12 March 2008

The Manager

Company Announcements Office

Australian Stock Exchange
Level 45, South Tower Rialto
525 Collins Street
MELBOURNE VIC 3000

ELECTRONIC LODGEMENT

Dear Sir or Madam

Audited Half Year Report for the Period to 31 December 2007-Asciano Limited and the Asciano Finance Trust

In accordance with the Listing Rules I enclose the following for immediate release:

1. Appendix 4D - Audited Half Yearly Report and Financial Statements for the period to 31 December 2007 for Asciano Limited and the Asciano Finance Trust; and

2. Supplementary Information Pack providing further detail on segmental contributions to Asciano's financial results.

A teleconference to discuss the Supplementary Information Pack will be held tomorrow morning at 10am and will be webcast. A link to the webcast will be available on the Company's website at www.asciano.com.au.

Yours faithfully,

F. Mead

FIONA MEAD
Company Secretary

asciano ltd
Level 6, 380 St Kilda Road,
Melbourne, VIC 3004, Australia
T +61 3 9284 4000 F +61 3 9699 2869

ABN 26 123 652 862

ASCIANO LIMITED
4D – HALF YEAR REPORT

FOR THE PERIOD TO 31 DECEMBER 2007

Asciano comprises Asciano Limited
and its controlled entities
(and includes Asciano Finance Trust)

asciano

Half year report

For the period to 31 December 2007

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Results for announcement to the market

For the period to 31 December 2007

	First half 2008 $'000	Unaudited proforma[1] First half 2007 $'000	Increase/ (decrease) %
Revenue from ordinary activities	1,506,876	1,450,483	3.9
EBITDA – before individually significant items	365,927	307,068	19.2
EBIT – before individually significant items	235,820	194,989	20.9
Loss after tax	(71,074)	n/a	n/a
Profit attributable to members of the Parent company	112,339	n/a	n/a

	First half 2008
Parent company basic and dilutive earnings per share – cents	17.1
Asciano group basic and dilutive earnings per security – cents	(10.8)
Net tangible asset backing per security – dollars	(2.99)

Distributions	Amount per security cents	Taxable amount per security cents	Tax deferred amount per security cents
Interim distribution per fully paid security	23.0	4.7	18.3

The record date for determining entitlements to the interim distribution was 31 December 2007.

For commentary on the results for the period and review of operations, refer to the separate media release announced to the market on 29 February 2008 and the Directors' report contained within the half year report.

Asciano Limited was dormant from its date of incorporation on 29 January 2007 to 15 June 2007 when the group was formed under a scheme of arrangement that involved separation from Toll Holdings Limited. Therefore, the consolidated results for the first half year of 2008 are for the period 15 June 2007 to 31 December 2007.

1 Pro forma unaudited comparative information has been prepared for the period 15 June 2006 to 31 December 2006.

Directors' report

For the period to 31 December 2007

Asciano is a stapled entity that comprises Asciano Limited (ABN 26 123 652 862) and its controlled entities (and includes Asciano Finance Trust – ARSN 124 102 807).

The Directors present their report together with the financial report of Asciano Limited (the Parent or Company) and its subsidiaries and including Asciano Finance Trust (collectively referred to as Asciano) and the Auditor's report thereon. The financial period is from 29 January 2007 to 31 December 2007. The Parent was dormant until 15 June 2007 when Asciano was formed under a scheme of arrangement that involved separation from Toll Holdings Limited (Toll).

1. ASIC relief

This report has been prepared for the financial period from 29 January 2007 to 31 December 2007. Under subsection 323D(5) of the *Corporations Act 2001* (Act), the half year of a company is generally the first six months of a financial year. This would have meant that the first half year of Asciano ended on 29 July 2007, just over one and a half months from the date of separation of Asciano from Toll. Asciano applied to the Australian Securities and Investments Commission (ASIC) for relief from the requirement to prepare half year financial reports as at 29 July 2007. Under subsection 340(1) of the Act ASIC has provided relief to both Asciano Limited and Asciano Finance Trust in relation to subsection 323D(5) of the Act, allowing Asciano to extend its first half year to 31 December 2007. The relevant period for Asciano Limited's first half year is the period from 29 January 2007 to 31 December 2007 (inclusive). The relevant period for Asciano Finance Trust's first half year is the period from 1 March 2007 to 31 December 2007 (inclusive).

The relief is provided by ASIC on the condition that Asciano Limited and Asciano Finance Trust:

- comply with Parts 2M.2, 2M.3 and 2M.4 of the Act in respect of the relevant period as if that period was the first half year for Asciano;
- ensure that a summary of the relief be disclosed in the Directors' report for the period ended 31 December 2007;
- make an announcement explaining the effect of the relief to ASX Limited (ASX) for release to the financial market;
- prepare a financial report for the relevant period that complies with the requirements of the Act for a financial report for a full financial year;
- lodge with ASIC the financial report for the relevant period no later than 12 March 2008; and

Asciano Limited does all things necessary to obtain relief from ASIC:

- relieving the wholly owned subsidiaries of Asciano from preparing financial reports for the financial year ended 30 June 2007 on conditions that include those subsidiaries entering into a deed of cross guarantee with Asciano Limited no later than 31 October 2007; and
- to enable controlled entities of Asciano Limited to synchronise their financial years with its financial year as at 30 June 2008.

The relief granted to Asciano Limited originally required the financial report to be lodged no later than 10 March 2008; however, due to the intervening Labour Day holiday in Victoria on 10 March 2008, Asciano sought an extension of time in respect of the obligation to lodge with ASIC its financial report for the period ended 31 December 2007. ASIC has granted an extension of time to 12 March 2008.

All of the conditions imposed by ASIC in the various instruments of relief have been satisfied.

2. Directors

The Directors of Asciano Limited at any time during or since the end of the financial period are:

Tim Poole BCom, CA
Chairman
Independent Non-Executive Director
Age: 39

Tim joined Asciano Limited as Chairman and Non-Executive Director on 15 June 2007. He is Chairman of both the remuneration committee and the nomination and succession planning committee and is a member of the audit and risk committee.

Experience:
Tim holds a Bachelor of Commerce from the University of Melbourne and is a member of the Institute of Chartered Accountants in Australia. He has extensive experience with investments in transport infrastructure, high yield debt and private equity in Australia and internationally.

Directorships of other listed companies – current:
Non-Executive Director, Newcrest Mining Limited (since 2007)

Non-Executive Director, Lifestyle Communities Limited (since 2007)

Directorships of listed companies – past three years:
Director, Australian Infrastructure Fund Limited (2005–2007)

Other directorships – current:
Non-Executive Director, Victorian Racing Club Limited (since 2006)

Member of the Investment Committee of the industry superannuation fund, AustralianSuper (since 2007)

Member of the LEK Consulting Advisory Board (since 2007)

Mark Rowsthorn BEcon, GradDipBus
Managing Director and Chief Executive Officer
Age: 52

Mark was appointed Managing Director of Asciano on 29 January 2007. He is a member of the nomination and succession planning committee.

Experience:
Mark has a Bachelor of Economics and holds a Graduate Diploma in Business Administration. He has over 30 years of experience in the transport and logistics industry, 20 of which were as Executive Director Operations of Toll of which Mark was also co-founder. In this role, Mark was responsible for Toll's Australian and New Zealand operations and played a leading role in the development of those businesses.

Directorships of other listed companies – current:
Non-Executive Director, Cytopia Limited (since 1998)

Directorships of other listed companies – past three years:
Executive Director, Toll Holdings Limited (1988–2007)

Chairman, Toll NZ Limited (2003–2007)

Chairman and Non-Executive Director, Virgin Blue Holdings Limited (2006–2007)


Tim Poole


Mark Rowsthorn

Chris Barlow

Peter George

Chris Barlow BSc (Hons)
Independent Non-Executive Director
Age: 62

Chris joined Asciano Limited as a Non-Executive Director on 15 June 2007. He is a member of the audit and risk committee, the remuneration committee and the nomination and succession planning committee.

Experience:
Chris holds a Bachelor of Science with Honours and has over 30 years experience in the aviation industry, having joined BAA (formerly British Airports Authority) in 1969 as an Engineering Project Manager, and has held a number of senior management positions within BAA including:

- Managing Director, Aberdeen Airport;
- General Manager, Terminal 3, Heathrow Airport;
- President, Canadian Airports; and
- Development Director at BAA (responsible for the A$1.5 billion business development program of the BAA Group).

Other directorships – current:
Chairman, Northern Territory Airports Pty Limited (since 2007)

Director, Melbourne Convention and Visitors Bureau Limited (since 2001) – Chairman since 2007

Peter George BCom, LLB
Independent Non-Executive Director
Age: 54

Peter was appointed a Non-Executive Director of Asciano Limited on 5 March 2007. He is Chairman of the audit and risk committee, and a member of both the remuneration committee and the nomination and succession planning committee.

Experience:
Peter holds a Bachelor of Commerce and a Bachelor of Laws. He is an experienced executive and non-executive director specialising in corporate strategy and finance. His industry experience embraces telecommunications, internet and media, transport, health care, printing and distribution.

Directorships of other listed companies – current:
Executive Chairman, Nylex Limited (since 2004)

Non-Executive Director, PMP Limited (since 2002)

Directorships of other listed companies – past three years:
Managing Director, B Digital Limited (2004–2006)

Saul Cannon BCom, LLB (Hons)
Non-Executive Director
Age: 35

Saul was a Non-Executive Director of Asciano Limited from 12 April 2007 to 15 June 2007.

Experience:
Saul holds a Bachelor of Commerce and a Bachelor of Laws with Honours. Before joining Asciano as Group General Counsel on 2 July 2007, Saul was General Counsel – Mergers and Acquisitions and Telstra Asia at Telstra Corporation Limited (Telstra). During his nine years at Telstra, Saul worked in a number of different business areas including three years as General Counsel and Company Secretary of TelstraClear Limited, Telstra's New Zealand business. Prior to Telstra, Saul worked at leading Australian law firm Mallesons Stephen Jaques.

Neil Chatfield MBus, FCPA, AICD
Executive Director
Age: 53

Neil was an Executive Director of Asciano Limited from 29 January 2007 to 27 February 2007.

Experience:
Neil has a Masters of Business in Finance and Accounting and is a Fellow of CPA Australia and a member of the Australian Institute of Company Directors. He has extensive experience in financial management, capital markets, mergers and acquisitions and risk management and over 25 years of experience in the transport and resources industries.

Directorships of other listed companies – current:
Director, Toll Holdings Limited (since 1998)

Chairman and Non-Executive Director, Virgin Blue Holdings Limited (since 2006)

Non-Executive Director, Seek Limited (since 2005)

Non-Executive Director, Whitehaven Coal Limited (since 2007)

Paul Little FAICD, FCIT
Executive Director
Age: 60

Paul was an Executive Director of Asciano Limited from 29 January 2007 to 27 February 2007.

Experience:
Paul is a Fellow of the Australian Institute of Company Directors and a Fellow of the Chartered Institute of Transport. He has extensive experience in the transport and logistics industry.

Directorships of other listed companies – current:
Managing Director, Toll Holdings Limited (since 1986)

Non-Executive Director, Virgin Blue Holdings Limited (since 2006)

3. Company Secretary

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

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

Fiona was a senior associate at a major Melbourne law firm prior to joining Telstra.

Bernard McInerney held the position of Company Secretary from 29 January 2007 until 29 March 2007.

4. Directors' meetings

The number of Directors' meetings (including meetings of committees of Directors) and number of meetings attended by each of the Directors of the Company during the financial period are:

Director	Board meetings		Audit and risk committee meetings		Remuneration committee meetings		Nomination and succession planning committee meetings	
	A	B	A	B	A	B	A	B
Tim Poole	10	10	5	5	4	4	1	1
Mark Rowsthorn	17	18	–	–	–	–	1	1
Chris Barlow	10	10	5	5	4	4	1	1
Peter George	17	17	5	5	4	4	1	1
Saul Cannon	5	5	–	–	–	–	–	–
Neil Chatfield	1	1	–	–	–	–	–	–
Paul Little	1	1	–	–	–	–	–	–

A – Number of meetings attended.

B – Number of meetings held during the time the Director held office during the period.

5. Corporate governance statement

This statement outlines the main corporate governance practices in place throughout the financial period, which comply with the ASX Corporate Governance Council recommendations, unless otherwise stated.

Legal framework

Asciano operates as a stapled structure. The entities that comprise Asciano are the Asciano Finance Trust (an Australian listed trust) and Asciano Limited (an Australian public limited company).

The securities of the two entities in the Asciano structure are stapled together (securities) and quoted as one on the ASX. As a result, the securities cannot be traded separately.

Asciano Finance Limited, a wholly owned subsidiary of Asciano Limited, is the trustee of Asciano Finance Trust (Trust). Permanent Investment Management Limited currently acts as the responsible entity for the Trust and also provides custodial services to the Trust.

Asciano Limited is responsible for the operational activities of Asciano including day-to-day operation of the business, asset and capital management, financial reporting and investor communications and meetings. It is also responsible for Asciano's corporate governance and compliance programs.

Principle 1 – Lay solid foundations for management and oversight

Asciano's approach to corporate governance

Asciano is committed to the ongoing achievement of consistent earnings growth and distributions based on its strong underlying cash flow. This will be achieved by maintaining a high quality operational management capability of world class infrastructure assets.

Asciano is also committed to meeting its stakeholders' expectations of robust and best practice corporate governance. This statement outlines Asciano's main corporate governance policies as at 31 December 2007. Asciano is proactive in respect of corporate governance and has implemented arrangements that it believes are in the best interests of Asciano and its securityholders and consistent with its responsibilities to other stakeholders. It actively reviews and evaluates new developments in corporate governance.

ASX corporate governance principles

The recently revised ASX Corporate Governance Principles (Principles), put in place by the ASX Corporate Governance Council, are designed to provide corporate entities with a set of recommended practices designed to optimise the entity's performance and accountability to its stakeholders. Listed entities such as Asciano are required to disclose the extent of their compliance with the Principles and explain why they have not followed any particular recommendation.

The Board of Directors of Asciano Limited has adopted a formal charter of Directors' functions and has also established delegations of authority that set out clearly the matters to be delegated to management. The Board charter is available on Asciano's website. The charter provides that the Board's responsibilities include:

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

Asciano has also established a comprehensive process for the evaluation of the performance of its senior executives. All senior executives have been evaluated using this process in the reporting period and all have signed contracts of employment, including the Managing Director.

The Board of Directors meets on a monthly basis and additional meetings are called when required. Directors receive Board papers in advance of Board meetings and these provide them with the information required to undertake informed discussion at each meeting. The Board also has access to senior executives when required and to any further information it requires to make informed decisions.

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

Principle 2 – Structure the Board to add value

Composition

The Board of Directors satisfies the requirement of the Principles that a board have a majority of independent directors and an independent chairman. The Board has adopted a policy on Director independence (available on Asciano's website) and regularly assesses the independence of its Directors. The Board is comprised as follows:

- Tim Poole – Independent Non-Executive Chairman;
- Mark Rowsthorn – Managing Director and Chief Executive Officer;
- Chris Barlow – Independent Non-Executive Director; and
- Peter George – Independent Non-Executive Director.

Profiles of these Directors can be found in the Directors' profiles in section 2 of this report.

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

Nomination and succession planning committee

The Board has established a nomination and succession planning committee that is chaired by Asciano's Chairman. All Directors sit on this committee. The committee's charter is available on Asciano's website. The responsibilities of the committee include to:

- regularly review the size, composition and necessary competencies of the Board and make recommendations to the Board on the appointment and removal of Directors;
- establish guidelines for the selection and appointment of new Directors; and
- review succession plans and oversee the performance evaluation of Asciano's senior executives.

Board performance evaluation

The Board of Directors has adopted a policy setting out a performance evaluation process for the Board. This policy is available on Asciano's website and provides that the performance of the Board, each of its committees and each Director will be reviewed annually. The policy also sets out matters that will be considered relevant in assessing this performance.

Given that Asciano was only listed on the ASX in June 2007, a performance evaluation of the Directors has not yet been carried out.

Education and induction

Asciano is undertaking an ongoing program to educate its Directors about the nature of its business, current issues and corporate strategy. The Directors have undertaken a number of extensive site visits and met with operational management at these sites. Directors also have access to continuing education opportunities to update and enhance their skills and knowledge.

Independent professional advice

The Board of Directors is entitled to obtain independent professional advice at the cost of Asciano. Directors are asked to work with the Chairman in obtaining this advice.

Principle 3 – Promote ethical and responsible decision making

Codes of conduct

Asciano has been largely created by bringing together two separate businesses, Pacific National and Patrick. Employees in both businesses are expected to comply with the relevant code of conduct for that business. Asciano has also adopted a set of Asciano values that communicate the values that Asciano expects all of its employees, including Directors, to abide by at all times. It is expected that an Asciano corporate code of conduct will be adopted prior to the end of the financial year.

Trading in securities

The Board of Directors has adopted and implemented a Securities Trading Policy that sets out the circumstances in which Directors and senior executives as well as other employees may deal in Asciano securities.

The Securities Trading Policy prohibits Directors and senior executives from trading or procuring trading in Asciano securities and from entering into transactions in financial products that operate to limit the economic risk of holding Asciano securities except during specified "trading windows", which are generally following the Annual General Meeting (AGM), half and full year results announcements and other major announcements. The policy states that Directors and senior executives may not trade in Asciano securities at any time if they are in possession of "inside information" as defined in the policy.

Under the Securities Trading Policy the Managing Director may also from time to time specify that particular Directors and senior executives may be restricted from dealing in the securities of other companies with which Asciano may have a close commercial relationship.

Principle 4 – Safeguard integrity in financial reporting

Audit and risk committee

The Board of Directors has established an audit and risk committee comprising only independent Directors. The committee is comprised as follows:

- Peter George – Independent Non-Executive Chairman;
- Tim Poole – Independent Non-Executive Director; and
- Chris Barlow – Independent Non-Executive Director.

All members of the committee are financially literate. At least one member of the committee is a qualified accountant and all members have a deep understanding of the transport infrastructure industry.

Audit and risk committee charter

The charter for the audit and risk committee is available on Asciano's website. The primary responsibility of the committee is to review the integrity of Asciano's financial reporting process and to report the results of its activities to the Board of Directors. Other responsibilities of the committee include:

- assessing internal controls;
- overseeing the relationship with, and the independence of, the external auditor; and
- overseeing:
  - the internal audit process;
  - the establishment and implementation of Asciano's risk management systems and reporting;
  - Asciano's compliance systems including health and safety and the environment; and
  - Asciano's corporate governance processes.

The audit and risk committee meets with both the internal and external auditors on a regular basis.

Auditor independence

The audit and risk committee is highly cognisant of the need for Asciano to maintain an independent auditor and has considered the issue on a number of occasions.

Principle 5 – Make timely and balanced disclosure
Asciano is committed to providing timely, open and accurate information to all of its stakeholders including securityholders, regulators and the investment community.

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

Principle 6 – Respect the rights of securityholders
Asciano is committed to the delivery of timely and relevant information to its securityholders and to the broader investment community. Securityholders will be provided with access to online annual and half yearly reports with the option of receiving hard copies of these if required. The website also provides a broad range of information about Asciano and is updated regularly. All Asciano announcements are made available on the website and securityholder and investor events are webcast.

The Board of Directors encourages full participation by securityholders at its AGM to ensure accountability and transparency. The external auditor will attend the AGM to answer securityholder queries about the auditor's report.

Principle 7 – Recognise and manage risk
The Board of Directors, through the audit and risk committee, has the responsibility to ensure that there are adequate policies in place in Asciano in relation to risk management, compliance and internal control systems.

Oversight of the risk management system
The Board of Directors oversees the establishment, implementation and annual review of Asciano's risk management system. Management has established and implemented a risk management system for assessing, monitoring and managing operational, financial reporting and compliance risks for Asciano. The Chief Executive Officer and the Chief Financial Officer have declared, in writing to the Board, that the financial reporting risk management and associated compliance and controls have been assessed and found to be operating efficiently and effectively. The operational and other risk management compliance and controls have also been assessed and found to be operating efficiently and effectively. All risk assessments covered the whole financial period from 29 January 2007 to 31 December 2007 and the period up to the signing of the financial report for all material operations in Asciano, and any material associates and joint ventures.

Risk profile

The audit and risk management committee reports regularly to the audit and risk committee on the status of risks through integrated risk management programs aimed at ensuring risks are identified, assessed and appropriately managed.

Each business operational unit is responsible and accountable for implementing and managing the standards required by the program.

Major risks arise from such matters as actions by competitors, government and regulatory policy changes, environment, the impact of exchange rates, occupational health and safety, property, financial reporting, and the purchase, development and use of information systems.

Risk management and compliance and control

The Board of Directors is responsible for the overall internal control framework, but recognises that no cost-effective internal control system will preclude all errors and irregularities. The Board's policy on internal control is comprehensive. It comprises Asciano's internal compliance and control systems, including:

- operating unit controls – operating units confirm compliance with financial controls and procedures including information systems controls detailed in procedures manuals;
- functional specialty reporting – key areas subject to regular reporting to the Board include treasury and derivatives operations, environmental, legal and self insurance matters; and
- investment appraisal – guidelines for capital expenditure include annual budgets, detailed appraisal and review procedures, levels of authority and due diligence requirements where businesses are being acquired or divested.

A range of systems, programs and policies has been implemented to identify and manage risk, including:

- a comprehensive occupational health and safety program including specific targets for continuous improvement, occupational health and safety standards, rail safety standards, and management systems, all of which are monitored and reviewed to achieve high standards of performance and compliance with all applicable legislation and regulations within a structured and fully integrated safety management system;
- a comprehensive annual insurance program;
- a Board approved treasury policy to manage exposure to interest rate and exchange rate risks. Further details of Asciano's policies relating to interest rate, exchange rate and credit risk management are included in note 4 to the financial statements;
- guidelines and approval limits for capital expenditure and investments;
- annual budgeting and monthly reporting systems for all business units to monitor performance against budget targets;

- a planning process involving the preparation of 10 year strategic plans;
- appropriate due diligence systems for acquisitions and divestments;
- risk self-assessment surveys for all business units; and
- environmental regulation compliance.

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

Financial reporting
Board procedures to safeguard the integrity of Asciano's financial reporting require the Chief Executive Officer and the Chief Financial Officer to state in writing to the Board that:

- Asciano's financial reports present a true and fair view, in all material respects, of its financial condition and operational results and are in accordance with relevant accounting standards; and
- the statement is founded on a sound system of risk management and internal compliance and control, which is operating effectively.

Environmental regulation
Asciano's operations are subject to significant environmental regulation under both Commonwealth and State legislation in relation to its environmental compliance for all its rail and port operations, incident management and emissions reporting.

Asciano is committed to achieving a high standard of environmental performance. It ensures that all current legislative requirements are met and supports this with audits, training and awareness, comprehensive business unit and site environmental management plans, and incident management plans. These are managed through the Asciano executive risk committee.

The executive risk committee is responsible for:

- setting and communicating environmental standards and compliance requirements;
- identifying where remedial actions are required and implementing action plans;
- managing environmental incidents to ensure compliance with regulations and standards; and
- monitoring performance against licence conditions reported to the various State regulators on a regular basis.

Compliance with the requirements of environmental regulations and with specific requirements of site environmental licences was achieved across all operations with no instances of non-compliance in relation to licence requirements noted.

Environmental sustainability is a key emerging area for Asciano. Future environmental issues with regard to emissions reporting and emissions reduction as a result of climate change are actively being managed under the environmental sustainability portfolio. A new position for an Environmental Sustainability Planning Manager has been created and filled to manage these issues for Asciano.

Asciano is now preparing its processes on emissions reporting to comply with the *National Greenhouse and Energy Reporting Act 2007* (Commonwealth) in preparation for emissions trading that is currently expected to be introduced in 2010. As a major fuel and energy user, Asciano is preparing itself to actively manage these new emissions costs and to ensure it is well prepared for the new regulatory environment. Working with government, Asciano is participating in submissions, forums and meetings with government agencies in the design of the emissions trading scheme.

Key initiatives in reducing energy, emissions, waste and water are being investigated for implementation within Asciano. These will not only reduce energy and emissions costs, but assist Asciano in maintaining rail and ports as leading modal choices in a carbon constrained economy.

Asciano's environmental sustainability plan includes:

- setting and communicating environmental objectives and quantified targets;
- monitoring progress against these objectives and targets;
- implementing processes for emissions data capture and reporting;
- preparing the business for emissions trading;
- assisting the business units in implementing energy, emissions, waste and water reduction initiatives;
- assisting the business units in identifying risks and market opportunities; and
- identifying climate change risks to Asciano.

Based on the results of enquiries made, the Board of Directors is not aware of any significant breaches during the period covered by this statement.

Remuneration committee

The Board of Directors has established a remuneration committee. The members of this committee are as follows:

- Tim Poole – Independent Non-Executive Chairman;
- Chris Barlow – Independent Non-Executive Director; and
- Peter George – Independent Non-Executive Director.

The charter for this committee is available on Asciano's website. The responsibilities of the committee include:

- overseeing the remuneration of Non-Executive Directors;
- reviewing and making recommendations to the Board on Asciano's remuneration policies including senior executive remuneration and short term incentives;
- reviewing Asciano's superannuation arrangements;
- making recommendations to the Board in relation to the implementation and operation of equity based incentive plans and other employee benefit programs;
- reviewing Asciano's recruitment, retention and termination policies and fringe benefits; and
- reviewing the adequacy of Asciano's Directors and Officers insurance.

