Australian Rail Track Corporation Ltd.

2009 Annual Report


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ARTC Services Company Pty Ltd
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Contents

Chairman's Report

On behalf of the Board of Directors, I am pleased to present the Annual Report of the Australian Rail Track Corporation Ltd (ARTC) for the 2008/09 year, the 11th year of the company's operation and one of significant achievement.

During the 12 months under review, the company has continued to deliver on its promise to remediate and upgrade the interstate standard gauge rail network and Hunter Valley rail systems. This is an essential part of our overarching objective to make freight rail an integral and sustainable element of the nation's transport logistics network.

In meeting these challenges, good governance and management of the company is paramount. The Board has adopted a Board Charter which, inter alia, embodies the aim of the company as;

- *to provide efficient and seamless access to the interstate rail network and to operate the business on commercial principles;*
- *to implement a growth strategy for interstate rail through improved efficiency and competitiveness;*
- *to improve interstate rail infrastructure through better asset management and co-ordination of capital investment; and*
- *to encourage uniformity in access, technical, operating and safework procedures in the Australian rail industry.*

The Board continues to be guided by these objectives in working with management, staff, and all our business partners to put in place the sound practice and key infrastructure necessary to fulfil this Charter. This has become even more important with the onset of the global financial crisis in late 2008. While this has produced an economic downturn, with its inevitable effect on freight volumes and company revenue, it is important that this infrastructure investment continues.

The Board began a dialogue with its shareholder, the Australian Government, in August 2008 to secure increased equity investment in the company, thereby enabling ARTC to borrow on normal commercial terms to continue its investment program. In December 2008, this resulted in a commitment by Government to an equity injection of $1.2 billion, some $563 million of which was attributed to additional works identified by Government under its Nation Building strategy to deal with the effects of the economic downturn. These actions have greatly assisted the company to optimise its borrowing program and continue essential works without interruption.

A major challenge for ARTC is to provide rail infrastructure in the Hunter Valley which balances coal producers' expected outputs, coal loaders' expected capacity, and the forecast world demand for Hunter Valley coal. In 2008/09, ARTC invested around $176 million in key infrastructure works in this network, including bi-directional signal upgrades, new passing loops and track duplication. The aim of this investment is to lift export coal chain capacity from its present level of 97 million tonnes per year to a possible 200 million tonnes per year by 2013. A notable effect of this work has been a new record of 343,801 tonnes of coal delivered to the port in a 24 hour period.

With in excess of 80% freight market share, the East West rail corridor across the continent remains ARTC's strongest performer. Improvements in and around Melbourne are vital to increase freight handling efficiency. In April 2008, a new seven kilometre section of track between Dynon and Tottenham Junction, funded under the Australian Government's Nation Building program, was opened by the Minister for Infrastructure, Transport, Regional Development and Local Government, the Hon. Anthony Albanese. This will be enhanced by the completion of the Brooklyn-Sunshine triangle in mid 2010, which will enable trains to travel

from East West to North South and vice-versa, without the need to enter Melbourne.

On the North South corridor, ARTC has pushed ahead with its $2.4 billion upgrade of the rail line between Melbourne, Sydney and Brisbane. Along with the insertion of around 2.2 million new concrete sleepers, the investment has resulted in new passing loops and lanes constructed along the entire corridor. Work has begun on the vital Southern Sydney Freight Line to separate freight traffic from commuter traffic on entry into Sydney from the South, and is progressing well.

The Australian Government is funding a study to determine how best to separate freight traffic from commuter traffic North of Sydney, and has allocated some $840 million for initial stages of construction. Following an historic agreement between the Australian Government, the Victorian Government and ARTC, the company has converted the broad gauge track between Seymour and Albury Wodonga to standard gauge, and is well advanced on a new track alignment around parts of Wodonga itself. It is anticipated that when the entire North South corridor is complete, ARTC will be able to offer the freight industry transit times as low as 10 hours 40 minutes between Melbourne and Sydney, and 15 hours 35 minutes between Sydney and Brisbane.

ARTC has received an Australian Taxation Office Assessment to pay tax on the three grants received from the Australian Government in 2004, 2005, and 2006. This assessment has a potential liability of $360 million. ARTC has at this time lodged an objection to the Australian Taxation Office Assessment.

For the financial year, ARTC recorded an operating profit before interest, tax, depreciation, amortization and impairment of $102.9 million. As in the last two financial years, and in conformity with Australian Accounting standards, ARTC has determined a nett adjustment in it's annual accounts to reflect an impairment of certain NSW rail assets (excluding the Hunter Valley) relative to a required economic return. In 2008/09, this amounted to $227.1 million. After allowing for this impairment, plus nett taxation adjustments of $279.1 million, the company recorded a consolidated nett loss of $543.9 million.

