the economy, all of which combine to ensure that longer-term cash flow projections are paramount to an accurate assessment.

GROWTH RATES

Growth rates used in the financial projections are based on management's expectations for future performance and do not normally exceed the long-term growth rate for the business in which each CGU operates. Average annual growth rates range between 5.1% and 9.7% per annum (2010: 2.3% and 6.0% per annum). The upper end of the range relates predominantly to volume growth at PN Coal as utilisation of existing and committed expansionary capital expenditure is realised.

TERMINAL VALUES

Terminal values calculated after year 10 have been determined using the stable growth model, having regard to the weighted average cost of capital ('WACC') and terminal growth factor of 2.75% (2010: 2.75%) per annum which is considered appropriate to the businesses in which each CGU operates.

DISCOUNT RATES

Discount rates used are the pre-tax WACC and include a premium for market risks appropriate to the relevant CGU. The WACCs range from 13.9% to 16.3% (2010: 13.6% to 16.6%) per annum.

IMPACT OF POSSIBLE CHANGES IN KEY ASSUMPTIONS

The cash flow forecasts used in the financial projections exclude the potential impact of the carbon pricing scheme announced by the Federal Government on 10 July 2011. The extent to which the carbon price will influence future cash flows is dependent upon many factors including Asciano's ability to pass on any cost impacts to customers.

No reasonably likely changes to key assumptions are likely to result in impairments.

21. TRADE AND OTHER PAYABLES

	NOTE	2011 \$M	2010 \$M
Current			
Trade payables		131.1	125.3
Other payables and accrued expenses		191.1	136.0
		<u>322.2</u>	<u>261.3</u>
Non-current			
Other payables and accrued expenses		11.9	12.5
Defined benefit plan liability	29	68.8	67.2
		<u>80.7</u>	<u>79.7</u>

22. LOANS AND BORROWINGS

Current			
Syndicated bank loan		300.0	–
Non-current			
Syndicated bank loan		500.0	2,750.0
US dollar bonds, net of discount		1,859.4	–
Unrealised fair value loss on US dollar bonds		26.5	–
Capitalised borrowing costs		(27.5)	(35.5)
Total non-current loans and borrowings		<u>2,358.4</u>	<u>2,714.5</u>

As at 30 June 2010, the syndicated bank loans were secured over the assets and undertakings of the Parent and each of the holding companies that sit immediately below it. This security was released during September 2010. As at 30 June 2011, all syndicated bank loans and US dollar bonds were unsecured.

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, substantially all of the proceeds from this US dollar bond issuance were used to repay A\$1 billion of the syndicated term loan maturing in May 2012.

On 7 April 2011, Asciano Finance Limited issued US\$750 million of 5.00% Senior Guaranteed Notes due in April 2018 and US\$250 million of 6.00% Senior Guaranteed Notes due in April 2023 which are guaranteed by the Parent and certain of its subsidiaries. Substantially all of the proceeds of this issue of US bonds were applied to the A\$950 million repayment of the syndicated term loan maturing in May 2012.

22. LOANS AND BORROWINGS (CONTINUED)

BANK FACILITIES

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

	MATURITY	2011		2010	
		TOTAL FACILITY \$M	UTILISED \$M	TOTAL FACILITY \$M	UTILISED \$M
Syndicated bank loan	May 2012	300.0	300.0	2,250.0	2,250.0
Syndicated revolving credit facility	Dec 2013	500.0	–	500.0	–
Syndicated bank loan	Dec 2014	500.0	500.0	500.0	500.0
Less: cash and cash equivalents		–	(398.5)	–	(215.3)
Net bank debt		1,300.0	401.5	3,250.0	2,534.7
Working capital facilities ¹	Dec 2013	140.0	92.6	140.0	119.5
		1,440.0		3,390.0	

1 All drawings under the working capital facilities are in the form of performance bonds and bank guarantees.

Asciano pays interest on its bank facilities at a margin above the bank bill swap rate. As at 30 June 2011, Asciano's outstanding interest rate swaps hedged the bank debt to 100% (2010: 78%).

US DOLLAR BONDS

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

	MATURITY	2011		2010	
		US\$M	A\$M ¹	US\$M	A\$M
US dollar 5 year bonds	Sep 2015	400.0	373.3	–	–
US dollar 7 year bonds	Apr 2018	750.0	699.9	–	–
US dollar 10 year bonds	Sep 2020	600.0	559.9	–	–
US dollar 12 year bonds	Apr 2023	250.0	233.3	–	–
Discount on US dollar bonds		(7.0)	(7.0)	–	–
		1,993.0	1,859.4	–	–

1 Australian dollar equivalent calculated at the spot rate on 30 June 2011.

The US dollar bonds maturing in 2015 and 2020 are hedged by cross-currency swaps, which were entered into at the time the bonds were priced, in order to convert US dollar fixed rate borrowings into Australian dollar fixed rate borrowings.

The US dollar bonds maturing in 2018 and 2023 are hedged by cross-currency swaps, which were entered into at the time the bonds were priced, to convert US dollar fixed rate borrowings (in combination with redesignated interest rate swaps) into Australian dollar fixed rate and Australian dollar floating rate borrowings.

As a result, as at 30 June 2011, Asciano had fixed the interest rates in respect of 64% of the US bonds. As at 30 June 2011, Asciano's currency exposure on the US dollar bonds was fully hedged.

23. DERIVATIVE FINANCIAL LIABILITIES

	2011 \$M	2010 \$M
Current		
Derivatives – forward exchange contracts	17.0	0.5
Derivatives – interest rate swaps	19.0	39.0
Derivatives – cross-currency swaps	51.3	–
	87.3	39.5
Non-current		
Derivatives – forward exchange contracts	0.4	–
Derivatives – interest rate swaps	12.9	49.5
Derivatives – cross-currency swaps	155.2	–
	168.5	49.5

24. PROVISIONS AND EMPLOYEE BENEFITS

Current		
Workers compensation	8.0	8.1
Restructuring	3.2	10.6
Incident	19.8	20.3
Travel passes	1.1	1.1
Site restoration	1.2	–
Other	12.6	7.6
	45.9	47.7
Balance before employee benefits	45.9	47.7
Long service leave	66.8	67.6
Annual leave	66.9	67.2
Other employee entitlements	14.3	14.8
Total current provisions and employee benefits	193.9	197.3
Non-current		
Workers compensation	23.0	22.6
Travel passes	25.9	26.9
Site restoration	12.0	16.2
Other	0.1	1.8
	61.0	67.5
Balance before employee benefits	61.0	67.5
Long service leave	9.6	7.3
Total non-current provisions and employee benefits	70.6	74.8

24. PROVISIONS AND EMPLOYEE BENEFITS (CONTINUED)

RECONCILIATION OF MOVEMENT IN NON-EMPLOYEE PROVISIONS

\$M	WORKERS COMPENSATION	RESTRUCTURING	INCIDENT	TRAVEL PASSES	SITE RESTORATION	OTHER	TOTAL
2011							
Opening balance	30.7	10.6	20.3	28.0	16.2	9.4	115.2
Made	14.1	2.2	16.5	1.2	1.6	5.2	40.8
Utilised	(12.8)	(7.8)	(14.2)	(3.6)	(0.5)	(1.5)	(40.4)
Reversed	(2.2)	(1.8)	(2.8)	–	(4.1)	(0.4)	(11.3)
Discount unwind	1.2	–	–	1.4	–	–	2.6
Closing balance	31.0	3.2	19.8	27.0	13.2	12.7	106.9
Represented by:							
Current	8.0	3.2	19.8	1.1	1.2	12.6	45.9
Non-current	23.0	–	–	25.9	12.0	0.1	61.0
	31.0	3.2	19.8	27.0	13.2	12.7	106.9
2010							
Opening balance	31.8	25.0	20.8	25.3	17.7	12.5	133.1
Made	10.9	4.4	22.4	1.9	–	1.2	40.8
Utilised	(12.9)	(15.4)	(16.5)	(0.7)	(1.0)	(4.8)	(51.3)
Reversed	–	(3.4)	(6.4)	–	(0.5)	–	(10.3)
Discount unwind	0.9	–	–	1.5	–	0.5	2.9
Closing balance	30.7	10.6	20.3	28.0	16.2	9.4	115.2
Represented by:							
Current	8.1	10.6	20.3	1.1	–	7.6	47.7
Non-current	22.6	–	–	26.9	16.2	1.8	67.5
	30.7	10.6	20.3	28.0	16.2	9.4	115.2

24. PROVISIONS AND EMPLOYEE BENEFITS (CONTINUED)

WORKERS COMPENSATION PROVISION

Workers compensation relates to Pacific National (NSW) Pty Limited, which is a licensed self-insurer for workers compensation claims made under the Workers Compensation Act 1987 (NSW) and the Workplace Injury Management and Workers Compensation Act 1998 (NSW). Asciano Services Pty Ltd is also self-insured under the Safety, Rehabilitation and Compensation Act 1988 (Cth). As a condition of the licences, Asciano maintains an 'excess of loss' (workers compensation) insurance policy for each licence for any one event exceeding \$1 million (indexed).

A provision is maintained to cover claims made or likely to be made by employees up to \$1 million for any one event. The provision is made in accordance with an independent actuarial assessment of the liability for workers compensation claims conducted by McMahon Actuarial Services Pty Limited.

RESTRUCTURING PROVISION

The restructuring provision primarily represents the estimated cost of a redundancy program in process. The expenditure is expected to be incurred over the next calendar year, with the majority of the expenditure in the next six months.

INCIDENT PROVISION

The incident provision is the expected cost of claims relating to train and other incidents. The timing of this expenditure is within the next year.

TRAVEL PASSES PROVISION

The travel passes provision relates to the cost of retiree rail travel passes and is based on an independent actuarial assessment conducted by ABS (PL) Pty Limited. Retiree rail travel passes relate to retired ex-employees of FreightCorp (the business acquired by an Asciano subsidiary in 2002) who held a life-long travel pass and ex-employees of FreightCorp who became employees of Pacific National who were expected to become entitled to a retiree pass on exiting the business. Timing of the expenditure is dependent upon the age of the passholder, length of service, expected exit date and life expectancy.

SITE RESTORATION PROVISION

The site restoration provision is an estimate of environmental costs to be incurred over the next 10 years. A provision for site restoration in respect of contaminated land and the related expense are recognised when the need is identified. The provision is the best estimate of the present value of the expenditure required to settle the site restoration obligation at the reporting date, based on current legal requirements and technology.

OTHER PROVISIONS

Other provisions include, for example, onerous contracts and legal provisions. Legal provisions represent an estimate of the cost of defending and/or settling any claims against Asciano. Timing of expenditure varies on a case-by-case basis.

25. CONTRIBUTED EQUITY

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. 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, the 2,926,103,883 units in the Trust are now all held by the Company.

There is no 'par value' for ordinary shares. The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

MOVEMENT IN NUMBER OF ISSUED SHARES	ALLOTMENT DATE	ISSUE PRICE \$	NUMBER OF FULLY PAID ORDINARY SHARES	\$M
2011				
Parent				
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			-	(1.6)
Treasury shares acquired			-	(3.1)
Balance at 30 June 2011			2,926,103,883	8,607.4

25. CONTRIBUTED EQUITY (CONTINUED)

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 28).

The treasury shares acquired relate to the on-market purchase of Asciano shares in respect of the CFO Sign-on Rights and Retention Incentive Plan (refer to note 34). These shares will transfer to the participating executives on satisfaction of the relevant time and/or performance-based conditions.

MOVEMENT IN NUMBER OF ISSUED SHARES	ALLOTMENT DATE	ISSUE PRICE \$	NUMBER OF FULLY PAID ORDINARY SHARES	\$M
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			2,926,103,883	8,180.7
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			2,926,103,883	1,430.1

DISTRIBUTION REINVESTMENT PLAN

The Distribution Reinvestment Plan ('DRP') was announced in May 2008 and allows shareholders to reinvest all or part of their dividends in additional shares. The DRP was not activated during either of the 2011 or 2010 financial years.