Principle 8 – Remunerate fairly and responsibly

Since Asciano listed on the ASX in June 2007, the remuneration committee has developed a competitive executive remuneration structure that establishes a rigorous link between pay and individual, business unit and/or Asciano performance. The key initiatives undertaken by the remuneration committee over the period ended 31 December 2007 were:

- the determination of Asciano's remuneration philosophy and remuneration framework;
- the setting of executive pay levels that are competitive and reasonable, based upon reference to appropriate market data;
- the establishment of a short term incentive plan for executives and selected employees, linked to Asciano earnings before interest, tax, depreciation and amortisation (EBITDA) and the achievement of individual, business unit and/or Asciano key performance indicators;
- the establishment of a long term incentive plan for executives and selected employees, linked to growth in free cash flow generated per security and relative Total Securityholder Returns (TSR) against companies in the S&P/ASX 100 Index; and
- the establishment of the Asciano Exempt Securities Plan to mark the listing of Asciano on the ASX. This plan enabled over 5,600 eligible employees to be granted $1,000 of securities.

The remuneration committee acknowledges that the Asciano remuneration philosophy will continue to develop as the organisation evolves and, as such, is committed to the ongoing review of this framework to ensure that it remains relevant and aligns executive interests to those of Asciano's securityholders.

Remuneration structure for Directors and management

The remuneration structure for Directors and management is set out in Asciano's remuneration report which follows.

6. Remuneration report

This report outlines the remuneration arrangements in place for Directors and executives of Asciano. It also provides the remuneration disclosures required by paragraphs Aus 25.4 to Aus 25.7.2 of AASB 124 *Related Party Disclosures*, which have been transferred to the Remuneration report in accordance with the Corporations Regulation 2M.6.04.

6.1 Principles of compensation – audited

Executives

In this report, "executives" refers to the executive Key Management Personnel, and the five highest remunerated senior managers.

Remuneration philosophy

The executive remuneration philosophy sets out the underlying principles that govern the design of Asciano's executive reward programs. These principles are that executive remuneration should be:

- linked to the achievement of individual, business unit and/or Asciano objectives over the short and long term;
- used to attract, motivate, retain and appropriately reward high performing executives and employees;
- made market competitive by using appropriate benchmarks;
- underpinned by a rigorous performance management system; and
- acceptable to its securityholders.

Remuneration framework

The remuneration framework below has been developed by the remuneration committee, with assistance from its remuneration adviser, PricewaterhouseCoopers:

Remuneration element	Description
Fixed Annual Remuneration	Salary, superannuation and salary-sacrificed non-monetary benefits.
Short Term Incentive (STI) Plan	STI payments are dependent on achieving a threshold level of Asciano's EBITDA target set by the Board, and are leveraged based upon individual performance against pre-agreed key performance indicators (KPIs).
Long Term Incentive (LTI) Plan	Options were granted under the LTI Plan in 2007. 75% of options are subject to growth in free cash flow generated per security, and 25% of options are subject to a relative TSR hurdle against S&P/ASX 100 companies.

The target reward mix of each executive is outlined below. Consistent with market practice, the at-risk proportion of the executive's remuneration increases with responsibility.

	% of total target employment remuneration		
	FAR	STI	LTI
Managing Director and Chief Executive Officer	34	33	33
Chief Operating Officer	43	30	27
Chief Financial Officer	52	24	24
Average of remaining executives	62	16	22

Fixed Annual Remuneration (FAR)
FAR consists of salary, superannuation and salary-sacrificed non-monetary benefits. The level of FAR for executives has been determined in reference to executive pay in S&P/ASX 100 companies, taking into account the individual's performance and responsibilities, and their level of knowledge, skills and experience.

Short Term Incentive (STI) Plan
The STI Plan has been designed to reward executives (and selected employees) for their performance over the 12 month annual performance review period. The process of determining each executive's actual STI is outlined below:

STI	x	Group Performance Multiplier	x	Individual Performance Score	=	Actual STI payable

Target STI: Executives are advised of their Target STI at the start of the financial year. This is a percentage of their FAR and is based upon their level of seniority and contribution to the profitability of Asciano.

Group Performance Multiplier: The Group Performance Multiplier leverages the Target STI positively or negatively based upon Asciano's performance against its EBITDA target set by the Board. Asciano uses EBITDA as its key financial metric and, as such, it plays a central role in determining bonus payments. Provided Asciano achieves a threshold level of its EBITDA target set by the Board, the Group Performance Multiplier will be between 0.7 and 1.3. If threshold performance is not achieved, no STI payments will be made under the STI Plan. In extraordinary circumstances, the Board of Directors may exercise its discretion and pay an STI to high performing employees and key talent; however, such payments are likely to be at a reduced level to their Target STI.

Individual Performance Score (IPS): Provided that the executive has achieved a performance rating of "Meeting Expectations" against their business plan objectives, they will be eligible to receive an IPS of between nil and 1.0 based upon their achievement against their pre-agreed STI KPIs. Employees who do not achieve a performance rating of "Meeting Expectations" are not eligible to receive an STI payment. For 2008, the KPIs have been categorised into five Performance Clusters reflecting the strategic priorities and value creating activities of Asciano. These are:

Performance Cluster	STI KPIs focused predominantly on
Financial	EBITDA
Safety	Lost time injury frequency rate
People and culture	Key people and culture initiatives
Projects	Strategic, role specific projects that the executive is working on during the year
Board/management discretion	Discretionary performance – this performance cluster typically accounts for 10% of the executive's STI scorecard, and never exceeds 20%

Actual STI payable: The actual STI payable is determined after the end of the financial year based upon the executive's Target STI, Asciano's Performance Multiplier and the executive's IPS. It is paid entirely in cash.

Long Term Incentive (LTI) Plan

In 2007, Asciano has issued options under its LTI Plan. This plan has been designed to:

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

The operation of the LTI Plan is outlined below:

Grant: The number of options granted to executives is based upon their Target LTI. This Target LTI is determined based upon the executive's level of seniority and contribution to the profitability of Asciano.

Vesting conditions: The options vest over a three to four year period, subject to achieving time-based and performance-based vesting conditions. 75% of options allocated are subject to growth in free cash flow generated per security, and 25% of options allocated are subject to Relative TSR against companies in the S&P/ASX 100 index. The remuneration committee determined that the above split between the two performance hurdles was appropriate given that options are issued that have an inherent performance hurdle linked to growth in Asciano's security price. Irrespective of whether or not the performance conditions have been achieved, in order for the options to vest the executive must be employed by Asciano at the end of the performance period (and not have given notice to terminate their employment). The remuneration committee is committed to reviewing the performance hurdles and relevant weightings on an annual basis to ensure they remain relevant and aligned to the interests of Asciano's securityholders.

Growth in free cash flow generated per security: This hurdle was selected due to the importance and focus that Asciano places on increasing the free cash flow available for distribution to its securityholders. Performance against this hurdle is determined over a three year period in accordance with the vesting schedule below. This vesting schedule has been chosen because of the recognition, both internally and externally, of the correlation between Asciano's free cash flow and growth in Gross Domestic Product (GDP).

Average compounded annual growth rate over the three year performance period	Percentage of options vesting
Less than 2 times GDP growth	Nil vesting
2 times GDP growth	50% vesting
Greater than 2 times GDP growth but less than 2.5 times GDP growth	Pro-rated vesting between 50% and 100%
2.5 times GDP growth	100% vesting

Relative TSR: This hurdle measures Asciano's TSR performance compared to companies in the S&P/ASX 100 index over a three to four year performance period. The vesting schedule for those options subject to the Relative TSR Hurdle is:

Percentile ranking	Percentage of options that will vest
TSR ranking less than the 50th percentile	Nil vesting
TSR ranking equal to the 50th percentile	50% vesting
TSR ranking between the 50th and 75th percentile	An additional 2% of options will vest for each 1 percentile increase above the 50th percentile
TSR ranking equal to the 75th percentile or above	100% vesting

The above vesting schedule has been chosen because it ensures that executives are only rewarded when Asciano's TSR is at least at the median against S&P/ASX 100 companies.

The remuneration committee has determined that it is appropriate to test performance annually at the end of Year 3 and Year 4. This is because stock markets can be volatile, and the Group's volatility is also high compared to many of the other companies in the S&P/ASX 100 index. There is therefore an increased risk that Asciano's security price at the end of the three year performance period may not reflect its fundamental value at that point in time. Testing at Year 4 takes into account Asciano's performance over the entire four year period. Accordingly, the executives will only be rewarded at this additional test date if Asciano's securityholders are similarly rewarded.

Exercise and sale: The executives can exercise their vested options and acquire securities in Asciano, subject to paying an Exercise Price. The Exercise Price for options granted on 19 November 2007 is $8.43. The acquired securities are subject to a holding lock for a maximum period of 10 years from the date the options were granted. Once the holding lock has lifted, the executive can sell their securities at any time subject to compliance with the Asciano Securities Trading Policy.

Link between Remuneration Policy and Asciano's performance

Short Term Incentive Plan: STI payments are dependent upon Asciano's EBITDA performance and each executive's individual performance against their pre-agreed KPIs. STI payments are first eligible to be paid for the year ending 30 June 2008.

Long Term Incentive Plan: Options were first issued under the LTI Plan in November 2007. As outlined above, 75% of these options are subject to growth in free cash flow generated per security, and 25% of these options are subject to Asciano's TSR performance against companies in the S&P/ASX 100 index. The options also have an additional performance hurdle, in that even if options vest they are unlikely to be exercised by an executive unless the security price is above the exercise price.

Asciano's EBITDA for the period ending 31 December 2007 was $365.927 million (before individually significant items) and $328.864 million (after individually significant items) and it has paid an interim distribution of 23.0 cents per security on 28 February 2008. Asciano's closing security price on 6 June 2007 was $10.76, being the date it listed on the ASX. Asciano's closing security price at 31 December 2007 was $7.00.

6.2 Remuneration of the Executive Director and executives for the period ended 31 December 2007 – audited

Set out in the following table is the remuneration for the Executive Director and executives of Asciano for the period ended 31 December 2007. Asciano listed on the ASX on 6 June 2007 on a deferred settlement basis. No cash incentives have been paid during the period. The cash incentive amount below represents management's best estimate and assumes that 100% of the target STI will be paid for the year ending 30 June 2008.

	Short term benefits				Post employment benefits	Other long term benefits	Share-based payments	
$	Salary[1]	Cash incentive	Non-monetary benefits	Sub-total	Super-annuation	Long service leave	Equity-settled	Total
Executive Director								
Mark Rowsthorn								
CEO and MD	1,012,936	907,500	14,467	**1,934,903**	7,112	24,119	251,616	**2,217,750**
Executives[2]								
Don Telford								
Chief Operating Officer	455,382	300,000	1,888	**757,270**	57,416	11,762	76,247	**902,695**
Austen Perrin								
Chief Financial Officer	298,599	120,000	1,126	**419,725**	7,112	6,945	33,272	**467,054**
Saul Cannon								
Group General Counsel	203,184	82,500	14,335	**300,019**	43,829	4,977	27,726	**376,551**
Robert Jeremy								
Director of Mergers and Acquisitions	277,515	50,000	1,073	**328,588**	13,612	6,516	20,795	**369,511**
Graham Lyon								
Head of Government Relations and Environment	234,533	50,000	13,945	**298,478**	40,199	6,606	20,795	**366,078**
Total remuneration	**2,482,149**	**1,510,000**	**46,834**	**4,038,983**	**169,280**	**60,925**	**430,451**	**4,699,639**

1 Salary includes cash salary and accrued annual leave.

2 Don Telford, Austen Perrin, Robert Jeremy and Graham Lyon were appointed on 15 June 2007. Saul Cannon was a Director of Asciano Limited and Asciano Finance Limited from 12 April 2007 to 15 June 2007 and was appointed Group General Counsel on 2 July 2007.

Asciano was not listed in 2006 and therefore no comparative information has been provided. No termination benefits were paid for the period ended 31 December 2007. Neil Chatfield and Paul Little were Directors of Asciano for the period from 29 January 2007 to 27 February 2007, which was prior to the time that Asciano became a publicly listed entity. No fees were paid to these Directors.

Remuneration components as a proportion of total remuneration

The table below outlines fixed remuneration and performance-based remuneration as a proportion of total remuneration paid, accrued or expensed for the period ending 31 December 2007.

As options have been amortised over the period from the "effective date" to vesting date in accordance with AASB 2 *Share-based Payment*, the option expense is for six months of the three year vesting period. Accordingly, the below split between fixed remuneration and performance-based remuneration is not indicative of the Executive Director and executives' target remuneration mix on an annual basis. See the "Remuneration framework" section of this report for the Executive Director and executives' target annual remuneration mix.

	Fixed remuneration[1]	Short term incentive[2]	Long term incentive[3]	Total
Executive Director				
Mark Rowsthorn	48%	41%	11%	100%
Executives				
Don Telford	58%	33%	9%	100%
Austen Perrin	67%	26%	7%	100%
Saul Cannon	71%	22%	7%	100%
Robert Jeremy	81%	13%	6%	100%
Graham Lyon	81%	13%	6%	100%

1 Fixed remuneration includes cash salary, non-monetary benefits, superannuation and long-service leave.

2 Short term incentive refers to the accrual made under the cash-based Short Term Incentive Plan.

3 Long term incentive represents the expense for the options issued under the Asciano Option and Rights Plan.

Value of remuneration that may vest in future periods[1]

	Period to 30 June 2008[2] $	Year to 30 June 2009 $	Year to 30 June 2010 $
Executive Director			
Mark Rowsthorn	1,159,116	503,233	503,233
Executives			
Don Telford	376,247	152,495	152,495
Austen Perrin	153,272	66,543	66,543
Saul Cannon	110,226	55,453	55,453
Robert Jeremy	70,795	41,590	41,590
Graham Lyon	70,795	41,590	41,590

1 Remuneration amounts disclosed in the above table refer to the maximum value of options and also assume a 100% achievement of target under the STI Plan for the period from 1 January 2008 to 30 June 2008. The option values were determined at grant date by using an appropriate pricing model and are being amortised in accordance with AASB 2 Share-based Payment. The minimum value of the options that may vest is nil. No remuneration currently granted may vest in years post 30 June 2010.

2 The values disclosed under 30 June 2008 relate to the period 1 January 2008 to 30 June 2008. The accrual under the Short Term Incentive Plan is conservative and assumes that 100% of the Target STI will be paid.

Terms and conditions of outstanding option allocations
The terms and conditions of options granted during the period to 31 December 2007 are outlined in the table below. The options enable the participant to acquire a security in Asciano provided certain time-based and performance-based vesting conditions are achieved.

	Tranche[1]	Granted number[2]	Grant date	Value per option $	Value of options granted $	Exercise price per option $
Executive Director						
Mark Rowsthorn	A	840,278	19 November 2007	1.44	1,210,000	8.43
	B	280,092	19 November 2007	1.07	299,698	8.43
Executives						
Don Telford	A	254,630	19 November 2007	1.44	366,667	8.43
	B	84,876	19 November 2007	1.07	90,817	8.43
Austen Perrin	A	111,111	19 November 2007	1.44	160,000	8.43
	B	37,037	19 November 2007	1.07	39,630	8.43
Saul Cannon	A	92,593	19 November 2007	1.44	133,334	8.43
	B	30,864	19 November 2007	1.07	33,024	8.43
Robert Jeremy	A	69,445	19 November 2007	1.44	100,001	8.43
	B	23,148	19 November 2007	1.07	24,768	8.43
Graham Lyon	A	69,445	19 November 2007	1.44	100,001	8.43
	B	23,148	19 November 2007	1.07	24,768	8.43

1 Tranche A refers to the options subject to the growth in free cash flow per security hurdle. Tranche B refers to the options subject to the Relative TSR hurdle. Tranche A options have been valued using the Binomial model and are exclusive of performance hurdles. Tranche B options have been valued using a Monte Carlo simulation, which takes into account the Relative TSR performance hurdle. The inputs used to value the options are: date of grant of 19 November 2007, closing security price at the date of grant of $8.38, exercise price of $8.43, dividend yield of 5.5%, risk free rate of 6.44%, volatility of 25%, performance period start date of 1 July 2007, vesting date of 30 June 2010 and expiry date of 30 June 2012.

2 No amounts are paid or payable by any of the executives in relation to their options.

All options are first exercisable at 1 July 2010 and are last exercisable at 30 June 2012. No options lapsed, vested or became exercisable during the period. Option holders are not entitled, through their option holding, to participate in any security issue or interest issue of the entity. To the extent that the options to acquire securities relate to shares in Asciano Limited, the offer of options was made by Asciano Limited. To the extent that the options to acquire securities relate to units in Asciano Finance Trust, the offer of options was made by Permanent Investment Management Limited, being the responsible entity for Asciano Finance Trust.

6.3 Executive Director and executive employment contracts – audited

The key contract and other terms of the Executive Director are set out below:

Contract details	Mark Rowsthorn – Managing Director and Chief Executive Officer
Length of existing contract	3 years ending 15 June 2010
Termination of employment	**Voluntary termination:** Employment can be terminated by Mark Rowsthorn by giving 12 months' notice. Mark Rowsthorn will receive six months' Total Employment Remuneration (TER)[1] if he remains employed for the notice period. All unvested options will lapse. **Termination with notice:** Employment can be terminated by Asciano by giving 12 months' notice. Mark Rowsthorn will receive six months' TER if he remains employed for the notice period. If notice is not given, Asciano can pay Mark Rowsthorn 18 months' TER in lieu of notice. Treatment of unvested options depends upon the circumstances of termination. **Termination without notice:** Mark Rowsthorn's employment may be terminated immediately without notice (or a payment in lieu of notice) if he commits any act or omission justifying summary dismissal at common law. All unvested and vested options will lapse immediately. **Treatment of FAR and STI upon termination:** Mark Rowsthorn is entitled to receive any accrued but unpaid portion of FAR as well as any STI which has been accrued and is payable from the preceding financial year but has not been paid.

1 TER refers to FAR plus Target STI plus Target LTI. The payout of TER as opposed to FAR upon termination is a legacy arrangement carried over from Mark Rowsthorn's employment with Toll. His notice provisions were approved by shareholders at the Toll General Meeting held on 28 May 2007.

Don Telford, Austen Perrin, Saul Cannon, Robert Jeremy and Graham Lyon all have ongoing contracts. Their termination arrangements are outlined below.

Voluntary termination: The executive may terminate their employment by providing six months' written notice.

Termination with notice: Employment can be terminated by Asciano by giving six months' notice (or making a payment of six months' FAR in lieu of notice).

Termination without notice: The executive's employment may be terminated immediately without notice (or a payment in lieu of notice) if the executive commits any act or omission justifying summary dismissal at common law. All unvested and vested options will lapse immediately.

Treatment of FAR and STI upon termination: The executive shall be entitled to receive any accrued but unpaid portion of FAR as well as any STI that has been accrued and is payable from the preceding financial year but has not been paid to the executive. The executive will be entitled to a pro-rata payment of an STI for the financial year in which the termination occurs unless the termination is voluntary termination or termination without notice.

6.4 Non-Executive Directors – audited

Remuneration policy and structure

Non-Executive Director fees are determined by the Board of Directors in reference to Non-Executive Director fees in S&P/ASX 100 companies, whilst also considering their responsibilities, skills and workload. The current Non-Executive Director fee pool is $1,000,000 per annum as set out in the Toll Restructure Scheme Book.

Non-Executive Directors receive a cash fee for service. They do not receive any performance related remuneration or any retirement benefits, other than statutory superannuation. Annual fees payable to Non-Executive Directors are set out below:

Board/committee	Role	Fee $
Board	Chairman	325,000
	Member	100,000
Audit and risk committee	Chairman	10,000
	Member	5,000
Remuneration committee	Chairman	10,000
	Member	5,000
Nomination and succession planning committee	Chairman	10,000
	Member	5,000

Remuneration of Non-Executive Directors for the period ended 31 December 2007
Set out in the following table is the remuneration for the Non-Executive Directors for the period ended 31 December 2007.

	Short term employee benefits			Post-employment benefits	
	Fees[1]	Non-monetary benefits	Sub-total	Super-annuation	Total
Non-Executive Directors[2]					
Tim Poole Independent Chairman	160,550	–	**160,550**	14,450	**175,000**
Chris Barlow Independent Director	52,752	–	**52,752**	4,748	**57,500**
Peter George Independent Director	100,917	–	**100,917**	9,083	**110,000**
Total	**314,219**	–	**314,219**	**28,281**	**342,500**

1 Fees include Board and committee fees.

2 Tim Poole and Chris Barlow were appointed on 15 June 2007. Peter George was appointed on 5 March 2007.

No termination benefits were paid during the period ended 31 December 2007.

7. Principal activities

The principal activities of Asciano during the course of the financial period were in transport infrastructure, including the ownership and management of ports and rail assets and associated operations and services.

There has been no significant change in the nature of these activities of Asciano during the period.

8. Operating and financial review

Overview of Asciano

Asciano Limited was incorporated on 29 January 2007. Pursuant to the Restructure Scheme Book issued by Toll on 20 April 2007 and lodged with ASIC, Asciano commenced operations following the demerger of the Pacific National rail business and certain ports businesses (predominantly the former Patrick Ports businesses) from Toll on 15 June 2007 (demerger date).

The financial results in this operational report cover the period from demerger date until balance date (period). Comparatives have not been included because this is Asciano's first period of operation.

Review of principal businesses

Asciano has already taken significant steps in establishing itself as Australia's leading transport infrastructure operator since the demerger date, which brought together the Pacific National rail operations with the Patrick ports businesses to create a unique transport infrastructure group. Management teams across the two industry segments have settled in and are actively pursuing revenue growth and profit enhancement initiatives. The delivery of synergies across Asciano is also well progressed. Significantly, an extensive program has commenced to rationalise, restructure or exit businesses transferred on the demerger date that do not deliver stable cash flows or the requisite growth profile.

A summary of results for the half year by industry segment is set out below:

	Ports $'000	Rail $'000	Unallocated $'000	Total $'000
Total revenue and other income	670,592	847,656	16,023	1,534,271
Operating profit before individually significant items	**190,939**	**174,248**	**740**	**365,927**
Depreciation and amortisation	(52,931)	(77,176)	–	(130,107)
Profit before financing costs, individually significant items and tax	**138,008**	**97,072**	**740**	**235,820**
Net finance costs	–	–	(194,425)	(194,425)
Result before individually significant items	138,008	97,072	(193,685)	41,395
Individually significant items	–	(139,600)	(10,523)	(150,123)
Profit/(loss) before tax	**138,008**	**(42,528)**	**(204,208)**	**(108,728)**
Tax benefit				37,654
Loss after tax				**(71,074)**
Minority interest				183,413
Profit attributable to the Parent company				**112,339**

Review of Ports business

Asciano's Ports segment includes Patrick's container ports and stevedoring businesses. Patrick operates container terminals with operations in Australia's four major ports connected with a network of port related freight services and logistics to importers and exporters. Patrick is Australia's leading operator of private ports and bulk cargo terminals, and the country's largest provider of bulk and general stevedoring services.

The container ports business operates container handling terminals at Australia's four largest ports in Melbourne, Sydney, Brisbane and Fremantle. Back-of-port container-handling businesses via road and rail support the front-of-port operations. While export focused activities, which are reliant on agricultural exports, were impacted by the drought, container terminal volumes have benefited from strong retail activity and import growth. For the 2007 calendar year, the Melbourne container terminal (Patrick) achieved for the first time at any Australian port a volume throughput of more than one million TEUs (twenty foot equivalent units).

A major expansion at Fisherman Islands in the Port of Brisbane is currently being constructed to facilitate anticipated growth in Queensland container volumes. Port facility reconfigurations to increase capacity and container throughput are also planned for the Sydney (Port Botany) and Melbourne (East Swanson Dock) Container Terminals.

Margins at the Fisherman Islands site have benefited significantly from the deployment of automated straddle technology, which has been developed by Patrick Technology & Systems, a subsidiary of Asciano, and its joint venture partner, Kalmar. Now fully operational, the automation technology will be progressively rolled out through the remainder of the Patrick container terminals.

Patrick's ports, bulk and stevedoring business includes stevedoring, bulk port facility development and management and supply chain services at Australia's regional ports. It also operates a specialised car storage, handling and distribution business under the Patrick Autocare banner. Stevedoring revenues have benefited from increases in growth in volumes of cars and steel, minerals and petrochemicals handled. Autocare has also enjoyed the benefits of an increase in new car sales and the trend towards imported vehicles.

Review of Rail business

Asciano's Rail business, Pacific National, is Australia's leading provider of bulk haulage services for coal, grain and bulk industrial products. Pacific National is also the leading provider of intermodal services, providing interstate rail freight services to freight forwarders and steel manufacturers.

The bulk rail services business operates in the coal and industrial products (cement, sand, ore and other bulk commodity products) markets and also the rural-facing grain and general agricultural product markets.