The year ahead looks challenging as Australia deals with the world-wide economic downturn; but recovery will occur, and rail must be ready to deal with the increased demand when it comes. Community concern about increasing heavy vehicle traffic on roads, coupled with energy efficiency, safety, and environmental issues, means that a reliable, efficient, customer-focused rail system must evolve. This needs to work in partnership with road transport to handle Australia's freight task. ARTC sees itself as an important part of this process.

None of the results of the past year could have been recorded without the support of ARTC's shareholder, its above-rail customers, suppliers, business partners, and the continuing hard work and dedication of its staff and Directors. I thank them for this, and have no doubt this will continue as there is still much to be achieved.

Barry Murphy
Chairman

Chief Executive Officer's Report

In 2008/09 infrastructure investment has been placed front and centre on the national agenda.

It comes during some of the most unprecedented economic turbulence the world and our nation has seen. Despite these uncertain times, it is vital that Australia continues to enhance its national transport infrastructure network.

At the forefront of the surge in infrastructure investment has been the Australian Rail Track Corporation's (ARTC) drive to develop freight rail into a value adding asset to the Australian logistics market.

On the 12th of December 2008, the Federal Government announced that over the next two years, it will inject $1.2 billion equity into the ARTC in a range of projects to improve the reliability and competitiveness of the nation's rail freight network.

$563 million of the equity injection formed part of the Australian Government's Nation Building announcement aimed at economic stimulus through infrastructure investment.

This investment has enabled ARTC to bring forward a raft of projects that will upgrade key freight lines on the North South and East West corridors.

Many of these projects announced in December 2008 have now been completed.

A large contribution of the funding was dedicated to completing concrete resleepering in Victoria along side the standard gauge track ARTC is presently converting from broad gauge between Albury and Seymour. In addition, over 20 kilometres of track will be concrete sleepered on the standard gauge line between Albury and Seymour.

A significant upgrading of the rail line between Cootamundra and Parkes is presently being undertaken including concrete sleepering.

As part of the investment from the Nation Building program, the main line between Acacia Ridge and the Queensland border will be upgraded with concrete sleepers and new signal technology and be incorporated into the ARTC's national interstate standard gauge network.

$580 million of the Australian Government's equity injection is being invested in the Hunter Valley bringing the total ARTC investment in that network to approximately $1.3 billion. ARTC has also released a 10 year Hunter Valley Strategy for industry consultation on the ongoing requirements of the coal chain.

The present Hunter Valley investment is focused around projects such as bidirectional signalling between Maitland and Branxton, a third track at Minimbah, a third track at Nundah bank, the duplication of the rail line between St Heliers and Muswellbrook, a new loop at Bylong, the Maitland to Minimbah third road, the Aerosol Valley loop, the Rhondi loop at Braemar and the Radio Hut loop.

The objective of the investment in the Hunter Valley is to increase the current capacity of the coal chain to export 97 million tonnes per annum of coal and reach the projected level of 200 million tonnes of coal by 2013.

This will be a significant increase in the capacity of the rail infrastructure, the port infrastructure and the total coal network in the Hunter.

The first measurable benefits of the $2.4 billion upgrade of the rail corridor between Brisbane, Sydney and Melbourne have been delivered with the release of the new 'first stage' time table for the North Coast.

The new timetable is the first stage of three timetables resulting from the significant upgrade of the North South rail corridor.

The new 'first stage' timetable delivers reduced section run times on the North Coast of NSW. Specifically, steel trains running from Morandoo in New South Wales to Acacia Ridge over the Queensland border have had their average transit time reduced by 2 hours 22 minutes to 17 hours 34 minutes, and on the return journey the average transit time has been reduced by 1 hour 39 minutes to 16 hours 1 minute.

Intermodal superfreighter trains running from Islington Junction in NSW to Acacia Ridge have had their average transit times reduced by 1 hour 19 minutes to 14 hours 37 minutes, and on the return journey the average transit time has been reduced by 1 hour to 14 hours 45 minutes.

The upgrade of the North South rail corridor has led to significant fuel savings as well as environmental benefits.

Fuel savings arising from the 'first stage' timetable for the steel and intermodal trains on the North Coast have been estimated based on reduced section run times to yield savings of greater than 750,000 litres per year. This translates into reduced CO_2 emissions estimated at greater than 2 million kilograms per year.

The 'second stage' timetable will be released in October – November 2009 following further upgrades to the Main North and Main South rail lines.

The 'third stage' timetable will be released in April – May 2010 following the completion of the Southern Sydney Freight Line along with other works.