26. RESERVES

MOVEMENT IN RESERVES

	COMMON CONTROL \$M	TRANSLATION \$M	HEDGE \$M	EMPLOYEE EQUITY BENEFIT \$M	TREASURY SHARES \$M	CORPORATISATION \$M	TOTAL \$M
2011							
Opening balance	(4,911.2)	(1.1)	(68.1)	3.2	–	–	(4,977.2)
Other comprehensive income	–	(0.9)	(1.8)	–	–	–	(2.7)
Employee equity benefits	–	–	–	1.3	0.7	–	2.0
Recognised in deferred tax	–	–	–	–	–	9.3	9.3
Closing balance	(4,911.2)	(2.0)	(69.9)	4.5	0.7	9.3	(4,968.6)
2010							
Opening balance	(4,911.2)	(1.3)	(112.2)	1.9	–	–	(5,022.8)
Other comprehensive income	–	0.2	44.1	–	–	–	44.3
Employee equity benefits	–	–	–	1.3	–	–	1.3
Closing balance	(4,911.2)	(1.1)	(68.1)	3.2	–	–	(4,977.2)

26. RESERVES (CONTINUED)

COMMON CONTROL RESERVE

As a result of combinations of entities under common control, an equity account was created as a component of equity. This account has been called the common control reserve. The balance of the account represents the excess of the fair value of Asciano shares as traded on 15 June 2007 over the initial carrying value of the Patrick, Pacific National and Toll Ports businesses transferred from Toll to Asciano at the time of the demerger.

TRANSLATION RESERVE

The translation reserve comprises all foreign currency differences arising from the translation of liabilities that hedge the net investment loans in foreign operations.

HEDGE RESERVE

The hedge reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments, net of tax, related to hedged transactions that have not yet occurred.

EMPLOYEE EQUITY BENEFITS RESERVE

The employee equity benefits reserve is used to record the value of share-based payments provided to employees, including KMP, as part of their remuneration. The current balance relates to unexercised options issued to senior executives under the Asciano Options and Rights Plan ('Option Plan'). The initial fair value attributed to the options at grant date is recognised on a straight line basis over the vesting period. This reserve will be reversed against contributed equity if the underlying options are exercised and result in shares being issued. Refer to note 34(A) for further details of the Option Plan.

CORPORATISATION RESERVE

The Trust became a member of the Asciano tax-consolidated group on Corporatisation. The Corporatisation reserve relates to deferred tax amounts which have been recognised on entry by the Trust to the Asciano tax-consolidated group.

TREASURY SHARES

The treasury share reserve is used to record the value of the CFO Sign-on Rights and Retention Incentive Plan share-based payments which are provided to employees, including KMP, as part of their remuneration. The initial fair value attributed to the CFO Sign-on Rights and Retention Incentive Plan ('Rights Plans') is recognised on a straight line basis over the vesting period. Refer to note 34(C) and 34(D) for further details of the Rights Plans.

27. RETAINED EARNINGS

	2011 \$M	2010 \$M
Opening balance	(573.4)	225.0
Profit/(loss) after tax attributable to owners of Asciano Limited	176.8	(788.5)
Other comprehensive income	(5.7)	(9.9)
Interim dividend paid	(29.3)	–
Closing balance	(431.6)	(573.4)

28. NON-CONTROLLING INTERESTS

	2011			2010		
	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	–	4.2	4.2	(965.8)	3.0	(962.8)
	–	10.6	10.6	464.3	9.4	473.7

TRUST NON-CONTROLLING INTEREST

Under AASB Interpretation 1002 Post-Date-of-Transition Stapling Arrangements, the interests of the 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 Asciano Limited 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.

28. NON-CONTROLLING INTERESTS (CONTINUED)

MOVEMENT IN NON-CONTROLLING INTERESTS

As a result of the Corporatisation (refer to note 25), 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:

	2011			2010		
	TRUST \$M	OTHER \$M	TOTAL \$M	TRUST \$M	OTHER \$M	TOTAL \$M
Contributed equity						
Opening balance	1,430.1	–	1,430.1	581.2	–	581.2
Issue of units	–	–	–	848.9	–	848.9
Corporatisation adjustment	(1,430.1)	–	(1,430.1)	–	–	–
Closing balance	–	–	–	1,430.1	–	1,430.1
Reserves						
Opening balance	–	6.4	6.4	–	6.4	6.4
Closing balance	–	6.4	6.4	–	6.4	6.4
Retained earnings						
Opening balance	(965.8)	3.0	(962.8)	(776.7)	1.3	(775.4)
Corporatisation adjustment	998.6	–	998.6	–	–	–
Total comprehensive income/ (expense)	(32.8)	1.2	(31.6)	(189.1)	1.7	(187.4)
Closing balance	–	4.2	4.2	(965.8)	3.0	(962.8)
Total	–	10.6	10.6	464.3	9.4	473.7

29. SUPERANNUATION

DEFINED CONTRIBUTION FUNDS

Asciano contributes to a number of defined contribution funds on behalf of employees. Under current legislation, employees are able to choose the fund into which these contributions are made, and Asciano pays contributions into the various funds in accordance with the employees' instructions. Contributions made to the funds were \$36.5 million (2010: \$46.7 million).

VICTORIAN STATE SUPERANNUATION FUND

Asciano also contributes on behalf of certain employees to defined benefit schemes that are part of the Victorian State Superannuation Fund ('VSSF'). Certain employees of V/Line Freight Corporation, which was acquired by Freight Victoria Limited (subsequently renamed Pacific National (Victoria) Limited) on 1 May 1999, elected to continue their membership of the defined benefit schemes at acquisition. Membership of the defined benefit schemes had been closed to new members prior to 1 May 1999. As at 30 June 2011, there were 41 employees (2010: 51) still in the defined benefit schemes.

The State Government of Victoria retains liability for investment risk in the VSSF while Asciano's exposure is in relation to future contribution rates only. Contribution rates may increase above current rates where the level of salary and wage increases exceeds that assumed by the actuary. The level of contributions in respect of these funds is determined by the VSSF's board based on advice from the actuary. For accounting purposes, the State Government of Victoria recognises the unfunded superannuation liability in respect of the Emergency Services Superannuation Scheme ('ESSS') (of which the VSSF is a sub-scheme) in its financial statements.

David Knox (BA, PhD, FIA, FIAA), the actuary who prepares the AASB 119 Employee Benefits liabilities for the State Government of Victoria, has advised that given the nature of the ESSS, the State Government of Victoria's commitment to the ESSS, the pooling of risk and the difficulties in reliably allocating the benefit liabilities and assets between entities, it is appropriate for Asciano to use the defined contribution reporting approach available under the multi-employer fund provisions of AASB 119. This approach is also consistent with the treatment of Asciano's contribution in the calculation of the State Government of Victoria's balances.

29. SUPERANNUATION (CONTINUED)

STEVEDORING EMPLOYEES RETIREMENT FUND

Asciano also contributes on behalf of certain employees into the Stevedoring Employees Retirement Fund ('SERF'). The SERF is a superannuation fund that, in addition to providing defined contribution benefits to some categories of members, provides other members with defined benefits. There were 37 (2010: 44) employees in the defined benefit fund and 2,386 (2010: 2,494) employees in the defined contribution fund as at 30 June 2011.

The SERF is a multi-employer industry-based superannuation fund. There is no basis that could be used to definitively apportion the benefits, assets and costs associated with the SERF between the various full participating employers.

The SERF's actuary advised that the surplus in the fund continues to be \$nil at 30 June 2011, primarily as a result of the performance of equity markets during the period. The actuary used a net of tax discount rate of 6.8% (2010: 6.0%) per annum and an assumed wage escalation rate of 4.0% (2010: 4.0%) per annum. Asciano has made normal contributions to the fund in 2011 at the request of the fund trustee.

DEFINED BENEFIT FUNDS

Asciano is a sponsor of a number of pooled defined benefit funds relating to employees it took over from closed New South Wales public sector entities. The funds include the State Superannuation Scheme ('SSS'), the State Authorities Superannuation Scheme ('SASS') and the State Authorities Non-Contributory Superannuation Scheme ('SANCS'). These schemes are all defined benefit schemes and at least one component of the final benefit is derived from a multiple of member salary and years of membership. There were 556 (2010: 571) employees in these defined benefit funds as at 30 June 2011.

In accordance with various trust deeds, where a deficit exists in the funds the trustee may request additional contributions by employers in order to manage down the deficit over time. At the request of the trustee, Asciano made additional contributions of \$8.1 million (2010: \$7.9 million) in the 2011 financial year. A similar contribution is forecast for the 2012 financial year.

In accordance with AASB 119, Asciano has elected to reflect actuarial gains and losses, after tax, directly in other comprehensive income. Other gains and losses are reflected in the current period Income Statement.

All fund assets are invested at arm's length through independent fund managers.

	2011 \$M	2010 \$M
Fund assets comprise:		
Australian equities	55.4	49.6
Overseas equities	48.9	42.9
Australian fixed interest securities	9.5	9.8
Overseas fixed interest securities	5.1	6.9
Property	16.4	15.2
Cash	8.5	15.4
Other	22.2	20.3
	166.0	160.1
Movement in the present value of fund assets		
Balance at the beginning of the financial period	160.1	160.6
Contributions paid into the funds – employer	8.1	7.9
Contributions paid into the funds – plan participants	2.0	2.3
Benefits paid by the funds	(15.4)	(21.8)
Expected return on fund assets	13.6	13.8
Actuarial losses recognised in other comprehensive income	(2.4)	(2.7)
Balance at the end of the financial period	166.0	160.1

29. SUPERANNUATION (CONTINUED)

	2011 \$M	2010 \$M
Movement in the present value of the defined benefit obligation		
Balance at the beginning of the financial year	227.3	219.6
Contributions paid into the funds	2.0	2.3
Benefits paid by the funds	(15.4)	(21.9)
Current service costs and interest	15.0	15.9
Actuarial losses recognised in other comprehensive income	5.9	11.4
Balance at the end of the financial year	234.8	227.3
 Expenses recognised in the Income Statement		
Current service costs	3.5	3.8
Interest cost	11.5	12.1
Expected return on fund assets	(13.6)	(13.8)
Total included in employee benefits expense	1.4	2.1
Actual return on fund assets	13.6	14.8
 Actuarial gains and losses recognised directly in other comprehensive income		
Balance at the beginning of the financial year	(71.5)	(61.6)
Recognised directly in other comprehensive income	(8.3)	(14.1)
Tax thereon	2.6	4.2
Other comprehensive income, net of tax	(5.7)	(9.9)
Balance at the end of the financial year	(77.2)	(71.5)
 Actuarial assumptions	2011 % PA	2010 % PA
Discount rate	5.3	5.2
Future salary increases	3.5	3.5
Rate of Consumer Price Index ('CPI') increase	2.5	2.5
Expected rate of return on assets	8.6	8.6

29. SUPERANNUATION (CONTINUED)

EMPLOYER CONTRIBUTIONS

Employer contributions to the funds are based on recommendations by the funds' actuaries. Actuarial assessments are made on an annual basis and the last such assessment was conducted as at 30 June 2011.

HISTORICAL INFORMATION

	SSS \$M	SASS \$M	SANCS \$M	TOTAL \$M
2011				
Defined benefit obligation	(2.5)	(210.4)	(21.9)	(234.8)
Fund assets	4.6	145.0	16.4	166.0
Net surplus/(deficit)	2.1	(65.4)	(5.5)	(68.8)
Experience adjustments – fund liabilities	–	5.5	0.4	5.9
Experience adjustments – fund assets	–	2.4	–	2.4
2010				
Defined benefit obligation	(2.5)	(204.1)	(20.7)	(227.3)
Fund assets	4.3	141.4	14.4	160.1
Net surplus/(deficit)	1.8	(62.7)	(6.3)	(67.2)
Experience adjustments – fund liabilities	0.1	10.3	1.0	11.4
Experience adjustments – fund assets	–	2.7	–	2.7
2009				
Defined benefit obligation	(2.3)	(197.0)	(20.3)	(219.6)
Fund assets	4.0	142.7	13.9	160.6
Net surplus/(deficit)	1.7	(54.3)	(6.4)	(59.0)
Experience adjustments – fund liabilities	0.4	0.7	1.6	2.7
Experience adjustments – fund assets	1.0	38.4	3.7	43.1
2008				
Defined benefit obligation	(1.8)	(190.6)	(17.9)	(210.3)
Fund assets	4.7	170.7	15.8	191.2
Net surplus/(deficit)	2.9	(19.9)	(2.1)	(19.1)
Experience adjustments – fund liabilities	–	(8.3)	0.3	(8.0)
Experience adjustments – fund assets	0.5	23.2	1.7	25.4

30. OPERATING LEASES

	2011 \$M	2010 \$M
Non-cancellable operating lease rentals are payable as follows:		
Within one year	91.9	101.7
One year or later and no later than five years	261.9	305.1
Later than five years	715.0	661.0
	1,068.8	1,067.8

Asciano leases property under non-cancellable operating leases expiring between two to 46 years. Leases generally provide Asciano with a right of renewal, at which time all terms are renegotiated. Lease payments comprise a base amount plus an incremental contingent rental. Contingent rentals are based on either movements in the CPI or operating criteria.