A strong resource sector has contributed to a solid increase in the rail task for minerals and concentrates. An expansion of rail infrastructure works in the period drove higher ballast and sleeper volumes than previously experienced. The business is in the process of expanding its Hunter Valley coal rolling stock fleet and is actively working with government and local authorities to improve the total coal-chain logistics solution provided to coal producers in the Hunter Valley. The delay in completion of track infrastructure in the Hunter Valley Coal Chain and the current port base capacity allocation system have constrained Pacific National's ability to fully utilise its rolling stock capacity. This has had a direct impact on the coal operating results been below expectations. The impetus for change is evident, and the principles of what is required to improve the overall capacity of the Hunter Valley Coal Chain will continue to be articulated by Pacific National to the relevant government bodies.

Plans are also well advanced to expand operations into the Queensland coal market.

The grain and general freight markets have been significantly impacted by the drought across southern and eastern Australia. The resultant failure of the 2007 winter crop, following on from a similar failure in 2006, meant that there was no significant movement of export grain during the period with the business almost fully dependent on domestic movements.

The intermodal business operates networked rail services across three networks, being the national standard gauge network between the mainland capital cities, the Queensland narrow gauge network from Brisbane to Cairns and the Tasmanian narrow gauge network. The business has benefited from strong customer support and an improved delivery performance for its express services, which deliver time-critical containerised freight between the eastern seaboard and Perth. Steel transport has been boosted with a new seven year contract with a two year option with Australia's major steel producers that came into force from 1 January 2008. The business has assumed control of rail services inside Australia's largest steel making facility, thereby providing further integration into the steel industry supply chain logistics.

Restructure activities

Following a strategic review during the period, it has been determined that Pacific National's grain and general rail freight businesses shall be significantly downsized. Patrick's PortLink business, which is part of the ports segment's back-of-ports container handling operation, will be rationalised because of the impact of the drought on export volumes. These decisions will entail a number of redundancies and site closures and asset decommissioning activities and will be undertaken in early 2008. Whilst difficult, the Board of Directors considers it essential that operational businesses within Asciano are able to provide stable cash flows and reliable growth profiles.

A charge for $26.5 million relating to the restructure outlays has been recorded in the financial statements for the period. A further $113.1 million charge has been recorded to reflect the impairment in asset values as a result of this initiative.

Finance

Asciano cash flow generation during the period was very strong. Cash generated before tax and interest from operations was $359.7 million, reflecting strong earnings. Capital expenditure on existing and new assets and infrastructure, including terminal development, rolling stock and technology, totalled $143.3 million.

$42.5 million was also received from the sale of an associate and a joint venture. A net $592.1 million was invested in available-for-sale securities.

The Parent company basic and dilutive earnings per share for the period were 17.1 cents. Asciano group basic and dilutive earnings per security were (10.8) cents.

9. Distributions

There were no dividends paid by the Parent to securityholders during the period; however, distributions were declared and subsequently paid by the Trust.

The 2008 interim distribution of 23.0 cents per security totalling $151.0 million was declared on 11 December 2007 and paid on 28 February 2008.

10. Events subsequent to reporting date

Asciano's net debt at 31 December 2007 stood at $4.71 billion. Subsequent to balance date, bank loans totalling $406 million maturing in August 2008 have been extended to February 2009, and offers have been accepted for the extension of working capital facilities from May and June 2008 to May 2009. As a consequence, none of Asciano's facilities mature before February 2009.

Other than these events, there has not arisen in the interval between the end of the period and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect significantly the operations of Asciano, the results of those operations, or the state of affairs of Asciano, in future financial periods.

11. Likely developments

Rural rail services

On 11 December 2007, Asciano announced that its rural rail services were underperforming. Continuing drought conditions meant that the outlook for these businesses was poor. A business restructure has been approved by the Board as noted above and will occur during the first half of the 2008 calendar year. The main businesses impacted by the restructure are the New South Wales and Victorian grain rail networks and the Victorian rural rail intermodal services.

The plan is to:

- downsize New South Wales grain operations to a bare minimum;
- sell or close the Victorian grain business; and
- sell or close the Victorian rural container business.

In addition, the Tasmanian intermodal business is under review to determine if it should be either sold or closed.

Queensland export coal haulage

Asciano is to enter the Queensland export coal haulage market. Key legal and commercial terms are being finalised with multiple coal companies operating in Queensland. Orders have been placed for diesel and electric locomotives with a total investment of approximately $400 million. The expansion will provide a significant footprint on which to build future growth.

Apart from the developments noted above, in the opinion of the Directors, it would prejudice the interests of Asciano to provide additional information relating to likely developments in the operations of Asciano and the expected results of those operations in financial periods subsequent to 31 December 2007.

12. Directors' interests

The relevant interest of each Director in the securities, debentures, interests in registered schemes and rights or options over such instruments issued by the companies within Asciano and other related bodies corporate, as notified by the Directors to the ASX in accordance with section 205G(1) of the Act, at the date of this report is as follows:

	Securities	Options over securities
Non-Executive Directors		
Tim Poole	131,589	–
Chris Barlow	13,046	–
Peter George	136	–
Executive Director		
Mark Rowsthorn	69,192,811	1,120,370

13. Options over securities

Options granted to Directors and officers of Asciano

During the period, Asciano granted options for no consideration over unissued securities in Asciano to the following Directors and to the five most highly remunerated officers of Asciano as part of their remuneration:

	Number of options granted	Exercise price $	Expiry date
Executive Director			
Mark Rowsthorn	1,120,370	8.43	30 June 2012
Officers			
Don Telford	339,506	8.43	30 June 2012
Austen Perrin	148,148	8.43	30 June 2012
Saul Cannon	123,457	8.43	30 June 2012
Robert Jeremy	92,593	8.43	30 June 2012
Graham Lyon	92,593	8.43	30 June 2012

In accordance with the LTI Plan, Asciano has complete discretion in deciding whether options will be satisfied upon exercise by purchase of securities on market or by new issue. In accordance with confirmation granted to Asciano by the ASX in relation to the application made by Asciano in regards to the options granted to Mark Rowsthorn, the options granted to Mark Rowsthorn must be satisfied upon exercise by purchase of securities on market (rather than new issue).

Unissued securities under options

During the reporting period, there were 3,728,400 options granted over unissued securities of Asciano with an exercise price of $8.43 and an expiry date of 30 June 2012. In addition, a further 73,746 options were granted since the end of the reporting period. These options have an exercise price of $7.00. 60% of these options expire on 30 June 2012 and 40% of these options expire on 31 December 2012.

All options expire on the earlier of their expiry date or termination of the employee's employment. In addition, the ability to exercise the options is conditional on Asciano achieving certain performance hurdles. The performance hurdles comprise two components, growth in free cash flow and relative total shareholder return. Further details are included in section 6.1 of the Remuneration report. Option holders, by virtue of their option holding, are not entitled to participate in any security issue or interest issue of the Company or any other body corporate.

Securities issued on exercise of options

No options were converted to securities during the reporting period.

14. Indemnities and insurance for Directors and officers

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

An indemnity agreement has been entered into between Asciano and each of the Directors named earlier in this report. Under the agreement, Asciano has agreed to indemnify the Directors against any claim or for any expenses or costs which may arise as a result of the performance of their duties as Directors. There are no monetary limits to the extent of this indemnity.

15. Undertakings to the ACCC

On 11 March 2006 Toll provided enforceable Undertakings (Undertakings) to the ACCC in connection with regulatory clearance of Toll's acquisition of Patrick Corporation Limited.

Those Undertakings provided for the divestment (among others) of 50% of Toll's economic interest in Pacific National and included obligations for Pacific National to make available certain rail assets and associated support services to operators that intended to operate line haul services on the east-west rail corridor, as well as the implementation of a ports and rail non-discrimination regime.

On 18 April 2007 the ACCC accepted a variation to the Undertakings from Toll (Variation) in order to facilitate the restructure of Toll and the creation of the Asciano Group (restructure), and in recognition that Pacific National and Toll's ports businesses would be transferred to Asciano following the Restructure.

The Variation provided that (among other things), once the restructure was implemented, Asciano would be relieved of its obligation to divest a 50% interest in Pacific National. In addition, the Variation provided that Toll's obligations to make available certain rail assets and to implement the ports and rail non-discrimination regimes would, following the Restructure, be assumed by Asciano under separate undertakings to the ACCC.

On 18 April 2007 the ACCC accepted enforceable undertakings from Asciano (Asciano Undertakings). The Asciano Undertakings also include a range of measures designed to ensure that Toll and Asciano are independent and separate of one another, and include the prohibitions set out below.

The Asciano Undertakings prohibit:

- the employment of senior ex-Toll personnel in Pacific National's containerised rail business;
- sharing or secondment of management or employees between Asciano and Toll;
- the payment of performance or incentive fees by Asciano to Toll or Toll employees in relation to Asciano's financial performance;

- the sharing of profits and revenues between Asciano and Toll;
- any preferencing in terms of price and service quality on a "like for like" basis by Pacific National's containerised rail business in favour of Toll's freight forwarding and logistics operations and Patrick's car carrying operations;
- any preferencing in terms of price and service quality on a "like for like" basis by Patrick's container terminals business in favour of Toll landside operations;
- joint ventures between Asciano and Toll group entities anywhere in the world;
- acquisition by Asciano of any Toll shares or asset interests (whether legal or equitable); and
- shared services and joint procurement arrangements between Asciano and Toll.

The Asciano Undertakings require that:

- all contracts, arrangements or understandings between Asciano and Toll must first be approved by the Asciano Board as being arm's length, in Asciano's best interest and non-exclusive;
- Pacific National and Patrick must collect and keep certain information on price and key performance indicators and provide this information to the auditor and, when requested, to customers; and
- six monthly independent audits must be carried out until 31 March 2011 of Asciano's compliance with all obligations under the undertakings.

The Asciano Undertakings and the Variation also impose a number of restrictions in respect of relevant directors of Toll and of Asciano group companies that are intended to ensure independence of governance.

The relevant Asciano and Toll directors were required to give undertakings to the ACCC to divest their interest in Toll and Asciano (respectively) following the Restructure. The relevant directors of Asciano and Toll were also required to give undertakings to the ACCC to resign all positions, including their employment, if they are no longer independent of the other entity. The existing group directors of Asciano and Toll have given such undertakings.

This is a summary only of the material terms of the undertakings, full details of which are available on the ACCC website.

The undertakings given by Toll and Asciano as well as by the relevant Toll and Asciano directors apply until 31 March 2011.

16. Proceedings on behalf of the Company

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

17. Rounding off

The Company is of a kind to which ASIC Class Order 98/100 dated 10 July 1998 applies and in accordance with that Class Order, amounts in the financial report and Directors' report have been rounded off to the nearest one thousand dollars, unless otherwise stated.

18. Non-audit services

During the period KPMG, the Company's auditor, has performed certain other services in addition to their statutory duties.

Details of the amounts paid to the auditor of the Company, KPMG, and its related practices for statutory audit and non-audit services are set out in note 38 of the financial statements for the period to 31 December 2007. The Board is satisfied that the non-audit services provided are compatible with the general standard of independence for auditors imposed by the Act and do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

19. Auditor's independence declaration

The auditor's independence declaration is set out on the following page and forms part of the Directors' report for the period ended 31 December 2007.

20. Outlook

Trading since 31 December 2007 has continued to deliver stable and growing cash flows. The restructure of the rural businesses will allow Asciano to move to a stronger, less volatile platform from which it can develop business opportunities to grow both organically and through acquisitions. The outlook for the full 2008 financial year is strong, with Asciano capitalising on its operating infrastructure and management capability.

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

Tim Poole

Tim Poole
Chairman

Melbourne
12 March 2008

Auditor's independence declaration from KPMG

The Lead Auditor's independence declaration under section 307C of the *Corporations Act 2001*.

To: the Directors of Asciano Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the interim financial period ended 31 December 2007 there have been:

(a) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

DM McLennan

DM McLennan
Partner

Sydney
12 March 2008

Financial report

For the period to 31 December 2007

Asciano is a stapled entity that comprises Asciano Limited (ABN 26 123 652 862) and its controlled entities (and includes Asciano Finance Trust – ARSN 124 102 807).

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Income Statements

For the period to 31 December 2007

	Note	Asciano First half 2008 $'000	Parent First half 2008 $'000
Revenue	8	1,506,876	–
Other income	8	27,395	33
Share of net profit of associates and joint venture	19	5,351	–
Operating expenses excluding depreciation and amortisation	10	(1,173,695)	–
Operating profit before individually significant items		**365,927**	**33**
Depreciation and amortisation	10	(130,107)	–
Profit before financing costs, individually significant items and tax		**235,820**	**33**
Net financing costs	9	(194,425)	(223,113)
Profit/(loss) before individually significant items and tax		**41,395**	**(223,080)**
Individually significant items	6, 10	(150,123)	(4,211,275)
Loss before tax		**(108,728)**	**(4,434,355)**
Tax benefit	11	37,654	66,924
Loss after tax		**(71,074)**	**(4,367,431)**
Attributable to:			
Shareholders of the Parent company		112,339	(4,367,431)
Minority interest:			
– Unitholders of the stapled Trust	29	(185,705)	–
– Other	29	2,292	–
		(71,074)	**(4,367,431)**
Earnings per Parent company share			
Basic and dilutive (cents)	7	17.1	n/a

The notes on pages 46 to 128 are an integral part of these financial statements.

Balance Sheets

As at 31 December 2007

	Note	Asciano December 2007 $'000	Parent December 2007 $'000
Current assets			
Cash and cash equivalents	12	221,367	100,341
Trade and other receivables	14	346,296	3,005
Inventories	16	29,756	–
Other financial assets, including derivatives	17	585,368	24,003
Prepayments	15	37,132	–
Other assets	22	1,741	–
Total current assets		**1,221,660**	**127,349**
Non-current assets			
Inventories	16	19,152	–
Trade and other receivables	14	75,558	–
Other financial assets, including derivatives	17	69,192	7,423,524
Equity accounted investments	19	19,792	–
Net deferred tax assets	18	113,615	–
Property, plant and equipment	20	2,274,486	–
Intangible assets	21	4,195,445	–
Other assets	22	42,506	42,506
Total non-current assets		**6,809,746**	**7,466,030**
Total assets		**8,031,406**	**7,593,379**

	Note	Asciano December 2007 $'000	Parent December 2007 $'000
Current liabilities			
Trade and other payables, including derivatives	23	349,410	358
Loans and borrowings	24	407,174	168,221
Current tax liabilities	18	6,259	–
Provisions and employee benefits	25	378,977	–
Total current liabilities		**1,141,820**	**168,579**
Non-current liabilities			
Trade and other payables, including derivatives	23	9,061	–
Loans and borrowings	24	4,523,899	4,945,790
Provisions and employee benefits	25	125,551	–
Deferred tax liabilities	18	–	15,617
Total non-current liabilities		**4,658,511**	**4,961,407**
Total liabilities		**5,800,331**	**5,129,986**
Net assets		**2,231,075**	**2,463,393**
Equity			
Share capital	26	6,765,651	6,765,651
Reserves	27	(4,872,200)	65,173
Accumulated profits/(losses)	28	110,374	(4,367,431)
Parent entity interest		**2,003,825**	**2,463,393**
Minority interest	29	227,250	–
Total equity		**2,231,075**	**2,463,393**

The notes on pages 46 to 128 are an integral part of these financial statements.

Statements of Recognised Income and Expense

For the period to 31 December 2007

	Note	Asciano First half 2008 $'000	Parent First half 2008 $'000
Change in fair value of available-for-sale financial assets transferred to profit	8	6,125	–
Change in fair value of available-for-sale financial assets		(31,911)	–
Foreign currency translation differences for foreign operations	9	(1,012)	–
Effective portion of changes in fair value of cash flow hedges	9	40,000	40,143
Defined benefit plan actuarial losses	28	(1,965)	–
Loss after tax		(71,074)	(4,367,431)
Total recognised income and expense		**(59,837)**	**(4,327,288)**
Attributable to:			
Shareholders of the Parent		123,576	(4,327,288)
Minority interest:			
– Unitholders of the Trust	29	(185,705)	–
– Other	29	2,292	–
Total recognised income and expense		**(59,837)**	**(4,327,288)**

The notes on pages 46 to 128 are an integral part of these financial statements.

Cash Flow Statements

For the period to 31 December 2007

	Note	Asciano First half 2008 $'000	Parent First half 2008 $'000
Operating cash flows			
Receipts from customers		1,764,957	–
Payments to suppliers and employees		(1,405,222)	–
Interest and other costs of finance paid		(173,549)	(163,557)
Dividends received from associates		3,578	–
Net income tax refunds		7,797	–
Interest received		7,492	3,363
Net operating cash flows	13	**205,053**	**(160,194)**
Investing cash flows			
Payments for available-for-sale securities		(707,677)	–
Proceeds from sale of available-for-sale financial assets		115,601	–
Dividends received from available-for-sale financial assets		9,842	–
Payments for property, plant and equipment	20	(143,333)	–
Proceeds from sale of property, plant and equipment		13,554	–
Proceeds from sale of business		42,500	–
Loans to associates		(15,798)	–
Net investing cash flows		**(685,311)**	**–**
Financing cash flows			
Proceeds from issues of securities		150,000	–
Payments for debt issue costs		(51,697)	(50,197)
Proceeds from borrowings		5,045,901	–
Exit payments at demerger, net of cash acquired		(4,326,978)	(4,337,080)
Repayment of borrowings		(115,601)	–
Loans from related parties		–	4,647,812
Net financing cash flows		**701,625**	**260,535**
Net increase in cash and cash equivalents		**221,367**	**100,341**
Cash and cash equivalents at the beginning of the period		–	–
Cash and cash equivalents at the end of the period	12	**221,367**	**100,341**

The notes on pages 46 to 128 are an integral part of these financial statements.

Notes to and forming part of the financial statements

For the period to 31 December 2007

1. Summary of significant accounting policies

Reporting entity

The financial report includes separate financial statements for Asciano Limited (Parent) as an individual entity and the consolidated entity (Asciano) consisting of Asciano Limited and its controlled entities (including Asciano Finance Trust). Asciano Limited is domiciled in Australia. The principal accounting policies that have been adopted in the preparation of this financial report are set out below.

Basis of preparation

The general purpose financial report has been prepared in accordance with Australian Accounting Standards, including Australian Interpretations adopted by the Australian Accounting Standards Board, and the *Corporations Act 2001*.

Reporting period

The Parent was incorporated on 29 January 2007 and was dormant until 15 June 2007 when Asciano was formed under a scheme of arrangement (demerger) that involved the separation of Toll's transport infrastructure assets from its network and supply chain business. This financial report covers the period from the date of incorporation (being 29 January 2007) to 31 December 2007; therefore, there are no comparatives.

The Australian Securities and Investments Commission (ASIC) has provided relief to Asciano Limited from the requirement in subsection 323D(5) of the *Corporations Act 2001* such that the half year financial period can cover the period from 29 January 2007 to 31 December 2007.

Compliance with IFRS

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the consolidated financial statements and notes of Asciano Limited comply with the International Financial Reporting Standards (IFRS).

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by AASB 139 *Financial Instruments: Recognition and Measurement*, which requires the revaluation of financial assets and certain liabilities at fair value.

Functional and presentation currency

These financial statements are presented in Australian dollars, the Parent's functional currency and the functional currency of the majority of the entities of Asciano.

Rounding of amounts

Asciano is of a kind referred to in ASIC Class Order 98/100 and, in accordance with that Class Order, amounts in the financial report and Directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Critical accounting estimates and judgements

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. In particular, information about significant areas of estimation and uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in note 3.

Principles of consolidation

Stapling

Asciano Limited and Asciano Finance Trust have been stapled together to form Asciano.
AASB Interpretation 1002 *Post-Date-of-Transition Stapling Arrangements* requires that a parent be identified for the stapled group. Asciano Limited has been identified as the accounting parent of the stapled group and as such will prepare consolidated accounts, consolidating Asciano Limited and Asciano Finance Trust from the date of stapling.

Under AASB Interpretation 1002, the interests of the securityholders in Asciano Finance Trust are shown as minority interests in the Income Statements and Balance Sheets of Asciano even though the unitholders of Asciano Finance Trust are also shareholders of Asciano Limited by virtue of the stapling arrangement. Other minority interests are interests in partly owned subsidiaries, which are not held either directly or indirectly by Asciano Limited.

Common control transaction

The opening consolidated Balance Sheets of Asciano reflects the values for assets and liabilities from Toll's consolidated accounting records. As a common control transaction, the demerger does not reflect the fair value of assets and liabilities acquired or any recording of additional goodwill on the formation of the new group.

1. Summary of significant accounting policies (continued)

Subsidiaries

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

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

Investments in subsidiaries are carried at their cost of acquisition in the Parent's financial statements subject to any impairment. Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset being transferred. Accounting policies of controlled entities have been changed where necessary to ensure consistency with the policies adopted by Asciano.

Associates

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

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

Unrealised gains on transactions between Asciano and its associates are eliminated to the extent of Asciano's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by Asciano. In the Parent's financial statements, investments in associates are carried at the lower of their cost of acquisition or recoverable amount.

Segment reporting

A segment is a distinguishable component of Asciano that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Foreign currency translation

Foreign currency transactions and balances

Transactions in foreign currencies are translated into the entity's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the Balance Sheets date are translated into the respective entity's functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Income Statements.

Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to Australian dollars at foreign exchange rates ruling at the Balance Sheets date. The revenues and expenses of foreign operations are translated to Australian dollars at rates approximating to the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation, together with any foreign exchange differences on any net investment hedges, are recognised directly in the translation reserve and released into the Income Statements upon disposal of the foreign operation.

Revenue

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of rebates and amounts collected on behalf of third parties.

Revenue is recognised when the amount of revenue can be measured and it is probable that it will ultimately be received. Where the amount of revenue cannot be calculated reliably, revenue is to be recognised only to the extent of the costs incurred in relation to the service provided.

Revenue from the provision of port, rail and freight related services is recognised following the provision of the service and/or in accordance with agreed contractual terms in the period in which the service is provided.

Other income

Income from the disposal of property, plant and equipment is recognised when control of the property has passed to the buyer.

1. Summary of significant accounting policies (continued)

Expenses

Operating lease payments

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

Finance lease payments

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

Borrowing costs

Borrowing costs are expensed as incurred unless they relate to qualifying assets. Qualifying assets are assets that take more than 12 months to get ready for their intended use or sale. In these circumstances, borrowing costs are capitalised to the cost of the assets.

Finance income and expenses

Income from dividends and distributions is recognised when Asciano's right to receive payment is established. Interest revenue is brought to account when earned, taking into account the effective yield on the financial asset.

Finance income comprises interest income on funds invested, gains on the disposal of available-for-sale financial assets and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognised as it accrues, using the effective interest method.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss and impairment losses recognised on financial assets. All borrowing costs are recognised in profit or loss using the effective interest method, except for borrowing costs that are capitalised.

Income tax

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

Income tax on the profit or loss for the period comprises current and deferred tax. Income tax is recognised in the Income Statements except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the period based on the national income tax rates for each jurisdiction at the Balance Sheets date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is recognised using the Balance Sheets liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for:

- the initial recognition of goodwill;
- the initial recognition of assets or liabilities that affect neither accounting nor taxable profit; and
- differences relating to investments in subsidiaries and associates to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax recognised is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the Balance Sheets date.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

1. Summary of significant accounting policies (continued)

Tax consolidation

The Parent and its wholly owned Australian resident entities have formed a tax-consolidated group and are therefore taxed as a single entity from the date of demerger (15 June 2007). The head entity within the tax-consolidated group is Asciano Limited.

Current tax expense/benefit, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the "group allocation method" by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries are assumed by the head entity in the tax-consolidated group and are recognised as amounts payable/(receivable) to/(from) other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts. Any difference between these amounts is recognised by the Parent as an equity contribution or distribution.

The Parent recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability are recognised by the head entity only.

Nature of tax funding arrangements and tax sharing arrangements

The head entity, in conjunction with other members of the tax-consolidated group, is committed to enter into a tax funding arrangement that sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. 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 Asciano. The tax funding arrangements require payments to/(from) the head entity equal to the current tax liability/(asset) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-entity receivable/(payable) equal in amount to the tax liability/(asset) assumed. The inter-entity receivables/(payables) are at call.

Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

The head entity, in conjunction with other members of the tax-consolidated group, has entered into a tax sharing arrangement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

Impairment

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

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the Income Statements. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the impaired cash-generating unit and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro-rata basis.

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

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

Leased assets

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

1. Summary of significant accounting policies (continued)

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

Other leases are operating leases and the leased assets are not recognised on Asciano's Balance Sheets.

Cash and cash equivalents

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

Trade and other receivables

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

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

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories includes all costs of purchases and other expenses incurred in bringing the inventories to their present location and condition. Costs are assigned to individual items of inventory on the basis of either weighted average cost or a first in, first out basis unless specific identification is possible. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Investments and other financial assets

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

Other financial instruments held by Asciano are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss being recognised directly in equity, except for impairment losses and, in the case of monetary items such as debt securities and foreign exchange gains and losses, which are recognised in the Income Statements. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in the Income Statements. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in the Income Statement.

The fair value of financial instruments classified as held for trading and available-for-sale is their quoted last sale price at the Balance Sheets date. Financial instruments classified as held for trading or available-for-sale investments are recognised/derecognised by Asciano on the date it commits to purchase/sell the investments. Securities held-to-maturity are recognised/derecognised on the day they are transferred to/by Asciano.

Derivative financial instruments

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

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

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

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the Income Statements, together with any changes in the fair value of the underlying hedged item.

