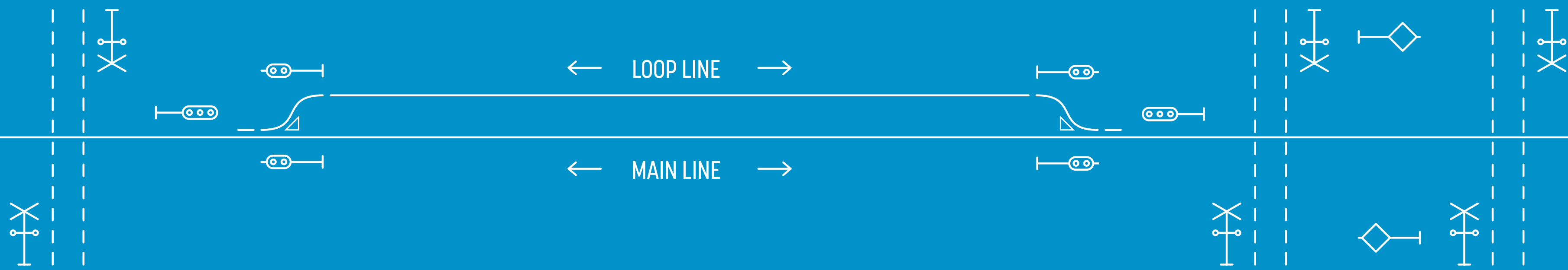


2011 ANNUAL REPORT

AUSTRALIAN RAIL TRACK CORPORATION LTD.

CONTENTS

CHAIRMAN'S REPORT

On behalf of the Board of Directors of the Australian Rail Track Corporation Ltd (ARTC), it gives me great pleasure to present our Annual Report for 2010-2011.

In introducing last year's Annual Report I alluded to the role ARTC has in the provision of this nation's infrastructure.

At its core, ARTC is an infrastructure provider with more than 10,000 kilometres of track, stretching east-west and north-south from Western Australia to Queensland.

ARTC has undertaken detailed studies that take a long-term view of the transport market, factoring in fuel prices, labour costs, congestion and carbon costs.

There is an inherent need for effective pricing of infrastructure. ARTC is not alone in this thinking – it is mirrored throughout the transport and logistics sector, but with distinctly differing bottom line views depending on which sector is advocating particular aspects of effective pricing.

What needs to emerge from the current debate is a pricing mechanism that injects fair and equitable competition into the sector.

The debate involves government at the federal and state levels, regulators, service providers, industry, rail-road interfaces, stakeholders and, given freight's central role in the nation's economy, all Australian consumers.

Rather than wait for others within the industry to foster debate and examine options, ARTC has restructured its operations to position its business strategies and future planning as a platform to meet the challenges and opportunities that will be the reality in the years ahead.

Integral to this future outlook is the recognition that our organisation must market itself and rail to our customers.

ARTC cannot wait for customers to come to it – it must be proactive and sell the overall supply chain solutions to existing and potential customers right across Australia.

The ARTC that will usher in fiscal 2012 will be structured to best market rail to customers, grow the rail market share and underpin rail as the preferred transport mode.

We also need to reinforce rail's environmental edge in meeting transport demands.

Converting US research from imperial to metric measures shows that one tonne of freight can be carried 680 kilometres using just 3.7 litres of fuel.

That's what rail can do – and that gives it an environmental edge over road transport.

It is, however, not only fuel benefits. Road safety, better road asset management and reduced emissions come as each interstate freight train sees at least 100 fewer trucks on increasingly congested highways.

Neither transport mode will replace the other but what is needed is a more equitable economic pricing that ensures better national outcomes.

The past 12 months, ARTC's 13th year of operation, has seen the impacts of natural disasters, both in Australia and New Zealand, impact on the infrastructure that is ARTC's network.

Floods in the eastern states – particularly south east Queensland – the Christchurch earthquakes and the subsequent rebuilding demands have placed pressures on the availability of skilled labour and project costs.

Those pressures have been felt on the costs of many of our projects and it is a reflection of the skills and talents of ARTC personnel that we have been able to deliver our projects, albeit with some modifications.

Our organisation maintains its delivery of new projects and maintenance schedules against at times the full force of nature.

A telling photograph I saw during the past year was taken through the windscreen of a high rail vehicle well into the Nullarbor Plain. In front of the vehicle the single track – the track that links east with west – disappeared in a few metres into what appeared to be (and was) a giant lake.

Rain had flooded the Nullarbor Plain but our crews were out there, waiting for the water to subside and then to restore our network services. Minimising track outages, which we've experienced over the past 12 months, and restoring services showcase the skills inherent within our organisation.

No matter what part of our national network, whether new capital expenditure or scheduled maintenance, ARTC delivers:

- Improvements to economic productivity with the transport sector.
- Environmental benefits, particularly through reduced greenhouse gas emissions.
- Enhanced rail transport performance.
- Creation of new employment opportunities and existing employment security.

What we have achieved in the past year could not have been achieved without the strong partnership between ARTC and its shareholder, the Australian Government – at a ministerial and administrative level. That partnership also extends to our above-rail customers, our suppliers, our business partners and our hard working and dedicated staff.

That partnership will continue in the future as this organisation continues its inexorable growth.

During the year we have seen changes at both the Board level and in our most senior executive role.

I wish to express my thanks for the contribution David Howarth made to our Board and I and my fellow Board members will miss his involvement with our organisation.

I welcome Gillian Brown, Barry Cotter and Pamela Catty to our Board and look forward to working with them as ARTC maintains its growth.

The organisation also farewelled this year our long serving CEO, David Marchant. David and ARTC were almost synonymous as the network was built, tracks expanded, upgraded and realigned and new customers and services introduced.

We have begun a new era under the stewardship of John Fullerton as our CEO, an era which will see ARTC deliver on its integral role in Australia's national transport task.

John Caldon
Chairman

Commencing as Chief Executive Officer of Australian Rail Track Corporation (ARTC) part way through the 2010-2011 financial year, I take over a company very different from when it was formed over 10 years ago.

From a small base ARTC has transformed itself into a highly capable rail infrastructure company, operating across all the mainland States, giving it a national perspective and a strong influence so important in driving a fundamental shift toward rail.

Rail has become a competitive and value adding component in Australia's interstate transport market and plays a critical role in transporting the increasing volumes of bulk commodities to ports for export to overseas markets.

Rail is cheaper, more fuel efficient and more environmentally friendly in hauling high volume freight over medium to long distances and ARTC is well placed to take further advantage of this by working more closely with our customers and potential customers to encourage them to increase their use of the rail network.

In the 2010-2011 financial year freight volumes continued to grow on the Interstate and Hunter Valley rail systems. Access revenues increased by 14% from $381 million in the 2009-2010 financial year to $433 million this year. Similarly EBITDAI ("earnings before interest, tax, depreciation, amortization and impairment") grew 58.3% from $140 million in 2009-2010 financial year to $221 million this year.

In relation to safety, ARTC's core objective is to make the company injury-free and our plan is to continuously improve our performance to strive to reach that ultimate goal. Our lost time injury frequency rate for the 12 months ended 30 June 2011 was 5.25, an increase over last year. Further initiatives are planned to improve safety performance to more effectively eliminate injuries from the workplace.

During the year ARTC has continued its work to upgrade the East West corridor between Perth, Adelaide, Melbourne and Sydney.

Brought forward as part of the Australian Government's stimulus investment in ARTC, the company has constructed and extended passing loops between Crystal Brook in South Australia and Cootamundra in New South Wales.

In addition ARTC is close to completing the stimulus package program to build and extend seven passing loops between Melbourne and Adelaide.

As part of the 2010 Australian Government Productivity Package investment in ARTC, the company has procured a further one million concrete sleepers for the ongoing upgrade of the East West network.

The $253 million project to replace all the old timber and steel sleepers with new concrete sleepers over 679 kilometres between Broken Hill and Parkes will be completed toward the end of 2012.

As a result of the upgrades already completed on the East West line between Parkes and Cootamundra, the average travel time between Sydney and Perth via western New South Wales for the largest trains has been cut by almost an hour.

These ongoing improvements to the East West rail link will increase capacity further cementing rail freight's competitive edge in the long haul logistics market.

On the Northern rail link between Sydney and Brisbane, ARTC has forged ahead with significant upgrades.

Early in the financial year a key milestone was reached in the upgrade of the rail line between Casino and Grafton with the replacement of post war signal technology with modern CTC technology.

As part of the Australian Government's Productivity investment, ARTC has embarked on the North Coast Curve Easing project which will increase capacity and cut transit times along Australia's eastern seaboard.

Over the next 8 months, this project will reduce the severity of the curves at priority locations by realigning the existing track. These improvements, once completed, will allow trains to run at higher speeds.

A number of the projects have already been completed with the program due to be finalised by 2012.

The Southern rail link between Sydney and Melbourne has remained a key focus of upgrade for the company with some significant infrastructure improvements achieved.

A historic infrastructure milestone was reached with the opening of the Brooklyn Sunshine Triangle Bridge Project in Melbourne. The $15 million project involved the construction of a brand new 8 span bridge, 220 metres in length adjacent to the Tottenham Rail Yard.

The new bridge provides a direct connection for freight moving to and from the east coast of Australia to Western Australia eliminating the need to shunt trains around Tottenham Yard which added an hour to transport time, in addition to congesting the network.

The $110 million rerailing program between Melbourne and Albury is proceeding to schedule with the final section of track to be completed in 2011. The new heavy rail will allow the passage of trains with heavy axle loads at higher speeds. Overall this will mean more freight transported over the same rail link more efficiently.

In March 2011, ARTC put the finishing touches on the final stage of the North East Rail Gauge Standardisation (NERGS) Project, bringing all the new signalling of the East and West lines between Seymour and Wodonga online.

The $135 million NERGS Project involved the gauge conversion of the existing broad gauge track to standard gauge with new concrete sleepers to form the 'West Line'. New turnouts at Benalla and Seymour allow trains to use both East and West lines.

This work formed part of ARTC's $2.6 billion upgrade of the North South link which included concrete re-sleepering, additional passing lanes and loops as well as the signalling upgrades.

During 2010 and early 2011, drought breaking rainfall occurred along the Sydney to Melbourne rail corridor and mud holes developed compounded by the poor ballast condition and ineffective track drainage. ARTC completed an initial phase of remedial works to improve ballast condition and drainage. Further work will continue until ARTC is satisfied that the condition of all sections of track along the corridor meet operational standards and the needs of customers.

The Australian Transport Safety Bureau has announced that it will undertake an investigation to consider the safety issues in relation to the condition of the Sydney to Melbourne rail line. ARTC welcomes the investigation as a means to independently review the actions taken to remediate the track and provide safe and acceptable services to our customers. ARTC is committed to completing the upgrading program including the remediation works to deliver improvements in the efficiency, reliability and safety of the rail corridor.

In relation to other activities, construction work on the 36 kilometre Southern Sydney Freight Line has recommenced with the first section of track, between Leightonfield and Sefton currently being laid.

The Southern Sydney Freight Line (SSFL), which will run between Macarthur and Sefton, will improve the efficiency of rail freight services on the major rail corridor linking Melbourne, Sydney and Brisbane and improve Sydney commuter train services as it will operate as an independent freight line.

The ongoing upgrade of the Hunter Valley rail network remains a priority for ARTC.

At present the capacity of the Hunter Valley rail network is around 146 million tonnes per annum (m/ta).However industry forecasts indicate that demand on the network will increase to over 200 m/ta by 2014.

ARTC is therefore implementing a strategy of network improvements endeavouring to keep system capacity ahead of industry demands.

The completion of the Minimbah Bank Third Track at the end of the last Financial Year marked the start of some significant upgrades on the Hunter Valley network.

ARTC recently commenced construction of the Maitland to Minimbah Third Track. The $362.8 million project will: lay two new sections of track (Branxton to Minimbah and Telarah to Greta) totalling 23 kilometres in length; recondition 9 kilometres of existing track (Branxton to Greta); and erect six bridges.

In addition ARTC has continued to roll out our program of maintenance and upgrades on the Hunter Valley rail corridor including construction of new and extended passing loops such as the new loop at Parkville.

ARTC has also finalised plans to remove the rail bottleneck over the Liverpool Ranges and unlock the coal resources of the Gunnedah Basin.

The first phase of the project will be the construction of two independent passing loops at an estimated cost of $34 million. The total cost of the planned duplication would be $250 million bringing the total investment to $284 million.

This new duplication upgrade will increase the overall capacity of the track and assist in meeting the growing demand for Hunter Valley coal.

ARTC is also moving ahead with other projects including the Advanced Train Management System (ATMS). The ATMS represents a 'new wave' of infrastructure technology designed to significantly increase the capacity of rail freight.

Stage 1 of the ATMS Proof of Concept phase has been successfully completed.

The Stage 1 trials were designed to establish whether the ATMS could replace trackside signalling equipment and manage trains using a sophisticated computer system and a Global Positioning System (GPS).

Stage 1 culminated with a series of successful physical trials on ARTC track between Port Pirie and Port Augusta to the north of Adelaide.

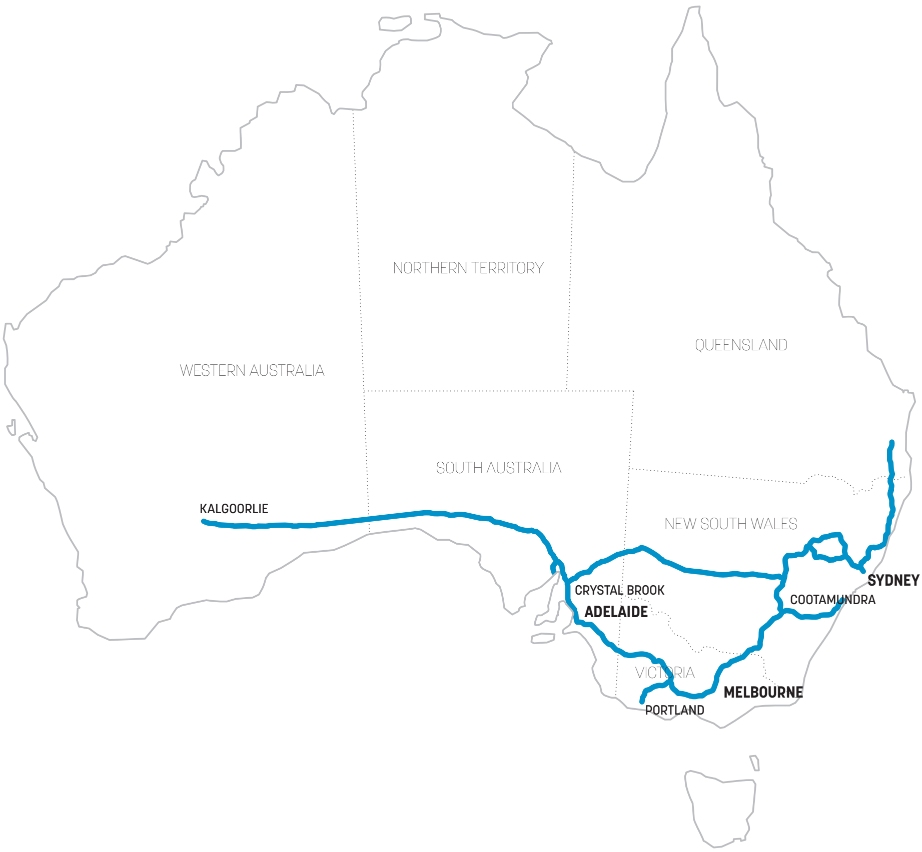
ARTC's continued focus on infrastructure improvements is an important element of making rail more competitive and to provide the platform to significantly grow the volume of freight on rail.

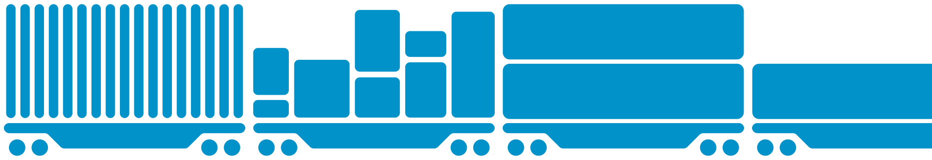
However there is more to be done and ARTC intends to pursue a strategy to grow the business and continue to improve the financial performance of the company by delivering value to our customers.

I would like to thank the Chairman and other Directors for their support together with the Executive Management Team and Staff of the ARTC who have worked so hard to deliver further volume growth in the business.

John Fullerton
CEO

ARTC NETWORK





AUGUST 2010

03

Historic Brooklyn Sunshine Triangle bridge project officially opens
A historic infrastructure milestone is reached with the opening of the Brooklyn Sunshine Triangle bridge project in Melbourne.

Rocla to supply ARTC 500,000 new concrete sleepers for upgrades between Parkes and Broken Hill
ARTC signs a deal with Rocla Concrete Sleepers to produce 500,000 brand new prestressed concrete sleepers to be used on resleepering projects.

05

Final Melbourne - Brisbane Inland Rail Study report released
ARTC releases the final report of the Melbourne – Brisbane Inland Rail Study commissioned by the Australian Government in 2008.

Austrak to supply ARTC 500,000 concrete sleepers for track upgrades
ARTC and Austrak Pty Ltd agree to once again work together on resleepering projects as part of the equity investment announced by the Australian Government in the May Budget.

14

ARTC signs deal with OneSteel
ARTC signs one of the largest rail infrastructure supply deals in a decade with OneSteel to produce steel rail for projects announced as part of the equity investment by the Australian Government in the May Budget.

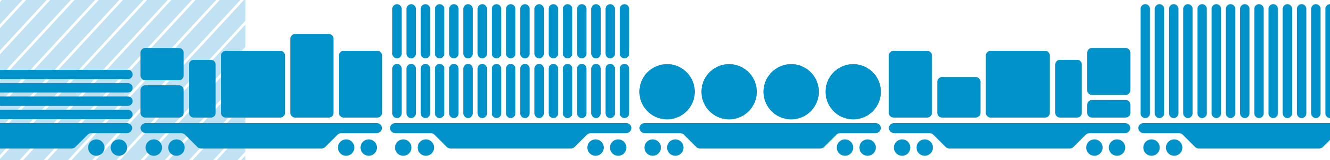
25

Ivanhoe Passing Loop constructed
ARTC continues its drive to upgrade the National interstate standard gauge with the extension of a passing loop at Ivanhoe New South Wales between Parkes and Broken Hill.

SEPTEMBER

13

Freight trains and limited XPT passenger trains make their debut on the new North East Victorian rail line between Seymour and Wodonga



14

Southern Sydney Freight Line
Construction work on the 36 kilometre Southern Sydney Freight Line recommences with the first section of track, between Leightonfield and Sefton, laid between March and July 2011.

28

Milvale Loop Completed
Completion of work on a new passing loop at Milvale near Cootamundra in New South Wales marks a further upgrade milestone on the East West rail link.

OCTOBER

10

New passing loop completed west of Parkes in New South Wales

22

Passing loop at Tintinara upgraded
Upgrade of the passing loop at Tintinara completed on the line between Melbourne and Adelaide.

26

Melbourne's 'Missing Link' rail project completed
Completion of the 'Missing Link' project which improves the connection between the Port of Melbourne and the interstate freight network.

NOVEMBER

02

Public Credit Rating Issued
Moody's Investors Services issues public credit rating of ARTC Ltd of "Aa2".

19

Passing loop at Keith upgraded
East West rail corridor continues to be upgraded with the construction of a new passing loop at Keith on the line between Melbourne and Adelaide.

28

First section of Sydney freight track transferred
As part of the ultimate take-up of freight tracks in Southern Sydney the Sefton Park Junction to Chullora Junction line section transferred to ARTC.