31. CAPITAL AND OTHER COMMITMENTS

	2011 \$M	2010 \$M
Plant and equipment		
Contracted capital expenditure committed but not yet payable:		
Within one year	618.4	214.2
One year or later and no later than five years	82.4	141.3
	700.8	355.5
Maintenance commitments		
Non-cancellable maintenance contracts committed but not yet payable:		
Within one year	44.6	46.2
One year or later and no later than five years	37.7	49.8
	82.3	96.0

32. CONTINGENCIES

LITIGATION

From time to time, Asciano is subject to claims and litigation during the normal course of business. The Board has given consideration to such matters, which are or may be subject to litigation at 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 pavement works carried out by a third party at the Port Botany site. The Directors are confident the claim will be successful; however, as recovery is not virtually certain as defined by the accounting standards, no asset has been recognised.

33. RELATED PARTIES

(A) KMP

Details on the remuneration paid to the Non-Executive Directors, the Executive Director and those other executives who at any point during the financial year had authority and responsibility for planning, directing and controlling the activities of Asciano ('KMP') are provided under section 8 of the Directors' report.

KMP REMUNERATION

The aggregate remuneration of the KMP is set out below:

	2011 \$000	2010 \$000
Remuneration elements		
Short-term employee benefits	9,897	10,204
Post-employment benefits	276	328
Other long-term employee benefits	63	123
Termination benefits	2,705	2,735
Share-based payments	2,421	1,337
Total remuneration	15,362	14,727

EQUITY HOLDINGS AND TRANSACTIONS

The movement during the financial year in the number of Asciano's shares held directly, indirectly or beneficially by KMP including their related parties, is set out in the following table:

KMP 2011	OPENING BALANCE	ACQUIRED	SOLD	OTHER	CLOSING BALANCE
Non-Executive Directors					
Malcolm Broomhead	330,000	–	–	–	330,000
Chris Barlow	26,273	–	–	–	26,273
Bob Edgar	49,884	30,000	–	–	79,884
Peter George	136	–	–	–	136
Geoff Kleemann	50,000	–	–	–	50,000
Executives					
Paul Garaty	119,667	–	–	–	119,667
Chris Keast	–	–	–	–	–
David Irwin	3,750	–	–	–	3,750
Saul Cannon	185,621	–	–	–	185,621
Angus McKay	–	58,671	–	–	58,671
Former Executives					
Mark Rowsthorn ¹	112,579,246	–	–	(112,579,246)	–
Steven Ford ²	239,526	–	–	(239,526)	–

No shares are currently held by the following KMP who commenced with Asciano during the 2011 financial year: Shirley In't Veld; John Mullen; and Alexandra Badenoch. Angus McKay received CFO Sign-on Rights of which 58,671 shares vested (see table above) and 364,535 lapsed at 30 June 2011, in line with the hurdles of these shares. Refer note 34 for further details.

33. RELATED PARTIES (CONTINUED)

KMP 2010	OPENING BALANCE	ACQUIRED	SOLD	OTHER	CLOSING BALANCE
Non-Executive Directors					
Malcolm Broomhead	–	330,000	–	–	330,000
Chris Barlow	26,273	–	–	–	26,273
Bob Edgar	–	49,884	–	–	49,884
Peter George	136	–	–	–	136
Geoff Kleemann	–	50,000	–	–	50,000
Executive Director					
Mark Rowsthorn ¹	76,281,668	76,297,578	(40,000,000)	–	112,579,246
Executives					
Paul Garaty	104,603	117,331	(102,267)	–	119,667
Chris Keast	–	–	–	–	–
David Irwin	136	3,614	–	–	3,750
Saul Cannon	32,439	153,182	–	–	185,621
Steven Ford ²	161,581	167,945	(90,000)	–	239,526
Former Non-Executive Director					
Tim Poole ³	131,589	–	–	(131,589)	–
Former Executives					
Don Telford ⁴	652,099	–	–	(652,099)	–
Peter McGregor ⁵	5,000	–	–	(5,000)	–
Doug Schultz ⁶	8,536	–	–	(8,536)	–

1 The employment of Mark Rowsthorn was terminated on 15 June 2011.

2 The employment of Steven Ford was terminated on 31 January 2011.

3 Tim Poole retired as a Director on 23 October 2009.

4 The employment of Don Telford was terminated on 1 January 2010.

5 The employment of Peter McGregor was terminated on 30 April 2010.

6 The employment of Doug Schultz was terminated on 14 August 2009.

33. RELATED PARTIES (CONTINUED)

OPTION HOLDINGS AND TRANSACTIONS

The movement during the period in the number of Asciano's options held directly, indirectly or beneficially by KMP including their related parties, is set out below:

	OPENING BALANCE	AWARDED AS REMUNERATION	LAPSED	CLOSING BALANCE
KMP 2011				
Executive Director				
John Mullen ⁶	–	2,390,625	–	2,390,625
Executives				
Paul Garaty	559,776	370,370	(61,728)	868,418
Chris Keast	319,149	370,370	–	689,519
David Irwin	362,896	370,370	(30,864)	702,402
Saul Cannon	621,505	277,778	(123,457)	775,826
Angus McKay	–	1,031,250	–	1,031,250
Former executives				
Mark Rowsthorn ¹	7,146,751	3,361,111	(7,933,393)	2,574,469
Steven Ford ²	393,760	277,778	(529,694)	141,844
2010				
Executive Director				
Mark Rowsthorn	3,285,049	3,861,702	–	7,146,751
Executives				
Paul Garaty	240,627	319,149	–	559,776
Chris Keast	–	319,149	–	319,149
David Irwin	150,130	212,766	–	362,896
Saul Cannon	302,356	319,149	–	621,505
Steven Ford	180,994	212,766	–	393,760
Former executives				
Don Telford ³	995,469	–	(995,469)	–
Peter McGregor ⁴	431,544	638,298	(1,069,842)	–
Doug Schultz ⁵	271,491	–	(271,491)	–

No options are currently held by Alexandra Badenoch.

1 With the exception of certain options issued during the 2010 financial year, the options belonging to Mark Rowsthorn lapsed on termination of his employment on 15 June 2011.

2 With the exception of certain options issued during the 2010 financial year, the options belonging to Steven Ford lapsed on termination of his employment on 31 January 2011.

3 The options belonging to Don Telford lapsed on termination of his employment on 1 January 2010.

4 The options belonging to Peter McGregor lapsed on termination of his employment on 30 April 2010.

5 The options belonging to Doug Schultz lapsed on termination of his employment on 14 August 2009.

6 The options related to John Mullen are subject to approval by the shareholders at the 2011 AGM.

The Non-Executive Directors did not hold any options during the reporting period. No options vested or were exercised during the reporting period.

33. RELATED PARTIES (CONTINUED)

CFO SIGN-ON RIGHTS AND RETENTION INCENTIVE PLAN

During the year ended 30 June 2011, certain executives were granted rights to Asciano shares subject to the satisfaction of certain performance criteria. The movement during the period in the number of rights to Asciano shares held by KMP is set out below:

KMP 2011	OPENING BALANCE	AWARDED AS REMUNERATION	VESTED	LAPSED	CLOSING BALANCE
Executives					
Paul Garaty ¹	–	161,630	–	–	161,630
Chris Keast ¹	–	150,085	–	–	150,085
David Irwin ¹	–	138,540	–	–	138,540
Saul Cannon ¹	–	121,223	–	–	121,223
Angus McKay ²	–	970,983	(58,671)	(364,535)	547,777
Angus McKay ¹	–	207,810	–	–	207,810

1 Relates to the Retention Incentive Plan.

2 Relates to the CFO Sign-on Rights.

LOANS WITH KMP

No loans were made to KMP during the current or prior financial year.

OTHER TRANSACTIONS WITH KMP

The results for the year included the following item of revenue and expense that resulted from transactions with KMP or their related entities: the former MD and CEO, Mark Rowsthorn, is a director and majority shareholder of Marcplan Charter Pty Limited. During the year, \$613,259 (2010: \$268,202) was paid to Marcplan Charter Pty Limited for the use of a corporate jet. Most of these fees were for charter services to Asciano and were at discounted prices.

A number of KMP, or their related parties, hold positions in other entities that may from time to time transact with Asciano. The terms and conditions of any such transactions with KMP and their related parties are no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-KMP related entities on an arm's length basis.

B) SIGNIFICANT SUBSIDIARIES

All significant operating subsidiaries listed below were incorporated in Australia and are 100% owned, except Patrick Autocare Pty Limited, which is 80% owned.

Asciano Finance Limited
 Asciano Services Pty Ltd
 Pacific National (NSW) Pty Limited
 Pacific National (QLD) Pty Limited
 Pacific National (Queensland Coal) Pty Limited
 Patrick Autocare Pty Limited
 Patrick Container Ports Pty Limited
 Patrick Ports Pty Limited
 Patrick Stevedores Holdings Pty Limited
 Patrick Stevedores Operations Pty Limited
 Patrick Stevedores Operations No 2 Pty Limited
 Patrick Stevedoring Pty Limited
 Plzen Pty Limited
 PSL Services Pty Limited

(C) TRANSACTIONS WITH RELATED PARTIES

	2011 \$000	2010 \$000
Transactions with associates		
Sales revenue	11,130	14,156
Purchases/services received	26,610	37,881
Dividend revenue	12,305	7,645
Interest revenue	1,098	1,503

Balances of loans with associates are disclosed in note 13. Included in loans to associates are interest bearing loans of \$12,839,573 (2010: \$14,057,716).

34. SHARE-BASED PAYMENTS

(A) ASCIANO OPTIONS AND RIGHTS PLAN

The Option Plan was established to provide LTIs for executives and selected employees. Under the Option Plan, participants are granted options that only vest if certain time-based and performance-based vesting conditions are met. Participation in the Option Plan is at the Board's discretion and no individual has a contractual right to participate in the Option Plan or to receive any guaranteed benefits.

The number of options granted to executives and selected employees is based upon their target LTI. This target LTI is determined based upon the executive's or employee's level of seniority and contribution to the profitability of Asciano.

The options vest over a three to four year period and are subject to Asciano's relative TSR performance against companies in the S&P/ASX 100 Index less Resources and Financial Companies. The options also have an additional, inherent, performance hurdle, being that the share price at vesting date must be above the exercise price. The options are equity-settled.

Vested options can be exercised to acquire shares in the Company, subject to paying an exercise price. There were three grants of options during the 2011 financial year. The acquired shares are subject to a holding lock for a maximum period of seven years from the date the options were granted. Once the holding lock has lifted, the shares can be sold at any time subject to compliance with the Asciano Share Trading Policy. Options are granted under the Option Plan for no consideration and carry no dividend or voting rights. Options granted in the 2011 financial year being on 15 July 2010, 27 October 2010 and 17 December 2010, have an exercise price of \$1.67 per share.