1. Summary of significant accounting policies (continued)

Cash flow hedges

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised immediately in the Income Statements within other income or expense.

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

Derivatives that do not qualify for hedge accounting

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

Fair value estimation

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

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

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

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

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

Property, plant and equipment

Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of fixed and variable overheads.

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

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

Borrowing costs incurred for the construction of any qualifying asset are capitalised as part of the cost of the asset.

Subsequent costs

Asciano recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to Asciano and the cost of the item can be measured reliably. All other costs are recognised in the Income Statements as an expense as incurred.

Depreciation

Items of property, plant and equipment, including buildings and leasehold property but excluding freehold land, are depreciated either on a straight line basis or units of production method over their estimated useful lives.

Depreciation rates used for each class of asset are as follows:

Buildings	2.5% – 5%
Plant and equipment	2.2% – 33% or units of production method equivalent
Leasehold improvements	2.6% – 20%

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

1. Summary of significant accounting policies (continued)

Repairs and maintenance
Routine maintenance costs are written off to the Income Statements as incurred.

Major cyclical maintenance on plant and equipment is capitalised to the carrying value of the asset as incurred and amortised over the period to the next scheduled heavy maintenance. Any remaining carrying amount of the cost of the previous inspection is derecognised.

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

Negative goodwill arising on an acquisition is recognised directly in the Income Statements.

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

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

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

Brand names

Any brand names recognised by Asciano that have an indefinite useful life are not amortised. Each period, the useful life of this asset is reviewed to determine whether events and circumstances continue to support an indefinite useful life assessment for the asset. Such assets are tested for impairment in accordance with the impairment policy.

Research and development

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will, after considering its commercial and technical feasibility, be completed and generate future economic benefits and its cost can be measured reliably. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight line basis over its useful life, which varies from three to five years.

Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Trade and other payables

Trade and other payables are stated at their amortised cost. Trade payables are non-interest bearing and are usually paid within normal trading terms.

Interest-bearing borrowings

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

Provisions

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

1. Summary of significant accounting policies (continued)

Workers compensation self-insurance
Where Asciano acts a self-insurer for workers compensation claims under relevant state/federal legislation, a provision is made for all individual claims up to $1 million. Independent actuarial valuations are used to estimate the provision required.

All claims over $1 million are reinsured and passed on to the reinsurer.

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

Onerous contracts
An onerous contract exists when the unavoidable costs of meeting obligations under a contract exceed the estimated benefits to be received from it. Provision is made for the amount by which the unavoidable costs exceed the total benefits.

Site restoration
In accordance with Asciano's environment policy and applicable legal requirements, provision for site restoration in respect of contaminated land, and the related expense, is recognised when the need is identified.

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

Travel passes
Asciano's net obligation in respect of travel passes is the amount of expected future benefits that employees/retirees have earned in return for their service in the current and prior periods. The obligation for travel passes is based on the age of the pass holder, length of service, expected exit date, and life expectancy.

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

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

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

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

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

Future taxes, such as taxes on investment income and employer contributions, are taken into account in the actuarial assumptions used to determine the relevant components of the employer's defined benefit liability or asset.

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

Security-based payment transactions
The Parent's Options and Rights Plan allows Asciano employees to acquire stapled securities of the Parent. The fair value of options granted is recognised as an employee benefits expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using the Binomial and Monte Carlo methods taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of options that vest except where forfeiture is only due to security prices not achieving the threshold for vesting.

1. Summary of significant accounting policies (continued)

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

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

Dividends/distributions
Provision is made for the amount of any dividends/distributions declared at or before the period end but not distributed at balance date.

Earnings per security
Basic earnings per security is calculated by dividing the result attributable to securityholders of the Parent by the weighted average number of ordinary securities outstanding during the period.

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

Goods and services tax
Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the relevant tax authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the tax authority is included as a current asset or liability in the Balance Sheets.

Cash flows are included in the Cash Flow Statements on a gross basis. The GST components of cash flows arising from investing and financing activities, which are either recoverable from or payable to the tax authority, are classified as operating cash flows.

New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the year ending 30 June 2008. Asciano's assessment of the impact of these new standards and interpretations is set out below.

AASB 8 *Operating Segments* introduces the "management approach" to segment reporting. AASB 8, which becomes mandatory for Asciano's 30 June 2010 financial statements, will require the disclosure of segment information based on the internal reports regularly reviewed by the Chief Operating Decision Maker in order to assess each segment's performance and to allocate resources to them. Currently, Asciano presents segment information in respect of its business and geographical segments and has not yet determined the potential effect of the standard on Asciano's disclosures.

Revised AASB 101 *Presentation of Financial Statements* introduces as a financial statement (formerly "primary" statement) the "statement of comprehensive income". The revised standard does not change the recognition, measurement or disclosure of transactions and events that are required by other AASBs. The revised AASB 101 will become mandatory for Asciano's 30 June 2010 financial statements.

Revised AASB 123 *Borrowing Costs* removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised AASB 123 will become mandatory for Asciano's 30 June 2010 financial statements; however, Asciano's current accounting policy is consistent with the revised AASB 123.

Accounting Interpretation (AI) 14 IAS 19 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction* clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on the impact of minimum funding requirements on such assets. It also addresses when a minimum funding requirement might give rise to a liability. AI 14 will become mandatory for Asciano's 30 June 2009 financial statements, with retrospective application required. Asciano has not yet determined the potential effect of the interpretation.

Going concern

There is a current asset deficiency in the Parent as at 31 December 2007 of $41.230 million. This is due to at call interest bearing liabilities of $168.221 million owed to a related entity, Asciano Finance Trust.

The directors of subsidiaries who are parties to the deed of cross guarantee detailed in note 39 have given an undertaking that they will assist the Parent to fund this liability and have accepted the responsibility of providing an undertaking to ensure sufficient financial assistance to the Parent as and when it is needed to enable the Parent to continue its operations and fulfill all of its financial obligations now and in the future. The undertaking is provided for a minimum period of 12 months from 12 March 2008.

2. Formation of Asciano

The formation of Asciano occurred at the direction of the consolidated entity's previous owner, Toll Holdings Limited (Toll). It represented a business combination undertaken under common control at 15 June 2007, and was accounted for using the accounting policies reflected below.

Asciano Limited was incorporated as a public company on 29 January 2007. Asciano Finance Trust was established on 1 March 2007. Until 15 June 2007, Asciano Limited had no activities or operations.

Immediately on issue of the Asciano Limited shares and Asciano Finance Trust units on 15 June 2007, the shares and units, by operation of the Constitutions of Asciano Limited and Asciano Finance Trust, became stapled to form the securities.

On 15 June 2007, Asciano Limited acquired all of the shares in the various entities that collectively represented Toll's ports businesses and the rail operations of Pacific National as part of the restructure of and demerger from Toll. Under the terms of the demerger, the consideration for the acquisition of the business was satisfied through the issue of 642,512,000 fully paid securities. As the demerger was arranged by Toll, Asciano did not incur any transaction costs associated with the formation of the new group.

Value attributed to fully paid securities issued to acquire the businesses reflects the market price of securities on 15 June 2007. Under common control accounting, Asciano has elected to recognise the demerged net assets at their book values prior to demerger. This net asset value is less than the value of the securities issued on 15 June 2007, the difference being recognised directly in equity as a common control reserve.

Asciano's assets and liabilities on demerger date

	$'000
Cash and cash equivalents	273,102
Trade and other receivables	357,362
Inventories	45,029
Property, plant and equipment	2,346,518
Intangible assets	4,256,320
Deferred tax assets	73,991
Other assets	211,117
Trade and other payables	(286,546)
Loans and borrowings	(4,500,000)
Provisions (including employee entitlements)	(331,742)
Other liabilities	(4,059)
Net identifiable assets and liabilities	**2,441,092**

The opening consolidated Balance Sheets of Asciano reflects the carrying values for assets and liabilities in the Toll consolidated accounting records using Toll's accounting policies prior to the demerger. As the demerger is considered to be a business combination under common control, no acquisition accounting in the form of a purchase price allocation was undertaken and therefore the assets and liabilities have not been remeasured to fair value nor has any goodwill arisen.

The recognised values of deferred tax balances were subsequently adjusted for the impact of the resetting of the tax values for the assets and liabilities when Asciano exited from the Toll tax-consolidated group and formed its own Asciano tax-consolidated group. This occurred subsequent to the exit from the Toll Group and consequently the impact of this resetting of tax bases is recognised in the Asciano consolidated Income Statements. Refer to note 18 for further details.

3. Critical accounting estimates and judgements

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

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

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

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on Asciano and that are believed to be reasonable under the circumstances.

Asciano makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next 12 months are discussed below.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

3. Critical accounting estimates and judgements (continued)

Impairment of goodwill and intangible assets with indefinite useful lives

Asciano assesses whether goodwill and intangible assets with indefinite useful lives are impaired at least annually in accordance with the accounting policy in note 1: Impairment. These calculations involve an estimation of the recoverable amount of the cash-generating units to which goodwill and intangible assets with indefinite useful lives have been allocated. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, which are detailed in note 21.

Defined benefit superannuation fund obligations

Various actuarial assumptions are utilised in the determination of Asciano's defined benefit superannuation fund obligations. A number of assumptions including but not limited to wage escalation rates, inflation, interest rates, mortality rates, and investment returns are used by the actuaries. Details of the assumptions used by the plans' actuaries are set out in note 31. A change in any of these assumptions can have a material impact on the plans' funding positions. The plans' assets for instance are subject to fluctuations in the Australian share market and market interest rates, both of which have had adverse movements in the reporting period and resulted in actuarial losses being recognised in accumulated profits. The impact on Asciano of unfavourable movements in the funding position of the plans may result in increased contributions in the future, as determined from time to time by the plans' Trustees.

Workers compensation self-insurance provisions

Independent actuarial valuations are used to estimate the provision required for workers compensation where Asciano is self-insured. The determination of the provision required is dependent on a number of assumptions including the total future cost to finalise existing open claims, wage increases that will impact existing claims, inflation, and the amount of claims that have been incurred but not as yet reported. Variances in any of the assumptions used, and in particular the costs associated with claims, can have a material impact on the provision estimates in the following year.

Taxation

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

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

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

Impairment of non-financial assets other than goodwill

Asciano assesses impairment of all assets annually by evaluating conditions specific to Asciano and to the particular asset, which may lead to impairment. These include technological, market, economic or legal environments in which Asciano operates. If an impairment trigger exists the recoverable amount of the asset is determined. Management has tested for impairment of these assets. An impairment charge of $113.1 million was calculated for assets used in the non-bulk grain rail operations. Refer to note 6.

Security-based payment transactions

Asciano measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using the Binomial and Monte Carlo methods, with the assumptions detailed in note 36. The accounting estimates and assumptions relating to equity-settled security-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

Restructuring provisions

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

3. Critical accounting estimates and judgements (continued)

Site restoration

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

Significant uncertainties exist as to the amount of restoration obligations that will be incurred due to the following factors:

- uncertainty as to the remaining life of existing operating sites
- the impact of changes in environmental legislation

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

Travel passes

As part of an acquisition by Pacific National in a prior period, Asciano assumed a retirement benefit liability related to life-long rail travel pass entitlements for certain ex-employees of FreightCorp, and for existing employees at the time that may become eligible for the retirement benefit. The entitlement relates to qualifying years of service by ex-employees of FreightCorp, and employees of FreightCorp that continued service with Pacific National. Entry into the scheme ceased in February 2002, but employees who held passes at the time and have not since cashed in their entitlement, may become eligible for the retirement benefit.

The liability has been determined by an actuary in June 2007 based on a number of assumptions including probability of existing employees becoming eligible for the retirement benefit, mortality rates and inflation rates. Changes in any of these assumptions may significantly impact the liability for the travel pass retirement benefit.

Incidents

Where Asciano is involved in an incident, such as a train derailment, and it is more probable than not that Asciano will be held liable for the consequential damage, a provision equal to the estimated cost of third party claims is set aside. The cost estimate is made by loss adjusters where material, but the final quantum of the potential claims can be significantly different to the estimate with a consequential impact on earnings. If Asciano is not found to be at fault, the provision will be written back to earnings in the period in which the finding is made.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by Asciano from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The final cost of meeting the onerous contract may vary depending on the operational performance of the business and the expenses required to be incurred to meet the obligations.

4. Financial risk management

(a) Overview

Asciano has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk; and
- market risk.

This note presents information about Asciano's exposure to each of the above risks, Asciano's objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout the consolidated financial statements.

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

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

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

4. Financial risk management (continued)

(b) Credit risk

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

Trade and other receivable exposure

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

The aging of the past due trade receivables at the reporting date was $58.982 million for debtors aged 31 to 60 days and $26.799 million for debtors beyond 61 days.

The audit and risk committee has established a credit policy under which each new customer is analysed individually for creditworthiness before Asciano's standard payment and delivery terms and conditions are offered.

Credit limits are established for each customer, where the limits represent the maximum open credit exposure permissible without prior approval from the committee.

Where a breach of Asciano's credit requirements occurs in relation to any customer, that customer is placed on credit watch and action is taken in accordance with Asciano's approved credit policy. Once an account has been suspended, no further freight or distribution activity can take place until the debt has been paid and approval to recommence trade has been given. Asciano's credit policy includes collection guidelines, such as the setting of collection targets, as well as follow up procedures to manage and minimise collection risk.

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

Treasury activities

Credit risk in relation to Asciano's treasury activities arises through the potential for loss of income and principal on investments.

The Board of Directors has established policies governing Asciano's treasury activities, including the monitoring and management of credit risks arising from investments and the use of derivatives.

The following table shows the carrying amount of financial assets that represents the maximum credit exposure at the reporting date:

	Note	Asciano $'000	Parent $'000
Cash and cash equivalents	12	221,367	100,341
Receivables	14	353,145	3,005
Loans to associates	14	68,709	–
Loans to related entities	17	–	55,859
Available-for-sale financial assets	17	561,365	–
Forward exchange contracts assets	17	11	11
Interest rate swaps	17	93,184	93,184
		1,297,781	**252,400**

(c) Liquidity risk

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

Asciano's liquidity risk is managed through:

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

4. Financial risk management (continued)

The following table provides maturities of Asciano's financial liabilities:

	Carrying amount $'000	Less than 1 year $'000	2 to 5 years $'000	Total $'000
Non-derivative financial liabilities				
Secured bank loans[1]	4,930,298	406,399	4,523,899	4,930,298
Trade and other payables	348,624	348,624	–	348,624
Finance lease liabilities	775	775	–	775
	5,279,697	755,798	4,523,899	5,279,697
Derivative financial liabilities				
Forward exchange contracts liabilities	786	786	–	786
Total financial liabilities	**5,280,483**	**756,584**	**4,523,899**	**5,280,483**

1 Subsequent to balance date, bank loans totalling $406 million maturing within 12 months have been extended to February 2009.

(d) Market risk

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

The goal of Asciano's hedging activities is to manage and control within acceptable parameters, in a cost effective manner, the potential adverse variations in Asciano's value due to movements in market prices or rates.

Asciano from time to time uses derivative financial instruments to hedge market risks where appropriate. All hedging activity is subject to the financial risk management policies approved by the Board of Directors. The following principles govern Asciano's use of derivative instruments:

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

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

Interest rate risk management

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

Asciano manages its interest rate exposures by maintaining an appropriate mix of fixed and floating rate liabilities, through entry into fixed rate borrowings and the use of approved derivative instruments, all in accordance with the financial risk management policy approved by the Board of Directors.

All interest rate derivatives exchanging floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges where they hedge Asciano's exposure to changes in cash flows or a forecasted transaction.

Exchange rate risk management

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

Asciano manages its exchange rate exposures by passing on the impact of adverse exchange rate movements, where possible and appropriate, to customers, and through the use of approved derivative instruments in accordance with the financial risk management policy approved by the Board of Directors.

Other market price risk management

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

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

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

4. Financial risk management (continued)

(e) Capital management

Asciano considers the role of financial management to be supporting the maximisation of total securityholder value. Asciano's capital management strategy, therefore, is to establish a framework that supports and facilitates the pursuit of Asciano's business strategy while minimising Asciano's costs of funding. Specifically, the components of Asciano's financial strategy are:

- optimising the capital structure;
- providing sufficient financial flexibility to enable Asciano to develop its businesses;
- maintaining access to a broad range of funding sources; and
- raising funds in the most cost effective manner possible.

There were no changes in Asciano's approach to capital management during the period.

Asciano is not subject to any externally imposed capital requirements.

For further disclosure on sensitivities, refer to note 30.

5. Segment reporting

Business segments

Asciano operates in the following primary segments:

- Ports – consists of container ports and stevedoring businesses. Operates container terminals that are connected with a network of ports related freight and logistics services for importers and exporters. Operates private ports and bulk cargo terminals as well as providing bulk and general stevedoring services; and
- Rail – consists of related businesses that move goods within Australia, predominantly by rail. Provides rail freight services transporting containerised goods, automobiles, coal, steel, grain and other bulk industrial products, and provides other rail related services including hook and pull services, and rail terminal management.

Period to 31 December 2007	Ports $'000	Rail $'000	Unallocated $'000	Total $'000
Revenue				
External sales	661,435	845,421	20	1,506,876
Inter-segment sales	–	21,568	–	21,568
Other income	9,157	2,235	16,003	27,395
Total segment revenue and other income	**670,592**	**869,224**	**16,023**	**1,555,839**
Inter-segment group eliminations	–	(21,568)	–	(21,568)
Total revenue and other income	**670,592**	**847,656**	**16,023**	**1,534,271**
Segment results	185,588	174,248	740	360,576
Share of associates profit	5,351	–	–	5,351
Operating profit before individually significant items	**190,939**	**174,248**	**740**	**365,927**
Depreciation and amortisation	(52,931)	(77,176)	–	(130,107)
Profit before financing costs individually significant items and tax	**138,008**	**97,072**	**740**	**235,820**
Net finance costs	–	–	(194,425)	(194,425)
Profit/(loss) before individually significant items	**138,008**	**97,072**	**(193,685)**	**41,395**
Individually significant items before tax (note 6)	–	(139,600)	(10,523)	(150,123)
Profit/(loss) before tax	**138,008**	**(42,528)**	**(204,208)**	**(108,728)**
Tax benefit				37,654
Loss after tax				**(71,074)**
Minority interest				183,413
Profit attributable to the Parent company				**112,339**

5. Segment reporting (continued)

31 December 2007	Ports $'000	Rail $'000	Unallocated $'000	Total $'000
Assets				
Segment assets	4,072,015	2,990,680	948,919	8,011,614
Equity accounted investments	19,792	–	–	19,792
	4,091,807	2,990,680	948,919	8,031,406
Liabilities				
Segment liabilities	3,201,822	1,766,642	831,867	5,800,331
Other information				
Capital expenditure	57,818	82,613	2,902	143,333

Geographic segment

Asciano operates in the infrastructure sector predominantly within Australia.

6. Individually significant items

	Asciano First half 2008 $'000	Parent First half 2008 $'000
Restructure costs[1]	139,600	–
Establishment and demerger costs[2]	8,989	–
Investment related expenses[3]	1,534	–
Impairment of investments in controlled entities (note 17)[4]	–	(4,211,275)
Individually significant items before tax	**150,123**	**(4,211,275)**
Tax benefit thereon at 30%	(45,037)	–
Additional taxable income on disposals (note 11)	8,907	–
Tax base reset on entry to consolidation (note 11)	(11,243)	–
Individually significant items after tax	**102,750**	**(4,211,275)**

1 Restructuring costs are related to rationalisation of bulk grain rail operations in New South Wales and Victoria and Victorian rural rail intermodal services. The costs comprise provisions for redundancies and other restructuring related costs ($26.5 million), and asset write downs ($113.1 million).

2 Establishment and demerger costs relate to one-off expenses incurred in the formation and establishment of Asciano.

3 Investment related expenses are those incurred in connection with the acquisition of available-for-sale financial assets.

4 At the time of the demerger, the Parent acquired from Toll the subsidiaries that the demerged businesses operated in. Under the Australian Accounting Standards as they apply to the Parent, the fair value of the consideration given up by the Parent was used to determine the cost of the investment in subsidiaries. Subsequent to demerger the recoverable amount of the subsidiaries has been calculated on a "value-in-use" basis. Although the underlying operations of the businesses within Asciano have not changed significantly, the different bases for initially recording the investment and the subsequent assessment of recoverable amount has given rise to an accounting impairment. The accounting impairment amounts to $4.211 billion and has been reflected through the Parent's Income Statements in the period.

7. Earnings per share and security

	Asciano First half 2008 cents
Parent company basic and dilutive earnings per share	17.1
Asciano group basic and dilutive earnings per security	(10.8)

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

	$'000
Net profit attributable to Parent company shareholders	112,339
Net loss attributable to Asciano group securityholders	(71,074)

	'000
Basic and dilutive weighted average number of ordinary shares and securities at 31 December 2007	656,597

Until the demerger on 15 June 2007 Asciano had one share on issue and no operations. The period used for the weighted average number of shares is from 15 June 2007 to 31 December 2007, thereby matching the period Asciano has been a trading organisation.

8. Revenue and other income

	Asciano First half 2008 $'000	Parent First half 2008 $'000
Revenue		
Services rendered	1,506,876	–
Other income		
Net gain from sale of non-current assets	2,820	–
Net gain on sale of available-for-sale financial assets	6,125	–
Dividends received on available-for-sale assets	9,842	–
Gain on sale of equity accounted investment	4,143	–
Other	4,465	33
	27,395	33

9. Finance income and expense

Interest expense	(192,668)	(216,337)
Interest income	8,455	3,586
Net interest	**(184,213)**	**(212,751)**
Other financing costs		
Amortisation of capitalised borrowing costs	(8,316)	(7,691)
Other financing costs	(1,896)	(2,671)
Net finance income and expense	**(194,425)**	**(223,113)**
Recognised directly in equity		
Revaluation of available-for-sale financial assets after tax	(25,786)	–
Foreign currency translation differences for foreign operations	(1,012)	–
Effective portion of changes in fair value of cash flow hedges after tax	40,000	40,143
Finance income recognised directly in equity	**13,202**	**40,143**
Recognised in:		
Fair value reserve (note 27)	(25,786)	–
Translation reserve (note 27)	(1,012)	–
Hedging reserve (note 27)	40,000	40,143
	13,202	40,143

10. Expenses

First half 2008

Asciano	Expenses before significant items $'000	Significant items (note 6) $'000	Expenses after significant items $'000
Employee benefits	499,005	26,500	525,505
Lease and hire expenses	65,950	–	65,950
Rail access charges	180,585	–	180,585
Fuel, oil and power	174,402	–	174,402
Insurance related	28,528	–	28,528
Repairs and maintenance	138,645	–	138,645
Other expenses	86,580	10,563	97,143
Total operating expenses	**1,173,695**	**37,063**	**1,210,758**
Depreciation and amortisation	130,107	–	130,107
Impairment	–	113,060	113,060
Total expenses	**1,303,802**	**150,123**	**1,453,925**
Parent			
Impairment expenses	–	4,211,275	4,211,275
Total expenses	–	**4,211,275**	**4,211,275**

11. Income tax

	Note	Asciano First half 2008 $'000	Parent First half 2008 $'000
Current tax expense/(benefit)		7,220	(55,859)
Deferred tax benefit		(44,874)	(11,065)
Total income tax benefit		**(37,654)**	**(66,924)**
Reconciliation between tax benefit and loss			
Loss before tax		(108,728)	(4,434,355)
Income tax at 30%		(32,618)	(1,330,307)
Additional taxable income on disposals		8,907	–
Other non-deductible items		3,032	1,263,383
Non-assessable Trust income		(11,057)	–
Tax base reset on entry to consolidation	18	(11,243)	–
Recognition of previously unrecognised temporary differences		1,610	–
Temporary differences not recognised		7,177	–
Research and development tax concession		(2,236)	–
Non-assessable equity accounted profit		(1,226)	–
Income tax benefit		**(37,654)**	**(66,924)**
Income tax recognised directly in equity			
Revaluation of derivatives		17,143	17,204
Revaluation of available-for-sale financial assets		(11,051)	–
Actuarial losses on defined benefits plans		(842)	–
		5,250	**17,204**

12. Cash and cash equivalents

	Asciano December 2007 $'000	Parent December 2007 $'000
Bank balances	221,367	100,341
Cash and cash equivalents in the Cash Flow Statements	**221,367**	**100,341**

13. Reconciliation of net operating cash flows

	Asciano December 2007 $'000	Parent December 2007 $'000
Loss after tax	(71,074)	(4,367,431)
Adjustments for:		
Impairment	113,060	4,211,275
Depreciation	91,572	–
Amortisation of intangible assets	38,535	–
Amortisation of borrowing costs	8,316	7,691
Share of profit of equity accounted investees	(5,351)	–
Gain on sale of equity investment	(4,143)	–
Gain on sale of property, plant and equipment	(2,820)	–
Gain on sale of financial assets classified as held-for-sale	(6,125)	–
Equity-settled security-based payment transactions	837	–
Dividend income included in investing activities	(9,842)	–
Other non-cash items	2,913	(33)
(Increase)/decrease in assets:		
– Trade and other receivables	13,752	–
– Inventories	(5,132)	–
– Prepayments and other assets	(8,333)	(1,515)
– Change in deferred tax assets	(44,874)	(11,065)
Increase/(decrease) in liabilities:		
– Trade and other payables	56,976	884
– Current tax liabilities	15,017	–
– Provisions and employee benefits	21,769	–
Net operating cash flows	**205,053**	**(160,194)**

14. Trade and other receivables

	Asciano December 2007 $'000	Parent December 2007 $'000
Current		
Trade receivables	270,473	–
Loans to associates	2,946	–
Other receivables	72,877	3,005
	346,296	3,005
Non-current		
Loans to associates	65,763	–
Other receivables	9,795	–
	75,558	–

Asciano's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in note 4.