DECEMBER

01

Completion of Stage 3b of the North East Rail Gauge Standardisation (NERGS) Project, brings all the new signalling of the East and West lines between Seymour and Benalla online

New passing loop at Parkville boosts Hunter Valley coal lines
ARTC continues to boost capacity on the Hunter Valley coal lines with the extension of a crossing loop at Parkville between Scone and Murrula New South Wales.

08

Bond Issue
ARTC issues $200 million of 7 year fixed interest notes in the Australian debt capital market.

16

Notice of Termination of CRNMA
The Country Regional Infrastructure Authority (CRIA) formally advised ARTC of their intention to terminate the Country Regional Network Management Agreement (CRNMA).

JANUARY 2011

14

Take-Up of Enfield West
In the continuation of its program to take over freight lines in Southern Sydney the track at Enfield West (part of the Metropolitan Freight Network) is transferred to ARTC.

24

Parkes to Broken Hill upgrade
ARTC Services Company and its industry partner Transfield Services start work on the most extensive upgrade of the rail line to Parkes since it first opened in 1927 with the complete concrete resleepering of the line.

FEBURARY

16

Local rail crew take out state award
ARTC's Binnaway Team scored

a terrific win at the recent Permanent Way Institution (PWI) Convention in Sydney taking out the prestigious Alan Barham Maintenance Team Award.

24

New passing loop at Monteith
The modernisation of the East West rail corridor continues, with the construction of a new passing loop at Monteith on the line between Melbourne and Adelaide.

New ARTC CEO's rail freight vision
ARTC's new CEO, John Fullerton, has used his first day on the job to outline his views on the future direction of rail freight as part of the national transport and logistics framework.

26

Economic stimulus delivers faster, more reliable East West link
The interstate rail network connecting Australia's East and West coasts via the New South Wales towns of Parkes and Cootamundra finally able to carry more freight at faster speeds than ever before.

MARCH

08

Completed signalling project brings Seymour - Wodonga track online
ARTC puts the finishing touches on the final stage of the North East Rail Gauge Standardisation (NERGS) Project, bringing all the new signalling of the East and West lines between Seymour and Wodonga online.

15

North Coast Curve Easing begins
A major milestone in the most extensive upgrade to the nation's interstate rail network in almost a century is reached, with work to straighten key sections of the main line between Newcastle and the Queensland border commencing.

29

ARTC plans to ease Liverpool Ranges rail bottleneck
ARTC finalises plans to remove the rail bottleneck over the Liverpool Ranges and unlock the total energy resources of the Gunnedah Basin.

31

New passing loop at Bordertown
Upgrade of the East West rail corridor continues on schedule and on budget, with a new passing loop at Bordertown becoming operational.

APRIL

06

Independent assessment supports ARTC's upgrades to the Sydney - Melbourne rail line
The preliminary findings of an independent assessment have confirmed that ARTC's method of laying concrete sleepers as part of the multi-billion dollar upgrade of the rail line between Sydney and Melbourne is acceptable.

MAY

06

Economic stimulus: New passing loop at Callington completed
The modernisation of the East West rail corridor continued with the construction of a new passing loop at Callington (South Australia) on the line between Melbourne and Adelaide.

27

First sod turned on Maitland to Minimbah Third Track
Construction commences on the last of the seventeen major rail projects commissioned as part of the Australian Government's Economic Stimulus Plan, the Maitland to Minimbah Third Track.

JUNE

16

The Advanced Train Management System South Australian trial is successfully completed
Stage 1 of the ATMS Proof of Concept phase has been successfully completed.

29

Hunter Valley Undertaking Approved
The ACCC approves the Hunter Valley Undertaking.

BUSINESS PERFORMANCE

The 2011 financial year saw ARTC continue to increase its traffic volumes with growth across all corridors driven by continued recovery (albeit at a slower pace than anticipated) following the global financial crisis and further revenue from the Hunter Valley coal operation.

Revenues

The 2011 financial year saw ARTC continue to increase its operations with intermodal volumes up 4.4% above the GTK levels of last year. This resulted in access revenue increasing by $52.2 million to in excess of $432.9 million representing a 14% increase over the previous financial year.

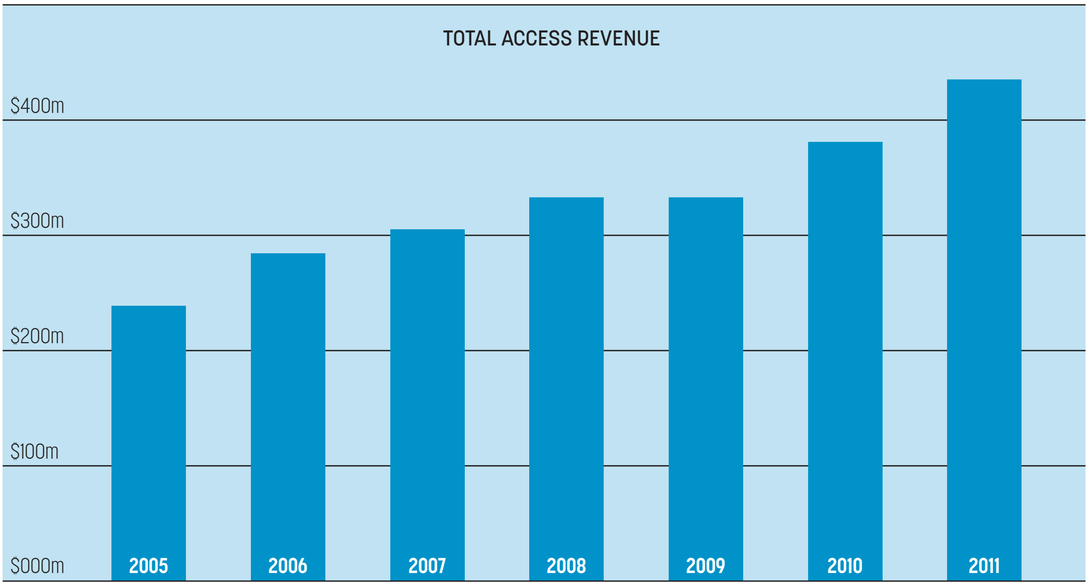
Non-coal access revenue was almost 10% above the 2010 financial year with the bulk revenues up in excess of 20%, steel up 11% and general intermodal revenues up 8%. Hunter Passenger revenues were also up from 2010; however there were some delays associated with the commencement of the VLine services which adversely impacted the amount of increase obtained.

In addition significant weather events such as flooding adversely impacted revenues and there were some delays in the take-up of resource traffic on the East West corridor due to operator issues associated with rolling stock.

Coal revenues rose 18.5% to $227.3 million on the back of continuing demand and with the benefit of the ongoing investments by ARTC and other participants in the Hunter Valley Coal chain.

Overall activity and resultant revenue from the New South Wales Country Regional Network ("CRN") was slightly below the previous financial year.

A summary of access revenues for recent years is set out below:



Expenses

Operating expenses excluding impairment and net finance costs totalled $540 million, which represented a net increase of $3.5 million (0.7%) compared to the previous financial year.

This reflected reduced maintenance expenditure across the network as a whole although individual areas received increased targeted expenditure e.g. the Melbourne to Brisbane corridor to address foul ballast issues as previously mentioned.

ARTC continues to review its maintenance program and expenditures in light of its extensive investment in the rail network in recent years, to ensure that expenditures are targeted to the most appropriate priorities consistent with delivery of maximum effective track access to its customers.

By far the major impact on total expenses was the increased Impairment expense (a non-cash item) which rose from $55.7 million in 2010, to $434 million in 2011, representing an increase of $378.5 million. The impairment expense represents the write-down in the carrying value of the assets on the North South corridor following a review of expected future discounted cash flows. This write-down arises on the back of the program of significant investment over recent years and is expected to continue in 2011/12 towards bringing the corridor to a suitable condition to cope with anticipated increased volumes in future years, at which time impairment expense is expected to reverse.

Excluding impairment, expenses increased by a modest $3.5 million (0.7%), reflecting tight control of operating expenses across the business.

The utilisation of available funds and the $200 million issue of interest bearing bonds by ARTC in December 2010 to support the continuing infrastructure investment program resulted in net interest expense of $11.8 million in 2011 as compared to net interest received in 2010 of $78.4 million – a net movement of $90.2 million.

Income tax benefit for the year of $249.4 million arose primarily due to the increase in deferred tax assets recognition arising from temporary differences related to property, plant and equipment.

EBITDAI Performance

Having regard to the significant impact of impairment, revaluation, taxation and interest adjustments applicable to the financial result of the company, the ARTC Board and management regard EBITDAI ("Earnings Before Interest Taxation Depreciation Amortisation and Impairment") as a more appropriate measure of the operating performance of the ARTC business.

EBITDAI for the year of $220.8 million was $81.3 million (58.3%) above last year, reflecting the combination of continuing revenue growth (up 10.2% excluding interest) and control of operating expenses (reduced by 4.6%) as compared to last year.

Net Loss

The Net Loss before Income Tax for the year of $299.1 million was $392.2 million below the prior year profit, resulting primarily from the $378.5 million increase in impairment expense and $90.2 million movement in interest as outlined above, despite tight control of other expenditures to mitigate these adverse impacts.

Cash Flow Performance

As outlined on page 48 of the Annual Report, net cash flow from operating activities of $205.9 million was $163.5 million above last financial year, which was supplemented by $775.0 million of funds from financing activities (including $558.2 million by way of equity investment received and $200 million of bonds issued) during the year.

After net cash investment for the year of $901.5 million, the cash balance at the end of the year increased by $79.4 million to $123.6 million.

Public Credit Rating

In November 2010 ARTC obtained a public credit rating from Moody's Investor Services of "Aa2" ("Moody's").

This very strong corporate rating reflected Moody's assessment of the credit worthiness of the Company, and included review of ARTC's assets, national operating profile and financing arrangements in the short and medium term.

The rating reflected ARTC's overall strong financial profile which exhibited low leverage and conservative interest cover metrics.

ARTC's strong operating credentials in rail track is underpinned by its high market share on the established East West corridor, the substantial and growing task in the Hunter Valley coal export chain and its role in delivering a major upgrade of the North South corridor. The major capex being undertaken is expected to significantly improve continuity and more competitive transit times and reliability up and down the North South corridor, which will lead to a step change in rail competitiveness on this critical national infrastructure, once completed in around mid-2012

Debt Capital Market Funding

As part of its strategy to maintain a variety of funding sources, ARTC was successful in an inaugural issue of 7 year fixed interest notes in the Australian debt capital market in December 2010. Initially launched at $150 million, the bond issue was upsized to $200 million in response to favourable interest from domestic and a number of Asian investors.

It is anticipated that further bond issues will occur during the 2011-2012 financial year to provide an appropriate spread of debt funding sources in addition to ARTC's syndicated debt facilities.

OPERATIONAL PERFORMANCE

HUNTER VALLEY

Hunter Valley Coal Chain Coordinator

2010 -2011 saw further maturity of the contractual alignment model for coal exports and consolidation of the role and performance of the Hunter Valley Coal Chain Coordinator (HVCCC); the company established last year by industry participants to coordinate planning and operation of the coal chain.

The contractual alignment model requires coal producers exporting through Port Waratah Coal Services (PWCS) terminals to enter 'take or pay' contracts and has provided greater certainty about planned exports especially on which coal chain expansion plans can be based.

The HVCCC consolidated its activities including establishing long term staffing and IT arrangements and provision of IT, modelling and planning systems.

That has allowed the HVCCC to focus on key issues including improved daily planning; improvements in the execution of live-run and further refinement of its long term capacity modelling allowing early identification of capacity improvements needed across the coal chain to meet forecast demand.

Significantly that demand has led to confirmation of capacity upgrades at the Newcastle Coal Infrastructure Group (NCIG) coal terminal; the PWCS terminal at Kooragang Island; and the commencement of planning for a new terminal known as T4 on Kooragang Island.

Performance During the Year

Export tonnes were in the order of 107 million tonnes for the 2010 - 2011 financial year but were lower than predicted primarily because of significant wet weather and coal availability issues in the first half of 2011.

In October 2010 inbound railings achieved a record annualised rate of 116 m/ta and demonstrated the continually increasing capability of the chain.

With coal chain demand forecast to double to around 200 million tonnes by 2014, planning and review of daily operations and a high train volume environment has commenced.

Asset Maintenance

Track quality and performance remains stable with expected improvement resulting from the first stage of concrete sleepers between Dartbrook and Werris Creek demonstrated.

Unplanned operational losses as a result of ARTC's activities represented about 0.7% of the planned tonnes or around 1.1 million tonnes. This was well within agreed target levels.

As part of longer term asset maintenance planning, the Division has launched the "200+ Project" which will review maintenance methodologies and practices for maintaining the track in a high volume environment where access for maintenance will be constrained.

Major Projects

ARTC continues to refine its Capacity Strategy with industry, which defines projects needed to enhance capacity in line with demand forecasts and released the 2011-2020 version in March 2011.

Projects completed during the year included a loop on the Ulan line; a loop on the Gunnedah line at Parkville; the reinstatement of the 104 points at Hexham for train sequencing and a $10 million complete resignalling of the complex Maitland Interlocking.

Approval was also secured for the 30 kilometre triplication between Maitland and Whittingham and planning is well advanced on the Nundah Bank project.

In March 2011, ARTC released its revised strategy for creating capacity over the Liverpool Ranges which proposes a staged duplication on the existing alignment.

HUNTER VALLEY COAL TRAIN

OPERATIONAL PERFORMANCE

NORTH SOUTH

The North South corridor from Acacia Ridge in Queensland to Melbourne in Victoria, including Port Botany and the Metropolitan Freight Network in Sydney provides the major opportunity for intermodal growth for ARTC in the coming years.

To support this potential growth ARTC has invested heavily in projects that will make rail a more attractive transport option by reducing transit time between the major cities on the East coast and improving reliability of the rail network.

Key projects commenced or completed during the year included:

- Conversion of the broad gauge network between Seymour and Wodonga in Victoria to provide over 200 kilometres of fully signalled standard gauge dual track;
- Construction of a number of bidirectional passing lanes south of Sydney;
- Replacement of ageing 47 kg rail in Victoria with 60 kg rail to facilitate the operation of trains with heavier axle loads at higher speeds;
- Straightening of a number of light radius curves on the North coast to allow freight trains to run at faster speeds;
- Completion of the Port Botany Rail Yard Upgrade which will reduce congestion and increase capacity at the Port interface;
- Construction of new passing lanes at Culcairn in New South Wales and Donnybrook in Victoria; and
- Commencement of ballast and drainage remediation works to improve overall track condition and complete the upgrading of the Sydney to Melbourne rail corridor.

Other major projects include the following:

Southern Sydney Freight Line Project

The Southern Sydney Freight Line (SSFL), when completed, will provide for a 36 kilometre dedicated freight line from Glenfield to Sefton, located in a rail corridor adjacent to existing passenger tracks. It will be a bi-directional track, non-electrified and have one passing loop. The SSFL will improve the efficiency of rail freight services on the major rail corridor linking Melbourne, Sydney and Brisbane.

Stage Two of the project was approved in July 2010 with work recommencing in September 2010 and the the Final Stage of the SSFL Project will commence in September 2011 with full commissioning of the SSFL planned by December 2012.

Rerailing of East Track in Victoria

As part of the Federal Government's productivity package announced in the 2010 budget, ARTC is replacing the old 47 kg rail on the East track in Victoria between Melbourne and Wodonga with new 60 kg per metre rail over 254 track kilometres. The program is being undertaken by ARTC's Alliance partner Downer EDI Rail. The heavier rail will allow the passage of 23 tonne axle loads travelling at up to 80 km/h and completion of the project is scheduled for November 2011.

Curve Easing

The New South Wales North Coast rail line was built incrementally as a series of connecting branch lines. Construction standards were low and the track alignment was designed to minimise earth works and bridges. As a result it has an excessive number of tight curves which result in lower train speeds leading to increased transit time. ARTC has commenced a project to ease curves by increasing their radius at identified sites between Telarah and Acacia Ridge. This will collectively produce a transit time saving of 44 minutes for north bound Superfreighters and 35 minutes south bound.

Sydney Metropolitan Freight Network

The Sydney Metropolitan Freight Network (MFN) provides a dedicated freight only rail link from the SSFL to Port Botany. ARTC is progressively taking over the MFN from RailCorp, the operator of the Sydney metropolitan rail system. The final stage of the transfer will be completed by mid 2011.

Port Botany Rail Line Upgrade

This program, funded by the Federal Government's Nation Building program, is proceeding in stages as the MFN is taken over by ARTC. The program involves a series of track and signalling projects to enhance capacity and to centralise network control in ARTC's Network Control Centre South. The program is due for completion in 2013.

THE NEWLY OPENED $181 MILLION DOUBLE-TRACK WODONGA RAIL BYPASS

OPERATIONAL PERFORMANCE

EAST WEST

The East West Division has maintained its high market share of the long haul transport logistics between Australia's east and west coasts.

During the year the East West team has continued to safely and reliably deliver its train operations.

Despite significant weather events in the third quarter of the year, rail volume has grown from previous years, with a steady growth in the intermodal markets, improved grain traffic and additional services for new mining traffic in South Australia.

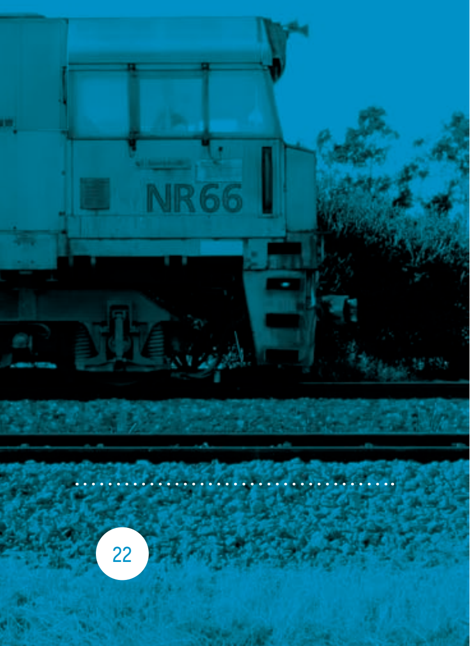
Productivity Projects Underway

The East West Division has commenced the delivery of the Federal Government's $1 billion productivity investment in ARTC. Productivity projects within the East West Corridor include:

- Resleepering the mainline interstate network between Broken Hill and Parkes. The resleepering commenced in January 2011 with 600,000 sleepers delivered and 200,000 sleepers installed. The project requires 1,000,000 timber and steel sleepers to be replaced with concrete sleepers to provide an efficient low maintenance track structure.

- Rerailing of 794 kilometres of track between Whyalla and Broken Hill and Parkes to Cootamundra. This project commenced in April 2011 and when completed next year will provide for a 9% increase in axle load capacity for the freight trains travelling over this part of the East West network.