Set out below are the key terms of options granted under the Option Plan:

2011

GRANT DATE	TRANCHE	EXPIRY DATE	EXERCISE PRICE	FAIR VALUE GRANT	OPENING BALANCE	GRANTED	LAPSED	CLOSING BALANCE
19/11/07	A	30/06/12	\$8.43	\$1.44	1,649,306	–	(1,649,306)	–
19/11/07	B	30/06/12	\$8.43	\$1.07	549,769	–	(549,769)	–
23/09/08	A	30/06/13	\$4.24	\$0.91	1,947,762	–	(389,105)	1,558,657
23/09/08	B	30/06/13	\$4.24	\$0.89	649,255	–	(129,702)	519,553
22/10/08	A	30/06/13	\$4.24	\$0.53	1,623,509	–	(1,623,509)	–
22/10/08	B	30/06/13	\$4.24	\$0.53	541,170	–	(541,170)	–
08/10/09	A	30/06/14	\$1.52	\$0.53	3,638,306	–	(558,515)	3,079,791
08/10/09	B	30/06/14	\$1.52	\$0.51	1,212,767	–	(186,172)	1,026,595
23/10/09	A	30/06/14	\$1.52	\$0.53	2,896,277	–	(965,426)	1,930,851
23/10/09	B	30/06/14	\$1.52	\$0.51	965,426	–	(321,808)	643,618
15/07/10	B	30/06/15	\$1.67	\$0.34	–	5,509,269	(777,779)	4,731,490
27/10/10	B	30/06/15	\$1.67	\$0.29	–	3,361,111	(3,361,111)	–
17/12/10	B	30/06/15	\$1.67	\$0.32	–	1,590,726	(142,809)	1,447,917
					15,673,547	10,461,106	(11,196,181)	14,938,472

2010

GRANT DATE	TRANCHE	EXPIRY DATE	EXERCISE PRICE	FAIR VALUE GRANT	OPENING BALANCE	GRANTED	LAPSED	CLOSING BALANCE
19/11/07	A	30/06/12	\$8.43	\$1.44	2,144,677	–	(495,371)	1,649,306
19/11/07	B	30/06/12	\$8.43	\$1.07	714,893	–	(165,124)	549,769
07/02/08	A	30/06/12	\$7.00	\$0.96	55,310	–	(55,310)	–
07/02/08	B	31/12/12	\$7.00	\$1.01	18,436	–	(18,436)	–
23/09/08	A	30/06/13	\$4.24	\$0.91	3,146,387	–	(1,198,625)	1,947,762
23/09/08	B	30/06/13	\$4.24	\$0.89	1,048,796	–	(399,541)	649,255
22/10/08	A	30/06/13	\$4.24	\$0.53	1,623,509	–	–	1,623,509
22/10/08	B	30/06/13	\$4.24	\$0.53	541,170	–	–	541,170
08/10/09	A	30/06/14	\$1.52	\$0.53	–	4,340,437	(702,131)	3,638,306
08/10/09	B	30/06/14	\$1.52	\$0.51	–	1,446,812	(234,045)	1,212,767
23/10/09	A	30/06/14	\$1.52	\$0.53	–	2,896,277	–	2,896,277
23/10/09	B	30/06/14	\$1.52	\$0.51	–	965,426	–	965,426
					9,293,178	9,648,952	(3,268,583)	15,673,547

34. SHARE-BASED PAYMENTS (CONTINUED)

Tranche A refers to the options subject to EBIT growth per share and Tranche B refers to the options subject to the relative TSR hurdle. Tranche A options have been valued using the Binomial model and their value is exclusive of performance hurdles. Tranche B options have been valued using a Monte Carlo simulation that takes into account the relative TSR hurdle.

No options vested or became exercisable during the financial year. Options granted to employees whose employment was terminated during the year lapsed. The remaining contractual life of the options outstanding at the end of the year was one to three years.

The model inputs used in determining the fair value of options granted in the 2011 financial year under the Option Plan are provided below:

GRANT DATE	PERFORMANCE HURDLE	EXPIRY DATE	EXERCISE PRICE (\$)	FAIR VALUE (\$)	SECURITY PRICE AT GRANT DATE (\$)	EXPECTED PRICE VOLATILITY (%)	EXPECTED DIVIDEND YIELD (%)	RISK-FREE RATE (%)
15 July 2010	TSR	30 June 2015	1.67	0.34	1.70	25	2.7	4.65
27 October 2010	TSR	30 June 2015	1.67	0.29	1.57	25	1.3	4.94
17 December 2010	TSR	30 June 2015	1.67	0.32	1.60	25	1.3	5.24

(B) ASCIANO EXEMPT SECURITIES PLAN

The Asciano Exempt Securities Plan was established to mark Asciano's listing on the ASX and all permanent employees who were employed by Asciano as at 24 September 2007 were eligible to participate in the scheme. Employees were able to elect not to participate in the scheme.

Under the scheme, eligible employees were granted \$1,000 of Asciano shares on 24 September 2007 for no cash consideration. No shares were issued under the Asciano Exempt Securities Plan during the 2010 or 2011 financial years.

The shares rank equally with other shares on issue. Shares under the scheme were purchased on-market.

(C) CFO SIGN-ON RIGHTS

Sign-on arrangements were put in place with the CFO following his appointment in December 2010 primarily to recognise the benefits forgone under his previous employment arrangements.

To ensure alignment with shareholder interests, the sign-on arrangements took the form of restricted shares in Asciano Limited, with the majority of the shares being subject to a hurdle based on Asciano's relative TSR performance.

The shares are split into two separate holdings – the first holding is subject to time-based conditions (valued using the Binomial model), and the second holding is subject to both time and performance-based conditions (valued using a Monte Carlo simulation).

GRANT DATE	VESTING DATE	RISK-FREE INTEREST RATE (%)	SHARE PRICE AT GRANT DATE	EXPECTED PRICE VOLATILITY (%)	EXPECTED DIVIDEND YIELD (%)	TIME-BASED CONDITION		PERFORMANCE-BASED CONDITION	
						FAIR VALUE (\$)	NUMBER OF RESTRICTED SHARES	FAIR VALUE (\$)	NUMBER OF RESTRICTED SHARES
6 December 2010	30 June 2011	4.59	\$1.66	25	1.3	1.66	58,671	0.68	364,535
6 December 2010	30 June 2012	4.78	\$1.66	25	1.3	1.66	123,926	0.87	365,174
6 December 2010	30 June 2013	4.90	\$1.66	25	1.3	1.66	58,677	-	-

58,671 of the CFO sign-on restricted shares vested and 364,535 of the CFO sign-on restricted shares lapsed as at 30 June 2011, in line with the hurdles of these shares.

34. SHARE-BASED PAYMENTS (CONTINUED)

(D) RETENTION INCENTIVE PLAN

Following the appointment of the current MD and CEO in February 2011, the Board approved a grant of restricted shares as a retention incentive to selected senior executives to encourage these key executives to commit to the creation of long-term growth and shareholder value in Asciano.

The shares are subject to a two year restriction on dealing, during which time the executive may not sell or otherwise deal with the shares. During the restriction period, the executive is entitled to receive dividends on the shares. The shares are also subject to forfeiture if the executive resigns during the restriction period or is terminated by the Company for cause or for failure to meet acceptable standards of performance.

GRANT DATE	VESTING DATE	FAIR VALUE (\$)	NUMBER OF SHARES
3 March 2011	8 March 2013	1.73	1,087,194

Asciano have estimated the fair value of \$1.73 as the market price of the shares on the grant date.

(E) EXPENSES ARISING FROM SHARE-BASED PAYMENT TRANSACTIONS

Total expenses arising from share-based payment transactions recognised during the financial year as part of employee benefits expense were as follows:

	2011 \$M	2010 \$M
Options and Rights issued under the Asciano Options and Rights Plan	2.0	1.3

35. EVENTS SUBSEQUENT TO THE REPORTING DATE

On 20 July 2011, Asciano announced that the Patrick division has signed a new five year contract with the Maersk Line effective immediately. The new contract encompasses the movement of existing volumes (approximately 503,000 containers in the 2011 financial year) combined with an additional proforma 190,000 containers per annum.

Other than for the item noted above and for the resolution to pay a final dividend of 1.0 cent per share (refer to note 5), there has not arisen in the interval between the end of the 2011 financial year 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 years.

36. AUDITOR'S REMUNERATION

	2011 \$000	2010 \$000
Audit services		
Audit and review of financial reports	1,597	1,742
Other assurance related services	63	127
US bond issuances – comfort letters	339	–
Other services		
Financial due diligence services related to equity raising	–	8
Efficiency review services	–	90
Taxation services	269	46
	2,268	2,013

37. DEED OF CROSS GUARANTEE

Pursuant to ASIC Class Order 98/1418 dated 13 August 1998 (as amended by individual ASIC Order 08/0062 issued to the Parent on 31 January 2008), the wholly owned subsidiaries of the Parent listed below are relieved from the Corporations Act 2001 requirements for preparation, audit and lodgement of financial reports and Directors' reports.

It is a condition of the class order and individual ASIC Order 07/0813 issued to the Parent on 12 October 2007 that the Parent and each of the wholly owned subsidiaries enter into a deed of cross guarantee. The effect of the deed is that the Parent guarantees to each creditor payment in full of any debt in the event of the winding up of any of the wholly owned subsidiaries under certain provisions of the Corporations Act 2001. If a winding up occurs under other provisions of the Act, the Parent will only be liable in the event that after six months any creditor has not been paid in full. The wholly owned subsidiaries have also given similar guarantees in the event that the Parent is wound up.

The subsidiaries subject to the deed are as follows:

Alpen's (Griffith) Pty Limited	Asciano Corporate Services Pty Ltd
Asciano Executive Services Pty Ltd	Asciano Holdings (Containers) Pty Ltd
Asciano Holdings (Corporate) Pty Ltd	Asciano Holdings (Executive) Pty Ltd
Asciano Holdings (General & Bulk) Pty Ltd	Asciano Holdings (Properties) Pty Ltd
Asciano Holdings (Rail) Pty Ltd	Asciano Properties Operations Pty Ltd ¹
Asciano Properties Pty Ltd	Asciano Rail Holdings Pty Ltd
Asciano Services Pty Ltd	Asciano (Employee Share Plans) Pty Ltd
ATN Access Pty Limited	Eastern Basin Pty Limited ²
Equitius Pty Limited	Freight Australia Pty Limited
National Rail Consortium (Insurance) Pty Limited	National Stevedoring Holdings Pty Limited
Pacific National (Bulk Rail) Pty Limited	Pacific National (NSW) Pty Limited
Pacific National (QLD) Pty Limited	Pacific National (Queensland Coal) Pty Limited
Pacific National (Queensland Coal Holdco) Pty Limited	Pacific National (Tasmania) Pty Limited
Pacific National Pty Limited	Patrick Auto, Bulk and General Ports Pty Limited
Patrick BWL Pty Limited	Patrick Container Ports Pty Limited
Patrick Distribution Pty Limited	Patrick Port Services (No 1) Pty Limited
Patrick Port Services Pty Limited	Patrick PortLink Pty Limited
Patrick Ports Pty Limited	Patrick Stevedores Holdings Pty Limited
Patrick Stevedores No 4 Pty Limited	Patrick Stevedores Operations No 2 Pty Limited
Patrick Stevedores Operations Pty Limited	Patrick Stevedoring (BSL) Pty Limited
Patrick Stevedoring Pty Limited	Phillips Transport Pty Limited
Plzen Pty Limited	PN Tas (Operations) Pty Limited
PN Tas (Services) Pty Limited	PSL Services Pty Limited
Seatons Distribution Service (Qld) Pty Limited	Strang Patrick Holdings Pty Limited
Terminals Australia Pty Limited	Train Crewing Services Pty Limited
WA Grain Stevedores Pty Limited	

¹ As trustee for Asciano Properties Trust.

² As trustee for Eastern Basin Unit Trust.