15. Prepayments

	Asciano December 2007 $'000	Parent December 2007 $'000
Current		
Rent	16,317	–
Insurance	9,998	–
Registrations	1,934	–
Other	8,883	–
	37,132	–

16. Inventories

	Asciano December 2007 $'000	Parent December 2007 $'000
Current		
Inventories	31,518	–
Net realisable value adjustment	(1,762)	–
	29,756	–
Non-current		
Inventories	43,401	–
Net realisable value adjustment	(24,249)	–
	19,152	–

The net realisable value adjustment represents the loss in carrying value of inventories primarily due to obsolescence and deterioration.

Inventories are held at cost and comprise capital spares, the value of which is considered in connection with the estimated life of the assets to which they relate.

17. Other financial assets, including derivatives

	Asciano December 2007 $'000	Parent December 2007 $'000
Current		
Derivatives used for hedging	24,003	24,003
Available-for-sale financial assets	561,365	–
	585,368	24,003
Non-current		
Loans to related entities	–	55,859
Investments in subsidiaries[1]	–	7, 298,473
Derivatives used for hedging	69,192	69,192
	69,192	7,423,524

Asciano's exposure to credit, currency and interest rate risks related to other investments is disclosed in note 30.

1 At the time of the demerger, the Parent acquired from Toll the subsidiaries that the demerged businesses operated in. Under the Australian Accounting Standards as they apply to the Parent, the fair value of the consideration given up by the Parent was used to determine the cost of the investment in subsidiaries. Subsequent to demerger the recoverable amount of the subsidiaries has been calculated on a "value-in-use" basis. Although the underlying operations of the businesses within Asciano have not changed significantly, the different bases for initially recording the investment and the subsequent assessment of recoverable amount has given rise to an accounting impairment. The accounting impairment amounts to $4.211 billion and has been reflected through the Parent's Income Statements in the period.

18. Tax balances

Current tax assets and liabilities

The current tax liabilities for Asciano of $6.3 million represent the amount of income tax payable for the current financial period by a subsidiary not in the tax consolidated group. No tax is payable for the Asciano tax-consolidated group.

Non-current tax assets and liabilities

	Assets December 2007 $'000	Liabilities December 2007 $'000	Net December 2007 $'000
Recognised deferred tax assets and liabilities			
Asciano			
Property, plant and equipment	162,218	(124,810)	37,408
Intangible assets	36,795	(47,672)	(10,877)
Available-for-sale financial assets	11,051	–	11,051
Derivatives	208	(27,931)	(27,723)
Inventories	–	(5,809)	(5,809)
Annual leave	20,998	–	20,998
Long service leave	22,089	–	22,089
Other employee provisions	3,831	–	3,831
Restructuring provision	14,447	–	14,447
Other provisions	41,886	–	41,886
Other items	1,145	(5,999)	(4,854)
Tax loss carried forward	11,168	–	11,168
Net tax assets/(liabilities)	**325,836**	**(212,221)**	**113,615**
Parent			
Derivatives	–	(27,931)	(27,931)
Tax losses carried forward	11,168	–	11,168
Other items	1,146	–	1,146
Net tax assets/(liabilities)	**12,314**	**(27,931)**	**(15,617)**

On 15 June 2007 the Asciano entities left the Toll tax-consolidated group. An estimate of the tax liability for the period from 1 July 2006 to 15 June 2007 was made and a payment of the residual amount (after accounting for interim Pay As You Go payments that had been made) was made before demerger, thereby giving the exiting entities a "clear exit" for tax purposes.

Asciano Limited formed a tax-consolidated group with effect from 15 June 2007. The consolidation process required an Allocable Cost Allocation calculation and allocation, thereby resetting the tax cost base of the consolidated entity's assets, including property, plant and equipment. The effect of the Allocable Cost Allocation process was to increase the tax base of depreciable assets and the resulting increase in deferred tax assets of $11.243 million has been taken to earnings through the tax benefit in the period. This consolidation exercise is still in progress and therefore all reset values, including depreciable assets, are estimates based on work undertaken to date.

Given that Asciano Limited, the head entity of the tax-consolidated group, did not trade until 15 June 2007, all the activities of Asciano have taken place under tax consolidation.

Movements in temporary differences

	Balance at 29 January 2007 $'000	Arising on demerger $'000	Recognised in equity $'000	Recognised in Income Statement $'000	Balance at 31 December 2007 $'000
Asciano					
Property, plant and equipment	–	(54)	–	37,462	**37,408**
Intangible assets	–	(2,757)	–	(8,120)	**(10,877)**
Available-for-sale financial assets	–	–	11,051	–	**11,051**
Derivatives	–	(10,582)	(17,143)	2	**(27,723)**
Inventories	–	(4,752)	–	(1,057)	**(5,809)**
Annual leave	–	17,535	–	3,463	**20,998**
Long service leave	–	24,634	–	(2,545)	**22,089**
Other employee provisions	–	3,158	842	673	**4,673**
Restructuring provision	–	11,123	–	3,324	**14,447**
Other provisions	–	40,565	–	479	**41,044**
Other items	–	(4,879)	–	25	**(4,854)**
Tax loss carried forward	–	–		11,168	**11,168**
Net tax assets/(liabilities)	**–**	**73,991**	**(5,250)**	**44,874**	**113,615**
Parent					
Derivatives	–	(10,727)	(17,204)	–	**(27,931)**
Tax losses carried forward	–	–	–	11,168	**11,168**
Other items	–	1,249	–	(103)	**1,146**
Net tax assets/(liabilities)	**–**	**(9,478)**	**(17,204)**	**11,065**	**(15,617)**

19. Equity accounted investments

	Asciano December 2007 $'000	Parent December 2007 $'000
Equity accounted investments	19,792	–

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

Period to 31 December 2007	Owned %	Assets $'000	Liabilities $'000	Revenues $'000	Expenses $'000	Profit $'000
1-Stop Connections Pty Limited	50	1,581	(2,240)	2,008	(2,004)	4
Albany Bulk Handling Pty Limited	50	2,280	(226)	1,764	(1,260)	504
Australian Amalgamated Terminals Pty Limited	50	30,568	(27,294)	14,378	(10,904)	3,474
Car Compounds of Australia Pty Limited	50	982	(231)	2,159	(1,609)	550
Logistics Planning Services Pty Limited	50	965	(965)	464	(464)	–
Patrick PortLink (SA) Pty Limited	50	937	(446)	1,739	(1,688)	51
C3 Limited	50	13,358	(9,694)	18,661	(16,810)	1,851
Geelong Unit Trust	30	25,113	(15,458)	1,592	(1,592)	–
Queensland Bulk Handling Pty Limited[1]	–	–	–	889	(184)	705
Bulk Terminal Services Partnership[1]	–	–	–	1,642	(1,221)	421
Australian Automotive Terminals Pty Limited	50	–	–	–	–	–
		75,784	(56,554)	45,296	(37,736)	7,560
Share of income tax expense						(2,209)
Share of profit after tax						**5,351**

Apart from C3 Limited (formerly known as Toll Owens Limited), which is incorporated in New Zealand, all equity accounted investments are incorporated in Australia.

1 These investments were divested during the period.

20. Property, plant and equipment

Asciano	Land $'000	Buildings $'000	Plant and equipment $'000	Leasehold improve-ments $'000	Work in progress $'000	Total $'000
Cost						
Opening balance	–	–	–	–	–	–
Arising on demerger	286,521	93,401	2,172,164	424,101	261,003	**3,237,190**
Acquisitions	–	2,670	1,320	–	139,343	**143,333**
Transfers	–	1,700	52,987	35,974	(90,661)	**–**
Disposals	–	(250)	(18,032)	(7,478)	–	**(25,760)**
Closing balance	**286,521**	**97,521**	**2,208,439**	**452,597**	**309,685**	**3,354,763**
Depreciation and impairment losses						
Opening balance	–	–	–	–	–	–
Arising on demerger	–	(19,432)	(725,459)	(145,781)	–	**(890,672)**
Transfers	–	(1,115)	5,405	(4,290)	–	**–**
Impairment	–	–	(113,060)	–	–	**(113,060)**
Depreciation	–	(3,317)	(76,210)	(12,045)	–	**(91,572)**
Disposals	–	51	11,683	3,293	–	**15,027**
Closing balance	**–**	**(23,813)**	**(897,641)**	**(158,823)**	**–**	**(1,080,277)**
Carrying amounts						
At 29 January 2007	–	–	–	–	–	–
At 31 December 2007	**286,521**	**73,708**	**1,310,798**	**293,774**	**309,685**	**2,274,486**

The Parent does not own property, plant and equipment.

Leased plant and machinery

Asciano has finance leases over a number of locomotives and wagons. All the locomotive finance leases have been prepaid in full, and ownership will revert to Asciano at the expiry date of the lease. At 31 December 2007, the net carrying amount of leased wagons was $1.1 million.

Property, plant and equipment under construction

Asciano also commenced the construction of locomotives and wagons. The construction of this rolling stock is being undertaken under contract with various suppliers and the amount in work in progress of $78.3 million represents instalment payments under the various contracts.

21. Intangible assets

Asciano	Goodwill $'000	Software $'000	Customer contracts and relationships $'000	Brand name $'000	Total $'000
Cost					
Opening balance	–	–	–	–	–
Arising on demerger	3,679,000	202,367	445,900	25,000	4,352,267
Disposal	(22,340)	–	–	–	(22,340)
Closing balance	3,656,660	202,367	445,900	25,000	4,329,927
Amortisation					
Opening balance	–	–	–	–	–
Arising on demerger	–	(40,805)	(55,142)	–	(95,947)
Amortisation	–	(9,536)	(28,999)	–	(38,535)
Closing balance	–	(50,341)	(84,141)	–	(134,482)
Carrying amounts					
At 29 January 2007	–	–	–	–	–
At 31 December 2007	3,656,660	152,026	361,759	25,000	4,195,445

The Parent does not have any intangible assets.

Indefinite useful life of brand name
The Patrick brand name is considered to have an indefinite useful life.

Amortisation charge
Amortisation of software assets and customer contracts and relationships is reflected in the depreciation and amortisation expense in the Income Statements.

Impairment charge
No impairment charge has arisen for the period to 31 December 2007.

Allocation of goodwill

A segment level summary of the goodwill allocation is presented below:

	December 2007 $'000
Ports	2,782,660
Rail	874,000
	3,656,660

The assessment of the recoverable amounts of goodwill is based on value-in-use calculations undertaken at the cash-generating unit (CGU) level. Value-in-use is calculated using a discounted cash flow methodology covering a 10 year period with an appropriate terminal value at the end of the period.

Based on the impairment testing, the recoverable amounts of goodwill in the segments were fully supported.

The following describes the key assumptions on which management has based its cash flow projections:

Cash flow forecasts

Cash flow forecasts are based on the most recent financial projections covering a period of four years, which have been adjusted to exclude the costs and benefits of non-committed expansion capital. Cash flows for the six years beyond that period are extrapolated using estimated growth rates. The 10 year period is believed to be appropriate because it represents the capital intensive, long term nature of the transport infrastructure industry.

Growth rates

Growth rates used beyond the four year period covered in the financial projections are based on management's expectations for future performance and do not normally exceed the long term growth rate for the business in which each CGU operates. Growth rates range between 5.3% and 8.3% per annum.

Terminal values

Terminal values calculated after year 10 have been determined using EBITDA multiples that are appropriate to the businesses in which each CGU operates.

Discount rates

Discount rates used are the pre-tax weighted average cost of capital (WACC) and include a premium for market risks appropriate to the relevant CGU. The WACCs range from 12.3% to 14.5%.

22. Other assets

	Asciano December 2007 $'000	Parent December 2007 $'000
Current		
Capitalised borrowing costs	875	–
Deferred expenditure	866	–
	1,741	–
Non-current		
Capitalised borrowing costs	42,506	42,506

23. Trade and other payables, including derivatives

	Asciano December 2007 $'000	Parent December 2007 $'000
Current		
Trade payables	265,366	–
Other payables and accrued expenses	83,258	267
Derivatives used for hedging	786	91
	349,410	358
Non-current		
Other payables and accrued expenses	1,559	–
Defined benefit liability	7,502	–
	9,061	–

Asciano's exposure to currency and liquidity risks related to trade and other payables is disclosed in note 4.

The Parent has guaranteed financial obligations of certain subsidiaries under various funding arrangements. Under the terms of the financial guarantees contracts, the Parent or Asciano will make payments to reimburse the lenders upon failure of the guaranteed entity to make payments when due.

The Parent has also entered into a deed of cross guarantee with certain subsidiaries as described in note 39. Under the terms of the deed, the Parent has guaranteed the repayment of all current and future creditors in the event any of the entities party to the deed are wound up. Details of the consolidated financial position of the Parent and subsidiaries party to the deed are set out in note 39.

The method used in determining the fair value of these guarantees has been disclosed in note 30.

24. Loans and borrowings

	Asciano December 2007 $'000	Parent December 2007 $'000
Current		
Secured:		
Bank loans[1]	406,399	–
Finance lease liabilities	775	–
Total current borrowings	407,174	–
Loans from related entities	–	168,221
Total current loans and borrowings	**407,174**	**168,221**
Non-current		
Secured:		
Bank loans[1]	4,523,899	–
Total non-current borrowings	4,523,899	–
Loans from related entities	–	4,945,790
Total non-current loans and borrowings	**4,523,899**	**4,945,790**

Loans and borrowings are secured by charges over the assets of various entities within Asciano.

1 Certain borrowings are at floating interest rates (refer note 30). Interest on this debt is based upon the bank bill swap rate plus a margin.

Bank facilities

Asciano had total committed credit facilities of $5,714.4 million, of which $590.2 million was undrawn at 31 December 2007. These facilities have fixed maturity dates ranging between May 2008 and May 2012.

Asciano's net debt at 31 December 2007 stood at $4.71 billion. Subsequent to balance date, bank loans totalling $406 million maturing in August 2008 have been extended to February 2009, and offers have been accepted for the extension of working capital facilities from May and June 2008 to May 2009. As a consequence, none of Asciano's facilities mature before February 2009.

25. Provisions

	Asciano December 2007 $'000	Parent December 2007 $'000
Current		
Workers compensation	9,745	–
Restructuring	48,156	–
Onerous contracts	2,305	–
Travel passes	911	–
Incident	20,218	–
Other	42,350	–
Balance before employee and distribution provisions – refer note 25(a)	**123,685**	**–**
Distribution to securityholders (note 29)	151,017	–
Liability for long service leave	21,511	–
Liability for annual leave	69,993	–
Other employee entitlements	12,771	–
Total current provisions	**378,977**	**–**
Non-current provisions		
Workers compensation	24,140	–
Onerous contracts	9,218	–
Incident	7,945	–
Travel passes	19,268	
Other	12,860	–
Balance before employee provisions – refer note 25(a)	**73,431**	**–**
Liability for long service leave	52,120	–
Total non-current provisions	**125,551**	**–**

(a) Reconciliation of movement in non-employee provisions

	Workers compensation $'000	Re-structuring $'000	Onerous contracts $'000	Travel passes $'000	Incident $'000	Other $'000	Total $'000
Asciano							
Opening balance	–	–	–	–	–	–	**–**
Arising on demerger	32,114	37,075	14,773	20,697	23,192	64,882	**192,733**
Provisions made	11,376	25,516	478	–	7,538	1,767	**46,675**
Utilised	(10,244)	(11,669)	(3,728)	(518)	(2,142)	(11,347)	**(39,648)**
Reversed	(200)	(2,766)	–	–	(931)	(751)	**(4,648)**
Unwind of discount	839	–	–	–	506	659	**2,004**
Closing balance	**33,885**	**48,156**	**11,523**	**20,179**	**28,163**	**55,210**	**197,116**
Represented by:							
Current	9,745	48,156	2,305	911	20,218	42,350	**123,685**
Non-current	24,140	–	9,218	19,268	7,945	12,860	**73,431**
	33,885	**48,156**	**11,523**	**20,179**	**28,163**	**55,210**	**197,116**

Workers compensation relates to Pacific National (NSW) Pty Limited, which is a licensed self-insurer for workers compensation claims made under the *Workers Compensation Act 1981* (NSW) and the *Workplace Injury Management and Workers Compensation Act 1998* (NSW). Asciano Services Pty Limited (formerly Pacific National (ACT) Limited) is self-insured under the *Safety, Rehabilitation and Compensation Act 1988* (Commonwealth). As a condition of the licences the company maintains an "excess of loss" (workers compensation) insurance policy for each licence for any one event exceeding $1 million (indexed). A provision is maintained to cover claims made or likely to be made by employees up to $1 million. The provision at 31 December 2007 is made in accordance with an actuarial assessment of the liability for workers compensation claims conducted by McMahon Actuarial Services Pty Limited.

The restructuring provision primarily represents the estimated cost of a redundancy program in process. The expenditure is expected to be incurred over the next calendar year, with most of the expenditure in the next six months.

The onerous contracts provision relates to certain long term contracts, costs for which are not fully recoverable under existing contractual conditions.

25. Provisions (continued)

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

The incidents provision is the expected cost of claims relating to train and other incidents. The timing of this expenditure is between one and five years.

Other provisions includes, for example, site restoration and legal provisions. The site restoration provision is an estimate of environmental costs to be incurred over the next 10 years. A provision for site restoration in respect of contaminated land and the related expense is recognised when the need is identified. The provision is the best estimate of the present value of the expenditure required to settle the site restoration obligation at the reporting date, based on current legal requirements and technology. Legal provisions represents an estimate of the cost of defending and/or settling any claims against Asciano. Timing of expenditure varies on a case by case basis.

26. Capital

Asciano is a stapled group, comprising Asciano Limited (including its controlled entities) and Asciano Finance Trust.

Asciano	Date	Issue price $	No. of shares	$'000
Issue of shares upon incorporation of the Parent	29 January 2007	–	1	–
Shares issued under the Scheme of Arrangement[1,2]	6 June 2007	10.53	635,294,000	6,689,645
Asciano share placement	8 June 2007	–	14,084,506	–
Cancellation by way of selective reduction of capital	15 June 2007	–	(1)	–
Increase in shares between 8 June and 15 June[1,2]	15 June 2007	10.53	7,218,000	76,006
Balance at end of period			**656,596,506**	**6,765,651**

Asciano Finance Trust	Date	Issue price $	No. of units	$'000
Issue of units on constitution of the Trust	1 March 2007	–	1	–
Units issued under the Scheme of Arrangement[1,2]	6 June 2007	0.62	635,294,000	393,940
Asciano stapled security placement	8 June 2007	10.65	14,084,506	150,000
Cancellation by way of selective reduction of capital	15 June 2007	–	(1)	–
Increase in units between 8 June and 15 June[1,2]	15 June 2007	0.62	7,218,000	4,476
Distribution declared out of Trust capital (note 29)	31 December 2007	–	–	(118,187)
Balance at end of period			**656,596,506**	**430,229**

1 These securities were quoted on the ASX and were traded on a deferred settlement basis up until 15 June 2007.

2 Asciano is a stapled entity. The issue price of $11.15, being the closing share price on 15 June 2007, has been allocated between the Parent company and the Asciano Finance Trust.

Asciano has also issued options over securities (refer note 36). No options were exercised during the period.

The holders of ordinary securities are entitled to receive distributions as declared from time to time and are entitled to one vote per share at meetings of Asciano. All securities rank equally with regard to Asciano's residual assets. Where Asciano's securities are held by the Parent, all rights are suspended until those securities are reissued.

27. Reserves

Reconciliation of movement in reserves

	Common control reserve $'000	Fair value reserve $'000	Translation reserve $'000	Hedging reserve $'000	Employee equity benefits reserve $'000	Total reserves $'000
Asciano						
Opening balance	–	–	–	–	–	–
Arising on demerger	(4,910,925)	–	–	24,686	–	**(4,886,239)**
Recognised income and (expense)	–	(25,786)	(1,012)	40,000	837	**14,039**
Closing balance	**(4,910,925)**	**(25,786)**	**(1,012)**	**64,686**	**837**	**(4,872,200)**
Parent						
Opening balance	–	–	–	–	–	–
Arising on demerger	–	–	–	25,030	–	**25,030**
Recognised income	–	–	–	40,143	–	**40,143**
Closing balance	–	–	–	**65,173**	–	**65,173**

Common control reserve
As a result of combinations of entities under common control, a new equity account is created as a component of equity. This account has been called the common control reserve. The balance of the account represents the excess of the fair value of Asciano securities as traded on 15 June 2007 over the initial carrying value of the Patrick, Pacific National and Toll Ports businesses transferred from Toll to Asciano.

Fair value reserve
The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investment is derecognised or impaired.

Translation reserve
The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations as well as from the translation of liabilities that hedge the Parent's net investment in a foreign subsidiary.

Hedging reserve
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.

Employee equity benefits reserve
The employee equity benefits reserve is used to record the value of security-based payments provided to employees, including Key Management Personnel, as part of their remuneration. The current balance represents options issued to senior executives under the Asciano options and rights plan. The value attributed to the options is recognised on a straight line basis over the vesting period. This reserve will be reversed against share capital when the underlying options are exercised and result in securities being issued. Refer to note 36(a) for further details of this plan.

28. Accumulated profits/(losses)

	Asciano December 2007 $'000	Parent December 2007 $'000
Opening balance	–	–
Recognised income and expense[1]	(1,965)	–
Current period profits/(losses)	112,339	(4,367,431)
Closing balance	**110,374**	**(4,367,431)**

1 Amount represents actuarial losses on defined benefit plans for the period (after tax) recognised directly in retained earnings (refer note 31).

Dividend franking account

On demerger from Toll, the balance in the dividend franking account was nil since all franking credits generated prior to the demerger date remained with Toll.

Subsequent to the demerger, Asciano received income tax refunds that created a debit in the franking account, partly offset by franking credits attached to dividends received by Asciano on investments it holds. To the extent the franking account is in debit at 30 June 2008, Asciano will be required to make a payment to the Australian Taxation Office, which will be creditable against income tax payable in the future.

29. Minority interest

	Trust[1] December 2007 $'000	Other[2] December 2007 $'000	Total December 2007 $'000
Minority interest in:			
Capital[3]	430,229	–	430,229
Reserves	–	13,264	13,264
Accumulated (losses)/profits[3]	(218,535)	2,292	(216,243)
	211,694	**15,556**	**227,250**

1 Under AASB Interpretation 1002, the interests of the unitholders in Asciano Finance Trust are shown as minority interest in the Income Statements and Balance Sheets of Asciano even though the unitholders of Asciano Finance Trust are also shareholders of Asciano Limited by virtue of the stapling arrangement.

2 Other minority interest relates to the 20% of Patrick Autocare Pty Limited and 20% of Patrick Technology & Systems Pty Limited not held by the Parent.

3 The distribution from the Trust of $151.0 million comprises both current year earnings of $32.8 million and a return of capital of $118.2 million.

Movements in minority interest

	Trust First half 2008 $'000	Other First half 2008 $'000	Total First half 2008 $'000
Capital			
Opening balance	–	–	–
Arising on demerger	548,416	–	548,416
Distribution declared (capital component)	(118,187)	–	(118,187)
Closing balance	**430,229**	**–**	**430,229**

	Trust First half 2008 $'000	Other First half 2008 $'000	Total First half 2008 $'000
Reserves			
Opening balance	–	–	–
Arising on demerger	–	13,264	13,264
Closing balance	**–**	**13,264**	**13,264**
Accumulated (losses)/profits			
Opening balance	–	–	–
Recognised in Statement of Income and Expense	(185,705)	2,292	(183,413)
Distributions declared (earnings component)	(32,830)	–	(32,830)
Closing balance	**(218,535)**	**2,292**	**(216,243)**
Total minority interest at 31 December 2007	**211,694**	**15,556**	**227,250**

Distributions

No dividends were declared or paid from the Parent. Distributions from Asciano Finance Trust paid to securityholders or declared during the period were as follows:

	Cents per security	Total amount $'000	Date of payment	Tax deferred (cents per security)	Percentage franked
Interim distribution	23	151,017	28 February 2008	18	–

30. Financial instruments

Fair values

The fair values of financial assets and liabilities, together with the carrying amounts shown in the Balance Sheets, are as follows:

		Asciano		Parent	
31 December 2007	Note	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Financial assets					
Cash and cash equivalents	12	221,367	221,367	100,341	100,341
Trade and other receivables	14	353,145	353,145	3,005	3,005
Loans to associates	14	68,709	69,440	–	–
Loans to related entities	17	–	–	55,859	55,859
Available-for-sale financial assets	17	561,365	561,365	–	–
Interest rate swaps	17	93,184	93,184	93,184	93,184
Forward exchange contracts	17	11	11	11	11
		1,297,781	1,298,512	252,400	252,400
Financial liabilities					
Trade and other payables	23	348,624	348,624	267	267
Forward exchange contracts liabilities	23	786	786	91	91
Loans from related entities	24	–	–	5,114,011	5,114,011
Secured bank loans	24	4,930,298	4,930,298	–	–
Finance lease liabilities	24	775	721	–	–
		5,280,483	5,280,429	5,114,369	5,114,369
Net financial liabilities		(3,982,702)	(3,981,917)	(4,861,969)	(4,861,969)

Basis for determining fair values

The basis for determining fair values is outlined in Asciano's significant accounting policies in note 1.