The $2.4 billion upgrade of the North South rail corridor has seen a series of new passing lanes and loops installed between Brisbane and Melbourne, along with the insertion of nearly 1,500 kilometres of new concrete sleepers and new signal technology.

These upgrades represent the largest rail project on the North South corridor since the track was originally laid.

ARTC is working in close cooperation with NSW RailCorp and the Transport Development Infrastructure Corporation on the planning and designs for infrastructure investment on the rail corridor between Strathfield and Newcastle to enable four freight trains per hour in the up and down direction for 22 hours of the day.

Significant works are also being undertaken for improvements to the Botany line to enhance port/rail operations.

I am pleased to report that ARTC has continued to improve upon its lost time injury results with the lost time injury frequency rate at a record low of 3.67 for the 12 months ended 30 June 2009.

2009/10 financial year will be significant in bringing to completion the major improvement program for the North South corridor and provides a basis for the rail industry to promote its product to grow the rail freight market North South.

David Marchant
Chief Executive Officer

Year in Review 2008/2009

JULY 2008

01 Start of new financial year.

Secondee arrangements with the NSW Government for infrastructure workers concluded on 30 June 2008 resulting in a significant and successful recruitment campaign for rail infrastructure workers working directly for ARTC.

16 Under the 45 year extension of ARTC's Victorian lease a deal was announced between ARTC and the Victorian Government to upgrade the standard gauge line between Maroona and Portland in Victoria.

24 Completion of extension of Ardglen passing loop between Muswellbrook and Werris Creek. Another step forward in enabling growth in coal haulage from the Gunnedah Basin.

Bomen passing lane completed. The new $15.3 million, 6.4 kilometre lane allows trains to pass each other at regular speed; another boost to the North South corridor.

25 Extension of Kyarran passing loop completed. The loop was extended from 380 metres to 1570 metres to allow for longer trains.

AUGUST

16 New ballast top bridges replace transom bridges between St Heliers to Muswellbrook as part of the track duplication between Newcastle and Muswellbrook.

21 ARTC 2007 Interstate Access Undertaking became effective for a period of ten years. This undertaking was accepted by the Australian Competition and Consumer Council (ACCC) on the 31 July after extensive consultation with stakeholders and the ACCC.

22 ARTC, Laing O'Rourke and Balfour Beatty lay the last concrete sleeper on the North Coast line as part of the Brisbane, Sydney Melbourne upgrade.

SEPTEMBER

01 Wollar crossing loop completed in Hunter Valley. New two kilometre crossing loop caters for 72 wagon trains contributing to increased coal haulage from the Gunnedah Basin.

09 $50 million Port of Melbourne rail access improvement projects announced in conjunction with the Victorian Government. The projects were designed to deliver improved freight transit times and double the track capacity through the duplication of the two kilometre section of single track connecting the port terminal precinct in Melbourne to the interstate main line.

22 Two 1570 metre long passing loops open at Tamrookum and Greenbank between the Queensland border and Brisbane. Constructed as part of the North South upgrade, these loops have benefited operations at the Acacia Ridge freight terminal.

26 Victorian Premier, The Hon. John Brumby, turns the first sod on the upgrade of the Victorian standard gauge rail network.

OCTOBER

07 Project consultants announced for the Inland Rail Study.

13 One millionth SIA concrete rail sleeper between Sydney and Melbourne laid at Gunning NSW. Part of the $2.4 billion upgrade of the Brisbane, Sydney, Melbourne rail corridor.

NOVEMBER

07 Passing loop completed at Nana Glen in Northern NSW as part of the Brisbane, Sydney, Melbourne rail upgrade. The 1600 metre loop caters for longer trains and has resulted in shorter transit time.

09 Passing loop completed at Mangoola on the Ulan line in the Hunter Valley. The $11 million investment has increased capacity on the corridor, with daily train paths raised from 11 to 26.

21 $35 million Stage Two of the Antiene to Muswellbrook duplication works completed.

27 Gunnedah to The Gap concrete resleepering project completed. The $24 million project involved the laying of over 105,000 concrete sleepers and has increased capacity on the coal line between the Gunnedah Basin and Newcastle.

DECEMBER

03 ARTC CEO, David Marchant presents to the National Press Club of Australia.

12 Australian Government invests $1.2 billion in rail infrastructure through ARTC, in projects across the network and the Hunter Valley, bringing ARTC's total investment in the Hunter to over $1 billion.

ARTC commences management of the Acacia Ridge track in Queensland.

Federal Government announces $150 million investment in upgrading level crossings.

14 ARTC announces a record coal haul in a 24 hour period. 328,000 tonnes were delivered to port over 24 hours shattering the old record of 314,000 tonnes.