37. DEED OF CROSS GUARANTEE (CONTINUED)

A consolidated Income Statement, a summary of retained earnings and a consolidated Balance Sheet, comprising the Parent and controlled entities that are a party to the deed of cross guarantee, after eliminating all transactions between parties to the deed, at 30 June 2011 are set out as follows:

STATEMENT OF COMPREHENSIVE INCOME AND RETAINED EARNINGS	2011 \$M	2010 \$M
Revenue from services rendered	2,824.6	2,553.6
Other income	(143.1)	7.6
Share of net profit of associates	15.5	10.0
Operating expenses excluding depreciation, amortisation and impairment	(1,840.2)	(1,902.9)
Profit before impairment, depreciation, amortisation, net finance costs and tax	856.8	668.3
Depreciation	(210.6)	(194.3)
Amortisation	(50.7)	(59.2)
Impairment/reversal of impairment of property, plant and equipment	1.4	(1,128.5)
Profit/(loss) before net finance costs and tax	596.9	(713.7)
Net finance expense	(237.0)	(276.0)
Profit/(loss) before tax	359.9	(989.7)
Tax expense	(122.0)	(21.3)
Profit/(loss) after tax	237.9	(1,011.0)
Other comprehensive income	(5.7)	(9.9)
Total Comprehensive income for the period	232.2	(1,020.9)
Retained earnings at beginning of year	(1,471.2)	(450.3)
Adjustment for subsidiaries entering the deed of cross guarantee	56.6	–
Dividends paid	(29.3)	–
Retained earnings at end of year	(1,211.7)	(1,471.2)

37. DEED OF CROSS GUARANTEE (CONTINUED)

CONSOLIDATED BALANCE SHEET	2011 \$M	2010 \$M
Current assets		
Cash and cash equivalents	395.1	211.8
Trade and other receivables	281.2	263.8
Prepayments	24.5	19.4
Inventories	21.9	21.1
Derivative financial assets	–	3.7
Related party loans	–	250.1
Total current assets	722.7	769.9
Non-current assets		
Trade and other receivables	69.8	72.9
Prepayments	9.4	14.0
Inventories	31.2	21.3
Investments	–	41.3
Other financial assets including derivatives	1,499.4	0.7
Net deferred tax assets	137.1	147.5
Equity accounted investments	20.7	13.4
Property, plant and equipment	2,920.8	2,482.6
Intangible assets	2,704.6	2,751.1
Other assets	1.3	2.3
Total non-current assets	7,394.3	5,547.1
Total assets	8,117.0	6,317.0
Current liabilities		
Current tax liabilities	10.4	–
Trade and other payables	280.4	311.0
Loans and borrowings	–	–
Derivative financial liabilities	87.3	39.5
Provisions and employee benefits	184.9	185.6
Total current liabilities	563.0	536.1
Non-current liabilities		
Trade and other payables	80.8	79.7
Loans and borrowings	4,065.1	4,139.1
Derivative financial liabilities	168.5	49.5
Provisions and employee benefits	70.5	74.5
Total non-current liabilities	4,384.9	4,342.8
Total liabilities	4,947.9	4,878.9
Net assets	3,169.1	1,438.1
Equity		
Contributed equity	9,643.7	8,180.7
Reserves	(5,262.9)	(5,271.4)
Retained earnings	(1,211.7)	(1,471.2)
Total equity	3,169.1	1,438.1

38. PARENT

As at, and throughout the 2011 financial year, the Parent company of Asciano was Asciano Limited.

	2011 \$M	2010 \$M
Result of the Parent		
Profit/(loss) after tax	64.9	(1,138.8)
Other comprehensive income	(1.8)	44.1
Total comprehensive income	63.1	(1,094.7)
Financial position of Parent at year end		
Current assets	300.8	148.7
Non-current assets	10,775.7	6,746.3
Total assets	11,076.6	6,895.0
Current liabilities	454.2	485.3
Non-current liabilities	6,929.5	4,216.8
Total liabilities	7,383.7	4,702.1
Total equity of the Parent comprising of:		
Contributed equity	9,646.8	8,180.7
Hedge reserve	(69.9)	(68.1)
Retained earnings	(5,884.0)	(5,919.7)
Total equity	3,692.9	2,192.9

PARENT CAPITAL COMMITMENTS FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

There were \$nil (2010: \$nil) Parent capital commitments for acquisition of property, plant and equipment.

PARENT CAPITAL GUARANTEES IN RESPECT OF DEBTS OF CERTAIN SUBSIDIARIES

The Parent has entered into a deed of cross guarantee with the effect that the Parent guarantees debts in respect of wholly owned subsidiaries. Under the deed of cross guarantee the subsidiaries provide financial security to the Parent.

Further details of the deed of cross guarantee and the wholly owned subsidiaries subject to the deed, are disclosed in note 37.

PARENT CONTINGENT LIABILITIES

There are no contingent liabilities in the Parent.

The contributed equity in the Parent differs to the contributed equity in the consolidated financial statements due to the elimination of the treasury shares and the corporatisation adjustment which arose from the acquisition of the Asciano Finance Trust (refer note 25).

ASCIANO LIMITED**DIRECTORS' DECLARATION
FOR THE YEAR ENDED 30 JUNE 2011**

1. In the opinion of the Directors of Asciano Limited ('Company'):
 - (a) the consolidated financial statements and notes set out on pages 39 to 100 and the Remuneration report in the Directors' report, set out on pages 17 to 30, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Group's financial position as at 30 June 2011 and of its performance for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
 - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. There are reasonable grounds to believe that the Company and the Group entities identified in note 37 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the deed of cross guarantee between the Company and those Group entities pursuant to ASIC Class Order 98/1418.
3. The Directors have been given the declarations required by section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2011.
4. The Directors draw attention to note 1 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors:



Malcolm Broomhead
Chairman

Sydney
24 August 2011



Independent auditor's report to the members of Asciano Limited

Report on the financial report

We have audited the accompanying financial report of Asciano Limited (the Company), which comprises the Consolidated Balance Sheet as at 30 June 2011, Consolidated Income Statement and Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows for the year ended on that date, notes 1 to 38 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 year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australian Accounting Interpretations), a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

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

Report on the remuneration report

We have audited the Remuneration Report included in section 8 of the directors' report for the year ended 30 June 2011. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Asciano Limited for the year ended 30 June 2011, complies with Section 300A of the *Corporations Act 2001*.

KPMG

Duncan McLennan
Partner

Sydney

24 August 2011

ASX ADDITIONAL INFORMATION

Additional information required by the Australian Securities Exchange Listing Rules and not disclosed elsewhere in the full year report is set out below. This shareholder information was applicable at 30 August 2011, unless otherwise indicated.

VOTING RIGHTS

SHARES

There are 57,215 shareholders of the 2,926,103,883 shares in Asciano.

The voting rights attached to the shares are set out in clause 37 of Asciano's Constitution, which is available on Asciano's website.

OPTIONS

There are 85 holders of options over Asciano shares issued under the Asciano Option and Rights Plan. There are no voting or distribution rights attached to the options. Some previous holders of options have left their employment with Asciano and their options have lapsed.

DISTRIBUTION OF FULLY PAID SHARES

INVESTOR RANGE	TOTAL NUMBER OF SECURITY HOLDERS	SHARES	% OF ISSUED CAPITAL
1-1,000	23,049	833,1569	0.28%
1,001-5,000	17,476	46,559,891	1.59%
5,001-10,000	8,080	58,721,674	2.01%
10,001-100,000	8,231	195,250,491	6.67%
100,001-9,999,999,999	378	2,617,240,258	89.44%
Total	57,214	2,926,103,883	100%

UNQUOTED OPTIONS OVER SECURITIES

There are 13,701,615 unquoted options over fully paid ordinary shares issued under the Asciano Option and Rights Plan to members of senior management as part of their remuneration

SUBSTANTIAL SECURITYHOLDERS

The names of substantial securityholders who have notified the Company in accordance with the Corporations Act 2001 as at 30 August 2011 are:

HOLDER	DISCLOSURE DATE	NUMBER OF SECURITIES	% OF ISSUED SECURITIES
Commonwealth Bank of Australia	11 July 2011	255,442,567	8.73%
BT Investment Management Limited	2 December 2010	295,779,821	10.11%

ASX ADDITIONAL INFORMATION (continued)

TWENTY LARGEST INVESTORS

RANK	NAME	SECURITIES	% OF ISSUED CAPITAL
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	818,857,299	27.98
2	J P MORGAN NOMINEES AUSTRALIA LIMITED	491,447,040	16.80
3	NATIONAL NOMINEES LIMITED	454,738,170	15.54
4	CITICORP NOMINEES PTY LIMITED	261,329,464	8.93
5	CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	109,271,558	3.73
6	JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	69,373,906	2.37
7	COGENT NOMINEES PTY LIMITED	57,837,796	1.98
8	QUEENSLAND INVESTMENT CORPORATION	28,097,037	0.96
9	AMP LIFE LIMITED	27,304,359	0.93
10	PGA (INVESTMENTS) PTY LTD	25,000,000	0.85
11	UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	23,536,702	0.80
12	ARGO INVESTMENTS LIMITED	17,221,334	0.59
13	UBS NOMINEES PTY LTD	16,951,988	0.58
14	UBS NOMINEES PTY LTD	16,425,000	0.56
15	COGENT NOMINEES PTY LIMITED <SMP ACCOUNTS>	14,959,793	0.51
16	CITICORP NOMINEES PTY LIMITED <CFSIL CFS WS AUST SHRE A/C>	13,927,933	0.48
17	CITICORP NOMINEES PTY LIMITED <CFSIL CWLTH AUST SHS 10 A/C>	8,152,975	0.28
18	UBS NOMINEES PTY LTD <PB SEG A/C>	6,883,838	0.24
19	RBC DEXIA INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <GSAM A/C>	5,549,144	0.19
20	INVIA CUSTODIAN PTY LIMITED <GSJBW MANAGED A/C>	5,350,164	0.18
Total top 20		2,472,215,500	84.49
Total securities on issue		2,926,103,883	100.00

SHARE REGISTRY

Computershare Investor Services Pty Limited
Yarra Falls
452 Johnston Street
Abbotsford VIC 3067 Australia
Telephone (Australia) 1300 729 310
(Overseas) +61 3 9415 4608

COMPANY SECRETARY

Fiona Mead

REGISTERED OFFICE

Level 6/380 St Kilda Road
Melbourne VIC 3004 Australia
Telephone (Australia) 03 9284 4000
(Overseas) +61 3 9284 4000

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CORPORATE DIRECTORY

SHARE REGISTER

Computershare Investor
Services Pty Limited
Yarra Falls
452 Johnston Street
Abbotsford VIC 3067 Australia
Enquiries: (within Australia)
1300 729 310
Enquiries: (outside Australia)
+ 61 3 9415 4608
Facsimile + 61 3 9473 2529
web.queries@computershare.com.au
www.computershare.com

REGISTERED OFFICE

Asciano Limited ABN 26 123 652 862
Level 6/380 St Kilda Road
Melbourne VIC 3004 Australia
Telephone + 61 3 9284 4000
Facsimile + 61 3 9969 2869
info@asciano.com.au
www.asciano.com.au

OTHER OFFICES

Sydney
Level 6/15 Blue Street
North Sydney
NSW 2060 Australia
Telephone + 61 2 8484 8000
Facsimile + 61 2 8484 8154

BOARD OF DIRECTORS

Malcolm Broomhead (Chairman)
John Mullen
(Chief Executive Officer
and Managing Director)
Chris Barlow
Peter George
Bob Edgar
Geoff Kleemann
Shirley In't Veld

COMPANY SECRETARY

Fiona Mead



ASCIANO LIMITED

LEVEL 6/380 ST KILDA ROAD MELBOURNE VIC 3004 AUSTRALIA

TELEPHONE +61 3 9284 4000 FACSIMILE +61 3 9969 2869

EMAIL info@asciano.com.au

WWW.ASCIANO.COM



asciano ➤

NOTICE OF ANNUAL
GENERAL MEETING
2011

33

34

35

NOTICE OF MEETING

2

The Annual General Meeting of shareholders of **Asciano Limited (Asciano or Company)** will be held at the Melbourne Exhibition Centre, 2 Clarendon Street, Southbank, Melbourne, Victoria on Thursday, 10 November 2011 at 11.00am.

ITEMS OF BUSINESS

1. FINANCIAL STATEMENT AND REPORTS

To receive and consider the consolidated Financial Report of the Company as well as the reports of the Directors and the Auditors for the financial year ended 30 June 2011.

2. REMUNERATION REPORT

To adopt the Remuneration Report for the financial year ended 30 June 2011.

Voting exclusion statement – Corporations Act:

The Corporations Act prohibits any vote being cast on resolution 2 by or on behalf of a member of the Company's key management personnel or their closely related parties. However, such a person may cast a vote on resolution 2 if he or she does so as a proxy for a person who is permitted to vote, in accordance with a direction on the proxy form.

Note: The vote on this item is advisory only and does not bind the Company or its Directors. As a result of amendments to the Corporations Act, shareholders should note that the result of the vote on this item may effect how next year's Annual General Meeting is run.

3. ELECTION OF DIRECTOR

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

"That Ms Shirley In't Veld, who retires under Article 46(c) of the Company's constitution and, being eligible, offers herself for election, be elected as a Director of the Company."

Details of the qualifications and experience of Ms In't Veld and the recommendation of the Board in relation to her election are set out in the Explanatory Notes.

4. RE-ELECTION OF DIRECTOR

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

"That Mr Chris Barlow, who retires under Article 47(a) of the Company's constitution and, being eligible, offers himself for election, be re-elected as a Director of the Company."

Details of the qualifications and experience of Mr Barlow and the recommendation of the Board in relation to his re-election are set out in the Explanatory Notes.