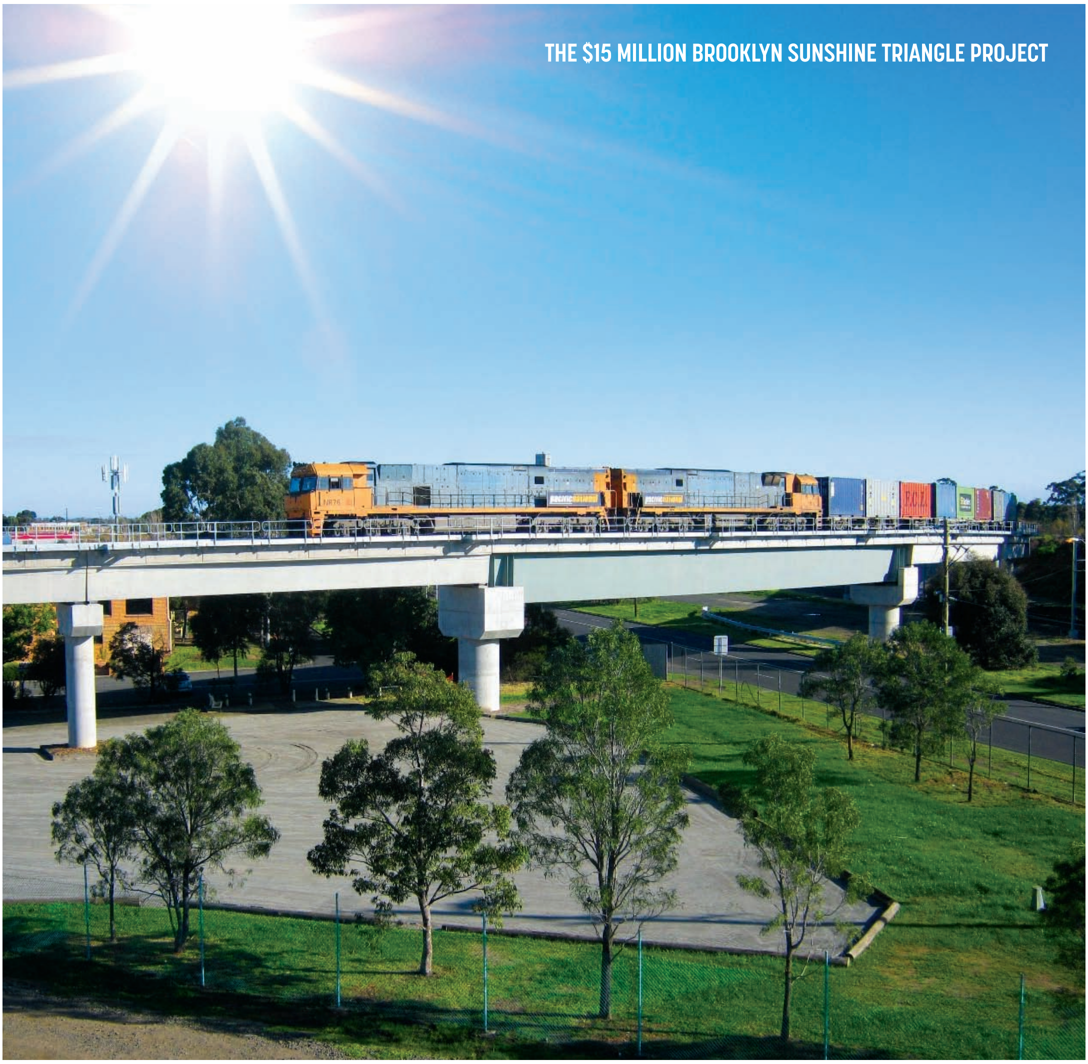
- Construction of 4 new passing loops between Gheringhap and Maroona in Victoria. Design work for the track and signalling work has commenced with construction concluding next year. These 1800m loops will provide additional train capacity for the logistics markets from Melbourne to Adelaide and Perth.



Other highlights

Other highlights for the year include:

- The commencement of 6 additional train services per week to haul iron ore from Cairn Hill to Port Adelaide. The East West corridor is actively working with mines to develop logistics solutions for the new mines in South Australia.
- Completion of 17 new crossing loops across the whole East West network providing additional train capacity for growth.
- Continuation of works to finalise the rail upgrade at Geelong. This project will improve access to the Port of Geelong, duplicate the track between Geelong and Gheringhap and provide a new 1800m crossing loop. Connecting to the Port of Geelong is an important component in ARTC's strategy of providing rail links to key ports.

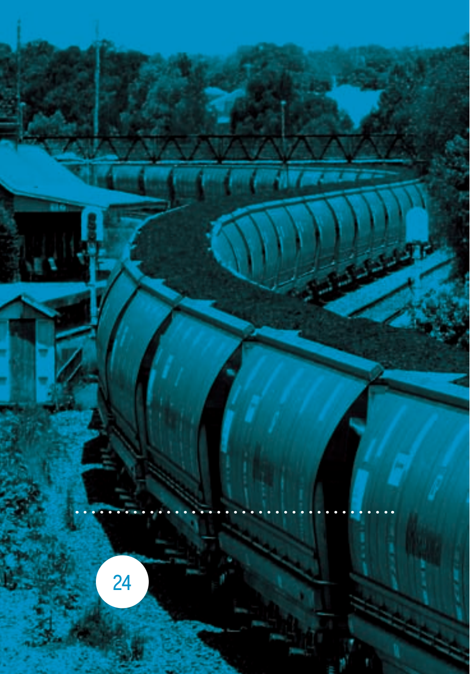

THE $15 MILLION BROOKLYN SUNSHINE TRIANGLE PROJECT

Country Regional Network

ARTC manages the Country Regional Network (CRN) of New South Wales through an alliance contracting arrangement with the New South Wales state government. This contract commenced in September 2004 and in recent years has had an annual value of around $170 million inclusive of cost reimbursment and management fees.

Specific outcomes achieved by ARTC CRN teams include:

- The CRN Corridor has safely and efficiently delivered the maintenance and projects for the year which is an extensive and complex package of works valued at $136 million.
- Due to efficiencies and savings made through the delivery of the works program an additional $3 million worth of projects was brought forward from the 2011 - 2012 program and delivered during the year.
- The small CRN projects unit has successfully delivered an $8 million project for reconditioning the Marrangaroo Tunnel near Lithgow on the Main West Line in New South Wales.
- The projects team has also delivered a number of signal projects including the Wallerawang Microlok Project. This was successfully completed this year and involved the installation of Microlok II units at 16 locations.
- The Binnaway team were awarded by the New South Wales Permanent Way Institute (PWI) the 2010 Alan Barham Maintenance Award which recognises the best performing maintenance team within New South Wales.
- The West Wyalong team, the 2009 winners of this award also received a highly commended award from the PWI.



After a competitive tendering process the Country Rail Infrastructure Authority (CRIA) advised that the contract with ARTC will be terminated effective on 14 January 2012. A demobilisation team has been formed. The objective of this team is to ensure a smooth, safe and effective hand back of the CRN to CRIA followed by an orderly transition for affected staff.

ARTC Services Company

The ARTC Services Company is a wholly owned subsidiary of the ARTC. The services team provides maintenance and construction services on signalling and control systems to the ARTC East West corridor in South Australia. This vast service area extends from Parkeston in Western Australia across through South Australia to Broken Hill and Parkes and to Cootamundra in New South Wales and down to Wolseley on the Victorian and South Australian border.

In 2010 - 2011 the services team has again successfully managed a number of significant challenges:

- In addition to its normal signalling and control system maintenance services ARTC Services Company has successfully delivered the design, construction and commissioning of signalling works valued at $9.8 million.
- These works were for nine new and extended crossing loops which are a part of the federally funded stimulus package works with all works being completed on time and budget.
- The services team has also delivered the design, construction and commissioning of the signalling for the SCT Rail Freight Terminal at Bolivar.
- It has also installed 2 new active level crossings on the Adelaide to Perth corridor as part of the South Australian state government level crossing improvement program.
- ARTC has entered into a long term contractual arrangement with QR National for the provision of rail grinding throughout ARTC's network with the contract being managed by the services team. The contract is now in its second year and with the guidance of the service team management and participation of the contractor the performance and quality of work has seen continued improvement with the full scope of works for 2010 - 2011 being realised.

The services team also manages the provision of track geometry measuring and the management of the ultrasonic rail flaw detection contract. These are both very important safety and condition monitoring services for the operating divisions.

The track geometry monitoring unit provides services through the AK Inspection Car which is a joint venture arrangement between ARTC and Railcorp of New South Wales. This team monitors 52,000 kilometres of track throughout Australia and additionally provides a commercial service to a number of private railways monitoring 18,800 kilometres of track and providing a small financial return to ARTC.

The safety performance of the ARTC Services Company has been excellent with the OHS safety metrics of Lost Time Injury Frequency Rate (LTIFR) and Medically Treated Injury Frequency Rate (MTIFR) both being zero. The services teams have a long standing safety performance record with LTIFR being zero since September 2009.

The Adelaide Metro, Murray Bridge, Port Augusta, Peterborough and Control Systems teams all having achieved in excess of 2,100 day LTI free and the Snowtown team in excess of 1,500 days and the Projects Team in excess of 900 days LTI free.

HEALTH & SAFETY

RISK & COMPLIANCE

The Risk and Compliance Division has responsibility for providing and implementing effective processes, tools and support to the business to enable ARTC to manage its risk, compliance and regulatory needs.

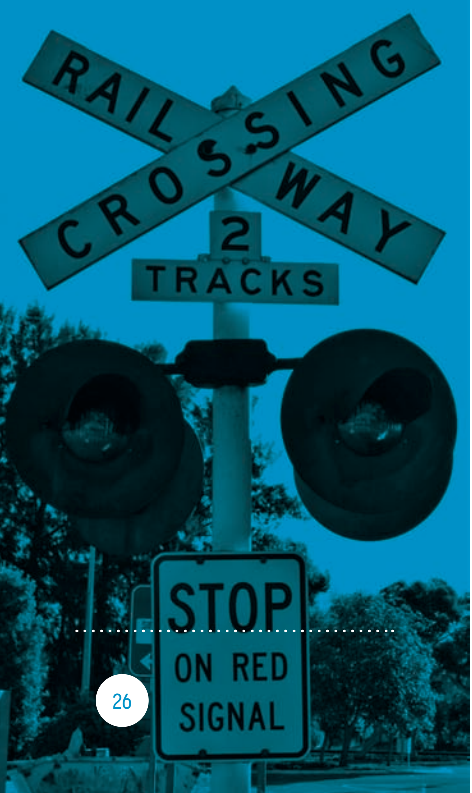
The team comprises specialist workgroups responsible for delivery of risk management, compliance management, rail safety and occupational health and safety management, legal services, insurance management, internal audit, safety incident investigation and analysis, safeworking systems and safety interface arrangements.

Risk Management

ARTC is committed to a culture of risk management, having developed risk identification and assessment mechanisms throughout the company, ranging from strategic high-level approaches, to specific change management assessments, to daily worksite risk reviews. ARTC manages and controls risk through risk management systems and processes, including application of 'So Far As Is Reasonably Practicable' principles where appropriate. Assurance around controls is provided through ARTC's risk-based audit program, delivered by the co-sourced internal audit team (ARTC partnered with Ernst and Young) and external auditors (KPMG).

Our program of continuous improvement in risk management continues, including realignment in 2010-2011 against the new standard AS/NZS ISO 31000. The area of risk management is subject to ongoing review, both internally and also by recognised external specialist resource providers, which further ensures a robust and sustainable process is being applied.

Managing compliance with legislative requirements is a key feature of our program, with resources deployed in identifying, monitoring and implementing controls around compliance obligations.



Rail Safety

The safety and efficiency of the rail network is a major consideration for the network owner manager, for rail operators and the wider community.

ARTC is committed to safety and maintains a continuous improvement approach to safety systems and processes. ARTC's ongoing review of its Safety Management System is a key part of ensuring that it continues to meet the needs of the revitalisation of the Australian rail industry, and the requirements of all applicable rail safety legislation, so that:

- ARTC retains the competence and capacity to manage safety at all levels of the business;
- safety and risk management are accepted as core values in all business activities;
- safety is communicated in a clear, concise and consistent manner;
- the technology and equipment necessary to manage, monitor and support the system are in place;
- it is recognised that safety is a key responsibility for both individuals and the Company, and
- investment in training, technology and network improvements is directed towards creating a safer, more sustainable business environment.

ARTC actively monitors rail safety performance through safety data analysis and targeted investigations and audits on key safety risk controls. System-level trends, specific issues and corrective actions are monitored through the Risk and Safety Committee. A range of safety programs are in place including drug and alcohol, fatigue, worksite safety, safeworking rules and management systems enhancements. These programs are structured on sound project management principles, including broad stakeholder involvement and senior management oversight.

ARTC is also developing a new safety initiative, which began with the appointment of a General Manager of Risk and Safety from 1 July 2011, and will further assist in the drive for continuous improvement in safety performance across the company.

2010 - 2011 has seen good progress by the states in take-up of the model Rail Safety laws, and adoption by the Rail Safety Regulators' Panel (RSRP) of a structured 'Principle Regulator' model designed to streamline regulatory interaction with industry and ease the burden of State-based regulation. Simultaneously, there has been significant progress towards a planned introduction of a single national rail safety regulator, scheduled for January 2013. ARTC fully supports these initiatives, which are essential to remove barriers to entry to the Australian rail industry and continue to preserve and enhance the industry's safety record.


HUNTER VALLEY RAIL WORKS

HEALTH & SAFETY

OH&S

ARTC remains committed to its safety goal that no-one is harmed at work or on our network. We support a safe and healthy workplace by providing:

- safe systems of work;
- equipment that is fit for purpose;
- a workforce that is competent and safety focused; and
- ongoing improvement.

ARTC's Occupational Health and Safety Management System (OHSMS) is published on the ARTC intranet and sets out ARTC's health and safety management arrangements (HSMAs) in compliance with the Occupational Health and Safety Act 1991 (Commonwealth).

ARTC has in place embedded processes for health assessment, employee assistance, OHS risk management, consultation and reporting, programs to manage the risks associated with drugs, alcohol and fatigue in the workplace, and specific arrangements for safety training and awareness, safe work method analysis, threat and emergency management, first aid and stakeholder engagement (including employees, contractors, emergency service providers and third parties).

Specific initiatives during the year include:

- restructuring of safety resources including engagement of additional safety staff;
- training for OHS committee members and Health and Safety Representatives (HSRs) (Comcare accredited);
- process improvement in OHS documentation, including consultation, emergency management, first aid arrangements, pre-work briefing and worksite protection planning; and
- worker competency program including mapping core competencies for all categories of safety workers.

In recognition of the national reform of OHS laws that will culminate in the adoption in all jurisdictions of model OHS laws in 2012, ARTC has continued its detailed review of its OHSMS and has engaged with Comcare in its 'Project Harmony'.

ARTC continues to use the Lost Time Injury Frequency Rate (LTIFR) and Medically Treated Injury Frequency Rate (MTIFR) measures to assist in monitoring trends in workplace safety.

Workplace safety performance for the year was comparable with the previous period, with LTIFR currently at 5.25 and MTIFR dropping from over 18 to 16.3 over the year.

TRAIN COMMUNICATIONS

The control systems group is applying innovation within ARTC and the rail industry. An example of this is the outsourcing of our communications network to deliver voice and data into trains.

National Train Communication System

The National Train Communication System (NTCS) project has delivered a digital backbone across our Defined Interstate Rail Network (DIRN) based on Telstra NextG Network. It delivers one voice and data portal into the locomotive across the entire network across one interface.

This NTCS project with Telstra, is replacing a range of older satellite and disparate state-based terrestrial communications systems that do not meet ARTC's future train operations requirements.

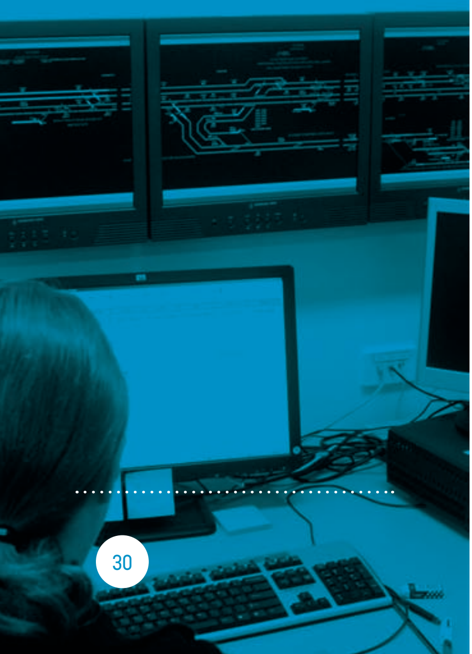
As part of this $85 million communications upgrade, ARTC signed an agreement with Telstra to enhance Telstra's Next G™ network to use it to replace nine disparate communications systems across 10,000 km of the interstate rail network.

ARTC, in conjunction with the Australian Federal Government funded the design and construction of 78 new installations (62 regional base stations and 16 sites providing for coverage in tunnels). These new NextG™ sites together with Telstra's existing sites provide a single network for communications between Locomotives, Train Control, Track workers and wayside equipment across ARTC's entire interstate rail network. This seamless coverage is backed up by a secondary communications platform provided by the Iridium Satellite network.

All the Base Stations which Telstra has been contracted to design, construct and maintain are now completed and in service.

This provides a digital backbone across ARTCs network.

Additionally the NTCS project includes the supply of 700 new communications In-Cabin Equipment (ICE) for train operators to install into their



locomotives, which will operate across ARTC and adjacent controlled rail corridors.

The ICE units are approved and operating in Queensland and New South Wales for ARTC and RailCorp controlled rail networks. Further field testing is required in Victoria, South Australia and Western Australia before the ICE units are approved to operate on the East West Rail Corridor. Field testing with SCT and PN is expected to be completed by August 2011.

To date, fifty ICE units are in operation between various Rail Operators.

Advanced Train Management System

The Advanced Train Management System (ATMS) is a communications based train management system, which will improve the capacity, safety and efficiency of ARTC's interstate rail network.

ATMS will provide In-Cabin authorities to trains and In-Cabin enforcement of those, replacing physical line side signalling. The system will use electronic blocks issued from a centralised system to the trains, enhancing flexibility and capacity. The ability to verify train position, and intervene where required, will enhance safety.

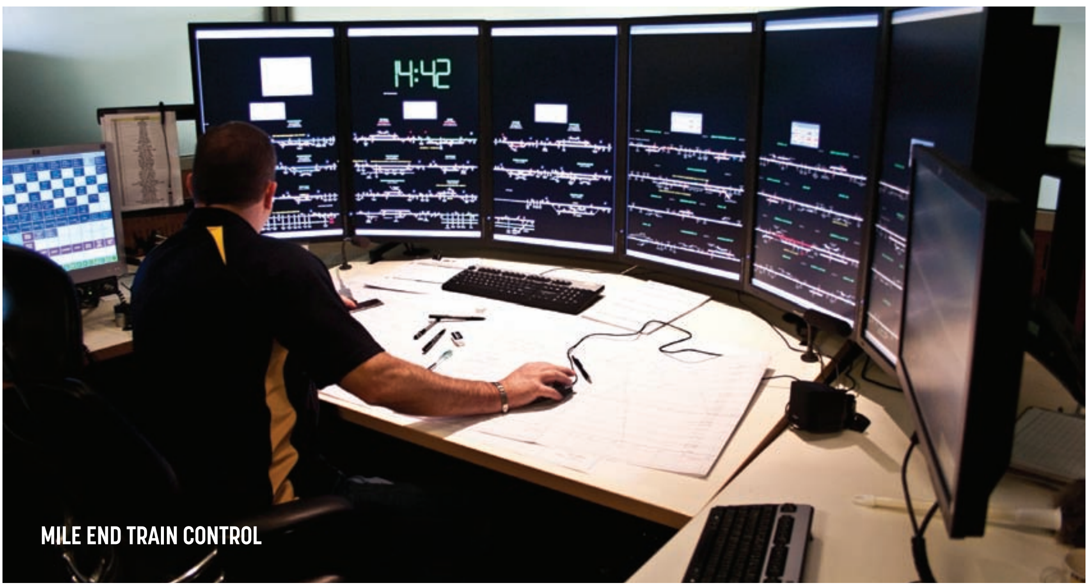
ARTC is investing A$90 million in a Proof of Concept program to design, develop, construct, integrate and test an ATMS prototype system on 105 kilometres of track from Crystal Brook to Port Augusta in the north of South Australia. ARTC is participating with Lockheed Martin to deliver the works.