19 $5.2 million extension of the crossing loop at Donnybrook on the Victorian North East line to allow for 1500 metre and 1800 metre freight trains. This has increased the capacity on this section of track by reducing transit times.

JANUARY 2009

05 The seven kilometre new track in Tottenham (Stage 5) is commissioned. This more than doubles network capacity over the Melbourne metropolitan network.

21 ARTC Services Company 2008 Enterprise Agreement in place.

FEBRUARY

07 New passing loop opens at Craven in Northern NSW. The $10.2 million passing loop caters for 1500 metre trains and has led to increased efficiency and capacity on the line.

08 $45 million Albury to Seymour concrete resleepering project commences. Funded as part of the Australian Government's $1.2 billion Nation Building program, the project has led to significant improvements in the efficiency and reliability of the rail link.

12 Project commences to lay 433,000 new concrete sleepers on the Melbourne to Adelaide rail link between Maroona and Serviceton on the South Australian border. The project was brought forward as part of the Australian Government's Nation Building program.

18 ARTC crews on North Coast complete a package of rail upgrade works over a 36 hour period; the largest track possession since September 2004 when the NSW lease was taken up by ARTC.

25 ARTC NSW Enterprise Agreement negotiations commenced.

27 One millionth concrete rail sleeper produced in Wagga Wagga by Austrak as part of the production schedule for the upgrade of the Southern rail corridor. The Australian Government's Nation Building program allows four similar factories around Australia to work at full staff capacity until November 2009.

MARCH

16 Crews working on ARTC's concrete resleepering of the Brisbane, Sydney, Melbourne rail line set a new record for sleeper laying. 131,166 new concrete sleepers were laid in 19 days, breaking the 2008 record. As part of the record breaking effort, the two millionth sleeper between Brisbane and Melbourne was laid.

APRIL

01 'Bishop' crossing loop is opened at Wingfield South Australia which has increased the capacity of the freight rail line between Dry Creek and Outer Harbor. The 'Bishop' loop was named after Mr George Bishop, a long serving South Australian rail worker.

08 Federal Minister for Infrastructure, Transport, Regional Development and Local Government, the Hon.Anthony Albanese, officially opens the Tottenham to West Footscray Rail Link. The $45 million Australian Government funded project has improved operation capacity and reliability in and around the Port of Melbourne.

23 First Australian Government Nation Building project completed. The new 11 kilometre passing lane at Bylong has increased the capacity of the coal network and led to shorter transit times.

28 $422 million additional funding received from the Australian Government to support ARTC's investment program and the Nation Building program.

MAY

06 First concrete sleepers for the Australian Government's Nation Building funded resleepering project between Parkes and Cootamundra arrive from Grafton at Cootamundra.

Stage One of the Inland Rail Alignment Study released.

12 Prime Minister, the Hon. Kevin Rudd MP, turns the first sod on the Minimbah Bank Third Rail project. The $134 million project will facilitate the more efficient movement of coal to the Port of Newcastle by improving the grade of the track.

21 Upgrade of the passing loop at John's River on the NSW North Coast completed. The project was brought forward as part of the Australian Government's Nation Building program and included new turnout configuration and new signalling.

26 $8.8 million passing loop completed at Dungog NSW. The new loop caters for 1500 metre trains and is part of the $2.4 billion upgrade on the Brisbane, Sydney, Melbourne line.

JUNE

04 Passing loop extended at Boggabri NSW to cater for 1350 metre coal trains. This has increased the coal haulage capacity on the line to the Gunnedah Basin and along with the new CTC signalling will help reduce transit time.

Stage 1 timetable announced for the North South corridor as a result of the $2.4 billion upgrade of the line between Brisbane, Sydney and Melbourne. Steel trains running from Morandoo in NSW to Acacia Ridge over the Queensland border have had their average transit time reduced by 2 hours 22 minutes to 17 hours 34 minutes, and on the return journey the average transit time has been reduced by 1 hour 39 minutes to 16 hours 1 minute.

Intermodal superfreighter trains running from Islington Junction in NSW to Acacia Ridge have had their average transit times reduced by 1 hr 19 minutes to 14 hours 37 minutes, and on the return journey the average transit time has been reduced by 1 hour to 14 hours 45 minutes.