5. GRANT OF OPTIONS TO CHIEF EXECUTIVE OFFICER – 2011 FINANCIAL YEAR

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

"That approval be given for the grant of a maximum of 1,548,558 options to acquire shares in the Company to the Managing Director and Chief Executive Officer, Mr John Mullen, in accordance with the rules of the Asciano Option and Rights Plan on the terms summarised in the Explanatory Notes."

6. GRANT OF RIGHTS TO CHIEF EXECUTIVE OFFICER – 2012 FINANCIAL YEAR

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

"That approval be given for the grant of a maximum of 1,344,432 rights to acquire shares in the Company to the Managing Director and Chief Executive Officer, Mr John Mullen, in accordance with the rules of the Asciano Limited Long Term Incentive Plan on the terms summarised in the Explanatory Notes."

Voting exclusion statement – ASX Listing Rules and Corporations Act:

The Company will disregard any votes cast on resolutions 5 and 6 by Mr Mullen and his associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or cast by a person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

In addition, the Company's key management personnel and their closely related parties may only cast a vote on resolutions 5 and 6 if that person does so as a proxy for a person who is permitted to vote, in accordance with a direction on the proxy form.

7. ADOPTION OF NEW CONSTITUTION

To consider and, if thought fit, pass the following resolution as a special resolution:

"That the new constitution tabled at the meeting (excluding Rule 15) and signed by the Chairman for the purpose of identification, be approved and adopted as the constitution of the Company in place of the current constitution with effect from the close of the meeting."

8. RENEWAL OF PROPORTIONAL TAKEOVER PROVISIONS

To consider and, if thought fit, pass the following resolution as a special resolution:

“That the proportional takeover provisions contained in Rule 15 of the new constitution (previously Articles 79 and 80 of the old constitution) be renewed with effect from the date of this meeting for a period of 3 years.”

9. SHARE CONSOLIDATION

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

“That with effect from 15 December 2011 (or such other subsequent date that is notified to the ASX by the Company) the share capital of the Company will be consolidated through the conversion of every 3 fully paid ordinary shares in the Company into one fully paid ordinary share in the Company and that any resulting fractions of a share be rounded up to the next whole number of shares.”

By Order of the Board
Fiona Mead, Company Secretary
 24 September 2011

NOTES:

Important note regarding proxies:

The laws that apply to voting on resolutions relating to the remuneration of key management personnel have changed.

Certain categories of persons (including Directors and the Chairman of the Meeting) are now prohibited from voting on such resolutions, including as proxy in some circumstances.

If you are appointing a proxy, to ensure that your vote counts, please read the following notes and the instructions on the Proxy Form carefully.

- For the purposes of the meeting, shares will be taken to be held by the persons who are registered as shareholders as at 7.00pm (AEST) on Tuesday, 8 November 2011.
- A shareholder can attend and vote at the meeting and is entitled to appoint not more than 2 proxies.
- A proxy need not be a shareholder of Asciano.
- A proxy may be either an individual or a body corporate. If you wish to appoint a body corporate as your proxy, you must specify on the proxy form:
 - the full name of the body corporate appointed as proxy; and
 - the full name or title of the individual representative of the body corporate at the meeting.
- Where 2 proxies are appointed, each proxy may be appointed to represent a specified proportion or number of the voting rights of the shareholder and neither proxy is entitled to vote on a show of hands if more than one proxy attends. If it is desired to

appoint 2 proxies, an additional proxy form can be obtained from Computershare Investor Services Pty Limited.

- If your proxy chooses to vote, he/she must vote in accordance with your directions. If you have directed your proxy to vote, and they fail to attend the meeting or they choose to not vote on a poll, then the Chairman of the Meeting will vote your proxies as directed by you.
 - If you do not mark a box, your proxy may vote as they choose on that item. However, note that if the Chairman of the Meeting is your proxy, your vote will only be able to be cast in relation to resolutions 2, 5 or 6 if you tick the box in Step 1 of the proxy form. Shareholders will be informed of the proxy position and the manner in which the Chairman intends to vote undirected proxies at the meeting.
 - Completed proxy forms (together with any authority under which the proxy was signed or a certified copy of the authority) must be returned:
 - personally or by post to:
 Computershare Investor Services Pty Limited
 GPO Box 242
 Melbourne VIC 3000;
 - Online at www.computershare.com.au
 - or
 - by facsimile:
 Computershare Investor Services Pty Limited
 +61 3 9473 2555
- prior to 11.00am (AEST) on Tuesday, 8 November 2011.

CONDUCTING THE ANNUAL GENERAL MEETING

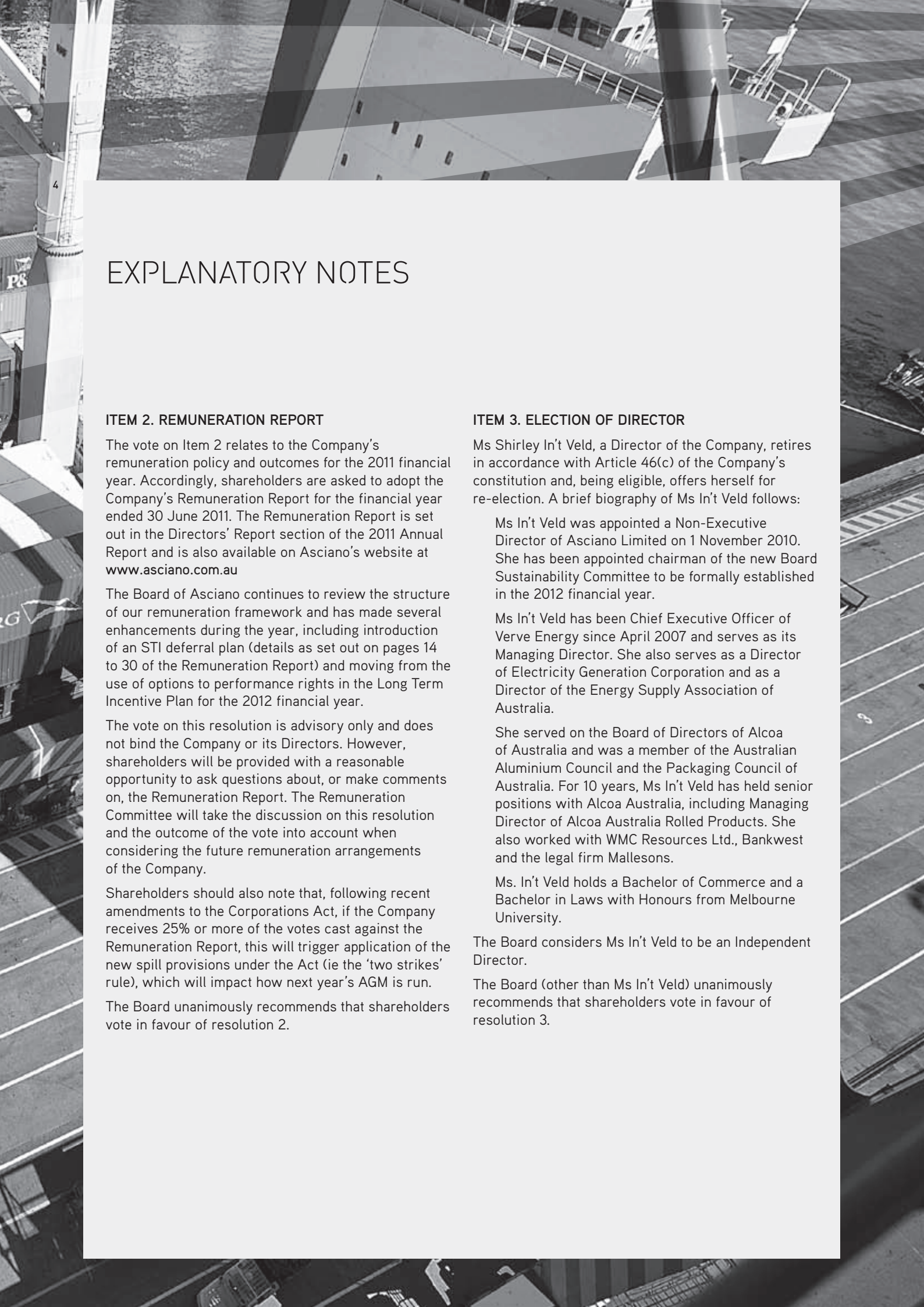
The Annual General Meeting is intended to give our shareholders the opportunity to:

- hear from the Chairman and the CEO about the performance and the operations of Asciano and the outlook for the year ahead;
- consider and vote on the resolutions before the meeting including a non-binding resolution on the adoption of the remuneration report; and
- ask questions of the Board, management and the auditor. The Chairman and the CEO will generally answer questions on behalf of the Board and the management team. If questions cannot be answered at the meeting, we will seek to provide a response to the shareholder as soon as possible after the meeting.

Asciano will webcast the meeting for the benefit of shareholders who are unable to attend and will also allow shareholders a chance to raise questions before the meeting. A hearing aid loop will also be provided.

We ask that shareholders:

- are courteous and respectful to all attendees at the meeting, including not photographing, videotaping or recording the meeting;
- keep their questions to a reasonable length to allow as many shareholders as possible to participate; and
- confine their questions to matters being considered at the meeting and matters relevant to shareholders as a whole. Questions relating to the shareholder's personal circumstances can be raised with Company or Computershare representatives who will be available at the meeting.



EXPLANATORY NOTES

ITEM 2. REMUNERATION REPORT

The vote on Item 2 relates to the Company's remuneration policy and outcomes for the 2011 financial year. Accordingly, shareholders are asked to adopt the Company's Remuneration Report for the financial year ended 30 June 2011. The Remuneration Report is set out in the Directors' Report section of the 2011 Annual Report and is also available on Asciano's website at www.asciano.com.au

The Board of Asciano continues to review the structure of our remuneration framework and has made several enhancements during the year, including introduction of an STI deferral plan (details as set out on pages 14 to 30 of the Remuneration Report) and moving from the use of options to performance rights in the Long Term Incentive Plan for the 2012 financial year.

The vote on this resolution is advisory only and does not bind the Company or its Directors. However, shareholders will be provided with a reasonable opportunity to ask questions about, or make comments on, the Remuneration Report. The Remuneration Committee will take the discussion on this resolution and the outcome of the vote into account when considering the future remuneration arrangements of the Company.

Shareholders should also note that, following recent amendments to the Corporations Act, if the Company receives 25% or more of the votes cast against the Remuneration Report, this will trigger application of the new spill provisions under the Act (ie the 'two strikes' rule), which will impact how next year's AGM is run.

The Board unanimously recommends that shareholders vote in favour of resolution 2.

ITEM 3. ELECTION OF DIRECTOR

Ms Shirley In't Veld, a Director of the Company, retires in accordance with Article 46(c) of the Company's constitution and, being eligible, offers herself for re-election. A brief biography of Ms In't Veld follows:

Ms In't Veld was appointed a Non-Executive Director of Asciano Limited on 1 November 2010. She has been appointed chairman of the new Board Sustainability Committee to be formally established in the 2012 financial year.

Ms In't Veld has been Chief Executive Officer of Verve Energy since April 2007 and serves as its Managing Director. She also serves as a Director of Electricity Generation Corporation and as a Director of the Energy Supply Association of Australia.

She served on the Board of Directors of Alcoa of Australia and was a member of the Australian Aluminium Council and the Packaging Council of Australia. For 10 years, Ms In't Veld has held senior positions with Alcoa Australia, including Managing Director of Alcoa Australia Rolled Products. She also worked with WMC Resources Ltd., Bankwest and the legal firm Mallesons.

Ms. In't Veld holds a Bachelor of Commerce and a Bachelor in Laws with Honours from Melbourne University.

The Board considers Ms In't Veld to be an Independent Director.

The Board (other than Ms In't Veld) unanimously recommends that shareholders vote in favour of resolution 3.

ITEM 4. RE-ELECTION OF DIRECTOR

Mr Chris Barlow, a Director of the Company, retires in accordance with Article 47(a) of the Company's constitution and, being eligible, offers himself for re-election. A brief biography of Mr Barlow follows:

Mr Barlow was appointed a Non-Executive Director of Asciano Limited on 15 June 2007. He is chairman of the Remuneration Committee and a member of the Nomination and Succession Planning Committee. He has also been appointed as a member of the new Board Sustainability Committee in the 2012 financial year.

Mr Barlow is currently Chairman of Northern Territory Airports Pty Ltd and Chairman of Melbourne Convention and Visitors Bureau Limited.