This year saw the completion of Stage 1 of the Proof of Concept, which has proven the core concept of the system and delivered a number of base functionalities.

Successful completion of this work gives ARTC and the Australian rail industry confidence that a new paradigm for train control is both achievable and a viable alternative to conventional signalling systems.

Stage 2 of the program, which will deliver capacity improvements, is also well advanced with detailed design completed during the year.

Next year will see Stage 2 functionality developed, integrated and tested.



MILE END TRAIN CONTROL

CORPORATE GOVERNANCE STATEMENT

The ARTC Board currently has seven members. The Board is chaired by an independent Non-Executive Director and the roles of the Chairman and Managing Director are separate. The Managing Director is the only Executive Director on the Board and all of the other Directors are independent Non-Executive Directors.

ASX Principles of Good Corporate Governance

For maximum transparency, ARTC's system of corporate governance reflects the eight principles enunciated in the ASX Corporate Governance Council 'Principles of good corporate governance and best practice recommendations':

Principle 1: Lay solid foundations for management and oversight

ARTC recognises the respective roles and responsibilities of the Board and Management through publication of formal delegations and a schedule of matters reserved to the Board. This enables the Board to provide strategic guidance for the company and effective oversight of Management and it clarifies the respective roles and responsibilities of Board members and senior executives in order to facilitate Board and Management accountability to both the company and its shareholders.

The major powers the Board has reserved for itself are:

(a) Annual business plan and budget.
(b) Strategic plan for the company.
(c) All expenditure and property transaction contracts greater than $5 million not subject to a specific Board approval.
(d) Access Agreements that do not comply with the Board agreed pricing and access principles and policies.
(e) Employment contracts for the Chief Executive Officer and direct reports.
(f) Parameters for Workplace Enterprise Agreements.
(g) Senior Executive variable reward scheme.
(h) The framework for the Rail Access Agreement.

(i) Lease expenditure commitments in excess of $5 million (Net present value) or in excess of 5 years duration.

To assist in the discharge of its responsibilities, the Board has established the following Board Committees:

- Audit and Compliance Committee
- People, Policy and Remuneration Committee
- Environment, Health and Safety Committee
- Committee of the Whole Board for Risk
- Committee of the Whole Board for Succession Planning.

Principle 2: Structure the Board to add value

The Board's size and composition is subject to limits imposed by ARTC's constitution, which provides for a minimum of 3 Directors and a maximum 7 Directors. The Board currently comprises 6 Non-Executive Directors and 1 Executive Director. The Managing Director is the Executive Director and CEO of ARTC.

The Directors of ARTC are listed with a brief description of their qualifications and experience on pages 34 to 36 of this Annual Report.

Principle 3: Promote ethical and responsible decision making

ARTC has a formal Code of Conduct which states the high standards expected of Management and the Board. The Code of Conduct applies to all ARTC employees and contractors and sets out a number of overarching principles of ethical behaviour. These include acting honestly and with integrity, respecting confidentiality, managing conflicts of interest and the process for investigating breaches of the Code.

Principle 4: Safeguard integrity in financial reporting

The Board has established an Audit and Compliance Committee. Its primary function is to assist the Board in fulfilling its responsibilities for corporate governance, probity, due diligence, effectiveness of internal control, management of financial risks and financial reporting.

Under its Charter, the Committee must have at least three non-executive directors appointed by the Board, one of whom will act as Committee Chairman and the Committee is to meet at least four times each year and as may otherwise be determined by the Committee Chairman.

The CFO, General Manager Risk and Compliance and external auditors attend Committee meetings at the discretion of the Committee. The Company Secretary is the secretary to the Committee.

Principle 5: Make timely and balanced disclosure

ARTC is a wholly-owned Commonwealth company and complies with the governance requirements for Government Business Enterprises, including the development of an annual Corporate Plan, the publication of an annual Statement of Corporate Intent and regular Shareholder liaison, including formal quarterly Shareholder meetings.

Principle 6: Respect the rights of shareholders

ARTC recognises, upholds and facilitates the effective exercise of the rights of the single shareholder, the Commonwealth of Australia. In this regard, the company is subject to the Commonwealth Authorities and Companies legislation in addition to the Corporations Act.

Principle 7: Recognise and manage risk

ARTC has established a sound system of risk management, recognising that every business decision has an element of uncertainty and carries a risk that can be managed through effective oversight and internal control.

Principle 8: Remunerate fairly and responsibly

The Board, through the People, Policy and Remuneration Committee, ensures that the level and composition of remuneration is sufficient and reasonable and that its relationship to corporate and individual performance is defined.

The Board of Directors of the Australian Rail Track Corporation Ltd (ARTC) has pleasure in submitting the Directors' Report in respect of the year ended 30 June 2011.

Directors

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

- J Caldon
- L Di Bartolomeo
- G Brown
- P Catty *(commenced 18 March 2011)*
- B Cotter *(commenced 18 March 2011)*
- J Fullerton *(CEO and Managing Director commenced 24 February 2011)*
- G Walters *(ceased 15 August 2011)*
- D Marchant *(CEO and Managing Director to 23 February 2011)*
- D Howarth *(ceased 23 September 2010)*

FROM LEFT TO RIGHT: GRAHAM WALTERS, GILLIAN BROWN, JOHN FULLERTON, JOHN CALDON, BARRY COTTER, LUCIO DI BARTOLOMEO, PAMELA CATTY

John Caldon

MA (non executive Chairman)

J Caldon joined the Board as non executive Chairman in January 2010. He has over 40 years experience in the accounting, finance and infrastructure industries having held positions including Partner with Price Waterhouse; Deputy Managing Director and Head of Corporate Finance at Macquarie Bank; Chairman of Rail Services Australia; and President of the Australian Council for Infrastructure Development. He also serves as Chairman of the People, Policy and Remuneration Committee; the Committee of the Whole Board for Risk; and the Committee of the Whole Board for Succession Planning and as a member of the ARTC Audit and Compliance Committee.

Lucio Di Bartolomeo

B.E. (civil), M Eng Sc, FAIM, FCILTA, MIEA (non executive Director)

L Di Bartolomeo joined the Board in June 2007. Mr Di Bartolomeo is a professional Director and currently Chairman of Macquarie Generation and non executive Director of Downer EDI and Australian Super Pty Ltd and is National President of Australian Industry Group. Prior to this he was Managing Director of ADI Limited and FreightCorp. Mr Di Bartolomeo has worked for many years in the rail industry both locally and overseas. He is also Chairman of the ARTC Environment, Health and Safety Committee.

Gillian Brown

LLB (Hons) GradDipAppFin&Invest (non executive Director)

G Brown joined the Board in June 2010. Ms Brown is a lawyer with 25 years' experience in finance, infrastructure, energy and resources and debt capital markets transactions. Ms Brown is former chairman of Minter Ellison Lawyers and is a board member of Queensland Treasury Corporation and DBCT Holdings Pty Ltd.
Ms Brown serves as a member of the ARTC Audit and Compliance and Environment, Health and Safety Committees and was appointed as Chairperson of the ARTC Audit and Compliance Committee from 16 August 2011.

Pamela Catty
(non executive Director)

P Catty joined the Board as a non executive Director in March 2011. Ms Catty is an executive mentor and coach with previous executive leadership roles in the public and private sectors of some 20 years. Ms Catty has experience as a journalist in the UK and Bermuda, adviser to State and Federal Government Ministers, has held roles such as Executive General Manager of Corporate Affairs at Ansett Australia and executive leadership roles at the National Australia Bank and Coles Myer Ltd. She is a graduate of the Australian Institute of Company Directors and of the Institute of Executive Coaching. Ms Catty is currently Deputy Chairman of Tourism Victoria, a Director of Circus Oz and Campbell Page and is a member of the ARTC Audit and Compliance Committee.

Barry Cotter
LLB (non executive Director)

B Cotter joined the Board as a non executive Director in March 2011. Mr Cotter has previously been a Director of Commonwealth Funds Management and a Trustee of the Superannuation Fund Investment Trust. He is currently a Director of his own manufacturing and mining services company. Mr Cotter is also a member of the People, Policy and Remuneration Committee.

John Fullerton
Bachelor Technology (EEng) MAICD (CEO and Executive Director from 24 February 2011)

J Fullerton is the Chief Executive Officer and Managing Director of ARTC, appointed in February 2011. Prior to this appointment, Mr Fullerton was the Chief Executive Officer of Freightlink, the Chairman of Rail CRC Pty Ltd and a Director of Tasmanian Railway Pty Ltd. Mr Fullerton has held a range of positions in the rail industry including; Chief Operating Officer of the National Rail Corporation and Divisional General Manager (Operations) at Pacific National. Mr Fullerton is a member of the ARTC Audit and Compliance, Environment Health and Safety and People, Policy and Remuneration Committees.

Graham Walters
AM, FCA (non executive Director)

G Walters was a member of the Board from August 2004 to August 2011. Mr Walters is a professional Director, non executive Chairman of Westpac SA and Director of Bio Innovation SA and Gerard Lighting Group Ltd amongst other organisations and is a Fellow of the Institute of Chartered Accountants. Mr Walters also served as the Chairman of the ARTC Audit and Compliance Committee to 15 August 2011.

David Marchant
(CEO and Executive Director to 23 February 2011)

D Marchant served as Chief Executive Officer and Managing Director of ARTC from June 1998 to February 2011. Prior to this appointment, Mr Marchant held a range of positions in utility groups and government agencies. Mr Marchant was also a member of the ARTC Audit and Compliance, Environment Health and Safety and People, Policy and Remuneration Committees.

David Howarth
BSc (Eng), MS, FICE, FIEAust, MAIPM, FPWI, MAICD, CPEng (Rtd) (non executive Director)

D Howarth was a member of the Board from September 2007 to September 2010. Before this appointment, Mr Howarth had an extensive career in Australia and overseas in the design and project management of infrastructure projects, primarily in the transportation sector. He was a Director of Sinclair Knight Merz for 26 years and Chairman of the Board for four years. He was awarded the Professional Engineer of the Year Award by the Institution of Engineers, Australia in 1991. He has served as a member of the ARTC People, Policy and Remuneration Committee.

Gavin Carney
BA, LLM, GradDip ACG (Company Secretary)

G Carney was appointed company secretary in 2009. Mr Carney joined ARTC in 2007 and is also the Senior Legal Counsel.

Meetings of Directors

The number of meetings of the Group's Board of Directors and of each Board Committee held during the year ended 30 June 2011, and the number of meetings attended by each Director were:

	Full Meetings of Directors		Audit & Compliance Committee		Environment, Health and Safety Committee		People, Policy & Remuneration Committee	
	A	B	A	B	A	B	A	B
J Caldon	12	12	7	7	-	-	4	4
L Di Bartolomeo	12	12	2	2	4	4	1	1
G Brown	12	12	6	6	4	4	-	-
P Catty	3	4	1	1	-	-	-	-
B Cotter	4	4	-	-	-	-	1	1
J Fullerton	5	5	2	2	2	2	2	2
G Walters	12	12	7	7	-	-	-	-
D Marchant	8	8	5	5	2	2	2	2
D Howarth	3	3	-	-	-	-	2	2

A = *Number of meetings attended*
B = *Number of meetings held during the time the Director held office or was a member of the committee during the year*

Members acting on the Committees of the Board during the year were:
(denotes chairperson)*

Audit and Compliance

- G Brown *
  (appointed as Committee Chairperson on 16 August 2011)
- J Caldon
- D Marchant
  (served on the Committee to 23 February 2011)
- J Fullerton
  (appointed to the Committee 24 February 2011)
- L Di Bartolomeo
- G Walters*
  (served as Committee Chairman to 15 August 2011)
- P Catty
  (appointed to the Committee 18 March 2011)

Environment Health and Safety

- L Di Bartolomeo *
- G Brown
- J Fullerton
  (appointed to the Committee 24 February 2011)
- D Marchant
  (served on the Committee to 23 February 2011)

People, Policy and Remuneration

- J Caldon *
- B Cotter
  (appointed to the Committee 23 February 2011)
- J Fullerton
  (appointed to the Committee 24 February 2011)
- D Marchant
  (served on the Committee to 23 February 2011)

Dividends

There was no dividend provided for or paid in the current year by the Group (the Group comprises Australian Rail Track Corporation Ltd and ARTC Services Company Pty Ltd). (2010: $nil).

Principal activities

The principal activities of the Group during the year were the provision of rail access and infrastructure management of rail networks, either owned or leased by ARTC.

Review of operations

The review of operations of the Group is contained in the Chief Executive Officer's Report.

Significant changes in the state of affairs

During July 2010, the Group received an equity injection of $558.2m in relation to the Nation Building Rail Investment initiative announced in the 2010 Commonwealth Budget.

On 29 June 2011 the Australian Competition and Consumer Commission (ACCC) formally announced acceptance of arrangements to promote efficiency and investment in Hunter Valley rail network and export coal chain.

Arrangements approved includes:

- Negotiation of long term access contracts between users of the rail network and ARTC
- Process in consultation with stakeholders for rail investment
- Incentives to promote alignment of all coal chain contracts and efficient use of Hunter Valley infrastructure

As a part of the take up of the NSW Lease ARTC managed the CRN on a commission fee basis. On 16 December 2010 the Country Regional Infrastructure Authority (CRIA) formally advised ARTC of their intention to terminate the Country Regional Network Management Agreement (CRNMA). The termination date is to be at midnight on 14 January 2012 and will result in a net loss to the Group of between $12m to $15m per annum. ARTC will be required to continue to safely and professionally provide the services of the CRNMA up until this date.

There were no other significant changes in the state of affairs.

Significant events after the balance date

(a) Equity injection
The Group received on 21 July 2011 an equity injection of $409.3m from the Commonwealth Government as per its announcement in the 2010 Federal Budget to invest further equity in ARTC to build on existing investment strategies and deliver productivity benefits to the overall economy through investment in transport infrastructure.

(b) CRNMA Termination
As a part of the take up of the NSW Lease ARTC managed the CRN on a commission fee basis. On 16 December 2010 the Country Regional Infrastructure Authority (CRIA) formally advised ARTC of their intention to terminate the Country Regional Network Management Agreement (CRNMA). The termination date is to be at midnight on 14 January 2012 and will result in a net loss of $12m to $15m per annum. ARTC will be required to continue to safely and professionally provide the services of the CRNMA up until this date.

(c) Inland Route
In accordance with clause 2.8 of the NSW Deed of Lease, ARTC has exercised the option to require the Lessor to grant to ARTC a lease

of the land and the infrastructure comprising the Inland Route from Werris Creek to Moree (North Star). This will be effective from 1 July 2011 with a benefit to the Group of approximately $15m in the first year increasing until the ceiling is reached in future years.

Likely developments and expected results of operations

Likely developments and the expected results of operations of ARTC are contained in the Chief Executive Officer's Report.

Environmental regulation

ARTC holds licences from both the Environmental Protection Authority of South Australia and the Environmental Protection Authority of NSW. In South Australia, the licence is held under Part 6 of the Environmental Protection Act, 1993 to undertake the activity of a "Railway System". The licence is due to expire on 31 January 2012 and an application for renewal will be lodged at that time. In New South Wales, the licence is held under Section 55 of the Protection of the Environment Operations Act 1997 to undertake "Railway Activities". The licence expires on 5 September 2011 and an application for renewal will be lodged prior to expiration. To date, ARTC has complied with the requirements of both licence agreements. Other than in South Australia and New South Wales, ARTC is not required to be licensed.

Rounding of Amounts

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated under the option available to the Group under ASIC Class order 98/0100. The Group is an entity to which the class order applies.

Indemnification of Officers

During the reporting period, ARTC had in place insurance cover in respect of liabilities arising from the performance of the Directors and Officers of the Group.

The disclosure of the premium paid under section 300(8) (b) of the Corporations Act is not shown as the insurance contract between ARTC and the insurer prohibits ARTC from disclosing such information.

No known liability has arisen under the insurance contract as at the date of this report.

Non Audit Services

Non Audit services can be found in note 33 of the Financial Statements.

The Directors received the following declaration from the Group's auditor:

Australian Rail Track Corporation Ltd Financial Report 2010-11
Auditor's Independence Declaration

In relation to my audit of the financial report of the Australian Rail Track Corporation Ltd consolidated entity for the year ended 30 June 2011, to the best of my knowledge and belief, there have been:

(i) no contraventions of the auditor independence requirements of the Corporations Act 2001; and

(ii) no contravention of any applicable code of professional conduct.

Australian National Audit Office

John McCullough
Executive Director
Delegate of the Auditor - General
Signed in Canberra on the 31st of August 2011

Signed in accordance with a resolution of the Directors

J Caldon
Director
Signed in Adelaide on the 31st of August 2011

J Fullerton
Director
Signed in Adelaide on the 31st of August 2011

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FINANCIAL STATEMENTS

Consolidated income statement
For the year ended 30 June 2011

	Notes	Consolidated 30 June 2011 $'000	30 June 2010 $'000
Revenue from continuing operations	4	**629,257**	567,578
Other income from continuing operations	4	**55,647**	37,234
Total Revenue & Other Income from continuing operations	4	**684,904**	604,812
Employee benefits expense	5	**(120,831)**	(119,490)
Human resources & training		**(4,030)**	(4,226)
Minor equipment/Service agreements		**(4,319)**	(4,482)
Property & related costs		**(6,858)**	(6,472)
Train control communications		**(8,965)**	(9,041)
Communications expenses		**(3,223)**	(3,856)
Motor vehicle expenses		**(7,307)**	(6,902)
Legal fees		**(1,581)**	(2,435)
Insurance & accreditation		**(7,874)**	(7,976)
Travel & accommodation		**(4,639)**	(4,472)
Operating lease expense		**(4,137)**	(4,550)
Project and development expenses		**(2,812)**	(3,337)
Infrastructure maintenance		**(229,107)**	(239,370)
Incident costs		**(31,295)**	(14,798)
Depreciation and amortisation expense	5	**(95,163)**	(80,008)
Recognition of impairment loss	1(o)(i),16(c)	**(434,235)**	(55,739)
Loss on sale of fixed assets		**(1,253)**	(17,911)
Other expenses		**(4,592)**	(5,125)
Expenses, excluding net finance costs		**(972,221)**	(590,190)
Results from operating activities		**(287,317)**	14,622
Net Finance (Costs)/Income	5	**(11,756)**	78,402
(Loss)/Profit before income tax		**(299,073)**	93,024
Income tax benefit/(expense)	6	**249,435**	1,241
(Loss)/Profit for the year		**(49,638)**	94,265
(Loss)/Profit is attributable to:			
Equity holders of Australian Rail Track Corporation Ltd		**(49,638)**	94,265

The above consolidated income statement should be read in conjunction with the accompanying notes.