Interest rates used for determining fair value

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

	December 2007 % p.a.
Derivatives	7.2 to 7.5
Finance leases	7.2 to 7.4

Interest rate risk

The notional amount of the interest rate derivative contracts at 31 December 2007 was $3.2 billion including $300 million of forward starting swaps. These derivative interest rate contracts have been stated at their fair value at the reporting date.

The fair value of the derivative interest rate contracts at 31 December 2007 was an asset of $93.2 million. During the period between designation of these derivative interest rate contracts and the reporting date, the ineffective portion of movements in fair value of $nil identified by Asciano's retrospective and prospective testing over this period has been recorded in the Income Statements. The effective portion of movements in fair value was a gain of $65.2 million after tax which has been deferred in the hedging reserve and will be released either over the life of the hedging relationship or when the anticipated transaction occurs.

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

31 December 2007	Carrying amount $'000	Expected cash flow $'000	Less than 1 year $'000	1 to 2 years $'000	2 to 5 years $'000	Total $'000
Interest rate swaps	93,184	93,184	23,992	29,743	39,449	**93,184**

As at 31 December 2007, there were no interest rate derivatives in place hedging the fair value of fixed rate assets or liabilities.

30. Financial instruments (continued)

The following table summarises Asciano's exposure to interest rate risk. The weighted average effective interest rate is determined based on a weighting using the contract notional value and the contract interest rate.

Asciano 31 December 2007	Weighted average rate % p.a.	Variable interest rate $'000	2 to 5 years $'000	Total $'000
Financial assets				
Cash and cash equivalents	6.8	221,367	–	221,367
Loans to associates	10.1	4,263	14,530	18,793
		225,630	14,530	240,160
Non-interest bearing				964,437
Fair value of interest rate swaps				93,184
				1,297,781

Asciano 31 December 2007	Weighted average rate % p.a.	Variable interest rate $'000	Less than 1 year $'000	1 to 2 years $'000	2 to 5 years $'000	Total $'000
Financial liabilities						
Trade and other payables	–	–	–	–	–	–
Bank loans[1]	8.5	4,930,298	–	–	–	4,930,298
Finance lease	5.3	–	775	–	–	775
Floating for fixed interest rate swap contracts[2]	6.4	(2,910,000)	–	240,000	2,670,000	–
		2,020,298	775	240,000	2,670,000	4,931,073
Non-interest bearing						349,410
						5,280,483

1 Weighted average rates disclosed are as at 31 December 2007. The comparable weighted average unhedged rate (excluding fees and upfront costs) on bank loans over the period to 31 December 2007 was 7.5%.

2 Notional principal amounts.

Parent 31 December 2007	Weighted average rate % p.a.	Variable interest rate $'000	Less than 1 year $'000	1 to 2 years $'000	2 to 5 years $'000	Total $'000
Financial assets						
Cash and cash equivalents	6.8	100,341	–	–	–	100,341
Loans to related entities	7.7	55,859	–	–	–	55,859
		156,200	–	–	–	156,200
Non-interest bearing						3,016
Fair value of interest rate swap assets						93,184
						252,400

Parent 31 December 2007	Weighted average rate % p.a.	Variable interest rate $'000	1 to 2 years $'000	2 to 5 years $'000	Total $'000
Financial liabilities					
Floating for fixed interest rate swap contracts	6.4	(2,910,000)	240,000	2,670,000	–
Loans from related entities	8.2	5,114,011	–	–	5,114,011
		2,204,011	240,000	2,670,000	5,114,011
Non-interest bearing					358
					5,114,369

30. Financial instruments (continued)

Profile of interest rate risk

At the reporting date, the carrying amounts of Asciano's interest-bearing financial instruments were:

	Asciano December 2007 $'000	Parent December 2007 $'000
Fixed interest rate instruments		
Financial assets[1]	107,714	93,184
Financial liabilities	(775)	–
	106,939	**93,184**
Variable interest rate instruments		
Financial assets	225,630	156,200
Financial liabilities	(4,930,298)	(5,114,011)
	(4,704,668)	**(4,957,811)**

1 Includes fair value of interest rate swaps.

Fair value sensitivity analysis for fixed interest rate instruments

As at 31 December 2007, Asciano had no fixed interest rate financial assets and liabilities accounted for at fair value through profit or loss, nor had Asciano designated any derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the reporting date would not have affected profit or loss or equity.

Cash flow sensitivity analysis for variable interest rate instruments

A change of 1% (100 basis points) per annum in interest rates at the reporting date would have increased/ (decreased) equity and profit or loss by the amounts for the period shown below. This analysis assumes that all other variables remain constant.

	Income Statements		Equity	
	1% (100 bp) increase $'000	1% (100 bp) decrease $'000	1% (100 bp) increase $'000	1% (100 bp) decrease $'000
Variable interest rate instruments	(11,017)	11,017	–	–
Interest rate swaps	–	–	82,480	(86,160)
	(11,017)	**11,017**	**82,480**	**(86,160)**

Exchange rate risk

The table below provides details of settlement dates, amounts to be received and contractual exchange rates of Asciano's outstanding exchange rate hedging contracts:

	Weighted average exchange rate	Foreign currency '000	Contract value $'000	Fair value $'000	Total $'000
Buy US dollar	0.826	10,567	12,838	(695)	(695)
Buy Euro	0.552	599	1,091	(80)	(80)
			13,929	**(775)**	**(775)**

The fair value of the forward exchange rate contracts at 31 December 2007 was an asset of $11,000 and liability of $786,000. During the period between designation of these forward exchange rate contracts and the reporting date, the ineffective portion of movements in fair value of $nil identified by Asciano's retrospective and prospective hedge effectiveness testing over this period has been recorded in the Income Statement. The effective portion of movements in fair value was a loss of $543,000 after tax which has been deferred in the hedging reserve and will be released when the anticipated transaction occurs.

The forward exchange contracts Asciano has entered into to hedge its certain and highly probable foreign currency transactions are designated as cash flow hedges.

The following table summarises the fair value of hedging instruments used by Asciano to manage exchange rate risk and maturity profile:

Cash flow hedges

31 December 2007	Carrying amount $'000	Expected cash flows $'000	Less than 1 year $'000	Total $'000
Forward exchange contracts	(775)	(775)	(775)	**(775)**

30. Financial instruments (continued)

Exposure to currency risk

Asciano's exposure to foreign currency risk was as follows based on notional amounts:

31 December 2007	US dollar 000	Euro 000
Forward exchange contracts	10,567	599

The following significant exchange rates applied during the period:

31 December 2007	Average rate 2007	Mid-spot rates December 2007
US dollar	0.867	0.876
Euro	0.615	0.595

Currency sensitivity analysis

A 10% strengthening of the Australian dollar against the following currencies at 31 December 2007 would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

31 December 2007	Equity	Income Statement
US dollar	(1,088)	–
Euro	(91)	–
	(1,179)	–

A 10% weakening of the Australian dollar against the above currencies at 31 December 2007 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Share price risk sensitivity analysis

Asciano's equity investments are classified as available-for-sale financial assets. Any movement in share price has been recognised directly in equity. A 2% increase in the price of Asciano's equity investments at the reporting date would have increased equity by $11.2 million pre-tax. An equal change in the opposite direction would have decreased equity by $11.2 million pre-tax.

31. Superannuation

Defined contribution plans

Asciano contributes to a number of defined contribution plans on behalf of employees. Under current legislation, employees are able to choose the fund into which these contributions are made, and Asciano pays contributions into the various funds in accordance with the employees' instructions. Contributions made to the funds were $41.6 million.

Victorian State Superannuation Fund

Asciano also contributes on behalf of certain employees to defined benefit schemes that are part of the Victorian State Superannuation Fund (VSSF). Certain employees of V/Line Freight Corporation, which was acquired by Freight Victoria Limited (subsequently renamed Pacific National (Victoria) Limited) on 1 May 1999, elected to continue their membership to the defined benefit schemes at acquisition. Membership of the defined benefit schemes had been closed to new members prior to 1 May 1999. As at 31 December 2007 there were 176 employees still in the defined benefit schemes.

The Victorian State Government retains liability for investment risk in the VSSF while Asciano's exposure is in relation to future contribution rates only. Contribution rates may increase above current rates where the level of salary and wage increases exceeds that assumed by the actuary. The level of contributions in respect of these funds is determined by the VSSF's Board based on advice from the actuary. For accounting purposes, the Victorian State Government recognises the unfunded superannuation liability in respect of the Emergency Service Superannuation Scheme (ESSS) (of which the VSSF is a sub-scheme) in its financial statements.

David Knox (BA, PhD, FIA, FIAA), the fund actuary, has previously advised that, given the nature of the ESSS, the Victorian State Government's commitment to the ESSS, the pooling of risk and the difficulties in reliably allocating the benefit liabilities and assets between entities, it is preferable for Asciano to use the defined contribution reporting approach available under the multi-employer fund provisions of AASB 119 *Employee Benefits*. This approach is also consistent with the treatment of Asciano's contribution in the calculation of the Victorian State Government's AASB 119 figures.

31. Superannuation (continued)

Stevedoring Employees Retirement Fund

Asciano also contributes on behalf of certain employees into the Stevedoring Employees Retirement Fund (SERF). SERF is a superannuation fund that, in addition to providing defined contribution benefits to some categories of members, provides other members with defined benefits. There were 61 employees in the defined benefit fund and 2,512 employees in the defined contribution fund as at 31 December 2007.

SERF is a multi-employer industry-based superannuation fund. There is no basis that could be used to definitively apportion the benefits, assets and costs associated with SERF between the various full participating employers.

A total surplus of $543,000 was estimated in SERF as at 30 June 2007 by the fund's actuary, using a net of tax discount rate of 5.4% per annum and an assumed escalation rate of 4.0% per annum.

The trustee has determined that part of the surplus be set aside in a reserve to be used to satisfy employer contributions to the accounts of members of the fund. That is, employers will get a contribution holiday until the reserve is used up. The reserve is yet to be established but is expected to fully fund employer contributions for a three year period.

Defined benefit plans

Asciano is a sponsor of a number of pooled defined benefit plans relating to employees it took over from closed New South Wales public sector entities. The plans include the State Superannuation Scheme (SSS), the State Authorities Superannuation Scheme (SASS) and the State Authorities Non-Contributory Superannuation Scheme (SANCS). These schemes are all defined benefit schemes and at least one component of the final benefit is derived from a multiple of member salary and years of membership. There were 667 employees in these defined benefit plans as at 31 December 2007.

In accordance with various trust deeds, where a deficit exists in the funds the trustee may request additional contributions by employers in order to manage down the deficit over time. Asciano made additional contributions of $1.680 million during the period at the request of the trustee. The additional contributions ceased as of 30 September 2007 as the deficit in the funds had reduced significantly as a result of higher than anticipated investment returns and the additional contributions.

In accordance with AASB 119, Asciano has elected to reflect actuarial gains and losses, after tax, directly in retained earnings, and reflect other gains and losses in the current period Income Statement.

	December 2007 $'000
Plan assets comprise	
Australian equities	74,697
Overseas equities	57,392
Australian fixed interest securities	14,677
Overseas fixed interest securities	14,457
Property	21,905
Cash	15,553
Other	20,372
	219,053
Movement in the present value of plan assets	
Opening balance	–
Balance arising on demerger	211,188
Contributions paid into the plans	6,459
Benefits paid by the plans	(4,561)
Expected return on plan assets	7,804
Actuarial losses recognised in equity	(1,837)
Closing balance	219,053
Movement in the present value of the defined benefit obligation	
Defined benefit obligations at 29 January 2007	–
Balance arising on demerger	220,056
Contributions by fund participants	1,103
Benefits paid by the plans	(4,561)
Current service costs and interest	8,986
Actuarial losses recognised in equity	971
Defined benefit obligations at 31 December 2007	226,555

31. Superannuation (continued)

	Asciano First half 2008 $'000
Expenses recognised in profit or loss	
Current service costs	2,184
Interest cost	6,802
Expected return on plan assets	(7,804)
Total included in employee benefits expense	**1,182**
Actual return on plan assets	**4,316**

Asciano expects to contribute $8.24 million to its defined benefit superannuation funds in the 2008 financial year, of which $6.56 million is expected to be expensed in the Income Statements.

Actuarial gains and losses recognised directly in equity	
Cumulative amount at 29 January 2007	–
Recognised during the period (pre-tax)	2,808
Cumulative amount at 31 December 2007	**2,808**

Actuarial assumptions	
Discount rate	6.4%
Expected return on plan assets	7.6%
Future salary increases	4% p.a. to June 2008, 3.5% p.a. thereafter
Rate of CPI increase	2.5%

Employer contributions

Employer contributions to the plans are based on recommendations by the plans' actuaries. Actuarial assessments are made on an annual basis and the last such assessment was conducted as at 30 June 2007.

The objective of funding is to ensure that the benefit entitlements of members and other beneficiaries are fully funded by the time they become payable. The method used to determine the employer contribution recommendations at the last actuarial review was the Projected Unit Credit method. The method adopted affects the timing of the cost to the employer. Under the Projected Unit Credit 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.

Using the funding method described above and particular actuarial assumptions as to the plans' future experience, the actuary recommended in the actuarial review as at 30 June 2007, the payment of employer contributions to the plans at the following rates of salaries for employees who are members of the defined benefits plans. These contribution rates were adopted by Asciano as of 31 December 2007.

	Asciano December 2007 %
The contribution rates recommended by the actuary as a % of employee salaries are as follows:	
State Superannuation Scheme (SSS)	0.9
State Authorities Superannuation Scheme (SASS)	2.3
State Authorities Non-Contributory Superannuation Scheme (SANCS)	3.7
The economic assumptions used by the actuary to make funding recommendations are as follows:	
Expected salary increases	4.0
Expected rate of CPI increase	2.5
Expected rate of return on assets backing current pension liabilities	7.7
Expected rate of return on assets	7.0

	$'000
Experience adjustments arising on plan liabilities	971
Experience adjustments arising on plan assets	1,837

31. Superannuation (continued)

Historical information

	Asciano December 2007 $'000
Present value of the defined benefit obligation	226,555
Fair value of plan assets	(219,053)
Deficit in the plans	7,502

Surplus/(deficit) for each defined benefit superannuation plan on a funding basis

31 December 2007	SSS $'000	SASS $'000	SANCS $'000	Total $'000
Accrued benefits	1,536	200,007	17,910	**219,453**
Net market value of fund assets	(4,981)	(196,419)	(17,653)	**(219,053)**
Net surplus/(deficit)	**(3,445)**	**3,588**	**257**	**400**

32. Operating leases

	Asciano December 2007 $'000	Parent December 2007 $'000
Non-cancellable operating lease rentals are payable as follows:		
Within one year	75,505	–
One year or later and no later than five years	251,135	–
Later than five years	510,950	–
	837,590	–

The consolidated entity leases property under non-cancellable operating leases expiring between two to 50 years. Leases generally provide the consolidated entity with a right of renewal at which time all terms are renegotiated. Lease payments comprise a base amount plus an incremental contingent rental. Contingent rentals are based on either movements in the consumer price index or operating criteria.

33. Capital and other commitments

	Asciano December 2007 $'000	Parent December 2007 $'000
Plant and equipment		
Contracted capital expenditure committed but not provided for or payable:		
Within one year	319,268	–
One year or later and no later than five years	241,138	–
	560,406	–
Maintenance commitments		
Non-cancellable maintenance contracts committed but not provided for or payable:		
Within one year	89,571	–
One year or later and no later than five years	221,879	–
Later than five years	2,425	–
	313,875	–

34. Contingencies

Litigation

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

Environmental liabilities

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

35. Related parties

(a) Key Management Personnel

Details on the remuneration paid to the Executive Director and the executives of Asciano who comprise the Key Management Personnel (KMP) are provided under sections 6.2 to 6.4 (pages 23 to 29) of the Remuneration report contained in the Director's report for the period to 31 December 2007.

The following were Key Management Personnel (KMP) of Asciano at any time during the reporting period and unless otherwise indicated were KMP for the entire period:

KMP	Role	Appointed
Non-Executive Directors		
Tim Poole	Independent Chairman	15 June 2007
Chris Barlow	Non-Executive Director	15 June 2007
Peter George	Non-Executive Director	5 March 2007
Executive Director		
Mark Rowsthorn[1]	Managing Director and Chief Executive Officer	29 January 2007
Executives		
Don Telford	Chief Operating Officer	15 June 2007
Austen Perrin	Chief Financial Officer	15 June 2007
Saul Cannon[2]	Group General Counsel	1 July 2007
Robert Jeremy	Director of Mergers and Acquisitions	15 June 2007
Graham Lyon	Head of Government Relations and Environment	15 June 2007

1 Mark Rowsthorn was appointed a Director of Asciano Limited on 29 January 2007, and was appointed Chief Executive Officer on 15 June 2007.

2 Saul Cannon served as a Director of Asciano Limited and Asciano Finance Limited from 12 April 2007 to 15 June 2007.

Neil Chatfield and Paul Little were Directors of Asciano for the period from 29 January 2007 to 27 February 2007, which was prior to the time Asciano became a publicly listed entity.

KMP remuneration

The aggregate remuneration of the KMP of Asciano is set out below:

Remuneration elements	First half 2008 $
Short term employee benefits	4,353,202
Post-employment benefits	197,561
Other long term employee benefits	60,925
Security-based payments	430,451
Total remuneration for KMP	**5,042,139**

Equity holdings and transactions

The movement during the period in the number of Asciano's securities held directly, indirectly or beneficially by KMP including their related parties, is set out below:

KMP	Interest in securities at the start of the period	Securities acquired during the period[1]	Securities sold during the period	Interest in securities at the end of the period
Non-Executive Directors				
Tim Poole	–	81,589	–	81,589
Chris Barlow	–	13,046	–	13,046
Peter George	–	136	–	136
Executive Director				
Mark Rowsthorn	–	68,194,475	(1,664)	68,192,811
Executives				
Don Telford	–	665,136	–	665,136
Austen Perrin	–	13,482	–	13,482
Saul Cannon	–	20,136	–	20,136
Robert Jeremy	–	15,136	–	15,136
Graham Lyon	–	900,332	–	900,332

1 Securities acquired during the reporting period include securities that were acquired when Asciano demerged from Toll.

No securities were awarded as remuneration, and no options were converted to securities during the reporting period.

35. Related parties (continued)

Option holdings and transactions

The movement during the period in the number of Asciano's options held directly, indirectly or beneficially by KMP including their related parties, is set out below:

KMP	Options at the start of the period	Awarded as remuneration	Interest in options at the end of the period
Executive Director			
Mark Rowsthorn	–	1,120,370	1,120,370
Executives			
Don Telford	–	339,506	339,506
Austen Perrin	–	148,148	148,148
Saul Cannon	–	123,457	123,457
Robert Jeremy	–	92,593	92,593
Graham Lyon	–	92,593	92,593

The Non-Executive Directors did not hold any options during the reporting period. No options vested, lapsed or were exercised during the reporting period.

Loans with KMP

No KMP or their related parties held any loans from Asciano during the reporting period.

Other transactions with KMP

The Chairman, Tim Poole, is a member of the LEK Consulting Advisory Board. During the period an amount of $771,271 was paid to LEK Consulting which was on normal business and commercial terms for services rendered.

Besides those noted above, there were no other transactions with either KMP or their related parties during the reporting period.

(b) Significant subsidiaries

All significant subsidiaries listed below are incorporated in Australia and are 100% owned, except Patrick Autocare Pty Limited which is 80% owned.

Asciano Properties Operations Pty Limited (as trustee for Asciano Properties Trust)
Asciano Services Pty Limited (formerly Pacific National (ACT) Limited)
National Stevedoring Holdings Pty Limited
Pacific National (NSW) Pty Limited
Pacific National (QLD) Pty Limited
Pacific National Pty Limited
Patrick Autocare Pty Limited
Patrick BWL Pty Limited
Patrick Logistics Pty Limited
Patrick Stevedores Operations Pty Limited
Patrick Stevedoring Pty Limited (formerly Toll Stevedoring Pty Limited)
Plzen Pty Limited
PN Tas (Operations) Pty Limited
PSL Services Pty Limited
Strang Patrick Holdings Pty Limited

(c) Transaction with related parties

	Asciano First half 2008 $'000	Parent First half 2008 $'000
Transactions with Parent		
Interest paid/payable to Asciano Finance Trust	–	224,045
Amount due from subsidiaries	–	1,371,884
Transactions with associates and joint venture		
Sales revenue	5,949	–
Purchases/services received	35,394	–
Dividend and distribution revenue	3,578	–
Interest revenue	67	–
Other expenses	1,670	–

No allowance for doubtful debts has been raised in relation to any outstanding balances, and no expenses have been recognised in respect of bad or doubtful debts due from related parties.

36. Security-based payments

(a) Asciano options and rights plan

In the Toll Holdings Limited Restructure Scheme Book, it was advised that Asciano would be establishing an option and rights plan. The Asciano Options and Rights Plan (Option Plan) was established to provide long term incentives for executives and selected employees. Under the Option Plan, participants are granted options which only vest if certain time-based and performance-based vesting conditions are met. Participation in the Option Plan is at the Board's discretion and no individual has a contractual right to participate in the Option Plan or to receive any guaranteed benefits.

The number of options granted to executives and selected employees is based upon their Target Long term Incentive. This Target Long-term Incentive is determined based upon the executive's or employee's level of seniority and contribution to the profitability of Asciano.

The options vest over a three to four year period. 75% of options allocated are subject to growth in free cash flow generated per security, and 25% of options allocated are subject to Asciano's relative Total Securityholder Return (TSR) performance against companies in the S&P/ASX 100 index. The options also have an additional, inherent, performance hurdle, being that the security price at vesting date must be above the exercise price.

Vested options can be exercised to acquire securities in Asciano, subject to paying an Exercise Price. The Exercise Price for options granted during the period ended 31 December 2007 is $8.43. The acquired securities are subject to a holding lock for a maximum period of 10 years from the date the options were granted. Once the holding lock has lifted, the securities can be sold at any time subject to compliance with the Asciano Securities Trading Policy. Options are granted under the plan for no consideration and carry no dividend or voting rights.

Set out below are the key terms of options granted under the Option Plan:

Grant date	Tranche	Expiry date	Exercise price	Fair value per option at grant	Balance at the start of the period	Granted	Balance at the end of the period
19/11/07	A	30/6/12	$8.43	$1.44	–	2,796,300	2,796,300
19/11/07	B	30/6/12	$8.43	$1.07	–	932,100	932,100
					–	3,728,400	3,728,400

No options lapsed, vested or became exercisable during the period. The remaining contractual life of the options outstanding at the end of the period was 4.5 years.

Tranche A refers to the options subject to growth in free cash flow generated per security and Tranche B refers to the options subject to the relative TSR hurdle. Tranche A options have been valued using the binomial model and their value is exclusive of performance hurdles. Tranche B options have been valued using a Monte Carlo simulation which takes into account the relative TSR Hurdle.

Fair value of options granted

The model inputs for options granted during the period ended 31 December 2007 were:

- performance period start date: 1 July 2007;
- vesting date: 30 June 2010;
- expiry date: 30 June 2012;
- grant date: 19 November 2007;
- security price at grant date: $8.38;
- exercise price: $8.43;
- expected price volatility of Asciano's securities: 25%;
- expected dividend yield: 5.5%; and
- risk free rate: 6.44%.

Due to Asciano's short trading period between the time it listed on the ASX and the time the options were granted, expected volatility was determined taking into account historical volatility, the volatility of the Patrick's business when it was listed separately on the ASX, and the volatility of other comparable companies.

36. Security-based payments (continued)

(b) Asciano Exempt Securities Plan

In the Toll Holdings Limited Restructure Scheme Book, it was advised that Asciano would be establishing a general security ownership plan. The Asciano Exempt Securities Plan was established to mark its listing on the ASX and all permanent employees who were employed by Asciano as at 24 September 2007 were eligible to participate in the scheme. Employees may elect not to participate in the scheme.

Under the scheme, eligible employees were granted $1,000 worth of Asciano securities for no cash consideration. The market value of securities issued under the scheme was measured as the weighted average price at which Asciano's securities were traded on the ASX during the week up to the date of grant, being $7.34.

Securities issued under the scheme may not be sold until the earlier of three years after issue or cessation of employment by Asciano. In all other respects the securities rank equally with other securities on issue. Securities under the scheme were purchased on-market.

	Asciano First half 2008	Parent First half 2008
Securities issued under the Asciano Exempt Securities Plan	771,664	771,664

(c) Expenses arising from security-based payment transactions

Total expenses arising from security-based payment transactions recognised during the period as part of employee benefits expense were as follows:

	Asciano First half 2008 $'000	Parent First half 2008 $'000
Options issued under the Asciano Option and Rights Plan	837	–
Securities issued under the Asciano Exempt Securities Plan	5,664	–
	6,501	–

37. Subsequent events

Asciano's net debt at 31 December 2007 stood at $4.71 billion. Subsequent to balance date, bank loans totalling $406 million maturing in August 2008 have been extended to February 2009, and offers have been accepted for the extension of working capital facilities from May and June 2008 to May 2009.