Mr Barlow has held a range of senior roles in the transport infrastructure industry for many years and was the former Managing Director and Chief Executive Officer of Australia Pacific Airports Corporation, operator of Melbourne and Launceston Airports.

Mr Barlow has over 30 years' experience in the infrastructure industry having joined BAA (formerly British Airports Authority) as an Engineering Project Manager. Since then he has held a number of senior management positions within BAA managing airports overseas and as Development Director was responsible for the A\$1.5 billion business development program of the BAA Group.

Mr Barlow is a Chartered Engineer and holds a Bachelor of Science with Honours in Engineering from The University of London.

The Board considers Mr Barlow to be an Independent Director.

The Board (other than Mr Barlow) unanimously recommends that shareholders vote in favour of resolution 4.

ITEMS 5 & 6. GRANT OF OPTIONS AND RIGHTS TO CHIEF EXECUTIVE OFFICER

Overview of grants

Mr John Mullen was appointed as Chief Executive Officer of 14 February 2011 and as Managing Director with effect from 1 April 2011.

As announced to the market on his appointment, the MD and CEO is eligible to receive a pro rated grant of options for the 2011 financial year under the Asciano Options and Rights Plan (Option Plan), reflecting the part of the financial year actually worked and to ensure alignment with the senior executive team.

During the year, the Board approved the introduction of a new Long Term Incentive Plan (LTI Plan). For the 2012 financial year, the MD and CEO is eligible to receive a grant of performance rights under the new LTI Plan, which is granted on the same terms as other members of the senior executive team.

The equity component represented through the combined grant of the rights and options comprises over 30% of Mr Mullen's total remuneration package. Details of each of these grants are set out in the table below.

The primary objectives of the Remuneration Committee and the Board in setting Mr Mullen's remuneration package, both on his appointment and for the 2012 financial year, are to:

- ✓ align Mr Mullen's interests with the interests of shareholders;
- ✓ ensure that Mr Mullen's remuneration is competitive and aligned with market remuneration in the Australian transport infrastructure sector; and
- ✓ encourage the achievement of performance goals and growth of Asciano's business.

Why is shareholder approval required?

Under ASX Listing Rule 10.14, shareholder approval is required in order for a director to be issued securities under an employee incentive scheme. Accordingly, approval is sought for the grant to the MD and CEO, of up to 1,548,558 options under the Option Plan and 1,344,432 rights under the LTI Plan. Both of these grants are conditional on receiving shareholder approval.

Approval is also sought under section 200B of the Corporations Act to the pro rata vesting of the options in the event of cessation of Mr Mullen's employment in limited circumstances.

A brief overview of the details of the proposed grants is set out below. Further details of Mr Mullen's remuneration package are set out in the Remuneration Report on pages 14 to 30 of the Annual Report.

OPTIONS – 2011 FINANCIAL YEAR		RIGHTS – 2012 FINANCIAL YEAR	
NUMBER ALLOCATED	The Board has invited and Mr Mullen has applied for a grant of up to 1,548,558 options over shares in the Company. The number of options was determined by dividing the target remuneration amount by a Black-Scholes option value and pro rated for the period Mr Mullen was in office during the year. Each option is to acquire one share in the Company. Accordingly, the maximum number of shares that may be acquired by Mr Mullen is 1,548,558 shares (subject to any adjustment made in accordance with the Option Plan).		The Board has invited and Mr Mullen has applied for a grant of up to 1,344,432 performance rights over shares in the Company. The number of rights was determined by dividing the target remuneration amount by a Black-Scholes option value. Each right is to acquire one share in the Company. Accordingly, the maximum number of shares that may be acquired by Mr Mullen is 1,344,432 shares (subject to any adjustment made in accordance with the LTI Plan).
DATE OF GRANT	If shareholder approval is obtained, the options will be granted to Mr Mullen shortly after the meeting but, in any event, within 12 months after the date of the meeting.		If shareholder approval is obtained, the rights will be granted to Mr Mullen shortly after the meeting but, in any event, within 12 months after the date of the meeting.
PERFORMANCE HURDLE/S	The options are subject to a single performance hurdle of Total Shareholder Return (TSR) performance relative to companies in the S&P/ASX 100 index (excluding resources and financials) over the performance period. This peer group has been chosen because the Board believes that it represents a broad based comparator group that appropriately reflects Asciano's current market positioning. No options will vest if Asciano's TSR performance is less than the 50th percentile. If performance is at the 50th percentile then 50% of options will vest. An additional 2% of options will vest for every 1 percentile increase above the 50th percentile up to the 75th percentile at which 100% of the options will vest.		The rights are subject to two performance hurdles. First, 50% of the rights are tested based on Asciano's TSR performance relative to companies in the S&P/ASX 100 index (excluding resources and financials) over the performance period. The same vesting schedule as applied to the options will also apply to the rights. Second, 50% of the rights are tested based on Return on Capital Employed (ROCE). ROCE is calculated on the formula EBIT divided by Capital Employed. EBIT is Earnings Before Interest and Tax, adjusted for material items. Capital Employed is the net operating assets of each business. Asciano has set a threshold ROCE hurdle and a target ROCE hurdle. These targets have been set based on the Company's strategic plan, the content of which has been recently communicated in detail to shareholders. No rights will vest if Asciano's ROCE is less than its defined threshold ROCE. If the threshold ROCE is achieved then 50% of these rights will vest. If between threshold and target ROCE is achieved there will be 75% vesting at midpoint between threshold and target. If target ROCE is achieved then 100% vesting will occur. The level of ROCE required to attract full or partial vesting under the Board-approved long-term plan is extremely commercially sensitive, and therefore will not be disclosed at this time. The applicable target ROCE hurdle will, however, be disclosed on a retrospective basis following the end of the performance period to ensure full transparency for shareholders.

	OPTIONS – 2011 FINANCIAL YEAR	RIGHTS – 2012 FINANCIAL YEAR
PERFORMANCE PERIOD AND VESTING	The performance period is 3 years, commencing 1 July 2010. Accordingly, the performance hurdle will be tested on 30 June 2013, with a retest at 30 June 2014. In addition to the performance hurdles described above, the Board has approved the following additional vesting conditions, such that: / Asciano's share price at the date of vesting must be in excess of the option exercise price; and / vesting must occur within a 'trading window' under Asciano's share trading policy. Any options which do not vest at the end of the applicable performance period will lapse.	The performance period is 3 years, commencing 1 July 2011. Accordingly, the performance hurdle will be tested on 30 June 2014, with a retest at 30 June 2015. Any rights which do not vest at the end of the applicable performance period will lapse.
TRADING RESTRICTIONS	Any shares allocated following satisfaction of the vesting conditions will be subject to a holding lock (which will mean Mr Mullen will be precluded from dealing in the shares) for 7 years from the date the options are granted. The holding lock will be lifted upon cessation of employment. In addition, the Board may lift this restriction on trading upon application in exceptional circumstances.	Unless otherwise requested, any shares allocated following satisfaction of the performance hurdles will not be subject to any trading restrictions. A participant is able to elect that shares be subject to a holding lock for either 5 or 7 years from the date the rights are granted. The holding lock will be lifted upon earlier cessation of employment. In addition, the Board may lift this restriction on trading upon application in exceptional circumstances.
PRICE PAYABLE ON GRANT OR EXERCISE	No amount will be payable in respect of the grant of the options. However, vested options will have an exercise price of \$1.68 which is based on the average trading price of the shares on the ASX over the 5 trading days up to and including 7 February (being the date of announcement of Mr Mullen's appointment with the ASX).	No amount will be payable in respect of the grant, or on the vesting, of the rights.
CESSATION OF EMPLOYMENT	If Mr Mullen ceases employment with the Company prior to satisfaction of the performance hurdles applicable to either of the options or rights, then any entitlement he may have to the options or rights will depend on the circumstances of cessation. All options and rights will lapse in the event of resignation or termination for cause. In limited circumstances, including death, disability, redundancy or termination by the Company for convenience, Mr Mullen may become entitled to a pro rata number of options or rights reflecting the part of the performance period elapsed and the extent to which the applicable performance hurdles have been satisfied at the time of ceasing employment.	

	OPTIONS – 2011 FINANCIAL YEAR	RIGHTS – 2012 FINANCIAL YEAR
OTHER REQUIRED INFORMATION – ASX LISTING RULES	Mr Mullen is the only Director of the Company entitled to participate in either the Option Plan or the LTI Plan. In 2010, the Company's former MD and CEO, Mr Mark Rowsthorn, was granted a total of 3,361,111 options under the Option Plan following shareholder approval at the 2010 AGM. The exercise price of these options is \$1.67. Detail regarding the vesting and lapse of these options on cessation of Mr Rowsthorn's employment is set out on page 24 of the Annual Report. No instruments have been granted under the LTI Plan to date.	
OTHER REQUIRED INFORMATION – SECTION 200E CORPORATIONS ACT	The value of the options and/or rights that may vest on cessation of employment cannot currently be ascertained, as this benefit is dependent upon the number of options or rights which may vest at the time of cessation. The circumstances which will affect the calculation of this value are the portion of the performance period that has elapsed and performance at the time employment ceases (as the number of options or rights which may vest will be determined on a pro rata basis across the elapsed part of the relevant performance period and having regard to the level of satisfaction of the applicable performance hurdles).	

The Board (other than Mr Mullen) unanimously recommends that shareholders vote in favour of resolutions 5 and 6.

ITEM 7. ADOPTION OF NEW CONSTITUTION

The Company's existing constitution was adopted on the Company's demerger from Toll Holdings in 2007 and has been updated on occasions since then, with the last amendment made on 27 October 2010 to give effect to the Company's corporatisation exercise.

There have been ongoing developments in corporate governance principles and general corporate and commercial practice for ASX listed companies since the constitution was adopted. There are also undertakings given to the ACCC in the constitution which expired on 31 March 2011.

The Board recommends the adoption of a new constitution which take account of these changes and which is drafted to be consistent with current market practice, rather than make each of the necessary amendments to the current constitution. A copy of the proposed new constitution is available on Asciano's website at www.asciano.com.au and will also be available at the meeting.

The proposed constitution is intended to reflect contemporary corporate and commercial practice and principles of good governance, as well as facilitating the efficient operations of the Company.

Many of the proposed changes are administrative or relatively minor in nature. To assist shareholders, the more significant changes are outlined in the table below (unless stated otherwise, references to rules below are to rule numbers in the proposed new constitution).

GENERAL MEETINGS	The constitution incorporates a number of changes proposed to assist with the orderly conduct of general meetings of the Company, including: • Rule 8.6(c) which gives the chairman the power to arrange for any person whom the chairman considers cannot be seated in the main meeting place to observe or attend the general meeting in a separate meeting place. This will enable more shareholders who would like to attend a general meeting to do so even where substantially more people attend than expected; and • Rule 8.6(e) which provides the chairman with the flexibility to change meeting venues or postpone meetings if there are technical difficulties with conducting the meeting in the original venue.
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DIRECTORS	Amendments are proposed to certain provisions relating to Directors including: / specifying that the time for the determination of the number and identity of Directors to retire as at the date of the notice calling the Annual General Meeting; / clarifying that the Company will satisfy the ASX Listing Rules requirement to hold an annual election of Directors provided there is at least one casual vacancy on the Board and no other candidates have nominated for election; / clarifying, in relation to Directors' remuneration, that: - superannuation is included in calculating the maximum fees payable to Non-Executive Directors (reflecting the position in ASX Listing Rule 10.17); and - no retirement benefits will be paid on cessation of office; / specifying that 75% of Directors must consent to a written resolution for it to be passed.
DIVIDENDS	The proposed constitution includes a number of changes to broaden the methods by which the Company may pay dividends to shareholders, including allowing the Company to: / pay dividends into accounts to be held on behalf of shareholders where a shareholder's address is not known or is uncertain (Rule 5.2(e)); and / reinvest unclaimed dividends (after deduction of reasonable expenses) in shares in the Company in the name of the particular shareholder.
OTHER AMENDMENTS	Other amendments made in the proposed constitution include: / deleting the ACCC undertakings which expired on 31 March 2011; / updating the definitions in the new constitution to reflect current terminology and, where possible, to rely upon definitions in the Corporations Act and the ASX Listing Rules; / removing provisions in the existing constitution which duplicate requirements under the Corporations Act or ASX Listing Rules to avoid the need for further amendment in the event of legislative or regulatory change; and / removing detailed mechanical provisions which are contained in the Corporations Act or the ASX Listing Rules (and which are not required to be replicated in the constitution), including provisions that previously set out the content requirement for a notice of meeting of shareholders and proxy form and the requirement for the preparation of annual accounts and the audit of those accounts.