Consolidated statement of comprehensive income
For the year ended 30 June 2011

	Consolidated	
	30 June 2011 $'000	30 June 2010 $'000
(Loss)/Profit for the year	**(49,638)**	94,265
Other comprehensive income		
Cash flow hedge charged to equity	**(7)**	13
Net changes in fair value of cashflow hedges transferred to profit and loss	**(13)**	17
Actuarial (losses)/gains on Defined benefit fund obligations	**23**	(1,958)
Revaluation of property, plant and equipment	**520,332**	-
Income tax effect relating to asset revaluation	**(153,793)**	-
Income tax effect on Defined benefit fund obligations	**(7)**	588
Other comprehensive income for the year, net of tax	**366,535**	(1,340)
Total comprehensive income for the year	**316,897**	92,925
Total comprehensive income for the year is attributable to:		
Equity holders of Australian Rail Track Corporation Ltd	**316,897**	92,925
	316,897	92,925

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated balance sheet
As at 30 June 2011

	Notes	Consolidated 2011 $'000	Consolidated 2010 $'000
ASSETS			
Cash and cash equivalents	7	**123,627**	44,259
Held to maturity investments	8	**20,418**	-
Trade and other receivables	9	**144,821**	88,137
Inventories	10	**29,472**	29,694
Alliance Partner Deposits	11	**18,107**	15,766
Other current assets	12	**5,873**	6,031
Derivative financial instruments	13	**-**	19
Current tax receivables	14	**11,105**	18,555
Total current assets		**353,423**	202,461
Alliance partner deposits	15	**900**	900
Property, plant and equipment	16	**3,739,748**	2,874,224
Deferred tax assets	17	**397,228**	69,132
Intangible assets	18	**9,560**	4,310
Total non-current assets		**4,147,436**	2,948,566
Total assets		**4,500,859**	3,151,027
LIABILITIES			
Trade and other payables	19	**192,155**	161,052
Interest bearing liabilities	20	**-**	60,000
Provisions	21	**51,660**	49,250
Deferred income - government grants	22	**12,479**	6,990
Finance lease liability	23	**209**	195
Derivative financial instruments	13	**11**	-
Total current liabilities		**256,514**	277,487
Interest bearing liabilities	24	**200,000**	-
Deferred income - government grants	25	**392,947**	330,128
Finance lease liability	26	**625**	834
Deferred tax liabilities	27	**267,271**	34,469
Provisions	28	**4,409**	4,090
Defined benefit plans	29	**6,163**	6,186
Total non-current liabilities		**871,415**	375,707
Total liabilities		**1,127,929**	653,194
Net assets		**3,372,930**	2,497,833
EQUITY			
Contributed equity	30	**1,982,226**	1,424,026
Reserves	31(a)	**1,103,735**	737,844
Retained earnings	31(b)	**286,969**	335,963
Total equity		**3,372,930**	2,497,833

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

Statement of changes in equity
For the year ended 30 June 2011

		Attributable to owners of Australian Rail Track Corporation Ltd					
		Contributed equity	Property, plant and equipment revaluation reserve	Hedging reserve - cash flow hedges	Total Reserves	Retained earnings	Total equity
Consolidated	Notes	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Balance at 1 July 2009		**657,126**	**747,370**	**(17)**	**747,353**	**233,529**	**1,638,008**
Total profit for the year as reported in the 2010 financial statements		-	-	-	-	**94,265**	**94,265**
Cash flow hedges	31	-	-	30	**30**	**-**	**30**
Actuarial gains/(losses) on defined benefit fund obligations	31	-	-	-	-	**(1,958)**	**(1,958)**
Income tax effect Defined benefit fund obligations	31	-	-	-	-	**588**	**588**
Asset revaluation reserve	31	-	(9,539)	-	**(9,539)**	**9,539**	-
Total comprehensive income for the year		-	**(9,539)**	**30**	**(9,509)**	**102,434**	**92,925**
Contributions of equity by owners, net of transaction costs	30	766,900	-	-	-	-	**766,900**
Balance at 30 June 2010		**1,424,026**	**737,831**	**13**	**737,844**	**335,963**	**2,497,833**

		Attributable to members of Australian Rail Track Corporation Ltd					
		Contributed equity	Property, plant and equipment revaluation reserve	Hedging reserve - cash flow hedges	Total Reserves	Retained earnings	Total equity
Consolidated	Notes	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Balance at 1 July 2010		**1,424,026**	**737,831**	**13**	**737,844**	**335,963**	**2,497,833**
Total loss for the year as reported in the 2011 financial statements		**-**	**-**	**-**	**-**	**(49,638)**	**(49,638)**
Cash flow hedges	31	-	-	(20)	**(20)**	**-**	**(20)**
Actuarial gains/(losses) on defined benefit fund obligations	31	-	-	-	**-**	**23**	**23**
Income tax effect Defined benefit fund obligations	31	-	-	-	**-**	**(7)**	**(7)**
Asset Revaluation reserve adjustment	31	-	(628)	-	**(628)**	**628**	**-**
Asset revaluation adjustment 2011	31	-	520,332	-	**520,332**	**-**	**520,332**
Tax effect of asset revaluation		-	(153,793)	-	**(153,793)**	**-**	**(153,793)**
Total comprehensive income for the year		**-**	**365,911**	**(20)**	**365,891**	**(48,994)**	**316,897**
Contributions of equity by owners, net of transaction costs and tax	30	558,200	-	-	-	-	558,200
Balance at 30 June 2011		**1,982,226**	**1,103,742**	**(7)**	**1,103,735**	**286,969**	**3,372,930**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

Consolidated statement of cash flows
For the year ended 30 June 2011

	Notes	Consolidated 30 June 2011 $'000	30 June 2010 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**696,593**	717,670
Tripartite agreement income	4	**11,820**	11,487
Inland rail study income	4	**(61)**	5,503
Payments to suppliers and employees (inclusive of goods and services tax)		**(531,167)**	(593,053)
Tax (paid)/received		**7,450**	(110,030)
Interest paid	5	**(66)**	(79)
		184,569	31,498
Interest received		**21,294**	10,831
Net cash inflow (outflow) from operating activities	40	**205,863**	42,329
Cash flows from investing activities			
Payments for property, plant and equipment	16	**(881,514)**	(1,101,279)
Payments for intangibles computer software		**(857)**	(2,847)
Payments for held-to-maturity investments		**(20,418)**	-
Proceeds from sale of property, plant and equipment		**1,278**	5,311
Net cash (outflow) inflow from investing activities		**(901,511)**	(1,098,815)
Cash flows from financing activities			
Government Grant - other		**88,701**	155,605
Proceeds from equity funding	30	**558,200**	766,900
Repayment of loan facility		**(60,000)**	60,000
Receipt from Bond issuance		**200,000**	-
Finance lease payments		**(195)**	(182)
Payments for transaction costs in relation to borrowings	5	**(11,690)**	(2,592)
Net cash inflow from financing activities		**775,016**	979,731
Net increase/(decrease) in cash and cash equivalents		**79,368**	(76,755)
Cash and cash equivalents at the beginning of the financial year		**44,259**	121,014
Cash and cash equivalents at end of year	7	**123,627**	44,259

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes financial statements for the consolidated entity consisting of ARTC and its subsidiaries.

ARTC (the parent) is a company limited by shares incorporated in Australia located off Sir Donald Bradman Drive, Passenger Rail Terminal Rd, Mile End South Australia. The ultimate controlling entity of the Group is the Commonwealth Government.

The financial report of ARTC for the year ended 30 June 2011 was authorised for issue in accordance with a resolution of the Directors on 31 August 2011.

(a) Basis of preparation of financial report for the year ended 30 June 2011

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, the requirements of the Corporations Act 2001 and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated under the option available to the Group under ASIC Class order 98/0100. The Group is an entity to which the class order applies.

The financial report is prepared on a historical cost basis except for certain classes of plant and equipment and the defined benefit fund plan liability which are measured at fair value.

(i) Compliance with IFRS

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Report Standards (IFRS) as issued by the International Accounting Standards Board.

(ii) New and amended standards adopted by the Group

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 July 2010

- AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project
- AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions
- AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issues
- AASB Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments and AASB 2009-13 Amendments to Australian Accounting Standards arising from Interpretation 19,

The adoption of these standards did not have any impact on the current period or any prior period and is not likely to affect future periods.

(iii) Significant accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

(b) 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 is set out below.

(i) AASB 9 Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (effective from 1 January 2013)
AASB 9 addresses the classification and measurement of financials assets and is likely to affect the group's accounting for its financial assets. The standard is not applicable until 1 January 2013 and the group is yet to assess its full impact. Financial Instruments addresses the classification and measurement of financial assets and is likely to affect the group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The group is yet to assess its full impact.

(ii) Revised AASB 124 Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards (effective from 1 January 2011)
In December 2009 the AASB issued a revised AASB 124 Related Party Disclosures. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Group will apply the amended standard from 1 July 2011. When the amendments are applied, the Group will need to disclose any transactions between its subsidiaries and its associates. However, there is not expected to be any impact on any of the amounts recognised in the financial statements.

(iii) AASB 2009-14 Amendments to Australian Interpretation - Prepayments of a Minimum Funding Requirement (effective from 1 January 2011)
In December 2009, the AASB made an amendment to Interpretation 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. The amendment removes an unintended consequence of the interpretation related to voluntary prepayments when there is a minimum funding requirement in regard to the entity's defined benefit scheme. It permits entities to recognise an asset for a prepayment of contributions made to cover minimum funding requirements. The Group does not make any such prepayments. The amendment is therefore not expected to have any impact on the Group's financial statements. The Group intends to apply the amendment from 1 July 2011.

(iv) AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project and AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (effective from 1 January 2011)
In June 2010, the AASB made a number of amendments to Australian Accounting Standards as a result of the IASB's annual improvements project. The Group will apply the amendments from 1 July 2011. It does not expect that any adjustments will be necessary as the result of applying the revised rules.

(v) AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting

Standards arising from Reduced Disclosure Requirements (effective from 1 July 2013)
On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements. Australian Rail Track Corporation Ltd is eligible to adopt the new Australian Accounting Standards - Reduced Disclosure Requirements. The Group has yet to assess the full impact.

(vi) AASB 2010-6 Amendments to Australian Accounting Standards - Disclosures on Transfers of Financial Assets (effective for annual reporting periods beginning on or after 1 July 2011)
Amendments made to AASB 7 Financial Instruments: Disclosures in November 2010 introduce additional disclosures in respect of risk exposures arising from transferred financial assets. The amendments will affect particularly entities that sell, factor, securitise, lend or otherwise transfer financial assets to other parties. They are not expected to have any significant impact on the Group's disclosures. The Group intends to apply the amendment from 1 July 2011.

(vii) AASB 2010-8 Amendments to Australian Accounting Standards - Deferred Tax: Recovery of Underlying Assets (effective from 1 January 2012)
In December 2010, the AASB amended AASB 112 Income Taxes to provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model. AASB 112 requires the measurement of deferred tax assets or liabilities to reflect the tax consequences that would follow from the way management expects to recover or settle the carrying amount of the relevant assets or liabilities, that is through use or through sale. The amendment introduces a rebuttable presumption that investment property which is measured at fair value is recovered entirely by sale. The Group will apply the amendment from 1 July 2012. It is currently evaluating the impact of the amendment

(viii) AASB 2010-9 Amendments to Australian Accounting Standards - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (effective from 1 July 2011) and AASB 2010-10 Further Amendments to Australian Accounting Standards - Removal of Fixed Dates for First-time Adopters (effective from 1 July 2013)
AASB 1 First-time Adoption of Australian Accounting Standards was amended in December 2010 by eliminating references to fixed dates for one exemption and one exception dealing with financial assets and liabilities. The AASB also introduced a new exemption for entities that resume presenting their financial statements in accordance with Australian Accounting Standards after having been subject to severe hyperinflation. Neither of these amendments will affect the financial statements of the Group. The Group will apply the amendments from 1 July 2011.

(c) Parent Entity financial information

The financial information for the Parent Entity, Australian Rail Track Corporation Ltd, disclosed in note 41 has been prepared on the same basis as the consolidated financial statements.

(d) Principles of consolidation

(i) Subsidiaries
The consolidated financial statements incorporate the assets and liabilities of all entities controlled by the Australian Rail Track Corporation Ltd (''company'' or ''parent entity'') as at 30 June 2011 and the results of

the controlled entities for the year then ended. Australian Rail Track Corporation Ltd and its controlled entities are referred to in this financial report as the "consolidated entity" or "the Group". The effects of all transactions between entities in the consolidated entity are eliminated in full.

Where control of an entity is obtained during a financial year, its results are included in the Consolidated Income Statement from the date on which control commences. Where control of an entity ceases during a financial year, its results are included for that part of the year during which control existed.

Investments in subsidiaries are accounted for at cost in the individual financial statements of Australian Rail Track Corporation Ltd.

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable to the extent it is probable the economic benefit will flow to the Group and the revenue can be reliably measured. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

(i) Access revenue
Access revenue recorded in the Consolidated Income Statement comprises amounts received and receivable by the consolidated entity granting operators access to the rail network during the year.

(ii) Interest Income
Interest income is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(iii) Country Regional Network revenue
CRN revenue recorded in the Consolidated Income Statement comprises amounts received and receivable by the consolidated entity for the recovery of expenditure on the CRN as per the CRN management agreement with the NSW Government.

(f) Recoveries and expenses associated with rail access related incidents

Income attributable to insurance or other recoveries arising from rail access related incidents is only recognised where a contractual agreement is in place and receipt of amounts outstanding is virtually certain. Costs of rectification are recognised when incurred.

Where the Group has suffered damage to its rail network due to other parties, the recourse of commercial negotiation and, if not successful, legal proceedings are initiated, as appropriate.

Contingent liabilities and assets are reviewed throughout the year and finalised at Balance Sheet date for inclusion in the financial statements. Inclusion of liabilities or assets relating to rail access related incidents occurs where the Group can reliably measure costs or recoveries.

(g) Government grants

Grants received from the government by the Group fall into two distinct categories and the treatment for each is described below:

(i) Where the Grants have attached conditions and/or are project specific, they are recognised at their fair value and initially credited to Deferred Income upon receipt, then recognised in the Consolidated Income Statement over the period necessary to match them with the costs that they are intended to compensate.

Where those grants relate to expenditure that is to be capitalised, they are credited to the Consolidated Income Statement on a straight line basis over the expected lives of the related assets from the date of commissioning. Grants that are related to expenditures that are not to be capitalised, are credited to the Consolidated Income Statement as the relevant expense is incurred.

(h) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities (DTLs) are recognised for all taxable temporary differences.

Deferred income tax assets (DTAs) are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised.

Division 58 of the Income Tax Assessment Act 1997 ('Division 58"), has entitled the consolidated entity to value certain assets, for taxation purposes, using pre-existing audited book values or the notional written down values of the assets as appropriate. This effectively means the tax depreciable value of these rail infrastructure and related assets significantly exceeds the carrying value. Accordingly, Division 58 results in significant deductible temporary differences and potential DTAs. The carrying amount of DTAs is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised DTAs are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the DTA to be recovered.

DTAs and DTLs are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. DTAs and DTLs are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the DTAs and DTLs relate to the same taxable entity and the same taxation authority.

Tax consolidation legislation
Australian Rail Track Corporation Ltd and its wholly-owned Australian controlled entities implemented the tax consolidation legislation as of 1 July 2003.

The head entity, Australian Rail Track Corporation Ltd and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group. In addition to its own current and deferred tax amounts, Australian Rail Track Corporation Ltd also recognises the current tax liabilities (or assets) and the DTAs arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

(i) Leases

Group as a lessee
Leases of property, plant and equipment where the Group, as lessee has substantially all the risks and benefits incident to ownership of the leased item are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the Consolidated 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.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (note 35). Payments made under operating leases (net of any incentives received from the lessor) are charged to the Consolidated Income Statement on a straight-line basis over the period of the lease.

Group as a lessor
Leases in which the Group retains substantially all the risks and benefits of ownership of the leased asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as rental income.

(j) Impairment of assets

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 for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(k) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(l) Trade and other receivables

All trade receivables are recorded at the amount due based on a pricing regime agreed with train operators, generally have 7-30 day terms and are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An allowance for doubtful debts is made when there is objective evidence (such as, potential default or delinquency by a debtor) that the Group will not be able to collect the debts. Bad debts are written off when identified.

(m) Inventories

Inventories are valued at lower of cost and net realisable value. Cost is assigned on a first-in first-out basis.

(n) Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges)
- hedges of the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges),

The Group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 13. Movements in the hedging reserve in shareholders' equity are shown in note 31. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

(i) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the Consolidated Income Statement within other income or other expense.

Amounts accumulated in equity are transferred to the Consolidated Income Statement in the periods when the hedged item affects profit or loss (for instance when the delivery of the goods hedged takes place). The gain or loss relating to the effective portion of forward foreign exchange contracts hedging the imported goods is recognised in the Consolidated Income Statement within 'infrastructure maintenance'.

However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets) the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in profit or loss as infrastructure maintenance in the case of goods relating to maintenance, or as depreciation in the case of fixed assets.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Consolidated Income Statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the Consolidated Income Statement.

(o) Property, plant and equipment

Infrastructure assets are shown at fair value less accumulated depreciation and any accumulated impairment losses recognised after the date of the revaluation, based on periodic, but at least triennial valuations. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at historical cost less accumulated depreciation, and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Consolidated Income Statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

Maximum Economic Useful Life *

Infrastructure assets

Ballast	60 years
Bridges	40 years
Culverts	100 years
Rail	110 years
Sleepers	70 years
Signals & Communications	30 years
Turnouts	15 years
Tunnels	50 years

Non Infrastructure assets

Buildings	50 years
IT & Other equipment	4 years
Motor vehicles	5 years
Other equipment	40 years

* Depending on the age and location of particular assets, the economic life may vary.

(i) Impairment

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with the recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. 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.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

An impairment exists when the carrying value of an asset or cash generating unit exceeds its estimated recoverable amount. The asset or cash generating unit is then written down to its recoverable amount.

Impairment is assessed at each reporting date. Impairment is primarily recorded in the Consolidated Income Statement. The exception, is where a credit balance to previous periods' revaluation increments exist in the Asset Revaluation Reserve, then the impairment loss is debited to the asset revaluation reserve to the extent that the asset had previously been revalued.

At 30 June 2011 the Group recognised an impairment loss of $434.2m on the North-South Corridor (refer also note 16).

(ii) Revaluations

The Group's infrastructure assets were revalued as at 30 June 2011. Whilst the June 2005 revaluation was only applied to South Australian and Western Australian owned assets, the June 2008 and June 2011 revaluation applies to all leased and owned infrastructure assets across the network. These assets were revalued using a discounted cash flow approach to provide an estimate of the fair value of infrastructure assets as there is no similar market quoted assets. Revaluation of assets is only applied to infrastructure assets on the basis that non infrastructure such as motor vehicles, information technology and other non infrastructure assets are transferable within the Group and have a short life and a ready market. The written down value of these assets is in line with their fair value.

The cash flow forecasts relate only to the revenues and expenses incurred from the continuing use of existing assets, and specifically do not include future improvements or enhancements to the respective assets. The valuation was determined in conjunction with external advisors and thereafter approved by the Board.

Any revaluation increment is credited to the asset revaluation reserve included in the equity section of the Balance Sheet, except to the extent that it reverses a revaluation decrement of the same asset previously recognised in the Consolidated Income Statement, in which case the increase is recognised in the Consolidated Income Statement (net of tax).

The Group has elected that the deemed cost of assets on hand at 30 June 2005 is the revalued amount of those assets. Infrastructure assets included in plant & equipment and leasehold improvements were revalued at 30 June 2008 and June 2011.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the Consolidated Income Statement.

Upon disposal or derecognition, any revaluation reserve relating to a particular asset being sold is transferred to retained earnings.

Where an item of property, plant and equipment is specifically identified it is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

(iii) Leasehold improvements
The cost of improvements to or on leasehold properties is amortised over the expected lease term or the estimated useful life of the improvement to the Group, whichever is the shorter.

(p) Capital work in progress and capitalisation

Work in progress comprises expenditure on incomplete capital works. Expenditure on the acquisition of new infrastructure assets is capitalised when these new assets increase the net present value of future cash flows.

Infrastructure assets in the course of construction are classified as capital work in progress. Capital works in progress are recorded at cost, and are not depreciated until they have been completed and the assets are ready for economic use.

(q) Intangible assets

Computer software has a finite useful life and is carried at cost less accumulated amortisation. Amortisation is calculated using the straight line method to allocate the cost of computer software over its estimated useful life of four years.