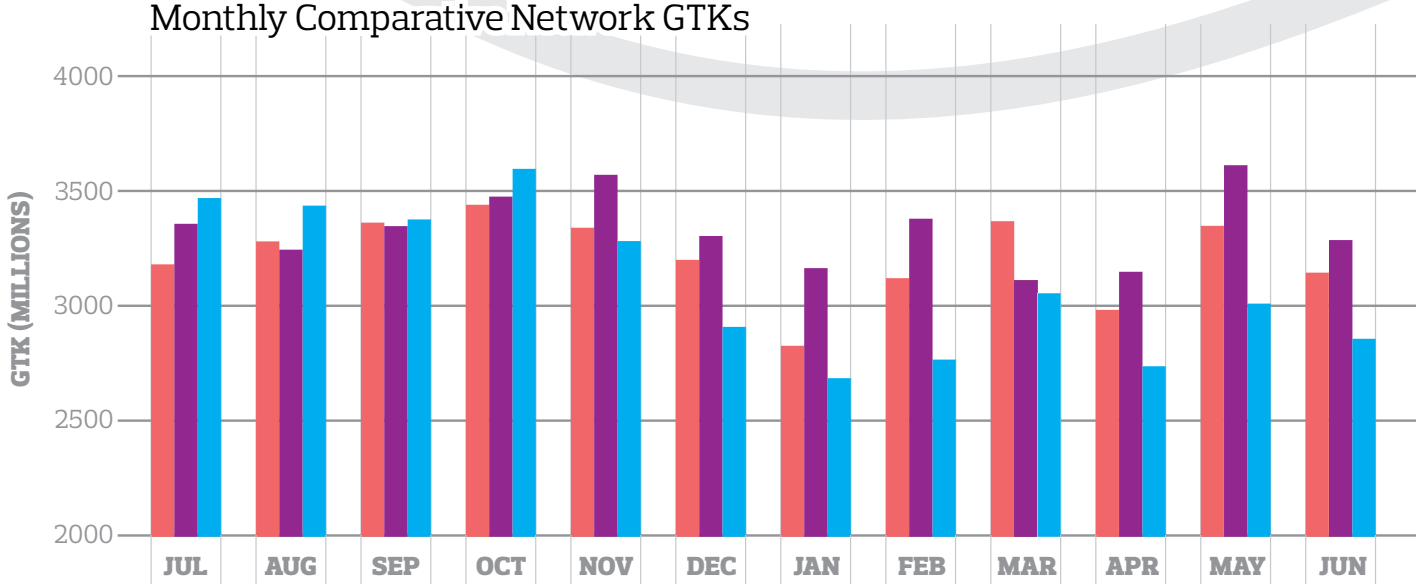
23 Upgrade of the major passing loop at Killawarra in Northern NSW completed. Brought forward as part of the Australian Government's Nation Building program, the $1.4 million upgrade of the loop involved replacing an existing turnout to allow for 50 kilometre per hour entry speed into the loop. This will help reduce transit times on the North South line.

30 ARTC achieves an all time low, rolling twelve month lost time injury frequency rate of 3.67.

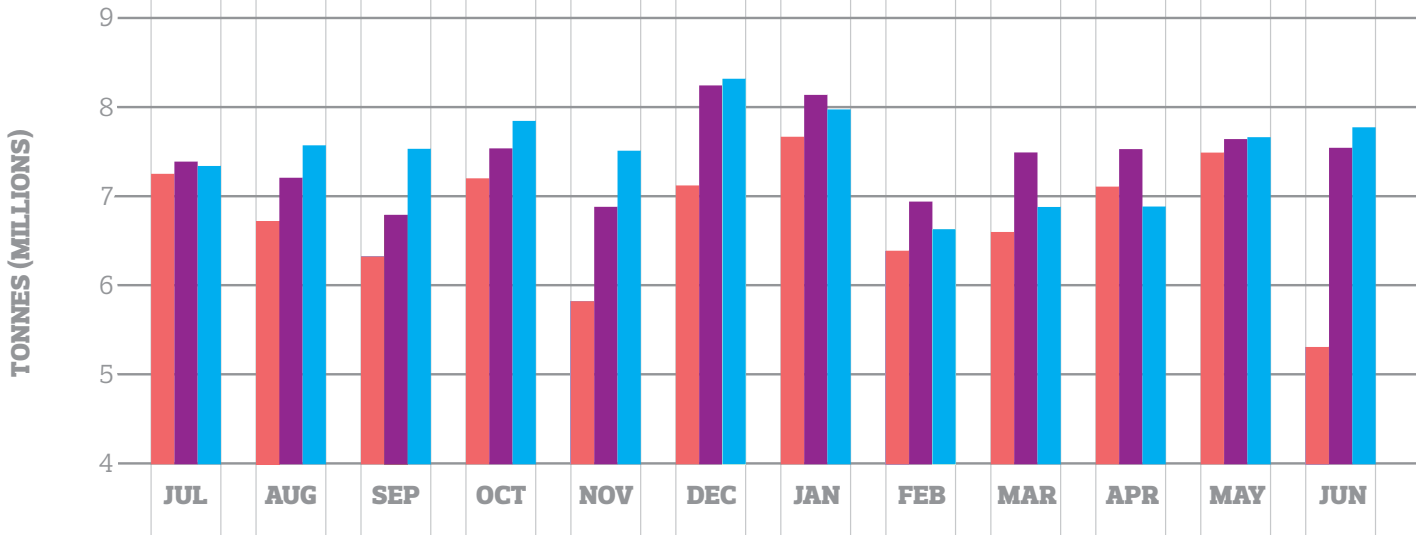
End of Financial Year.