The Board unanimously recommends that shareholders vote in favour of resolution 7.

ITEM 8. RENEWAL OF PROPORTIONAL TAKEOVER PROVISIONS

As part of the proposal to adopt a new constitution, it is proposed that the proportional takeover provisions in Rule 15 (similar to those contained in Articles 79 and 80 of the Company's existing constitution) be inserted in the new constitution tabled at the meeting and signed by the Chairman for the purpose of identification.

The Directors consider it in the interests of shareholders to continue to have a proportional takeover provision in the constitution. Whilst there are no substantive differences between the provisions of Rule 15 in the new constitution and Articles 79 and 80 of the existing constitution, they are not identical. Accordingly, shareholders are requested to approve the proportional takeover provisions as set out in Rule 15 of the new constitution with effect from the date of this meeting for a period of 3 years.

Proportional Takeover Bid

A proportional takeover bid is an off-market takeover offer sent to each shareholder, but only for a specified proportion of the shares (ie less than 100%) held by the shareholder. Therefore, shareholders who accept such a proportional takeover offer in full will only dispose of that specified proportion and retain the balance of their shares.

A proportional takeover bid may result in effective control of the Company changing hands without shareholders having the opportunity to sell all of their shares to the bidder. Shareholders could be at risk of passing control to the bidder without payment of an adequate control premium for all their shares and end up being part of a minority interest in the Company.

Effect of a Proportional Takeover Bid provision

If Rule 15 is included in the new constitution, in the event a proportional takeover bid is made, the Directors must ensure that a general meeting is held at least 14 days before the last day of the bid period, at which shareholders will consider a resolution to approve the takeover bid.

Each shareholder will have one vote for each fully paid share held, with the vote to be decided on a simple majority. The bidder and its associates are not allowed to vote.

If at the meeting:

- / the resolution is not passed, no transfer will be registered and the offer will be taken to have been withdrawn;
- / the resolution is not voted on, the bid will be taken to have been approved; or
- / the bid is approved (or taken to have been approved), all valid transfers must be registered.

The proportional takeover approval provisions do not apply to full takeover bids and only apply for 3 years after the date of adoption of the provisions. The provisions may be renewed after 3 years by special resolution.

Potential advantages and disadvantages for Directors and shareholders

The Directors consider that the takeover approval provisions have no potential advantages for them.

The potential advantages of Rule 15 for shareholders include the following:

- / the right for shareholders to meet and decide, by majority vote, whether to accept a proportional takeover bid;
- / it may help shareholders to avoid being locked in holding residual shares as a minority and may prevent a bidder acquiring control of the Company without paying an adequate control premium (ie paying for all of their shares);
- / it increases shareholders' bargaining power and may help ensure that any bid is adequately priced; and
- / knowing the view of the majority of shareholders may help each individual shareholder to decide whether to accept or reject the offer.

However, the inclusion of Rule 15 may potentially discourage proportional takeover bids being made for shares in the Company or reduce the likelihood of a proportional takeover succeeding, which may result in shareholders losing an opportunity to sell some of their shares at a premium.

The Directors consider that the potential advantages for shareholders of the proportional takeover provisions operating for the next three years outweigh the potential disadvantages.

Knowledge of Takeover Bids

As at the date of this Notice of Meeting, no Director is aware of any proposal to acquire or to increase the extent of a substantial interest in the Company.

Directors' recommendation

The Board unanimously recommends the renewal of the proportional takeover provisions.

If this resolution is approved, the proportional takeover provisions will be inserted into the new constitution adopted under resolution 7 and will take effect from the date of this meeting.

ITEM 9. SHARE CONSOLIDATION

The Company proposes to consolidate its share capital through the conversion of every 3 ordinary shares in the Company into one ordinary share in the Company. The consolidation is being proposed as a matter of good governance in order to bring the Company's capital structure in line with other ASX50 companies. Importantly, there will be no change to the proportionate interests held by each shareholder as a result of the consolidation.

Under section 254H of the Corporations Act, a company may consolidate its shares if the consolidation is approved by an ordinary resolution of shareholders at a general meeting. If the consolidation is approved, the consolidation will take effect from 15 December 2011 (or such other subsequent date as notified by the Company to the ASX) in accordance with the timetable which will be announced closer to that date.

Reasons for the consolidation

The Company has a very large number of shares on issue (over 2.9 billion) due to the large number of shares issued at the time of the Company's demerger from Toll Holdings in 2007 and equity-based capital raisings undertaken since that time.

Undertaking a share consolidation has the following benefits:

- / the number of shares on issue will decrease reflective of companies with similar market capitalisation;
- / the share price and various financial measures (for example, EPS and dividends per share) will increase to reflect the reduced number of shares on issue (roughly at the conversion rate);
- / it is hoped that the improved capital structure will result in an enhancement of trading liquidity of the Company's shares.

Effect of the consolidation

If the proposed share consolidation is approved by shareholders, the number of the Company's shares on issue will be reduced from approximately 2.9 billion to approximately 967 million.

As the consolidation applies equally to all of the Company's shareholders, individual shareholders will be reduced in the same ratio as the total number of the Company's shares (subject only to the rounding of fractions). It follows that the consolidation will have no material effect on the percentage interest of each individual shareholder in the Company. Therefore, if a shareholder currently has 120,000 shares, then if the share consolidation is approved and implemented, the shareholder will have 40,000 shares following the consolidation.

Similarly, the aggregate value of each shareholder's holding (and the Company's market capitalisation) should not materially change – other than minor changes as a result of rounding – as a result of the share consolidation alone (that is assuming no other market movement or impacts occur). However, the price per share can be expected to increase to reflect the reduced number of shares on issue.

Tax implications for shareholders of the Company

The summary in this section is general in nature. In addition, particular taxation implications will depend upon the circumstances of each shareholder. Accordingly, shareholders are encouraged to seek and rely only on their own professional advice in relation to their tax position. Neither the Company nor any of its officers, employees or advisors assumes any liability or responsibility for advising shareholders about the tax consequences for them from the proposed share consolidation.

The share consolidation will be undertaken in accordance with section 254H of the Corporations Act. Subject only to rounding, there will be no change to the proportionate interests held by each shareholder in the Company as a result of the consolidation.

The share consolidation will occur through the conversion of every 3 ordinary shares in the Company into one ordinary share in the Company. No capital gains tax (CGT) event will occur as a result of the share consolidation and therefore there will be no taxation implications arising for the Company's shareholders.

A timetable will be published closer to the date.

Other information

Where the consolidation of a shareholder's holding results in an entitlement to a fraction of a share, the fraction will be rounded up to the nearest whole number of shares. If the Company reasonably believes that a shareholder has been a party to the division of a shareholding in an attempt to obtain an advantage from this treatment of fractions, the Company may take appropriate action, having regard as appropriate to the terms of the Company's constitution and the ASX Listing Rules. In particular, the Company reserves the right to disregard the division of the shareholding for the purposes of dealing with fractions so as to round up any fraction to the nearest whole number of shares that would be been received but for the division.

In accordance with the ASX Listing Rules, all options and rights on issue at the date of the share consolidation will be consolidated on the same basis as the Company's ordinary shares, with the necessary adjustments to be made to any applicable exercise price.

Other than as set out in this document, and other than information previously disclosed to the shareholders of the Company, there is no other information that is known to the Company's Directors which may reasonably be expected to be material to the making of a decision by the Company's shareholders whether or not to vote in favour of the share consolidation.

Directors' recommendation

The Board unanimously recommends that shareholders vote in favour of resolution 9.



ASCIANO LIMITED

Level 6/380 St Kilda Road
Melbourne VIC 3004 Australia
Telephone + 61 3 9284 4000
Facsimile + 61 3 9969 2869
Email info@asciano.com.au



Asciano Limited ABN 26 123 652 862

Lodge your vote:



Online:

www.investorvote.com.au



By Mail:

Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
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For all enquiries call:

(within Australia) 1300 729 310
(outside Australia) +61 3 9415 4608

000001 000 AIO
MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Proxy Form



Vote online or view the annual report, 24 hours a day, 7 days a week:

www.investorvote.com.au



Cast your proxy vote



Access the annual report



Review and update your securityholding

Your secure access information is:

Control Number: 999999

SRN/HIN: 1999999999

PIN: 99999



PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.



For your vote to be effective it must be received by 11.00am (AEDT) Tuesday, 8 November 2011

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

*In considering who to appoint as your proxy, you should take careful note of the warnings outlined in Step 1.

Voting 100% of your holding: You may direct your proxy how to vote by marking one of the boxes opposite each item of business in Step 3. If you mark more than one box on an item your vote will be invalid on that item.

If your proxy chooses to vote, then he/she must vote in accordance with your direction. If you have directed your proxy to vote, and they do not attend the meeting or choose to not vote on a poll, then the Chairman of the Meeting will vote your proxies as directed by you.

If you do not mark a box your proxy may vote as they choose on that item. However, note that if the Chairman of the Meeting is your proxy, he/she will vote your undirected proxy in accordance with the voting intentions set out in Step 3 in the Notice of Meeting if you tick the box in Step 2.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against, or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement of 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions for Postal Forms

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.computershare.com.

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**GO ONLINE TO VOTE,
or turn over to complete the form →**

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

☐

Change of address. If incorrect, mark this box and make the correction in the space to the left. Shareholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

I ND

Proxy Form

Please mark ☒ to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Asciano Limited hereby appoint

☐ the Chairman
of the Meeting **OR**

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the Annual General Meeting of Asciano Limited to be held at the Melbourne Exhibition Centre, 2 Clarendon Street, Southbank, Melbourne Victoria on Thursday, 10 November 2011 at 11.00am (AEDT) and at any adjournment of that meeting.

The laws that apply to voting on resolutions relating to the remuneration of key management personnel (which includes the Chairman of the Meeting) have changed. Certain categories of persons are now prohibited from voting on such resolutions. To ensure that your vote counts, please carefully read the following:

Note 1: The Chairman of the Meeting can only exercise your proxies on Items 2, 5 and 6 if you mark the box in Step 2 below or you direct him how to vote in Step 3.

Note 2: If you appoint a member of the key management personnel (other than the Chairman of the Meeting) or a closely related party of such a member as your proxy for Items 2, 5 and 6, you must direct him/her how to vote in Step 3 or your votes will not be counted.

STEP 2 IMPORTANT FOR ITEMS 2, 5 AND 6 - IF THE CHAIRMAN OF THE MEETING IS YOUR PROXY OR IS APPOINTED AS YOUR PROXY BY DEFAULT

If you appoint the Chairman of the Meeting as your proxy you can direct him how to vote on Items 2, 5 and 6 by either marking the relevant boxes in Step 3 below (for example if you wish to vote for or against) or by marking the box below (in which case you are directing the Chairman to vote in accordance with the Chairman's voting intentions set out in Step 3 below).

If you do not mark the box below and you have not directed your proxy how to vote on Items 2, 5 and 6, the Chairman of the Meeting **cannot** cast your votes on these Items and your votes will not be counted in computing the required majority where a poll is called on these Items.

☐ I/We direct the Chairman of the Meeting to vote in accordance with the Chairman's voting intentions on Items 2, 5 and 6 (except where I/we have indicated a different voting intention in Step 3 below) and acknowledge that the Chairman of the Meeting may exercise my/our proxy even though these Items are connected directly or indirectly with the remuneration of a member of the key management personnel.

STEP 3 Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

		For	Against	Abstain
Item 2	Remuneration Report	☐	☐	☐
Item 3	Election of Ms Shirley In't Veld as a Director of the Company	☐	☐	☐
Item 4	Re-election of Mr Chris Barlow as a Director of the Company	☐	☐	☐
Item 5	Grant of Options to Chief Executive Officer - 2011 Financial Year	☐	☐	☐
Item 6	Grant of Rights to Chief Executive Officer - 2012 Financial Year	☐	☐	☐

		For	Against	Abstain
Item 7	Adoption of New Constitution	☐	☐	☐
Item 8	Renewal of Proportional Takeover Provisions	☐	☐	☐
Item 9	Share Consolidation	☐	☐	☐

The Chairman of the Meeting intends to vote all available proxies in favour of each item of business.

SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact
Name

Contact
Daytime
Telephone

Date

____/____/____

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