Other than these events, there has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Board of Directors, to affect significantly the operations of Asciano, the results of those operations, or the state of affairs of Asciano, in future financial periods.

38. Auditor's remuneration

KPMG is the auditor of Asciano.

	Asciano First half 2008 $	Parent First half 2008 $
Amounts received or due and receivable by KPMG (Australia) for:		
Audit of financial reports	1,035,718	–
Transactional services	850,000	–
Taxation services	124,630	–
	2,010,348	–

The audit fees of the Parent are paid by a subsidiary company.

39. Deed of cross guarantee

Pursuant to ASIC Class Order 98/1418 dated 13 August 1998 (as amended by Individual ASIC Order 08/0062 issued to the Parent on 31 January 2008), the wholly owned subsidiaries of the Parent listed below are relieved from the *Corporations Act 2001* requirements for preparation, audit and lodgement of financial reports and directors' report.

It is a condition of the Class Order and Individual ASIC Order 07/0813 issued to the Parent on 12 October 2007 that the Parent and each of the subsidiaries enter into a deed of cross guarantee. The effect of the deed is that the Parent guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the *Corporations Act 2001*. If a winding up occurs under other provisions of the Act, the Parent will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Parent is wound up.

The subsidiaries subject to the deed are set out below.

Some of the subsidiaries of the Parent were parties to a deed of cross guarantee with Toll prior to their transfer to Asciano on 15 June 2007. A revocation deed to revoke the cross guarantees under the Toll deed of cross guarantee in respect of those entities was executed on 6 September 2007 and lodged by Toll with ASIC on 7 September 2007. The release of these subsidiaries from those cross guarantees took effect on 7 March 2008. These entities are identified on the following page.

The subsidiaries that form the Pacific National group of companies were also a party to a deed of cross guarantee dated 27 June 2007 under which Pacific National Pty Limited was the holding company. These subsidiaries have entered into the deed referred to above and, as a result, the Pacific National deed has been superseded. The subsidiaries that were party to the Pacific National deed are identified on the following page.

The subsidiaries subject to the deed are:

Alpen's (Griffith) Pty Limited
Asciano Corporate Services Pty Limited
Asciano Executive Services Pty Limited
Asciano Holdings (Containers) Pty Limited
Asciano Holdings (Corporate) Pty Limited
Asciano Holdings (Executive) Pty Limited
Asciano Holdings (General & Bulk) Pty Limited
Asciano Holdings (Properties) Pty Limited
Asciano Holdings (Rail) Pty Limited
Asciano Properties Operations Pty Limited[1]
Asciano Properties Pty Limited
Asciano Rail Holdings Pty Limited (formerly Toll Rail Holdings Pty Limited)[2]
Asciano Services Pty Limited (formerly Pacific National (ACT) Limited)[3]
ATN Access Pty Limited[3]
Eastern Basin Pty Limited[2, 4]
Equitius Pty Limited[2]
Freight Australia Pty Limited[3]
Geelong Port Pty Limited
MS Corporate Services Pty Limited
National Rail Consortium (Insurance) Pty Limited[3]
National Stevedoring Holdings Pty Limited[2]
Pacific National (NSW) Pty Limited[3]
Pacific National (QLD) Pty Limited[3]
Pacific National (Tasmania) Pty Limited[3]
Pacific National (Victoria) Limited[3]
Pacific National Pty Limited[3]
Patrick Auto, Bulk & General Ports Pty Limited (formerly Asciano (General & Bulk) Pty Limited)
Patrick BWL Pty Limited
Patrick Distribution Pty Limited
Patrick Logistics Pty Limited[2]
Patrick Port Services (No 1) Pty Limited
Patrick Port Services Pty Limited[2]
Patrick PortLink Pty Limited[2]
Patrick Ports Pty Limited (formerly Toll Ports Pty Limited)[2]
Patrick Stevedores Holdings Pty Limited[2]
Patrick Stevedores No 4 Pty Limited

39. Deed of cross guarantee (continued)

Patrick Stevedores Operations No 2 Pty Limited[2]
Patrick Stevedores Operations Pty Limited[2]
Patrick Stevedoring Pty Limited (formerly Toll Stevedoring Pty Limited)[2]
Phillips Transport Pty Limited
Plzen Pty Limited
PN Tas (Operations) Pty Limited[3]
PN Tas (Services) Pty Limited[3]
Port Adelaide Bulk Handling Pty Limited (formerly Toll Ports Operations Pty Limited)
PSL Services Pty Limited[2]
Seatons Distribution Service (Qld) Pty Limited
Strang Patrick Holdings Pty Limited[2]
Strang Stevedoring Australia WDW Pty Limited[2]
Train Crewing Services Pty Limited
WA Grain Stevedores Pty Limited.

1 As trustee for Asciano Properties Trust.
2 Entities released from Toll deed of cross guarantee by revocation deed with effect from 7 March 2008.
3 Entities that were also a party to the Pacific National deed of cross guarantee, which has been superseded.
4 As trustee for Eastern Basin Unit Trust.

A consolidated Income Statements and consolidated Balance Sheets, comprising the Parent and controlled entities that are a party to the deed (closed group), after eliminating all transactions between parties to the deed of cross guarantee, at 31 December 2007 are set out as follows:

Consolidated Income Statement and accumulated losses	**Closed group First half 2008 $'000**
Loss before tax	(158,850)
Income tax benefit	40,537
Loss after tax	**(118,313)**
Accumulated losses at beginning of period	–
Loss for the period	(118,313)
Defined benefit plan actuarial losses	(1,965)
Accumulated losses 31 December 2007	**(120,278)**

Consolidated Balance Sheet	Closed group December 2007 $'000
Current assets	
Cash and cash equivalents	218,338
Trade and other receivables	325,683
Inventories	28,732
Other financial assets, including derivatives	585,369
Prepayments	35,551
Other assets	1,741
Total current assets	**1,195,414**
Non-current assets	
Trade and other receivables	75,558
Inventories	19,152
Investments	87,809
Other financial assets, including derivatives	69,192
Equity accounted investments	21,806
Net deferred tax assets	108,452
Property, plant and equipment	2,234,627
Intangible assets	3,965,895
Other assets	42,506
Total non-current assets	**6,624,997**
Total assets	**7,820,411**

39. Deed of cross guarantee (continued)

Consolidated Balance Sheet	Closed group December 2007 $'000
Current liabilities	
Trade and other payables, including derivatives	318,367
Loans and borrowings	407,174
Provisions and employee benefits	222,604
Total current liabilities	**948,145**
Non-current liabilities	
Trade and other payables, including derivatives	9,061
Loans and borrowings	5,147,645
Provisions and employee benefits	125,421
Total non-current liabilities	**5,282,127**
Total liabilities	**6,230,272**
Net assets	**1,590,139**
Equity	
Share capital	6,765,651
Reserves	(5,055,234)
Accumulated losses	(120,278)
Total equity	**1,590,139**

Directors' declaration

In the opinion of the Directors of Asciano Limited:

(a) the financial statements and notes set out on pages 41 to 128 and the remuneration disclosures that are contained in the Remuneration report in the Directors' report, set out on pages 18 to 29, are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of Asciano Limited's and Asciano Group's financial position as at 31 December 2007 and of their performance for the period ended on that date; and

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

(b) the financial report complies with International Financial Reporting Standards as disclosed in note 1;

(c) the remuneration disclosures that are contained in the Remuneration report in the Directors' report comply with Australian Accounting Standard AASB 124 *Related Party Disclosures*; and

(d) there are reasonable grounds to believe that Asciano Limited and Asciano Group entities identified in note 39 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between Asciano Limited and those group entities pursuant to ASIC Class Order 98/1418.

The Directors have been given the declarations required under section 295A of the *Corporations Act 2001* from the Chief Executive Officer and the Chief Financial Officer for the financial period ended 31 December 2007.

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

Tim Poole
Chairman

Mark Rowsthorn
Managing Director and Chief Executive Officer

12 March 2008

Independent auditor's report to the members of Asciano Limited

Report on the interim financial report and AASB 124 remuneration disclosures contained in the Directors' report

We have audited the accompanying interim financial report of Asciano Limited (the Company), which comprises the Balance Sheets as at 31 December 2007, and the Income Statements, Statements of Recognised Income and Expense and Cash Flow Statements for the interim period ended on that date, a summary of significant accounting policies and other explanatory notes 1 to 39 and the Directors' declaration set out on page 129 of the Group comprising the Company and the entities it controlled at the period's end or from time to time during the interim period.

As permitted by the *Corporations Regulations 2001*, the Company has disclosed information about the remuneration of Directors and executives (remuneration disclosures), required by Australian Accounting Standard AASB 124 *Related Party Disclosures*, under the heading "Remuneration report" in sections 6.1 to 6.4 of the Directors' report and not in the interim financial report. We have audited these remuneration disclosures.

Directors' responsibility for the financial report and the AASB 124 remuneration disclosures contained in the Directors' report

The Directors of the Company are responsible for the preparation and fair presentation of the interim financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the interim financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 1, the Directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the interim financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

The Directors of the Company are also responsible for the remuneration disclosures contained in the Directors' report.

Auditor’s responsibility

Our responsibility is to express an opinion on the interim financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the interim financial report is free from material misstatement. Our responsibility is also to express an opinion on the remuneration disclosures contained in the Directors’ report based on our audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the interim financial report and the remuneration disclosures contained in the Directors’ report. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the interim financial report and the remuneration disclosures contained in the Directors’ report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the interim financial report and the remuneration disclosures contained in the Directors’ report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the interim financial report and the remuneration disclosures contained in the Directors’ report.

We performed the procedures to assess whether in all material respects the interim financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company’s and the Group’s financial position and of their performance and whether the remuneration disclosures are in accordance with Australian Accounting Standard AASB 124.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent auditor's report to the members of Asciano Limited

Auditor's opinion on the financial report

In our opinion:

(a) the interim financial report of Asciano Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the Company's and the Group's financial position as at 31 December 2007 and of their performance for the interim period ended on that date; and

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

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1.

Auditor's opinion on AASB 124 remuneration disclosures contained in the directors' report

In our opinion the remuneration disclosures that are contained in sections 6.1 to 6.4 of the Directors' report comply with Australian Accounting Standard AASB 124 *Related Party Disclosures*.

KPMG

Duncan McLennan
Partner

Sydney
12 March 2008

ASX additional information

Additional information required by the Australian Securities Exchange Listing Rules and not disclosed elsewhere in the half year report is set out below. This securityholder information was applicable at 15 February 2008, unless otherwise indicated.

Voting rights

Stapled securities

There are 84,033 securityholders of the 656,596,506 stapled securities in Asciano.

The voting rights attached to the securities are set out in clause 37 of Asciano's Constitution, which is available on Asciano's website.

Options

There are 77 holders of options over Asciano securities issued under the Asciano Option and Rights Plan. There are no voting or distribution rights attached to the options.

Distribution of fully paid securities

Investor range	Total number of securityholders	Securities	% of issued capital
1–1,000	42,657	19,386,074	2.95
1,001–5,000	33,427	76,667,570	11.68
5,001–10,000	5,032	36,377,034	5.54
10,001–100,000	2,742	61,029,743	9.29
100,001 and over	175	463,136,085	70.54
Total	**84,033**	**656,596,506**	**100.00**

There were 2,522 investors with less than minimum marketable parcels of securities.

Unquoted options over securities

There are 3,802,146 unquoted options over stapled securities issued under the Asciano Option and Rights Plan to members of senior management as part of their remuneration.

Substantial securityholders

The names of substantial securityholders who have notified the Company in accordance with the Corporation Act are:

Holder	Disclosure date	Number of securities	% of issued securities
Mark Rowsthorn	7 March 2008	69,192,811	10.54
The Capital Group of Companies, Inc	29 February 2008	40,945,188	6.24

ASX additional information

Twenty largest investors

Rank	Name	Securities	% of issued capital
1	JP Morgan Nominees Australia Limited	111,852,003	17.04
2	National Nominees Limited	58,986,050	8.98
3	HSBC Custody Nominees (Australia) Limited	56,822,995	8.65
4	Mr Mark Rowsthorn	38,483,004	5.86
5	Mostia Dion Nominees Pty Limited	29,596,284	4.51
6	Queensland Investment Corporation	26,074,303	3.97
7	Citicorp Nominees Pty Limited	21,533,454	3.28
8	PGA (Investments) Pty Limited	15,106,000	2.30
9	ANZ Nominees Limited (Cash Income account)	12,250,883	1.87
10	Cogent Nominees Pty Limited	8,075,608	1.23
11	UBS Nominees Pty Limited	4,497,544	0.68
12	Australian Foundation Investment Company Limited	4,300,000	0.65
13	HSBC Custody Nominees (Australia) Limited – account 2	3,450,885	0.53
14	UBS Wealth Management Australia Nominees Pty Limited	3,398,015	0.52
15	Citicorp Nominees Pty Limited (CFSIL CWLTH AUST SHS 19 account)	3,189,053	0.49
16	AMP Life Limited	2,971,547	0.45
17	Camrock (Australia) Pty Limited	2,659,520	0.41
18	ARGO Investments Limited	2,349,669	0.36
19	Bond Street Custodians Limited (MACQ INTERNTL INF SEC account)	2,306,853	0.35
20	Blackrock Investment MGT (Separately Managed Accounts)	2,034,123	0.31
Total top 20		**409,937,793**	**62.43**
Total securities on issue		**656,596,506**	**100.00**

Share registry

Computershare Investor Services Pty Limited
GPO Box 2975
Melbourne VIC 3001
AUSTRALIA

Telephone	(Australia)	1300 85 05 05
	(Overseas)	+61 3 9415 4000

Company secretary

Fiona Mead

Principal Registered Office

Level 6/380 St Kilda Road
Melbourne VIC 3004

Telephone	(Australia)	03 9284 4000
	(Overseas)	+61 3 9284 4000

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

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

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

ABN: 26 123 652 862

Half year report
for the period to 31 December 2007

Asciano Finance Trust
ARSN 124 102 807

Asciano Finance Trust
Half-year report
For the period to 31 December 2007

Contents

Directors' report for the half year period to 31 December 2007

Asciano Finance Trust
ARSN 124 102 807

Directors' report
For the period to 31 December 2007

The Directors of Permanent Investment Management Limited (ABN 45 003 278 831), (hereafter the Responsible Entity) present their report together with the financial report of Asciano Finance Trust (Trust) for the period from 1 March 2007, being the date the Trust was constituted to 31 December 2007.

The Trust was dormant until 15 June 2007 when the Asciano Stapled Group (Group), which consists of Asciano Limited and the Trust, was constituted under a scheme of arrangement that involved separation from Toll Holdings Limited (Toll).

Asciano operates as a stapled structure. The securities of the two entities in the Asciano structure are stapled together (securities) and quoted as one on the ASX. As a result, the securities cannot be traded separately.

Asciano Limited is responsible for the operational activities of the Trust including day-to-day operation of the Trust, asset and capital management, financial reporting and investor communications and meetings. It is also responsible for the Trust's corporate governance and compliance programs.

Pursuant to the Investment Management Agreement dated 13 April 2007 between the Responsible Entity and Asciano Finance Limited (Manager), the Manager is required to invest the assets of the Trust and is responsible for the general administrative and compliance services to the Responsible Entity.

1. ASIC relief

This report has been prepared for the financial period 1 March 2007 to 31 December 2007. Under subsection 323D(5) of the *Corporations Act 2001* (Act), the half-year of a Trust is generally the first six months of a financial period. This would have meant that the first half-year of the Trust ended on 1 September 2007. The Trust applied to the Australian Securities and Investments Commission (ASIC) for relief from this requirement. Under subsection 340(1) ASIC has provided relief to the Trust in relation to subsection 323D(5) of the Act, allowing the Trust to extend its first half-year to 31 December 2007. The relevant period for the Trust's first half year is the period from 1 March 2007 to 31 December 2007 (inclusive).

The relief is provided by ASIC on the condition that the Trust:

- comply with Parts 2M.2, 2M.3 and 2M.4 of the Act in respect of the relevant period as if that period was the first half-year for the Trust;
- ensure that a summary of the relief be disclosed in the Directors' report for the period ending 31 December 2007;
- make an announcement explaining the effect of the relief to the ASX Limited (ASX) for release to the financial market;
- prepare a financial report for the relevant period that complies with the requirements of the Act for a financial report for a full financial report; and
- lodge with ASIC the financial report for the relevant period no later than 12 March 2008.

The relief granted to the Trust originally required the financial report to be lodged no later than 10 March 2008; however, due to the intervening Labour Day holiday in Victoria on 10 March 2008, the Trust sought an extension of time in respect of the obligation to lodge with ASIC its financial report for the period ending 31 December 2007. ASIC has granted an extension of time to 12 March 2008.

All of the conditions imposed by ASIC in the various instruments of relief have been satisfied.

2. Directors

The following persons were Directors of the Responsible Entity at any time during or since the end of the half-year. Unless stated the Directors have held their position for the whole of this period:

Directors of the Responsible Entity

Jonathan W Sweeney

Michael J Britton

Ian M Nicol (resigned 28 February 2008)

Assyat David (appointed 15 June 2007; resigned 29 October 2007)

Vicki L Allen (appointed 15 June 2007)

Eugene Quass (appointed 27 February 2008)

Name and position	Experience
Jonathan Westaby Sweeney, BCom, LLB Chairman – Permanent Investment Management Limited, Managing Director – Trust Company Limited	**Director since 12 December 2002** Mr. Sweeney joined Trust Company, the ultimate holding company of PIML, in 1991 and held the positions of Joint General Manager and Joint Managing Director prior to being appointed Managing Director in October 2000. He has degrees in Law and Commerce from the University of New South Wales. He has had extensive experience in the funds management industry having held positions in the United Kingdom, with the Gartmore Group, and in Australia with Armstrong Jones, prior to joining Trust Company.
Michael John Britton BJuris, LLB Director – Permanent Investment Management Limited, General Manager Corporate Services – Trust Company Limited	**Director since 11 July 2003** Mr. Britton joined Trust Company in 1983. Mr. Britton, a graduate of the University of New South Wales with degrees in Law and Jurisprudence, is a fellow of the Chartered Institute of Secretaries. Prior to joining Trust Company, Mr. Britton was with Boral Limited for six years following his graduation in 1976. He has executive responsibility for the Institutional Services operation of Trust Company, reporting directly to the Executive General Manager Institutional Services.
Ian Murray Nicol BBus, MBA, CPA Director – Permanent Investment Management Limited Executive General Manager Finance & Administration and Support Services – Trust Company Limited	**Director from 16 July 2003 to 28 February 2008** Mr. Nicol joined Trust Company in 2000 prior to its merger with Trust Company and is currently Executive General Manager Finance & Administration. Mr. Nicol has over 20 years experience as an accountant, many of these in senior positions in public and foreign owned companies.

2. Directors (continued)

Name and position	Experience
Assyat David Director - Permanent Investment Management Limited Executive General Manager Financial Services - Trust Company Limited	**Director from 15 June 2007 to 29 October 2007** Assyat David joined Trust Company in August 2004 as an Executive General Manager of Trust Financial Services. Ms David is responsible for the following businesses: Estates and Trusts which includes Philanthropy and Wealth Transfer Planning (an estate planning service), Private Clients including Financial Planning and Trust Lifestyle Care (a power of attorney service), Personal Injury, Funds Management, additional services supporting retail and intermediary clients such as product development, sales and related operations. Before joining Trust Company, Ms David worked at Challenger/CPH as a consultant and was also on the boards of a number of Challenger's distribution businesses. Ms David also worked for ING, ANZ, RetireInvest and Optimix.
Vicki Lee Allen BBus, MBA, Dip Financial Planning Director - Permanent Investment Management Limited Executive General Manager Institutional Services - Trust Company Limited	**Director since 15 June 2007** Vicki Allen joined Trust Company in January 2007 as Executive General Manager of Trust Institutional Services. With over twenty years experience in the financial services industry, Ms Allen has held a number of Director roles including Executive Director of National Wealth Management Services Limited and a member of the Executive Risk Compliance & Audit Committee. Ms Allen is currently Director of Trust Company Superannuation Services Limited, Trust Company International and South West Inner Sydney Housing Cooperative Limited. Prior to joining Trust Company, Ms Allen worked at Lend Lease Corporation and National Australia Bank, in a number of senior roles including most recently General Manager, Servicing Solutions, and General Manager, Adviser and Investor Services.
Eugene Quass Director - Permanent Investment Management Limited – Trust Company Limited	**Director since 27 February 2008** Eugene Quass joined Trust Company in February 2008 as Executive General Manager of Trust Financial Services. Eugene is responsible for leading strategy, delivery and operations for Trust's Financial Services division. This division includes Estates & Trusts, Financial Planning, Funds Management, Health and Personal Injury, Philanthropy, Trust Lifestyle Care (Power of Attorney services), and Wealth Transfer Planning. Prior to joining Trust, Eugene worked as General Manager, Managed Investment Schemes at ITC Limited and he has also held senior positions at AMP/Hillross and Nedcor Investment Bank.

3. Principal activities

The principal activities of the Trust during the course of the financial period were to source external borrowings and on lend these to the Group.

The Trust was constituted on 1 March 2007 as part of a scheme of arrangement that involved the separation of Toll's transport infrastructure assets from its network and supply chain business.

There has been no significant change in the nature of these activities of the Trust during the period.

4. Review and results of operations

The Trust was registered with ASIC on 1 March 2007. Pursuant to the Restructure Scheme Book issued by Toll on 20 April 2007 and lodged with the ASIC, the Group commenced operations following the demerger of the Pacific National rail business and certain ports businesses (predominantly the former Patrick Ports businesses) from Toll on 15 June 2007 (demerger date).

Comparatives are not included in this report as this is the first year of operation of the Trust.

5. Distributions

The Board of Asciano Finance Limited approved the interim distribution (11 December 2007) and the Responsible Entity approved the payment of the distribution (13 December 2007).

The 2008 interim distribution of 23.0 cents per unit totaling $151.0 million was declared on 11 December 2007 and paid on 28 February 2008. The record date for determining the interim distribution was 31 December 2007.

6. Events subsequent to reporting date

The Trust's net debt at 31 December 2007 stood at $4.52 billion. Subsequent to balance date offers have been accepted for the extension of working capital facilities from May 2008 to May 2009. As a consequence none of the Trust's facilities mature before May 2009.

Other then these events, there has not arisen in the interval between the end of the period and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect significantly the operations of Asciano, the results of those operations, or the state of affairs of Asciano, in future financial periods.

7. Likely developments and expected results of operations

The Trust will continue to be managed in accordance with the objectives and guidelines as set out in the governing documents of the Trust and in accordance with the provisions of the Trust Constitution.

Further information on likely developments in the operations of the Trust and the expected results of those operations have not been included in this report because the Responsible Entity believes it would be likely to result in unreasonable prejudice to the Trust.

8. Directors' interests

No Directors have any relevant interest in the shares, debentures, interests in registered schemes and rights or options over such instruments issued by the companies within the Group and other related bodies corporate, as notified by the Directors to the Australian Securities Exchange in accordance with S205G(1) of the *Corporations Act 2001*, at the date of this report.

9. Indemnities and insurance for Directors and officers

Under the Trust Constitution, the Responsible Entity, including its officers and employees, is indemnified out of the Trust assets for any loss, damage, expense or other liabilities incurred by it in performing or exercising any of its powers, duties or rights in relation to the Trust.

10. Fees paid to and interests held in the Fund by the Responsible Entity or its associates

Fees paid to the Responsible Entity out of the Trust during the period are disclosed in note 16 of the financial statements.

No fees were paid out of the Trust to the Directors of the Responsible Entity during the period.

The number of interests in the Trust held by the Responsible Entity as at the end of the financial period are disclosed in note 16 of the financial statements.

11. Interests in the Fund

The movement in units on issue in the Trust during the year is disclosed in note 14 of the financial statements.

The value of the Trust's assets and liabilities is disclosed on the Balance Sheet and derived using the basis set out in note 1 to the financial statements.

12. Rounding off

The Trust is of a kind referred to in ASIC Class Order 98/0100 (as amended) issued by the Australian Securities and Investments Commission relating to the "rounding off" of amounts in the Directors' report and financial report. Amounts in the Directors' report and financial report have been rounded off to the nearest one thousand dollars in accordance with that Class Order, unless otherwise stated.

13. Auditor's independence declaration

A copy of the Auditor's independence declaration as required by section 307C of the *Corporations Act* 2001 is set out on page 7.

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

Vicki Allen

Sydney
12 March 2008

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

To the directors of Permanent Investment Limited, the Responsible Entity of Asciano Finance Trust, I declare that to the best of my knowledge and belief, in relation to the audit for the interim period to 31 December 2007 there have been:

(a) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Duncan McLennan
Partner

Sydney
12 March 2008

asciano

Financial Report
for the half-year period to 31 December 2007

Asciano Finance Trust
ARSN 124 102 807

Asciano Finance Trust
Financial report
For the period to 31 December 2007

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Asciano Finance Trust
Income Statement
For the period to 31 December 2007

	Note	First half 2008 $'000
Investment income		
Interest income	6	224,727
Total investment income		**224,727**
Interest expenses	7	(185,084)
Other financing costs	7	(90)
Other expenses	8	(531)
Net profit attributable to the unitholders of the Trust		**39,022**
Earnings per unit		
Basic and dilutive (cents)	5	5.9

The notes on pages 14 to 28 are an integral part of these financial statements.