Operating Results

East West
Monthly Comparative Network GTKs



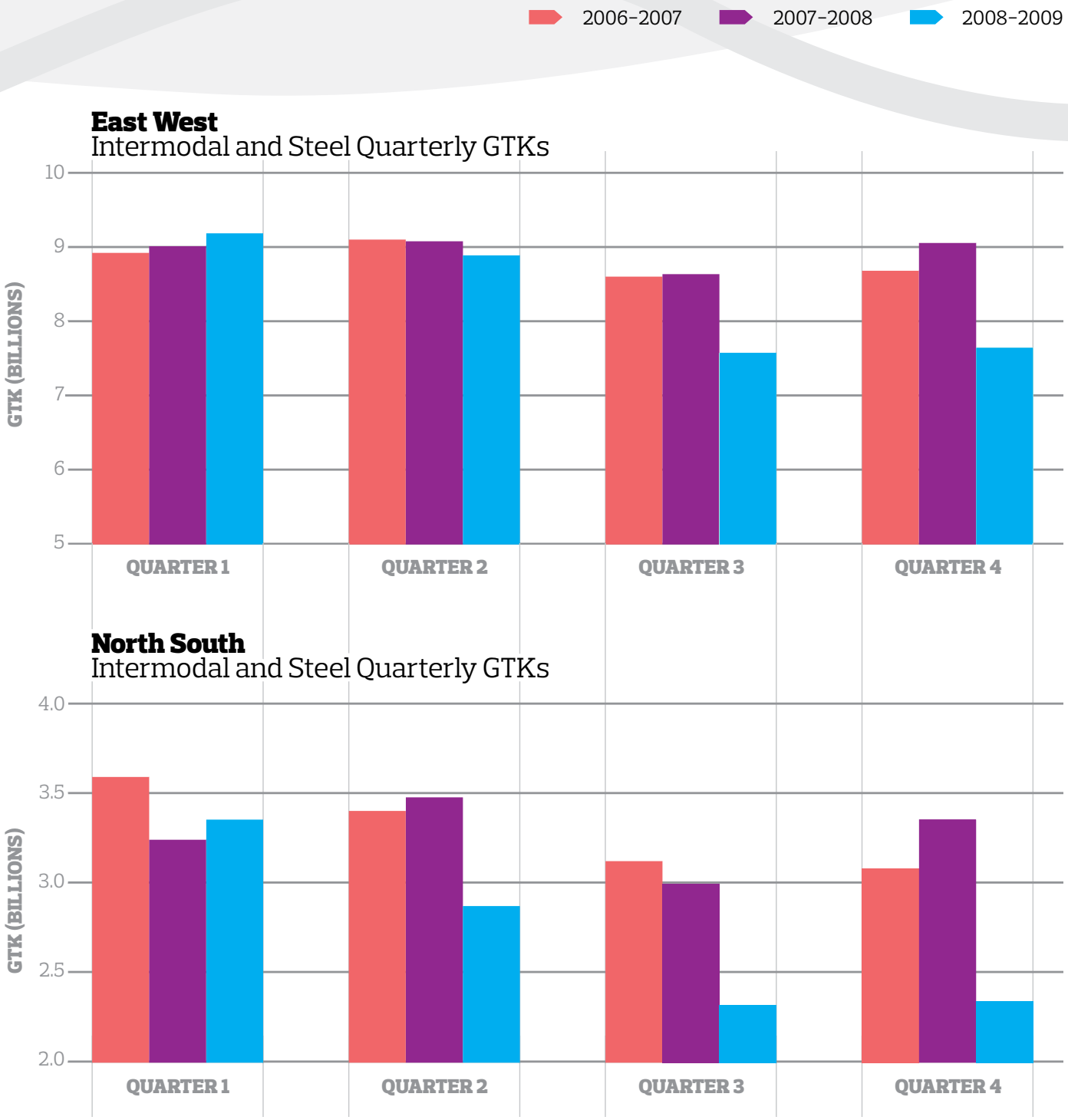
Hunter Valley
Monthly Comparative Export Tonnes



Traffic Volumes

In 2008-2009 volumes have declined across ARTC's interstate network whilst the Hunter Valley network recorded an increase. A combined total of 74.8 billion gross tonne kilometres (GTK) was carried over the ARTC network during the year. This represents a decrease of 3.7% on the 2007-2008 figure of 77.7 billion gross tonne kilometres and is reflective of the ongoing effects of the economic downturn.