Under the NSW Lease, ARTC has provided funds to CRIA to acquire additional land holdings to enable the infrastructure to be expanded. ARTC is not entitled to be reimbursed for this expenditure but has the right to use the land. The land rights have a finite useful life expiring on 4 September 2064 and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight line method to allocate the cost of land rights over its estimated useful life.

(r) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid and are measured at amortised cost. The amounts are unsecured and are usually paid within 30 days of recognition.

Due to their short term nature they are not discounted.

(s) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Consolidated Income Statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(t) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalised as part of the cost of that asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(u) Provisions

Provisions for legal claims and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the obligation at the reporting date.

(v) Employee benefits

(i) Short-term obligations
Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Other long-term employee benefit obligations
The liability for long service leave and associated on-costs is accumulated from the date of commencement. They are measured at the amounts expected to be paid when the liabilities are settled and discounted to determine their present value. Consideration is given to expected future wage and salary levels with an allowance for expected future increases.

(w) Major periodic maintenance

Maintenance of infrastructure assets is classified as major periodic maintenance if it is part of a systematic planned programme of works, occurs on a cyclical basis and is significant in monetary values. Major periodic maintenance may include significant corrective works, component replacement programmes, and similar activities and these costs are expensed in the consolidated entity's accounts.

(x) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the Consolidated Balance Sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(y) Rail infrastructure assets

The rail infrastructure assets vested in the Group at 1 July 1998 covered all interstate mainline track and associated land, trackside and related assets under Commonwealth jurisdiction, and include rail, sleepers, ballast, designated crossing loops, turnouts, signals and communications equipment, bridges, culverts, tunnels and specified rolling stock.

(z) Defined Benefit Fund

ARTC is a member of the following superannuation schemes: State Authorities Superannuation Scheme (SASS), State Authorities Non-Contributory Superannuation Scheme (SANCS) and the State Superannuation Scheme (SSS).

The schemes are all defined benefit schemes-at least a component of the final benefit is derived from a multiple of the member's salary and years of membership. All schemes are closed to new members.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, in other comprehensive income.

The defined benefit asset or liability recognised in the Balance Sheet represents the present value of the defined benefit obligation, adjusted for unrecognised past service cost, net of the fair value of the plan assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

State Authorities Superannuation Scheme (SASS)
SASS is a split benefit scheme, which means it is made up of an accumulation style contributor-financed benefit and a defined benefit style employer-finance benefit.

Employees can elect to contribute between 1% and 9% of their salary to SASS and can vary their contribution rate each year. Generally, each percentage of salary that a member contributes each year buys the member one benefit point which is used in the calculation of the employer-financed benefit.

State Authorities Non- Contributory Superannuation Scheme (SANCS)
SANCS is a productivity-type superannuation benefit accrued by SASS members in addition to their contributory scheme benefits. Calculated at 3% of final average salary or final salary, depending on the mode of exit, for each year of service from 1 April 1988. It is fully employer-financed.

State Superannuation Scheme (SSS)
SSS is a defined benefit scheme subsidised by the employer. Contributions to the defined contribution fund are recognised as an expense as they become payable.

(aa) Contributed equity

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

Note 01
Summary of significant accounting policies (continued)

(ab) Foreign currency translation

(i) Functional and presentation currency

Both the functional and the presentation currency of ARTC and its subsidiaries is Australian dollars ($).

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in other comprehensive income, except when they are deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Note 02
Financial risk management

The Group's principal financial instruments comprise receivables, payables, bonds, cash and short-term deposits. The carrying amount equates to the fair value of the financial instruments. These activities expose the Group to interest rate risk, credit risk, foreign exchange risk and liquidity risk.

Financial risk management is performed by the finance division ensuring compliance with policies and procedures approved by the Board of Directors. The finance division identifies, evaluates and manages financial risks in close co-operation with the Group's operating units.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. Methods used in managing risk include monitoring levels of exposure to interest rate risk and assessment of market forecasts for interest rate movements; monitoring and managing credit risk against investments using the Treasury Policy and Cash Management Procedure; and managing liquidity risk through forecasting systems to monitor cash flow requirements, including managing the Group's receivables and payables using aged analysis and maintaining customer and supplier relationships.

The Group holds the following financial instruments:

	Consolidated	
	2011	2010
	$'000	$'000
Financial assets		
Cash and cash equivalents	**123,627**	44,259
Held-to-maturity investments	**20,418**	-
Trade and other receivables	**144,821**	88,137
Derivative financial instruments	**-**	19
	288,866	132,415
Financial liabilities		
Trade and other payables	**192,155**	161,052
Bond Issue	**200,000**	-
Borrowings	**-**	60,000
Derivative financial instruments	**11**	-
Other financial liabilities	**834**	1,029
	393,000	222,081

Note 02
Financial risk management (continued)

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

Forward contracts, transacted with the finance division, are used to manage foreign exchange risk. The finance division is responsible for managing exposures in each foreign currency by using external forward currency contracts.

	30 June 2011 USD	30 June 2010 USD
Forward exchange contracts		
- buy foreign currency (cash flow hedges)	**(11)**	19

(ii) Cash flow and fair value interest rate risk

The Group's exposure to interest rate risk, primarily, arises from cash and cash equivalents with variable interest rates.

The Group's policy is to invest its available cash reserves with due regard to the timing and magnitude of cash flow requirements. The finance division manages liquidity on a dynamic basis within the framework of the Group's Treasury Policy where, typically, cash reserves are invested in held to maturity investments, managed fund investments, term deposits and short term commercial papers with terms varying from 30 to 90 days. As at the reporting date, cash reserves are being held as cash and short term investments.

The Group has also previously entered into held to maturity investments and managed fund investment.

As at the reporting date, the Group had the following variable rate investments :

	30 June 2011		30 June 2010	
Consolidated	**Weighted average interest rate**	**Balance**	Weighted average interest rate	Balance
	%	**$'000**	%	$'000
Cash at bank	**4.4%**	**33,513**	3.4%	43,213
Deposits at call	**5.8%**	**90,114**	2.7%	1,046
Held to maturity assets	**6.1%**	**20,418**	-%	-
Net exposure to cash flow interest rate risk		**144,045**		44,259

Note 02
Financial risk management (continued)

Consolidated	**Interest rate risk**				**Foreign exchange risk**			
	-0.5%		**+0.5%**		**-10%**		**+10%**	
30 June 2011	**Profit**	**Equity**	**Profit**	**Equity**	**Profit**	**Equity**	**Profit**	**Equity**
Financial assets								
Cash and cash equivalents	**(117)**	**(117)**	**117**	**117**	-	-	-	-
Total increase/ (decrease) in financial assets	**(117)**	**(117)**	**117**	**117**	-	-	-	-
Financial liabilities								
Derivatives - cash flow hedges	-	-	-	-	-	**46**	-	**(37)**

Consolidated	Interest rate risk				Foreign exchange risk			
	-0.5%		+0.5%		-10%		+10%	
30 June 2010	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity
Financial assets								
Cash and cash equivalents	(155)	(155)	155	155	-	-	-	-
Derivatives - cash flow hedges	-	-	-	-	-	25	-	(27)
Total increase/(decrease) in financial assets	(155)	(155)	155	155	-	25	-	(27)

(b) Credit risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as trade and other receivables. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Exposure at balance date is addressed in each applicable note.

The Group does not hold any credit derivatives to offset its credit exposure.

The Group has a Treasury Policy as approved by the Board that manages the level of risk in relation to cash investments with banks and third parties through the commercial paper market. The policy provides a number of criteria to manage and spread the level of risk such as: investing in third parties with a minimum rating of A2, 50% of investments must be rated A1 and above and no more than $50m can be invested in commercial papers with any one third party.

The Group trades only with recognised, credit worthy third parties, and as such collateral is not requested nor is it the Group's policy to securitise its trade and other receivables.

It is the Group's policy that all customers enter into access agreements meeting the terms and conditions as set out in the agreement before entering the Group's rail network and receiving any trade credit facilities.

The Group's exposure to bad debts is not significant, although the Group has a significant concentration of credit risk associated with its major customer providing a high proportion of access revenue.

Note 02
Financial risk management (continued)

The receivable balances are monitored on an ongoing basis and constant dialogue is maintained with major customers. Outstanding queries and administrative delays are followed up promptly. Conditions for customers accessing the East West rail network, allow for interest to be charged on late payments and security can be taken on default of payment. Typically, for the remaining rail network, the contract allows the raising of formal disputes on late payments, with a favourable outcome resulting in interest being charged as well as the ability to seek upfront security, where required.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Group Treasury maintains flexibility in its investments by spreading its investments and investing in instruments that are tradeable in highly liquid markets.

Financing arrangements

During July 2010, the Group received an equity injection of $558.2m as a part of the Nation Building Rail Investment initiative announced in the 2010 Commonwealth Budget.

In January 2010, ARTC established A$550 million Syndicated Debt Facility Agreement with a consortium of major Australian banks. This facility was undrawn as at 30 June 2011.

In December 2010, ARTC established A$750 million Australian Dollar Domestic Note programme under which short and medium term notes may be issued from time to time up to the programme limit.

On 20 December 2010 ARTC executed the initial bond issuance of A$200m with a maturity date of 20 December 2017.

The Group had access to the following overdraft facilities at the reporting date:

	Consolidated	
	2011	2010
	$'000	$'000
Floating rate		
- Expiring within one year (bank overdraft, business card and revolving lease facility)	**20,000**	20,000

The bank overdraft facilities may be drawn at any time and the extension of such facilities beyond the expiry date is at the discretion of the bank.

Maturities of financial assets based on contractual maturities

The tables below analyse the Group's financial assets and liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Note 02
Financial risk management (continued)

Contractual maturities of financial liabilities At 30 June 2011	Less than 6 months $'000	6 - 12 months $'000	Between 1 and 5 years $'000	Over 5 years $'000	Total $'000
Non-derivatives					
Cash & cash equivalents	123,627	-	-	-	123,627
Trade & other receivables	144,821	-	-	-	144,821
Held to maturity investment	20,418	-	-	-	20,418
Total financial assets	**288,866**	**-**	**-**	**-**	**288,866**
Non-derivatives					
Trade & other payables	192,155	-	-	-	192,155
Bond Issue	-	-	-	200,000	200,000
Derivatives financial instruments	11	-	-	-	11
Other financial liabilities	105	104	625	-	834
Total financial liabilities	**192,271**	**104**	**625**	**200,000**	**393,000**

At 30 June 2010	Less than 6 months	6 - 12 months	Between 2 and 5 years	Over 5 years	Total contract-ual cash flows
Non-derivatives					
Cash & cash equivalents	44,259	-	-	-	44,259
Trade & other receivables	88,137	-	-	-	88,137
Other financial assets	19	-	-	-	19
Total financial assets	**132,415**	**-**	**-**	**-**	**132,415**
Non-derivatives					
Trade & other payables	161,052	-	-	-	161,052
Borrowings	60,000	-	-	-	60,000
Other financial liabilities	98	97	834	-	1,029
Total financial liabilities	**221,150**	**97**	**834**	**-**	**222,081**

(d) Fair value measurements

The fair value of financial assets and financial liabilities are estimated for recognition, measurement and disclosure purposes.

The methods for estimating fair value are outlined in the relevant notes to the financial statements.

AASB 7 Financial Instruments: Disclosures requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)

Financial risk management (continued)

(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities measured and recognised at fair value at 30 June 2011.

At 30 June 2011	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Liabilities				
Derivatives used for hedging	**-**	**586**	**-**	**586**
Total liabilities	**-**	**586**	**-**	**586**

At 30 June 2010	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Liabilities				
Derivatives used for hedging	-	305	-	305
Total liabilities	-	305	-	305

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

The fair value of forward exchange contracts is determined using forward exchange market rates at the end of the reporting period. These instruments are included in level 2 and comprise debt investments and derivative financial instruments. In the circumstances where a valuation technique for these instruments is based on significant unobservable inputs, such instruments are included in level 3.

Note 03
Significant accounting estimates and judgements

In applying the Group's accounting policies, management continually makes judgements, estimates and assumptions including expectations concerning the future. Although reasonable based on the current information available to management, the actual results will by definition, seldom equal the accounting estimates. The judgements, estimates and assumptions that are considered significant in preparation of these financial statements are discussed below.

(i) Defined benefit plans
Various actuarial assumptions are required when determining the Groups' defined benefit obligations. These assumptions and the related carrying amounts are discussed in note 29.

(ii) Timing of project completion
The Group is undertaking an extensive investment program in the coming years with the continued delivery which is reliant on the availability of requisite material, project resources and applicable regulatory approvals.

(iii) Impairment
In order to comply with the relevant accounting standards, ARTC undertook impairment testing of the Group's infrastructure assets, which resulted in ARTC taking up an impairment loss of $434.2m against the carrying value of those assets as they could not be supported by the forecast net cash flows to be derived in relation to those assets.

(iv) Revaluation
During 2011, ARTC undertook a valuation of the Group's owned and leased infrastructure assets. The previous valuation was completed in 2008.

As a result, a revaluation increment, totalling $520.3m was recognised in 2011.

(v) Deferred tax recognition
The recognition of the deferred tax asset of $397.2m is considered appropriate following an assessment of the overall forecast profit and taxation position of the Group over the next 5 years, including reversal of existing temporary differences. The deferred tax liability of $267.3m comprises the difference between the tax base and carrying value relating to various assets and liabilities.

(vi) Incident recognition
The provision for incidents of $21.8m recognises the Group's estimated liability with respect to costs associated with damage caused by incidents such as derailments, including the potential for third party and/or insurance recoveries.

(vii) Operating lease commitments - Group as lessor
The Group has entered into commercial property leases on property assets owned by the Group.

The Group has determined that it retains all the significant risks and rewards of ownership of these properties and has thus classified the leases as operating leases.

(viii) Tripartite agreement income recognition
Pursuant to a Tripartite Agreement (between the Commonwealth of Australia, the State of NSW and ARTC) in connection with the take up of the NSW Lease in 2004, ARTC is entitled to funding contributions from the State of NSW which have offset in part, maintenance costs incurred by ARTC under the NSW Lease.

Note 04
Revenue

	Consolidated	
	2011	2010
From continuing operations	**$'000**	$'000
Sales Revenue		
Access revenue	**432,886**	380,647
CRN revenue	**175,077**	176,100
Interest revenue	**21,294**	10,831
Total Revenue	**629,257**	567,578
Other Income		
Insurance recovery	**11,373**	2,466
Govt grants - other	**19,081**	5,511
Other revenue	**13,434**	10,014
Tripartite agreement income	**11,820**	11,487
Inland rail study income	**(61)**	5,503
Joint project income	**-**	2,253
Total Other income	**55,647**	37,234
Total Revenue and Other Income	**684,904**	604,812

Note 05
Expenses

	Consolidated	
	2011	2010
	$'000	$'000
Depreciation		
Buildings	**791**	1,523
Plant and equipment	**92,955**	76,982
Total depreciation	**93,746**	78,505
Amortisation		
Computer software	**1,292**	1,503
Land Rights	**125**	-
Total amortisation	**1,417**	1,503
Total depreciation and amortisation	**95,163**	80,008
Wages and Salaries	**118,502**	117,172
Workers compensation	**1,568**	1,355
Contributions to defined benefit plans	**761**	963
Total Employee benefits expense	**120,831**	119,490
Finance Costs comprised:		
Interest remitted by/(payable) to ATO applicable to grants related income tax assessments	**-**	81,073
Financing costs - Syndicated Debt Facility	**(11,690)**	(2,592)
Finance lease interest	**(66)**	(79)
Net Finance (Costs)/Income	**(11,756)**	78,402

Note 06
Income tax expense/ (benefit)

(a) Income tax expense/(benefit)

	Consolidated	
	2011	2010
	$'000	$'000
Current income tax charge	**-**	-
Adjustment of current income tax from previous year	**-**	17,761
Adjustments for current tax prior year amendments	**(348)**	(67,500)
Deferred income tax expense relating to movement in temporary differences	**(249,087)**	48,498
	(249,435)	(1,241)
(Increase)/Decrease in deferred tax assets (note 17)	**(249,087)**	48,498
	(249,087)	48,498

Note 06
Income tax expense/ (benefit) (continued)

(b) Numerical reconciliation of income tax expense/(benefit) to prima facie tax payable

	Consolidated	
	2011	2010
	$'000	$'000
(Loss)/Profit from continuing operations before income tax expense	**(299,073)**	93,024
Tax at the Group's Statutory Tax Rate of 30%	**(89,722)**	27,907
Adjustments in respect of current income tax:		
Non deductible expenses		
Adjustment of current income tax from previous year	**(348)**	17,762
Adjustment due to grants related income tax assessments and settlement	-	(67,500)
Other assessable income	**-**	42
Prepayments	**41**	9
Provisions	**962**	793
Depreciation & Impairment	**159,316**	46,369
Other	**320**	230
Deferred grant revenue taxable in advance	**25,602**	42,311
Deductible expenses		
Depreciation	**(58,853)**	(48,128)
Loss on disposals	**(375)**	(8,947)
Investment Allowance	**(6,000)**	(34,890)
R&D	**(7,650)**	(4,079)
Other assessable income	**(122)**	(302)
Interest expense not deductible	**-**	(24,321)
Other	**(532)**	(422)
Prior year tax losses recognised	**(22,987)**	3,427
Current income tax (benefit)	**(348)**	(49,739)
Movement attributable to temporary differences:		
Tax losses decrease	**-**	-
(Increase)/Decrease in deferred tax assets primarily related to Property, plant and equipment	**(249,087)**	48,498
	(249,087)	48,498
(Decrease) in deferred tax liabilities related to Property plant and equipment	**-**	-
Tax (benefit)/expense deferred tax total	**(249,087)**	48,498
Total income tax (benefit)/expense	**(249,435)**	(1,241)

Note 06

Income tax expense/ (benefit) (continued)

(c) Amounts charged or credited directly to equity

	Consolidated	
	2011	2010
	$'000	$'000
Deferred income tax related to items charged directly to equity (refer to note 31(b))		
Net gain on revaluation of infrastructure assets	**153,793**	-
Net gain/(loss) on Defined Benefit Fund	**7**	(588)
Net gain/(loss) on FX hedge	**(7)**	13
Total	**153,793**	(575)
Deferred income tax charge included in equity comprises:		
Increase/(decrease) in deferred liabilities	**153,793**	-
(Increase)/decrease in deferred assets	**-**	(575)
Total	**153,793**	(575)

(d) Tax assets

At 30 June 2011, the Group has unrecognised temporary differences in relation to deferred tax assets of $197.2m (2010: $348.5m) associated with the Group's ability to claim tax deprecation on NSW lease assets as a result of the Group being able to use Division 58 of the Income Tax Assessment Act 1997 and also due to the impairment of the North-South assets.

(e) Tax consolidation legislation

Australian Rail Track Corporation Ltd and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation as of 1 July 2003. The accounting policy in relation to this legislation is set out in note 1(h).

Note 07
Current assets - Cash and cash equivalents

	Notes	Consolidated 2011 $'000	2010 $'000
Cash at bank and in hand	(b)	**33,513**	43,213
Deposits at call	(c)	**90,114**	1,046
		123,627	44,259

(a) Interest rate risk exposure

The Group's exposure to interest rate risk is discussed in note 2.

(b) Cash at bank and in hand

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates. Refer to note 2 for rates earned.

(c) Deposits at call

The "deposits at call" at balance date reflects funds available to the Group that have been placed on deposit with major Australian banking institutions and across a spread of short-term term deposits in accordance with Board approved Treasury Policy. Refer to note 2 for information regarding interest rate and credit risk.

(d) Fair value

The carrying amount of cash and cash equivalents equals the fair value.