Asciano Finance Trust
Balance Sheet
As at 31 December 2007

	Note	December 2007 $'000
Current assets		
Receivables	10	168,916
Total current assets		**168,916**
Non-current assets		
Receivables	10	4,960,320
Total non-current assets		**4,960,320**
Total assets		**5,129,236**
Current liabilities		
Payables	11	17,899
Provisions	12	151,017
Total current liabilities		**168,916**
Non-current liabilities		
Loans and borrowings	13	4,523,899
Total non-current liabilities		**4,523,899**
Total liabilities		**4,692,815**
Net assets		**436,421**
Equity		
Share capital	14	430,229
Accumulated profits	14	6,192
Total equity		**436,421**

The notes on pages 14 to 28 are an integral part of these financial statements.

Asciano Finance Trust
Statement of Changes in Equity
For the period to 31 December 2007

	Note	First half 2008 $'000
Total equity at the beginning of the financial period		-
Profit for the period		39,022
Total recognised income and expense		**39,022**
Transactions with equity holders in their capacity as equity holders:		
Contributions of equity, net of transaction costs		548,416
Distributions provided for		(151,017)
Total equity at the end of the financial period	14	**436,421**

The notes on pages 14 to 28 are an integral part of the financial statements.

Asciano Finance Trust
Cash Flow Statement
For the period to 31 December 2007

	Note	First half 2008 $'000
Operating cash flows		
Payments to suppliers		(195)
Interest and other costs of finance paid		(167,355)
Interest received		167,265
Net operating cash flows	9	**(285)**
Investing cash flows		
Amounts loaned to related parties		(5,072,030)
Net investing cash flows		**(5,072,030)**
Financing cash flows		
Proceeds from borrowings		4,523,899
Proceeds from the issue of units		548,416
Net financing cash flows		**5,072,315**
Net increase in cash and cash equivalents		-
Cash and cash equivalents at the beginning of the period		-
Cash and cash equivalents at the end of the period		-

The notes on pages 14 to 28 are an integral part of the financial statements.

1. Summary of significant accounting policies

Reporting entity

The financial report presents financial statements for Asciano Finance Trust (Trust) as an individual entity. The Trust is domiciled in Australia. The principal accounting policies that have been adopted in the preparation of this financial report are set out below.

Basis of preparation

The general purpose financial report has been prepared in accordance with Australian Accounting Standards, including Australian Interpretations adopted by the Australian Accounting Standards Board, and the Corporations Act 2001.

Reporting period

The Trust was constituted on 1 March 2007 and was dormant until 15 June 2007 when the Asciano Stapled Group (Group), which consists of Asciano Limited and the Trust, was constituted under a scheme of arrangement that involved the separation of Toll Holding Limited's (Toll) transport infrastructure assets from its network and supply chain business. This financial report covers period from the date of formation (being 1 March 2007) to 31 December 2007; therefore, there are no comparatives.

The Australian Securities and Investments Commission (ASIC) has provided relief to the Trust from the requirement in subsection 323D(5) of the Corporations Act 2001 such that the half year financial period can cover the period from 1 March 2007 to 31 December 2007.

Compliance with IFRS

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial statements and notes of the Trust comply with the International Financial Reporting Standards (IFRS).

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by AASB 139: Financial Instruments: Recognition and Measurement, which requires the revaluation of certain financial assets and liabilities at fair value.

Functional and presentation currency

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

Rounding of amounts

The Trust is of a kind referred to in ASIC Class Order 98/0100 and in accordance with that Class Order, amounts in the financial report and Directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

1. Summary of significant accounting policies (continued)

Critical accounting estimates and judgements

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

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

Segment reporting

A segment is a distinguishable component of the Trust that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Foreign currency translation

Transactions in foreign currencies are translated into the entity's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the Balance Sheet date are translated into the respective entity's functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Income Statement.

Revenue

Revenue is measured at the fair value of the consideration received or receivable.

Revenue is recognised when the amount of revenue can be measured and it is probable that it will ultimately be received. Where the amount of revenue cannot be calculated reliably, revenue is to be recognised only to the extent of the costs incurred in relation to the service provided.

Finance income

Interest revenue is brought to account when earned, taking into account the effective yield on the financial asset.

Finance income comprises interest income on funds invested, gains on the disposal of available-for-sale financial assets and changes in the fair value of financial assets at fair value through profit or loss.

Expenses

Finance expenses

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss and impairment losses recognised on financial assets. All borrowing costs are recognised in profit or loss using the effective interest method, except for any borrowing costs that are capitalised.

1. Summary of significant accounting policies (continued)

Income tax

Income tax is not brought to account in respect of the Trust as, pursuant to the Income Tax Assessment Act, the Trust is not liable for income tax provided that its taxable income, including any assessable realised capital gains, is fully distributed to unitholders each year.

Cash and cash equivalents

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

Receivables

Receivables are stated at their amortised cost using the effective interest method less impairment losses.

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

Payables

Payables are stated at their amortised cost. Payables are non-interest bearing and are usually paid within normal trading terms.

Interest-bearing borrowings

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

Contributed equity

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

Distributions

A payable is recognised for the amount of any distribution declared on or before the period end but not distributed at balance date.

Earnings per unit

Basic earnings per unit is calculated by dividing the result attributable to unitholders of the Trust by the weighted average number of ordinary units outstanding during the period.

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

1. Summary of significant accounting policies (continued)

Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the relevant tax authority. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the tax authority is included as a current asset or liability in the Balance Sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the tax authority are classified as operating cash flows.

New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the year ending 30 June 2008 reporting periods.

There are a number of new accounting standards that will apply to the Trust in future reporting periods, none of these new accounting standards are expected to have a significant impact to the Trust as they relate to financial statement disclosures.

2. Formation of Asciano Finance Trust

The formation of the Trust occurred at the direction of the entity's previous owner, Toll. The Trust was constituted on 1 March 2007. Until 15 June 2007 the Trust had no activities or operations.

Immediately on issue of the Asciano Limited shares and the Asciano Finance Trust units on 15 June 2007, both the shares and units, by operation of the Constitutions of Asciano Limited and Asciano Finance Trust, became stapled to form the securities.

Under the term of the demerger the consideration for the acquisition of the Toll business was satisfied through the issue of 642,512,000 fully paid securities.

3. Financial risk management

(a) Overview

The Trust has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk; and
- interest rate risk

This note presents information about the Trust's exposure to each of the above risks, the Trust's objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout these financial statements.

The Trust's Risk management policies are consistent with those of the Group and are constituted to identify and analyse the risks faced by the Trust, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed to reflect changes in market conditions and the Trust's activities. The Trust and the Group through their management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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

(b) Credit risk

Credit risk is the risk of financial loss to the Trust if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the potential for loss of income and principal on the Trust's investment activities.

The Board of Directors has established policies governing the Trust's treasury activities, including the monitoring and management of credit risks arising from investments and derivatives.

The following table shows the carrying amount of financial assets that represents the maximum credit exposure at the reporting date.

	Note	December 2007 $'000
Loans and receivables	10	695
Loans to related parties	10	5,128,541
		5,129,236

3. Financial risk management (continued)

(c) Liquidity risk

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

The Trust's liquidity risk is managed through maintenance of at-call access to funds and regular review of the adequacy of funding arrangements.

The following table provides maturities of financial liabilities.

	Carrying amount $'000	Less than 1 year $'000	2 to 5 years $'000	Total $'000
Non derivative financial liabilities				
Secured bank loans	4,523,899	-	4,523,899	4,523,899
Distribution payable	151,017	151,017	-	151,017
Payables	17,899	17,899	-	17,899
	4,692,815	**168,916**	**4,523,899**	**4,692,815**

(d) Interest rate risk

The Trust borrows at floating rates of interest and holds assets, in the form of loans to related parties, that earn interest at floating rates. Consequently, the Trust's cash flows have no material exposure to the impact of adverse changes in benchmark interest rates. The extent of exposure stems from the net receivable/payable position of the Trust.

The objective of the Trust's interest rate management is to reduce the risk from potential adverse interest rate movements to acceptable levels on a cost effective basis.

The Trust manages its interest rate exposures by matching the interest rate basis of its funding to the interest rate basis of its assets. Should any material mismatch arise, the Trust may from time to time enter into approved derivative instruments to hedge its exposure, in accordance with the financial risk management policy approved by the Board of Directors.

(e) Capital management

The Trust's capital management strategy is to establish a framework that supports and facilitates the pursuit of the Trust's strategy while minimising its costs of funding. Specifically, the components of the Trust's financial strategy are:

- optimising the capital structure;
- providing sufficient financial flexibility to enable the Trust to fund its assets and investments over both the short and long term;
- maintaining access to a broad range of funding sources; and
- raising funds in the most cost effective manner possible.

There were no changes in the Trust's approach to capital management during the period.

The Trust is not subject to any externally imposed capital requirements.

4. Segment reporting

The Trust is organised into one main segment that operates solely in the business of sourcing external borrowing and on lending these to the Asciano Stapled Group. Consequently, no segment reporting is provided in the Trust's financial statements.

While the Trust operates from Australia only (the geographical segment), the Trust may have investment exposures in different countries.

5. Earnings per unit

	First half 2008 Cents
Basic and dilutive earnings per unit - cents	5.9
	$'000
Net profit attributable to unitholders used in calculating basic and dilutive earnings per unit	39,022
	'000
Basic and dilutive weighted average number of ordinary units at 31 December 2007	656,597

Until the demerger on 15 June 2007 Asciano had 1 unit on issue and no operations. The period used for the weighted average number of shares is from 15 June 2007 to 31 December 2007 thereby matching the period the Trust has been in existence.

6. Investment income

	First half 2008 $'000
Interest income – related party	**224,727**

7. Finance income and expense

	First half 2008 $'000
Interest expense	(185,084)
Interest income	224,727
Net interest income	**39,643**
Other financing costs	(90)
Net finance income	**39,553**

8. Other operating expenses

	First half 2008 $'000
Consulting fees	272
Other expenses	3
Exchange loss on foreign currency borrowings	256
Total operating expenses	**531**

9. Reconciliation of net operating cash flows

Profit after tax	39,022
Adjustments for non-cash items:	
Net exchange differences	256
(Increase) in other receivables	(687)
(Increase) in related party loans relating to interest receivable	(56,775)
Increase in other payables	17,899
Net operating cash flow	**(285)**

10. Receivables

	December 2007 $'000
Current	
Accrued interest income	687
Loans to related parties	168,221
Other	8
	168,916
Non-current	
Loans to related parties	4,960,320
	4,960,320

The Trust's exposure to credit risks and impairment losses related to receivables are disclosed in note 3.

11. Payables

	December 2007 $'000
Current	
Accrued interest	17,819
Other payables	80
	17,899

12. Provisions

Current	
Distribution payable	151,017
	151,017

13. Loans and borrowings

Non current borrowings	
Secured - Bank loans [1, 2]	4,523,899

1 Secured by charges over the assets of various members of the Group.

2 Certain borrowings are at floating interest rates (refer to note 15). Interest on this debt is based upon the bank bill swap rate plus a margin.

Bank facilities

The Trust had total committed credit facilities of $5.2 billion, of which $572.1 million were undrawn at 31 December 2007. The drawn components comprise $4.524 billion under the loan facilities and $103.9 million in contingent instruments (performance and bank guarantees) drawn under the working capital facility. The facilities have fixed maturity dates ranging between May 2008 and May 2012.

The Trust's net debt at 31 December 2007 stood at $4.524 billion. Subsequent to balance date offers have been accepted for the extension of working capital facilities from May 2008 to May 2009. As a consequence, none of the Trust's facilities mature before May 2009.

14. Capital

Reconciliation of movement in equity accounts

	Capital $'000	Accumulated profits $'000	Total equity $'000
Opening balance	-	-	-
Contribution of equity, net of transaction costs	548,416	-	**548,416**
Net profit for the period	-	39,022	**39,022**
Distributions to unitholders	(118,187)	(32,830)	**(151,017)**
Closing balance	**430,229**	**6,192**	**436,421**

Distributions

Distributions from the Trust declared during the half year were as follows:

	Cents per security	Total amount $'000	Date of payment
Interim distribution	23	151,017	28 February 2008

The interim distribution consisted of a taxable component of 4.7358 per unit being Australian sourced interest income, and a tax deferred component of 18.2642 cents per unit.

Capital reconciliation

	Date	Issue price $	No. of Units	$'000
Issue of units on constitution of the Trust	1 March 2007	-	1	-
Units issued under the Scheme of Arrangement [1,2]	6 June 2007	0.62	635,294,000	393,940
Asciano stapled security placement	8 June 2007	10.65	14,084,506	150,000
Cancellation by way of selective reduction of capital	15 June 2007	-	(1)	-
Increase in units between 8 June and 15 June [1,2]	15 June 2007	0.62	7,218,000	4,476
Distribution declared out of Trust capital	31 December 2007		-	(118,187)
Balance at end of period			**656,596,506**	**430,229**

[1] These stapled securities were quoted on ASX and were traded on a deferred settlement basis up until 15 June 2007.

[2] Asciano is a stapled entity. The issue price of $11.15, being the closing share price on 15 June 2007 has been allocated between Asciano Limited, the Parent company and the Asciano Finance Trust.

15. Financial instruments

Fair values

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

December 2007	Carrying amount $'000	Fair value $'000
Financial assets		
Loan and receivables	695	695
Loans to related parties	5,128,541	5,129,272
Total financial assets	**5,129,236**	**5,129,967**
Financial liabilities		
Secured bank loans	4,523,899	4,523,899
Distribution payable	151,017	151,017
Other payables	17,899	17,899
Total financial liabilities	**4,692,815**	**4,692,815**
Net financial assets and liabilities	**436,421**	**437,152**

Interest rates used for determining fair value

$5.1 billion of the loans to related parties are Australian dollar variable interest rate loans. The interest rates used to discount estimated cash flows on fixed rate loans are based on the New Zealand dollar yield curve. At the reporting date this was in the range of 8.5% to 9.0% (New Zealand).

15. Financial instruments (continued)

Interest rate profile

As at 31 December 2007, there were no interest rate derivatives in place hedging the fair value of fixed rate assets or liabilities or the cash flows of floating rate assets or liabilities.

The following table summarises the Trust's interest rate profile. The weighted average effective interest rate is determined based on a weighting using the contract notional value and the contract interest rate.

	Weighted average rate %	Variable interest rate $'000	2 to 5 years $'000	Total $'000
Financial assets				
Loans to related parties	8.2%	5,114,011	14,530	**5,128,541**
		5,114,011	**14,530**	**5,128,541**
Non interest-bearing				695
Total financial assets				5,129,236

	Weighted average rate %	Variable interest rate $'000	Total $'000
Financial liabilities			
Bank loans	8.5%	4,523,899	**4,523,899**
		4,523,899	**4,523,899**
Non interest-bearing			168,916
Total financial liabilities			4,692,815

15. Financial instruments (continued)

At the reporting date the carrying amounts of the Trust's interest-bearing financial instruments were:

	December 2007 $'000
Fixed rate instruments	
Financial assets	14,530
Financial liabilities	-
	14,530
Variable interest rate instruments	
Financial assets	5,114,011
Financial liabilities	(4,523,899)
	590,112

Fair value sensitivity analysis for fixed rate instruments

As at 31 December 2007, the Trust had no material fixed rate financial assets and liabilities accounted for at fair value through profit or loss, nor had the Trust designated any derivatives as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not have a material affect on profit or loss or equity.

Cash flow sensitivity analysis for variable rate instruments

The Trust borrows at floating rates of interest and holds assets, in the form of loans to related parties, that earn interest at floating rates. The Trust is exposed to cash flow sensitivity to the extent of its net receivable position. A 1% increase/decrease in variable rates will increase/decrease profit by approximately $6m before tax.

16. Related parties

Responsible entity
The Responsible Entity for Asciano Finance Trust is Permanent Investment Management Limited.

Key management personnel
Key Management Personnel (KMP) includes persons who were Directors of the Responsible Entity at any time during the financial period as follows:

Non-Executive Directors

Jonathan W Sweeney	
Michael J Britton	
Ian M Nicol	(resigned 28 February 2008)
Assyat David	(appointed 15 June 2007; resigned 29 October 2007)
Vicki L Allen	(appointed 15 June 2007)
Eugene Quass	(appointed 27 February 2008)

Other KMP
There were no other persons with responsibility for planning, directing and controlling the activities of the Trust, directly or indirectly during the financial period.

KMP unitholdings
No Directors of the Responsible Entity hold any direct or indirect interests in securities or options over securities over the Asciano Stapled Group at any time during the financial period.

KMP compensation
KMP are paid by Permanent Investment Management Limited. Payments made from the Trust to Permanent Investment Management Limited do not include any amounts attributable to the compensation of KMP.

KMP loan disclosures
The Trust has not made, guaranteed or secured, directly or indirectly, any loans to the KMP or their personally related entities at any time during the reporting period.

Other transactions within the Trust's KMP
No KMP have entered into a material contract with the Trust since the end of the financial period and there were no material contracts involving Director's interests subsisting at year end.

16. Related parties (continued)

Responsible Entity's fees and other transactions
The Responsible Entity is entitled to receive management fees under the Trust Deed of $150,000 for the first six months of the appointment then $12,500 per month thereafter.

All expenses in connection with the preparation of accounting records and the maintenance of the register have been fully borne by the Group.

All related party transactions are conducted on normal commercial terms. The transactions during the period and amounts payable at year end between the Trust and the Responsible Entity were as follows:

	First half 2008 $
Management fees earned by the Responsible Entity	150,000
Administration expenses incurred by the Responsible Entity which are reimbursed in accordance with the Trust Deed	1,000
Aggregate amounts payable to the Responsible Entity at the reporting date	-

The Responsible Entity has the right of reasonable reimbursement of administration expenses incurred.

Transactions with related parties
Interest charged to related parties during the period included:

	First half 2008 $
Asciano Limited	224,045,051
Asciano Group (NZ) Limited	682,331

17. Subsequent events

Other than the acceptance of an offer to extend the maturity of the working capital facilities as set out in note 13, there have been no events that have occurred subsequent to 31 December 2007 that have had a material impact on the Trust's financial performance or position.

18. Auditors' remuneration

KPMG are the auditors of the Trust. Audit fees of the Trust were paid by a related company within the Asciano Group.

Asciano Finance Trust
Directors Declaration
31 December 2007

In the opinion of the Directors of the Responsible Entity:

(a) the financial statements and notes set out on pages 10 to 28 are in accordance with the *Corporations Act 2001*, including:

(i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the Trust's financial position as at 31 December 2007 and of its performance, for the period ended on that date;

(b) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable; and

The Directors have been given the declarations by the Chief Executive Officer and the Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

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

Vicki Allen

Sydney
12 March 2008

Independent auditor's report to the unitholders of Asciano Finance Trust

We have audited the accompanying interim financial report of Asciano Finance Trust (the Trust), which comprises the balance sheet as at 31 December 2007, and the income statement, statement of changes in equity and cash flow statement for the interim period ended on that date, a summary of significant accounting policies and other explanatory notes 1 to 18 and the directors' declaration set out on page 29.

Directors' responsibility for the financial report

The directors of Permanent Investment Management Limited (the Responsible Entity) are responsible for the preparation and fair presentation of the interim financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the interim financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 1, the directors of the Responsible Entity also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report, comprising the interim financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the interim financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the interim financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the interim 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 Trust's preparation and fair presentation of the interim financial report 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 Trust's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Responsible Entity, as well as evaluating the overall presentation of the interim financial report.

We performed the procedures to assess whether in all material respects the interim financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australia Accounting Interpretations) and the provisions of the trust constitution, a view which is consistent with our understanding of the Trust's financial position, and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's opinion

In our opinion:

(a) the financial report of Asciano Finance Trust is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Trust's financial position as at 31 December 2007 and of its performance for the interim period ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

(b) the interim financial report also complies with International Financial Reporting Standards as disclosed in note 1.

KPMG

KPMG

Duncan McLennan
Partner

Sydney
12 March 2008

2007/08 INTERIM RESULTS

SUPPLEMENTARY INFORMATION
SEGMENTAL CONTRIBUTIONS

12 March 2008

DISCLAIMER

- This presentation may include forward-looking statements that are based on information and assumptions known to date and are subject to various risks and uncertainties. Actual results, performance or achievements could be significantly different from those expressed in, or implied by, any forward-looking statements. Any forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Asciano, which may cause actual results to differ materially from those expressed in any forward looking statements contained in this presentation. For example, the factors that are likely to affect the results of Asciano include general economic conditions in Australia; exchange rates; competition in the markets in which Asciano does and will operate; weather and climate conditions; and the inherent regulatory risks in the businesses of Asciano.
- All amounts are based on A-IFRS and are in Australian Dollars unless otherwise stated. Certain figures may be subject to rounding differences.
- All figures in this presentation are unaudited.

SEGMENTAL CONTRIBUTION - PATRICK

	To 31 December 2007		To 31 December 2006		% Change	
	From 1 July	From 15 June	From 1 July	From 15 June	From 1 July	From 15 June
Container Ports - Continuing Businesses						
Revenue	$322.7m	$347.8m	$286.8m	$308.8m	+12.5%	+12.6%
Operating Costs	$198.8m	$214.0m	$181.5m	$196.3m	+9.5%	+9.0%
EBITDA	**$123.9m**	**$133.8m**	**$105.3m**	**$112.5m**	**+17.7%**	**+18.9%**
EBITDA Margin	*38.4%*		*36.7%*			
Container Ports – Portlink*						
Revenue	$72.4m	$77.8m	$67.1m	$72.1m	+7.9%	+7.9%
Operating Costs	$68.8m	$73.4m	$57.6m	$61.8m	+19.4%	+18.7%
EBITDA	**$3.6m**	**$4.4m**	**$9.5m**	**$10.3m**	**-62.1%**	**-57.2%**
EBITDA Margin	*4.9%*		*14.1%*			
Auto, Bulk & General Ports						
Revenue	$235.5m	$256.6m	$212.0m	$231.0m	+11.1%	+11.1%
Operating Costs	$199.0m	$217.1m	$182.2m	$198.5m	+9.2%	+9.4%
EBITDA	**$36.5m**	**$39.5m**	**$29.8m**	**$32.5m**	**+22.4%**	**+21.5%**
EBITDA Margin	*15.5%*		*14.0%*			

* Business to be restructured

SEGMENTAL CONTRIBUTION – PACIFIC NATIONAL

	To 31 December 2007		To 31 December 2006		% Change	
	From 1 July	From 15 June	From 1 July	From 15 June	From 1 July	From 15 June
Intermodal						
Revenue	$449.2m	$488.1m	$426.6m	$459.7m	+5.3%	+6.2%
Operating Costs	$356.6m	$388.2m	$348.3m	$374.5m	+2.4%	+3.7%
EBITDA	**$92.6m**	**$99.9m**	**$78.3m**	**$85.2m**	**+18.3%**	**+17.3%**
EBITDA Margin	*20.6%*		*18.4%*			
Bulk – Continuing Businesses (Coal/Industrial)						
Revenue	$285.4m	$305.1m	$267.5m	$291.0m	+6.7%	+4.8%
Operating Costs	$210.9m	$224.8m	$196.2m	$214.1m	+7.5%	+5.0%
EBITDA	**$74.5m**	**$80.3m**	**$71.3m**	**$76.9m**	**+4.5%**	**+4.4%**
EBITDA Margin	*26.1%*		*26.7%*			
Bulk – Grain, General Freight*						
Revenue	$47.2m	$52.3m	$98.2m	$107.0m	-51.9%	-51.1%
Operating Costs	$62.1m	$69.0m	$101.1m	$109.0m	-38.6%	-36.7%
EBITDA	**($14.9m)**	**($16.7m)**	**($2.9m)**	**($2.0m)**	**N/A**	**N/A**

* Businesses to be restructured

REPORTED EBITDA CONTRIBUTION BEFORE SPECIAL ITEMS

	To 31 December 2007	
	From 1 July	From 15 June
Container Ports (excluding Portlink)	$123.9m	$133.8m
Auto, Bulk & General Ports	$36.5m	$39.5m
Patrick – Other EBITDA	$13.0m	$13.3m
PATRICK TOTAL	$173.4m	$186.6m
Intermodal	$92.6m	$99.9m
Bulk (Coal/Industrial)	$74.5m	$80.3m
Pacific National – Other EBITDA	$9.8m	$10.7m
PACIFIC NATIONAL TOTAL	$176.9m	$190.9m
EBITDA FROM PATRICK/PN CONTINUING BUSINESSES	$350.3m	$377.5m
Asciano/Head Office		
Brambles Dividends/Profit	$16.0m	$16.0m
Corporate Costs	($15.3m)	($15.3m)
	$0.7m	$0.7m
TOTAL FROM CONTINUING OPERATIONS	$351.0m	$378.2m
Restructured Businesses	($11.3m)	($12.3m)
REPORTED EBITDA Before Special Items	$339.7m	$365.9m

asciano

CAPEX HALF YEAR 2008 ALLOCATIONS