On the East West corridor a total of 37.17 billion gross tonne kilometres was carried, representing a decrease of 7.1% on the 2007-2008 figure of 39.99 billion gross tonne kilometres. Overall volume on the North South corridor linking Melbourne, Sydney and Brisbane decreased by 6.7% to 15.06 billion gross tonne kilometres, excluding coal.



The fall in performance is attributed to flat Intermodal volumes and is due to ongoing drought conditions in parts of Australia.

Strong growth in total coal volumes moved over the ARTC network in the Hunter Valley were recorded, increasing by 2.2% to 97.95 million tonnes. Of this 89.91 million tonnes was for export and a further 8.04 million tonnes for domestic use, the latter was a 22.6% increase on the 2007-2008 figure of 6.56 million tonnes.

A new monthly record of 8.318 million tonnes of export coal was carried to the Port of Newcastle in December 2008.

Chief Operating Officer's Division

The charter of the Office of Chief Operating Officer (COO) is to achieve the uniform principles of One Nation, One Railway, One Company (ONOROC) across ARTC's network. This is reflected in consistency of standards, systems and procedures and to provide oversight of the strategic objectives of the corridors.

To achieve these principles, there are four teams within the Office of COO:

- Standards, Systems and Performance
- Operations Planning
- Network Sustainability
- Major Projects

Standards, Systems and Performance

One of the key challenges for the Standards, Systems and Performance team is to achieve consistency and uniformity (as far as practical) across the network in ARTC standards, procedures, systems and performance monitoring.

A major highlight in 2008/09 was the unification of ARTC standards into a network wide Code of Practice for Track and Civil, Structures and Signalling. The new network wide standards are the culmination of many years of work and have been achieved through the combined efforts of many ARTC staff.

The team undertook a regulatory review process during 2008/09 and was responsible for the approval of infrastructure standards. This process included detailed risk assessments using the "So Far As Is Reasonably Practicable" (SFAIRP) process. With acceptance being gained in all states with the exception of NSW where final regulatory approval is close. ARTC looks forward to the implementation of these standards in 2009/10 following completion of the regulatory review process.

WAYNE JAMES
CHIEF OPERATING OFFICER

The completion of the Vehicle Registry (VREG) database in 2008/09 was also a significant improvement in terms of the consistency and reliability of information on rail vehicles operating on the ARTC network. The database has provided a central repository of rail vehicle information for the first time, and is utilised by ARTC customers to facilitate access to rolling stock health and performance data generated by the various wayside detection systems on the network.

Operations Planning and Network Sustainability

The Operations Planning team covers the areas of major timetable production, timetable modelling and simulation, and rail network configuration management. Highlights in 2008/09 included:

- New Hunter Valley coal timetables for Gunnedah Basin and the Ulan Line that make use of the new infrastructure (track duplication, new and extended loops and revised signalling) to deliver tonnage and run time improvements;

- New master train plans that have reflected operator service changes in the current economic environment, together with transit time improvements between Newcastle and the Queensland border due to infrastructure improvements; and

CONCRETE RESLEEPERING NEAR VIOLET TOWN IN VICTORIA

- Release of the revised rail network configuration management procedure, which has introduced the network alteration notice and the revised configuration checklist to enhance our rail network change control.

Highlights achieved by our Sustainability team in 2008/09 included:

- Implementation of the bridge management system - a national computerised system to record and assist with the maintenance and management of bridges;

- Continued reduction in train delays caused by geotechnical problems to 919 minutes in 2008/09 a reduction to less than 30% of the 2005/06 level;

- A reduction in geotechnical risk sites from 7,000 in 2004/05 to 1,200 in 2008/09; and

- Alignment of rail profiles for improved rideability, increased rail life and increased axle load speeds to meet ATC standards.

Major Projects

Currently the Major Projects team is concentrating exclusively on the construction of the Southern Sydney Freight Line (SSFL) which is a 36 kilometre dedicated freight line to separate freight trains from passenger trains entering Sydney from the south. This will give freight trains unimpeded access to the metropolitan freight network in Sydney South including the terminals at Port Botany and eliminate the existing curfew which precludes freight trains operating during passenger peak periods.

The SSFL is part of ARTC's overall plan to improve the efficiency and cost effectiveness of freight rail along the North South Rail Corridor between Brisbane, Sydney and Melbourne.