Note 08
Current assets - Held to maturity investments

	Consolidated 2011 $'000	2010 $'000
Held to maturity investments	**20,418**	-
	20,418	-

The "held to maturity investments" are term deposits invested for a period greater than 90 days, but not more than 182 days in accordance with Board approved treasury investment policy.

The weighted average interest for the year ended 30 June 2011 for held to maturity investments was 6.10% (2010: not applicable)

Note 09
Current assets - Trade and other receivables

	Notes	Consolidated 2011 $'000	2010 $'000
Net trade receivables			
Trade receivables	(a)	**85,385**	47,495
Other receivables	(b)	**59,436**	40,642
		144,821	88,137

(a) Allowance for impairment loss

As at 30 June 2011 there was no requirement for the allowance of any impairment in trade and other receivables of the Group (2010 - nil) as it was assessed that all receivables are expected to be recovered.

Movements in the provision for doubtful debts receivable are considered immaterial.

The ageing of trade receivables is as follows:

	Consolidated 2011 $'000	2010 $'000
0-30 days	**75,175**	40,528
31-60 days	**2,939**	3,309
61-90 days	**671**	367
> 90 days	**6,600**	3,291
	85,385	47,495

(b) Other receivables

These amounts generally arise from transactions outside the usual operating activities of the Group. Collateral is not normally obtained.

Other receivables include an accrual for the year to date under recovery of Constrained Network coal revenue as a result of the actual tonnage throughput being below the budgeted volumes on which the prices are set. Constrained Network coal revenue is a product of a regulatory return mechanism which includes a recovery of maintenance activity and a rate of return in relation to capital improvements.

Other receivables past due but not considered impaired are: Group $1.1m (2010: $3.8m). Direct contact is being maintained with the relevant debtor and the Group is satisfied that payment will be received in full.

Note 09
Current assets - Trade and other receivables (continued)

(c) Foreign exchange and interest rate risk

Information about the Group's exposure to foreign currency risk and interest rate risk in relation to trade and other receivables is provided in note 2.

(d) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. Collateral is not held as security, nor is it the Group's policy to transfer (on-sell) receivables to special purpose vehicles. Refer to note 2 for more information on the risk management policy of the Group and the credit quality of the entity's trade receivables.

Note 10
Current assets- Inventories

	Consolidated	
	2011	2010
	$'000	$'000
Inventory - Raw Materials		
- at cost	**29,472**	29,694
	29,472	29,694

Note 11
Current assets - Alliance Partner Deposits

	Consolidated	
	2011	2010
	$'000	$'000
Alliance partner deposits	**18,107**	15,766
	18,107	15,766

Note 12
Current assets - Other current assets

	Consolidated	
	2011	2010
	$'000	$'000
Prepayments - other	**5,426**	5,585
Other current assets	**447**	446
	5,873	6,031

Note 13
Derivative financial instruments

	Consolidated	
	2011	2010
	$'000	$'000
Current assets		
Forward foreign exchange contracts - cash flow hedge (a)	**-**	19
Current liabilities		
Forward foreign exchange contracts - cash flow hedge ((a)(i))	**(11)**	-
Total	**(11)**	19

(a) Instruments used by the Group

The Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in foreign exchange rates in accordance with Board approved Treasury policies. (refer to note 2).

(i) Forward exchange contracts - cash flow hedges

The rail grinding process in NSW uses grinding stones purchased from the United States. In order to protect against exchange rate movements, the Group has entered into forward exchange contracts to purchase US dollars.

These contracts are hedging for purchase orders made by the Group for the latest set of material required for the period. The contracts are timed to mature when payments for the shipments of grinding stones are scheduled to be received.

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity. When the cash flows occur, the Group adjusts the initial measurement of the component recognised in the Consolidated Income Statement by the related amount deferred in equity.

Group

During the year ended 30 June 2011 there was a reclassification of cash flow hedge from equity to Statement of Comprehensive Income of $(13)k. There was no hedge ineffectiveness in the current or prior year.

Note 13
Derivative financial instruments (continued)

(b) Risk exposures

Credit risk arises from the potential failure of counterparties to meet their obligations under the respective contracts at maturity. This arises on derivative financial instruments with unrealised gains. At reporting date $586k is payable (Australian dollar equivalents) for the Group from forward foreign exchange contracts (2010 - $305k).

Information about the Group's exposure to credit risk, foreign exchange and interest rate risk is provided in note 2. The maximum exposure to credit risk at the end of each reporting period is the carrying amount of each class of derivative financial assets mentioned above.

Note 14
Current assets - Current tax receivables

	Consolidated	
	2011	2010
	$'000	$'000
Excess of tax paid for current period	**11,105**	18,555
	11,105	18,555

Note 15
Non-current assets - Alliance partner deposits

	Consolidated	
	2011	2010
	$'000	$'000
Alliance partner deposits	**900**	900
	900	900

Note 16

Non-current assets - Property, plant and equipment

	Construction in progress $'000	Freehold land $'000
At 1 July 2009		
Cost or fair value	424,319	31
- Valuation	-	-
Accumulated depreciation	-	-
Net book amount	**424,319**	**31**
Year ended 30 June 2010		
Opening net book amount	424,319	31
Reclassify asset from plant and equipment to leasehold improvements	-	-
Additions into asset register from capital work in progress	-	5,810
Additions into capital work in progress	-	-
Borrowing cost capitalised	493	-
Additions into capital work in progress	1,100,785	-
Impairment charge recognised in Consolidated Income Statement	(55,739)	-
Depreciation charge	-	-
Transfers out of capital work in progress	(642,049)	-
Revaluation of assets	-	-
Closing net book amount	**827,809**	**5,841**
At 30 June 2010		
Cost or fair value	827,809	5,841
Valuation	-	-
Accumulated depreciation	-	-
Net book amount	**827,809**	**5,841**

Freehold buildings $'000	Leasehold buildings $'000	Plant and equipment $'000	Leasehold improvements $'000	Leased plant & equipment $'000	Total $'000
12,578	7,359	66,818	411,616	1,545	924,266
-	-	396,947	648,359	-	1,045,306
(1,909)	(655)	(8,431)	(27,958)	(209)	(39,162)
10,669	**6,704**	**455,334**	**1,032,017**	**1,336**	**1,930,410**
10,669	6,704	455,334	1,032,017	1,336	1,930,410
-	-	(12,093)	12,093	-	-
271	972	42,613	592,385	-	642,051
-	-	-	-	-	-
-	-	-	-	-	493
-	-	-	-	-	1,100,785
-	-	-	-	-	(55,739)
(341)	(1,182)	(28,401)	(48,479)	(102)	(78,505)
-	-	-	-	-	(642,049)
-	-	(19)	(23,203)	-	(23,222)
10,599	**6,494**	**457,434**	**1,564,813**	**1,234**	**2,874,224**
12,849	8,330	116,112	1,005,734	1,545	1,978,220
-	-	384,886	633,695	-	1,018,581
(2,250)	(1,836)	(43,564)	(74,616)	(311)	(122,577)
10,599	**6,494**	**457,434**	**1,564,813**	**1,234**	**2,874,224**

Note 16

Non-current assets - Property, plant and equipment (continued)

	Notes	Construction in progress $'000	Freehold land $'000
Year ended 30 June 2011			
Opening net book amount as at 30 June 2010 (includes revaluation)		827,809	5,841
Reclassify asset from freehold land to intangible assets		-	(5,810)
Additions into asset register from capital work in progress		-	69
Borrowing cost capitalised		1,335	-
Additions into capital work in progress		880,179	-
Impairment charge recognised in Consolidated Income Statement		(434,235)	-
Depreciation charge		-	-
Transfers out of capital work in progress		(430,858)	-
Written down value of assets disposed		-	-
Revaluation reversal		-	-
Closing net book amount		**844,230**	**100**
At 30 June 2011			
Cost or fair value		844,230	100
Valuation	(b)	-	-
Accumulated depreciation		-	-
Net book amount		**844,230**	**100**

Freehold buildings $'000	Leasehold buildings $'000	Plant and equipment $'000	Leasehold improvements $'000	Leased plant & equipment $'000	Total $'000
10,599	6,494	457,434	1,564,813	1,234	2,874,224
-	-	-	-	-	(5,810)
1,108	1,560	48,321	379,800	-	430,858
-	-	-	-	-	1,335
-	-	-	-	-	880,179
-	-	-	-	-	(434,235)
(531)	(260)	(29,899)	(62,953)	(103)	(93,746)
-	-	-	-	-	(430,858)
-	-	(74)	(2,457)	-	(2,531)
-	-	146,115	374,217	-	520,332
11,176	**7,794**	**621,897**	**2,253,420**	**1,131**	**3,739,748**
13,800	9,890	42,645	527,155	1,545	1,439,365
-	-	604,912	1,751,447	-	2,356,359
(2,624)	(2,096)	(25,670)	(25,172)	(414)	(55,976)
11,176	**7,794**	**621,897**	**2,253,420**	**1,131**	**3,739,748**

Note 16

Non-current assets - Property, plant and equipment (continued)

(a) Leased assets

Plant and equipment includes the following amounts where the Group is a lessee under a finance lease:

	Consolidated	
	2011	2010
	$'000	$'000
Leased equipment		
Cost	**1,234**	1,336
Accumulated depreciation	**(103)**	(102)
Net book amount	**1,131**	1,234

(b) Basis of valuation - 30 June 2011

The 2011 revaluation used a discounted cash flow approach to provide the fair value of all leased and owned infrastructure assets across the network. Due to the nature of the business assets, prices can not be determined individually as there is no similar market quoted assets.

The 2011 revaluation resulted in the carrying value of all leased infrastructure assets in the Hunter Valley being increased by $216.5m and the carrying value of all leased and owned infrastructure assets in the East West increasing by $303.8m.

(c) Impairment of plant and equipment

Prior to the inception of the NSW lease in September 2004, the Group identified that not all of the major capital programme to rectify and upgrade the network would yield a commercial return, particularly in the short term.

At the end of the June 2011 financial year, the Group undertook impairment testing of the Group's infrastructure assets in accordance with the requirements of the accounting standard AASB 136 Impairment of Assets.

At June 2011, the impairment testing resulted in the recognition of an impairment loss of $434.2m (2010:$55.7m) against the North-South Corridor.

(d) Carrying amounts that would have been recognised if plant & equipment and leasehold improvements were stated at cost

If plant & equipment and leasehold improvements were stated on the historical cost basis, the amounts would be as follows:

Note 16
Non-current assets - Property, plant and equipment (continued)

	Consolidated 2011 $'000	2010 $'000
Plant & Equipment		
Cost or deemed cost	**445,420**	394,135
Accumulated depreciation	**(90,725)**	(84,462)
Net book amount	**354,695**	309,673
Leasehold Improvements		
Cost	**1,539,431**	1,165,413
Accumulated depreciation	**(106,224)**	(63,977)
Net book amount	**1,433,207**	1,101,436

Note 17
Non-current assets - Deferred tax assets

	2011 $'000	2010 $'000
The balance comprises temporary differences attributable to:		
Property plant & equipment	**395,372**	67,282
Defined Benefit Fund (note 29)	**1,863**	1,856
Cash flow hedges (note 31(a))	**(7)**	(6)
	397,228	69,132
Movements:		
Opening balance at 1 July	**69,132**	146,989
Credited/(charged) to the Consolidated Income Statement related to Property Plant and Equipment (note 6)	**249,087**	(48,498)
Credited/(charged) to equity related to Defined Benefit Fund (note 31(b))	**7**	588
Credited/(charged) related to Cash Flow Hedge (note 31 (a))	**(7)**	(13)
Reclassification of assets from DTL related to Property, Plant and Equipment	**79,009**	(29,934)
Closing balance at 30 June	**397,228**	69,132
Deferred tax assets expected to be recovered after more than 12 months	**397,228**	69,132

Note 18
Non-current assets - Intangible assets

	Computer software $'000	Total $'000
At 1 July 2009		
Cost	7,485	7,485
Accumulated amortisation and impairment	(4,519)	(4,519)
Net book amount	**2,966**	**2,966**
Year ended 30 June 2010		
Opening net book amount	2,966	2,966
Additions	2,847	2,847
Amortisation charge	(1,503)	(1,503)
Closing net book amount	**4,310**	**4,310**
At 30 June 2010		
Cost	10,332	10,332
Accumulated amortisation and impairment	(6,022)	(6,022)
Net book amount	**4,310**	**4,310**

	Computer software $'000	Land Rights $'000	Total $'000
Year ended 30 June 2011			
Opening net book amount	4,310	-	4,310
Reclassification from freehold land	-	5,810	5,810
Additions	857	-	857
Amortisation charge	(1,292)	(125)	(1,417)
Closing net book amount	**3,875**	**5,685**	**9,560**
Year ended 30 June 2011			
Cost	11,189	5,810	16,999
Accumulated amortisation and impairment	(7,314)	(125)	(7,439)
Net book amount	**3,875**	**5,685**	**9,560**

Note 19
Current liabilities - Trade and other payables

	Consolidated	
	2011	2010
	$'000	$'000
Trade payables	**191,628**	161,020
Other payables	**527**	32
	192,155	161,052

(a) Fair value

Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

(b) Risk exposure

Information about the Group's exposure to interest rates and liquidity risk is set out in note 2.

Note 20
Current liabilities - Interest bearing liabilities

	Consolidated	
	2011	2010
	$'000	$'000
Bank loans	-	60,000
Total secured current borrowings	-	60,000

Refer to note 1 for current borrowing policy and the adoption of the revised AASB 123.

Note 21
Current liabilities - Provisions

		Consolidated	
		2011	2010
	Notes	**$'000**	$'000
Employee benefits	(a)	**29,054**	30,166
Incident provision	(b)	**21,793**	18,135
Other provisions	(c)	**813**	949
		51,660	49,250

(a) Employee benefits

Liabilities for wages and salaries, including non monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

The liability for long service leave is accumulated from the date of commencement. It is measured at the amounts expected to be paid when the liabilities are settled. Consideration is given to expected future wage and salary levels with an allowance for expected future increases.

(b) Incident provision

The incident provision recognises the Group's estimate of the liability with respect to costs associated with damage caused with incidents such as derailments, which occurred whilst using the Group's rail infrastructure.

(c) Other provisions

This provision is comprised of commercial disputes with customers that are in the process of being resolved.

(e) Movement in provisions

Movements in each class of provision during the financial year, are set out below:

2011	Employee benefits	Incident provision	Other provisions	Total
	$'000	$'000	$'000	$'000
Current				
Carrying amount at start of year	30,166	18,135	949	49,250
additional provisions recognised	13,116	34,953	1,935	50,004
payments/other sacrifices of economic benefits	(14,228)	(31,295)	(2,071)	(47,594)
Carrying amount at end of year	**29,054**	**21,793**	**813**	**51,660**

2010	Employee benefits	Coal provision	Incident provision	Other provisions	Total
	$'000	$'000	$'000	$'000	$'000
Current					
Carrying amount at start of year	39,150	8,224	14,141	957	62,472
additional provisions recognised	15,890	-	18,492	1,496	35,878
payments/other sacrifices of economic benefits	(24,874)	-	(14,498)	(1,504)	(40,876)
amounts transferred between balance sheet accounts	-	(8,224)	-	-	(8,224)
Carrying amount at end of year	**30,166**	**-**	**18,135**	**949**	**49,250**

Note 22
Current liabilities - Deferred income government grants

	Consolidated	
	2011	2010
	$'000	$'000
Government grants	**12,479**	6,990
	12,479	6,990

The Government grants received by the Group to 30 June 2011 and classified as current are $12.5m.

Where the Grants have attached conditions and/or are project specific, they are recognised at their fair value and initially credited to Deferred Income upon receipt, then recognised in the Consolidated Income Statement over the period necessary to match them with the costs that they are intended to compensate. Where those Grants relate to expenditure that is to be capitalised, they are credited to the Consolidated Income Statement on a straight line basis over the expected lives of the related assets from the date of commissioning.

Note 23
Current liabilities - Finance lease

	Consolidated	
	2011	2010
	$'000	$'000
Finance lease	**209**	195
	209	195

(a)

Interest rate risk is considered negligible

(b)

The carrying amount of the finance lease liabilities approximates fair value.

Note 24
Non-current liabilities - Interest bearing liabilities

	Consolidated 2011 $'000	2010 $'000
Bond issue - maturing 20 December 2017	**200,000**	-
Total secured non-current borrowings	**200,000**	-

Note 25
Non-current liabilities - Deferred income government grants

	Consolidated 2011 $'000	2010 $'000
Government grants	**392,947**	330,128
	392,947	330,128

The Government grants received by the Group to 30 June 2011 and classified as non current are $392.9m.

Note 26
Non-current liabilities - Finance lease

	Consolidated 2011 $'000	2010 $'000
Finance lease	**625**	834
	625	834

(a)

Interest rate risk is considered negligible

(b)

The carrying amount of the finance lease liabilities approximates fair value.

Note 27
Non-current liabilities - Deferred tax liabilities

	Consolidated	
	2011	2010
The balance comprises temporary differences attributable to:	**$'000**	$'000
Property plant and equipment revaluation	**267,271**	34,469
Net deferred tax liabilities	**267,271**	34,469
Movements:		
Opening balance at 1 July	**34,469**	64,403
Charged to other comprehensive income related to Property, Plant and Equipment (note 31(a)	**153,793**	-
Reclassification of DTA/DTL relating to Property, Plant and Equipment	**79,009**	(29,934)
Closing balance at 30 June	**267,271**	34,469

Note 28
Non-current liabilities - Provisions

	Consolidated	
	2011	2010
	$'000	$'000
Employee benefits	**4,409**	4,090
	4,409	4,090

Note 29
Defined benefit plans

(a) Superannuation plan

On commencement on 5 September 2004 of the 60 year lease with the NSW Government to operate the NSW interstate main lines, the Hunter Valley rail corridor and dedicated metropolitan freight lines to the Sydney ports, employees previously employed by RIC/SRA and now currently employed by ARTC are members of the following defined benefit funds:

- State Authorities Superannuation Scheme (SASS)
- State Superannuation Scheme (SSS)
- State Authorities Non - Contributory Superannuation Scheme (SANCS)

All the Schemes are closed to new members.

The following sets out details in respect of the defined benefit section.

(b) Consolidated balance sheet amounts

The amounts recognised in the Balance Sheet are determined as follows:

	Consolidated	
	2011	2010
	$'000	$'000
Present value of the defined benefit obligation	**38,368**	36,152
Fair value of defined benefit plan assets	**(32,205)**	(29,966)
Net (asset)/liability in the Balance Sheet	**6,163**	6,186

(c) Categories of plan assets

	Consolidated	
	2011	2010
	%	%
Cash	**5**	10
Equity instruments	**63**	58
Fixed interest securities	**9**	10
Property	**10**	10
Other assets	**13**	12
Total	**100**	100

The asset recognised does not exceed the present value of any economic benefits available in the form of reductions in future contributions to the plan.

Note 29
Defined benefit plans (continued)

(d) Reconciliations

	Consolidated	
	2011	2010
	$'000	$'000
Reconciliation of the present value of the defined benefit obligation, which is partly funded:		
Balance at the beginning of the year	**36,152**	31,828
Current service cost	**791**	797
Interest cost on benefit obligation	**1,840**	1,756
Contributions by plan participants	**414**	402
Actuarial (gains) and losses (*)	**693**	3,079
Benefits paid	**(1,522)**	(1,710)
Balance at the end of the year	**38,368**	36,152
Reconciliation of the fair value of plan assets:		
Balance at the beginning of the year	**29,966**	27,599
Expected return on plan assets	**1,869**	1,579
Actuarial gains and (losses) (*)	**716**	1,121
Employer contributions	**761**	975
Contributions by fund participants	**415**	402
Benefits paid	**(1,522)**	(1,710)
Balance at the end of the year	**32,205**	29,966

(e) Amounts recognised in Consolidated Income Statement

The amounts recognised in the Consolidated Income Statement are as follows:

	Consolidated	
	2011	2010
	$'000	$'000
Current service cost	**791**	797
Interest cost on benefit obligation	**1,840**	1,756
Expected return on assets	**(2,561)**	(2,369)
Total included in employee benefits expense	**70**	184
Actual return on plan assets	**2,522**	2,748

(f) Amounts recognised in other comprehensive income

	Consolidated 2011 $'000	Consolidated 2010 $'000
Cumulative loss/(gain)	**4,508**	4,531
Net actuarial (gain)/loss recognised (refer to (*) above)	**(23)**	1,958

(g) Principal actuarial assumptions

The principal actuarial assumptions used (expressed as weighted averages) were as follows:

	Consolidated 2011	Consolidated 2010
Discount rate	**5.3%**	5.2%
Expected rate of return on assets backing current pension liabilities	**8.3%**	8.3%
Expected rate of return on assets backing other liabilities	**7.3%**	7.3%
Future salary increases	**4.0%**	4.0%

The expected rate of return on assets assumption is determined by weighing the expected long-term return for each asset class by the target allocation of assets to each class. The returns used for each class are net of investment tax and investment fees.

(h) Employer contributions

Employer contributions to the defined benefit section of the plan are based on recommendations by the plan's actuary

The method used to determine the employer contribution recommendations at the last actuarial review was the Aggregate Funding method. The method adopted affects the timing of the cost to the employer.

Under the Aggregate Funding method, the employer contribution rate is determined so that sufficient assets will be available to meet benefit payments to existing members, taking into account the current value of assets and future contributions.

Total employer contributions expected to be paid by Group companies for the year ending 30 June 2012 are $751k.

Note 29
Defined benefit plans (continued)

(i) Net financial position of plan

The economic assumptions used by the actuary to make the funding recommendations were an expected rate of return on fund assets of 8.6%pa (FY 2010: 8.6%), a salary increase rate of 3.5%pa (FY2010: 3.5%) and an inflation rate of 2.5%pa (FY 2010: 2.5%)

(j) Historic summary

	2011 $'000	2010 $'000	2009 $'000	2008 $'000	2007 $'000
Defined benefit plan obligation	**(38,368)**	(36,152)	(31,828)	(24,830)	(23,547)
Plan assets	**32,205**	29,966	27,599	26,271	26,671
Surplus / (deficit)	**(6,163)**	(6,186)	(4,229)	1,441	3,124
Experience adjustments arising on plan liabilities	**693**	3,079	3,226	(870)	384
Experience adjustments arising on plan assets	**(25)**	(331)	3,430	3,290	(2,406)

Note 30
Contributed equity

(a) Share capital

	2011 $'000	2010 $'000
Fully paid	**1,982,226**	1,424,026
	1,982,226	1,424,026
Number of ordinary shares	**1,890,475,100**	1,332,275,100

Note 30
Contributed equity (continued)

(b) Movements in ordinary share capital:

Date	Details	Number of shares	$'000
1 July 2009	Opening balance	565,375,100	657,126
	Share Capital issued during the year	766,900,000	766,900
30 June 2010	Balance	1,332,275,100	1,424,026
1 July 2010	Opening balance	1,332,275,100	1,424,026
	Share capital issued during the year	558,200,000	558,200
30 June 2011	Balance	1,890,475,100	1,982,226

(c) Ordinary shares

During the year the Group has issued 558,200,000 shares at $1 to its shareholder as part of the Nation Building Rail Investment as an equity injection announced in the 2010/11 Commonwealth Budget and received in July 2010. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held.

(d) Capital risk management

Management's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In managing its capital structure and in accordance with agreements relating to the take up of the NSW lease, it has been agreed that the Group will reinvest any profits in the period to June 2011 rather than making any dividend payments to its shareholders. The Group is not subject to any externally imposed capital requirements.

On 18 January 2010 ARTC executed a 3 year Syndicated Debt Facility agreement with a consortium of major Australian banks totalling $550m. Funds had not been utilised against this facility as at 30 June 2011.

On 20 December 2010 ARTC executed a 7 year bond issue for $200m.

(e) Financial

During July 2010, the Group received an equity injection of $558.2m as a part of the Nation Building Rail Investment initiative announced in the 2010 Commonwealth Budget.

In December 2010, ARTC established A$750m Australian Dollar Domestic Note programme under which short and medium term notes may be issued from time to time up to the programme limit.

On 20 December 2010 ARTC executed the initial bond issuance of $200m with a maturity date of 20 December 2017.

ARTC's dividend holiday has been extended to 2013/14 subject to monitoring of ARTC's financial position over this period.

Note 31
Reserves and retained earnings

(a) Reserves

	Consolidated 2011 $'000	2010 $'000
Asset revaluation reserve	**1,103,742**	737,831
Hedging reserve	**(7)**	13
	1,103,735	737,844

Movements:	Consolidated 2011 $'000	2010 $'000
Reserves		
Balance 1 July	**737,844**	747,353
Asset Revaluation Reserve	**520,332**	-
Tax effect of Asset revaluation	**(153,793)**	-
Asset revaluation reserve adjustment	**(628)**	(9,539)
Hedge reserve	**(20)**	30
Balance 30 June	**1,103,735**	737,844

(b) Retained earnings

Movements in retained earnings were as follows:

	Consolidated 2011 $'000	2010 $'000
Balance 1 July	**335,963**	233,529
(Loss)/Profit for the year	**(49,638)**	94,265
Actuarial gains(losses) on defined benefit plans	**23**	(1,958)
Transfer from reserves	**628**	9,539
Tax effect on defined benefit fund for 2010/11 (note 17)	**(7)**	588
Balance 30 June	**286,969**	335,963

(c) Nature and purpose of reserves

(i) Asset revaluation reserve

The property, plant and equipment revaluation reserve is used to record increments and decrements on the revaluation of non current infrastructure assets.

(ii) Hedging reserve - cash flow hedges

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred. Amounts are reclassified to profit or loss when the associated hedged transaction affects profit or loss.

Note 32
Directors and Key Management Personnel disclosures

(a) Directors

The following persons were Directors of ARTC during the financial year:

(i) Chairman - non-executive
J Caldon

(ii) Executive Director
J Fullerton (commenced as Chief Executive Officer on 24 February 2011)

D Marchant (ceased as Chief Executive Officer on 23 February 2011)

(iii) Non-executive Directors
- L Di Bartolomeo
- G Brown
- P Catty
- B Cotter
- G Walters (ceased 15 August 2011)
- D Howarth (ceased 23 September 2010)

(b) Key Management Personnel

The following persons were Key Management Personnel of ARTC during the financial year:

- Chief Operating Officer. . . . . G James
- Chief Financial Officer. . . . . .A Bishop
- General Manager Commercial . . . . . .S Ormsby
- General Manager Communications and Control Systems. . . . . M van de Worp
- General Manager CRN/Services . . . . . . T Frazer
- General Manager East-West . . . . . A Demertzis
- General Manager Hunter Valley . . . . T Ryan
- General Manager North/South. . . A Mackenzie
- General Manager Risk and Compliance/General Counsel . . . . . .S Gray (ceased 8 June 2011)

(c) Remuneration of Directors and Key Management Personnel

	Consolidated	
	2011	2010
	$	$
Short-term employee benefits	**3,779,925**	4,703,486
Post-employment benefits	**788,062**	594,780
	4,567,987	5,298,266

Remuneration of Directors and Key Management Personnel
The list of Directors and Key Management personnel of the Group who were paid, or were due to be paid, remuneration (including brokerage, commissions, bonuses and salaries but excluding payments in connection with their retirement), or indirectly, from the Group are shown above. The total of all remuneration paid, or due and payable, directly or indirectly, from the Group to the Directors and Key Management Personnel was $4,567,987 (2010: $5,298,266).

Note 33
Remuneration of auditors

(a) Assurance services

	Consolidated	
	2011	2010
	$	$
(i) Audit services		
The following total remuneration was received or is due and receivable, by the Australian National Audit Office in respect of its services, including those performed by its contractors KPMG		
Auditing the financial report of the entity in the consolidated group.	**225,000**	206,500
Total remuneration for audit services	**225,000**	206,500
Other assurance services		
The following total remuneration was received or is due and receivable, by the Australian National Audit Office in respect of its services, including those performed by its contractors KPMG		
Fees for Auslink Grant Audit	**6,500**	6,000
Total remuneration for audit related services	**6,500**	6,000
(ii) Other services		
Preparation and completion of Research and Development Return	**-**	149,867
Other non audit services	**52,235**	4,050
Total remuneration for taxation services	**52,235**	153,917

Note 34
Contingencies

Contingent liabilities and contingent assets
The consolidated entity accounts for costs associated with rectifying rail access related incidents following their occurrence. Income from subsequent insurance and other recoveries is only recognised when there is a contractual arrangement in place and the income is virtually certain of being received. As a result, certain potential insurance and or other recoveries have not been recognised at year end, as their ultimate collection is not considered virtually certain.

Note 35
Commitments

(a) Capital commitments

At 30 June 2011, the Group has commitments in the order of $1.2b relating to the substantial investment program that the Group will be undertaking in the North-South and Hunter Valley interstate corridor in the coming years.

The scope of the work is over a range of projects along the corridor, with the focus on repairing, renovating and rebuilding the rail infrastructure assets to address rail's performance on the corridor.

	Consolidated	
	2011	2010
	$'000	$'000
Property, plant and equipment		
Payable:		
Within one year	**973,237**	662,408
Later than one year but not later than five years	**262,378**	566,143
Later than five years	**-**	-
	1,235,615	1,228,551

Commitments include $0.8b of capital improvement projects for which an equity contribution was received. These projects are not contractually committed to be completed.

(b) Lease commitments : Group company as lessee

The Group leases various offices and warehouses under operating leases expiring within one to eight years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

The Group also leases motor vehicles under operating leases.

	Consolidated	
	2011	2010
	$'000	$'000
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:		
Within one year	**4,859**	4,699
Later than one year but not later than five years	**8,339**	14,042
Later than five years	**2,244**	1,409
	15,442	20,150

(i) Finance leases

The Group leases various plant and equipment with a carrying amount of $1.1m (2010 - $1.2m) under finance leases expiring within seven years

Under the terms of the leases, the Group has the option to acquire the leased assets for the agreed residual value on expiry of the leases.

		Consolidated	
	Notes	**2011 $'000**	2010 $'000
Commitments in relation to finance leases are payable as follows:			
Within one year		**261**	261
Later than one year but not later than five years		**683**	943
Later than five years		**-**	-
Minimum lease payments		**944**	1,204
Future finance charges		**(110)**	(175)
Recognised as a liability		**834**	1,029
Representing lease liabilities:			
Current	(23)	**209**	195
Non-current	(26)	**625**	834
		834	1,029

The weighted average interest rate implicit in the leases is 6.98%.

(c) Lease commitments : where the Group is the lessor

The Group has entered into various property leases with terms of the lease ranging from 1 year to indefinite.

The future minimum lease payments receivable under operating leases are as follows:

	Consolidated	
	2011 $'000	2010 $'000
Within one year	**3,662**	3,653
Later than one year and not later than five years	**10,600**	15,306
Later than five years	**13,820**	11,514
	28,082	30,473

Note 36
Related party disclosures

(a) Ultimate controlling entity

ARTC is the ultimate Australian parent entity within the Group and the ultimate controlling entity of the Group is the Commonwealth Government.

(b) Directors

A Director related entity includes any legal, administrative or fiduciary arrangement, organisational structure or other party, including a person, having the capacity to deploy equity instruments in order to achieve objectives. The entity must be under joint or overall control or significant influence of a Director or his/her related parties.

Other than those listed below there were no other related party transactions with Directors at year end. (2010: $ nil)

ARTC Director, Mr. L Di Bartolomeo is a Director of Downer EDI Limited, a firm that the Group has a commercial relationship with. As a non executive Director he has no direct involvement in the specific bidding process of its operating divisions. The Group deals with Downer EDI and its operating divisions under normal commercial terms and conditions.

ARTC Director, Mr G Walters is Non-Executive Chair of Westpac's SA Executive Committee. Westpac is one of four banks that provide a Syndicated Debt Facility to the Group and is the appointed Agent on behalf of that Syndicate.

There were no loans to Directors at year end (2010:$nil).

(c) Key management personnel

There were no related party transactions with Key management personnel at year end. (2010: $ nil)

(d) Other related parties transactions including shareholders

There were no other related party transactions at year end. (2010: $ nil)

Note 37
Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(d).

Name of entity	Country of incorporation	Equity holding 2011 %	2010 %
ARTC Services Company Pty Ltd	Australia	**100**	100
Standard Gauge Company Pty Ltd	Australia	**100**	100

Note 38
Economic dependency

A significant level of the Group's track access revenue relates to a single rail operator. If not for this revenue, the Group would find it difficult to maintain the current level of revenue and profit.

Note 39
Significant events after the balance date

(a) Equity injection

The Group received on 21 July 2011 an equity injection of $409.3m from the Commonwealth Government as per its announcement in the 2010 Federal Budget to invest further equity in ARTC to build on existing investment strategies and deliver productivity benefits to the overall economy through investment in transport infrastructure.

(b) CRNMA Termination

As a part of the take up of the NSW Lease ARTC managed the CRN on a commission fee basis. On 16 December 2010 the Country Regional Infrastructure Authority (CRIA) formally advised ARTC of their intention to terminate the Country Regional Network Management Agreement (CRNMA). The termination date is to be at midnight on 14 January 2012 and will result in a net loss to the Group of between $12m to $15m per annum. ARTC will be required to continue to safely and professionally provide the services of the CRNMA up until this date.

(c) Inland Route

In accordance with clause 2.8 of the NSW Deed of Lease, ARTC has exercised the option to require the Lessor to grant to ARTC a lease of the land and the infrastructure comprising the Inland Route from Werris Creek to Moree (North Star). This will be effective from 1 July 2011 with a benefit to the Group of approximately $15m in the first year increasing until the ceiling is reached in future years.

Note 40
Reconciliation of profit after income tax to net cash inflow from operating activities

	Consolidated	
	2011	2010
	$'000	$'000
(Loss)/Profit for the year	**(49,638)**	94,265
Adjustments for:	**-**	-
Depreciation	**93,746**	78,505
Amortisation	**1,417**	1,503
Recognition of impairment loss	**434,235**	55,739
Gain on extinguishment of tax debt	**-**	(81,073)
Net (gain) loss on sale of non current assets	**1,253**	17,911
Net Finance costs (excluding gain on extinguishment of tax debt)	**11,690**	2,671
Income tax	**(249,435)**	(1,241)
Operating profit before changes in working capital and provisions	**243,268**	168,280
Change in trade debtors and other receivables	**(56,684)**	(5,740)
Change in taxes receivable	**7,450**	(18,555)
Change in inventories	**222**	19,250
Change in other current assets	**(2,183)**	(5,107)
Change in trade and other payables	**31,103**	(4,516)
Change in other liabilities	**(195)**	(182)
Change in provisions	**2,932**	(10,910)
Change in deferred income attributable to operating activities	**(20,332)**	16,990
Change in current tax liabilities	**-**	(166,840)
Income tax received prior year adjustment	**348**	49,738
Interest paid	**(66)**	(79)
Net cash inflow (outflow) from operating activities	**205,863**	42,329

Note 41

Parent Entity financial information

(a) Summary financial information

The individual financial statements for the parent entity (Australian Rail Track Corporation) show the following aggregate amounts:

	Parent entity	
	2011	2010
	$'000	$'000
Balance sheet		
Current assets	**345,465**	196,737
Non-current assets	**4,147,630**	2,951,174
Total assets	**4,493,095**	3,147,911
Current liabilities	**255,522**	277,409
Non-current liabilities	**871,415**	375,442
Total liabilities	**1,126,937**	652,851
Net Assets	**3,366,158**	2,495,060
Shareholders' equity		
Contributed equity	**1,982,226**	1,424,026
Reserves	**1,103,735**	737,844
Retained earnings	**280,197**	333,190
Capital and reserves attributable to owners of Australian Rail Track Corporation Ltd	**3,366,158**	2,495,060
Total Income	**683,199**	604,679
Total expenses	**(976,029)**	(591,387)
Finance costs - net	**(11,756)**	78,402
Income tax benefit	**249,435**	1,637
Profit or loss for the year	**(55,151)**	93,331
Other comprehensive income		
Cash flow hedge charged to equity	**(7)**	13
Changes in the fair value of cash flow hedges	**(13)**	17
Actuarial (losses)/gains on retirement benefit obligation	**23**	(1,958)
Net investment hedge	**520,332**	-
Income tax effect of revaluation	**(153,793)**	-
Income tax effect on Defined benefit fund obligations	**(7)**	588
Other comprehensive income for the year, net of tax	**366,535**	(1,340)
Total comprehensive income	**311,384**	91,991

Note 41
Parent Entity financial information

(b) Contingent liabilities of the Parent Entity

The parent entity accounts for costs associated with rectifying rail access related incidents following their occurrence. Income from subsequent insurance and other recoveries is only recognised when there is a contractual arrangement in place and the income is probable of being received. As a result, certain potential insurance and or other recoveries have not been recognised at year end, as their ultimate collection is not considered probable.

(c) Contractual commitments for the acquisition of property, plant or equipment

As at 30 June 2011, the parent entity had contractual commitments for the acquisition of property, plant or equipment totalling $0.4b (30 June 2010 - $0.2b). These commitments are not recognised as liabilities as the relevant assets have not yet been received.

30 June 2011

In the Directors' of Australian Rail Track Corporation Ltd's (" the consolidated entity") opinion:

(a) the consolidated financial statements and notes set out on pages 42 to 108 are in accordance with the Corporations Act 2001, including:

> **(i)** complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
>
> **(ii)** giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the financial year ended on that date;

(b) the financial statements and notes set out on pages 42 to 108 are also in accordance with the international financial reporting standards issued by the International Accounting Standards Board; and

(c) there are reasonable grounds to believe that the Australian Rail Track Corporation Ltd will be able to pay its debts as and when they become due and payable.

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

J Caldon
Director

Signed in Adelaide
On the 31st day of August 2011

Australian National
Audit Office

INDEPENDENT AUDITOR'S REPORT

To the members of the Australian Rail Track Corporation Ltd

I have audited the accompanying financial report of the Australian Rail Track Corporation Ltd consolidated entity, which comprises the consolidated Balance Sheet as at 30 June 2011, the consolidated Income Statement, the consolidated Statement of Comprehensive Income, the consolidated Statement of Changes in Equity, and the consolidated Statement of Cash Flows for the year then ended, Notes to the consolidated financial statements, comprising a Summary of significant accounting policies and other explanatory information, and the Directors' Declaration of the consolidated entity comprising the Australian Rail Track Corporation Ltd 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 Australian Rail Track Corporation Ltd are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards 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.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on my audit. I have conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 Australian Rail Track Corporation Ltd'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 Australian Rail Track Corporation Ltd's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

GPO Box 707 CANBERRA ACT 2601
19 National Circuit BARTON ACT 2600
Phone (02) 6203 7300 Fax (02) 6203 777

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independence

In conducting my audit, I have complied with the independence requirements of the *Corporations Act 2001*.

Opinion

In my opinion:

(a) the financial report of the Australian Rail Track Corporation Ltd consolidated entity is in accordance with the *Corporations Act 2001*, including:

  (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

  (b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the consolidated financial report also complies with International Financial Reporting Standards as disclosed in Note 1(a)(i).

Australian National Audit Office

Executive Director
Delegate of the Auditor-General

Canberra
31 August 2011

COMPLIANCE INDEX

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