Work is well underway and ARTC is working closely with stakeholders in the relevant Local Government Areas to ensure the project fulfils all the conditions of approval with regard to community consultation.

North South Division

The North South corridor (Melbourne via Sydney to Brisbane) is a key growth corridor for ARTC's intermodal strategy on the East Coast.

ARTC's published strategy is to invest heavily in improving existing and building new infrastructure to provide reliability, capacity and reduced transit times to allow rail to effectively compete on this corridor.

The major projects undertaken under this program include:

- Completion of concrete resleepering of the track with over two million concrete sleepers inserted;
- The elimination of signal boxes and the introduction of Centralised Train Control (CTC) to allow better and more efficient train management;
- Commissioning of four 6.8 kilometre passing lanes and commencement of a further five;
- Extension of crossing loops and building new ones on the North Coast; and
- Replacement of the antiquated electric staff control system between Casino and Acacia Ridge.

Extensive planning and commencement of construction was undertaken in a series of projects in Sydney to create more efficient freight flows into and through Sydney.

The Southern Sydney Freight Line, which commenced construction in November 2008, will provide a dedicated freight network into terminals in Sydney's south and into Port Botany.

ARTC is working with the Federal and NSW Governments to plan improvements North of Sydney to create better freight access on the shared passenger corridor between Sydney and Newcastle.

TIM RYAN
GM NORTH SOUTH

Unblocking freight access into and through Sydney (which is currently constrained by freight curfews during passenger peaks) is a key element of the strategy.

At the southern end of the corridor in Victoria a major milestone was achieved with the signing of a further 45 years, in addition to the present term of the interstate network lease between ARTC and the Victorian Government.

CONCRETE SLEEPERS ARE CLIPPED IN NEAR BENALLA VICTORIA

One of the consequences of the lease was the broad gauge line parallelling the existing standard gauge line between Seymour and Wodonga in North Eastern Victoria being incorporated in the lease and converted to standard gauge. This provides 200 kilometres of double track between Seymour and Wodonga.

An additional four passing lanes will be built between Seymour and Somerton.

This, together with a number of projects that are being conducted in metropolitan Melbourne to free up access into the terminals and Melbourne Port will significantly improve performance on the Victorian end of the corridor.

In February 2009 the Federal Government announced further funding for infrastructure under its Nation Building program including additional funding for works on the corridor such as additional new and extended loops on the North Coast and concrete resleepering of the existing standard gauge 200 kilometre section between Seymour and Wodonga.

ARTC, with the Southern Improvement Alliance, is also constructing a rail by-pass at Wodonga on behalf of the Victorian Government. Additional Federal Government funding through the Nation Building program has allowed this to become a double track by-pass.

Whilst this extensive program of works is being undertaken, train services have continued to operate with limited impact on train performance.

ARTC's own maintenance and works program has also been running in parallel, and the combined effort of the new investment and targeted strategic maintenance has resulted in superior operating performance.

The ARTC team had, in the later part of the year, to deal with two major flooding events on the North Coast but good planning and response mitigated the impact.

In early May 2009, a new timetable was introduced on the North Coast (Sydney to Brisbane) which provided shorter transit times and, combined with reliability from the new works, should encourage greater use of the network.

New Signal Technology Implemented

ARTC managed the elimination of the antiquated electric staff system with modern Centralised Train Control (CTC) between Casino and Acacia

CONCRETE RESLEEPERING NEAR BENALLA VICTORIA

Ridge on the North Coast. In the South, the local ARTC teams managed the removal of two thirds of the remaining "upper quadrant" signals which dated back to the steam era (they were replaced with modern colour light signalling).

The new signal technology implemented on the corridor will eliminate longstanding infrastructure bottlenecks from the system. It forms part of the North South strategy to cut the transit time between Brisbane, Sydney and Melbourne.

Concrete Resleepering

The North Coast concrete resleepering project was completed in August 2008; and in the South and Victoria it will be almost totally complete by the end of 2009. Almost 2.5 million concrete sleepers have been inserted in just over two years, in what has been the biggest single upgrade of the North South line since it was constructed.

Once the resleepering and passing lanes are completed, ARTC will be able to offer the freight industry transit times as low as 10 hours 40 minutes between Sydney and Melbourne and 15 hours 35 minutes between Sydney and Brisbane.

In May 2009, the new 'first stage' timetable on the North Coast was released. The 'first stage' timetable shows that section run times on the North Coast have been reduced based on modelling including both the 'up' and 'down' directions.

Specifically, steel trains running from Morandoo in New South Wales to Acacia Ridge over the Queensland border have had their average transit time reduced by 2 hours 22 minutes to 17 hours 34 minutes, and on the return journey the average transit time has been reduced by 1 hour 39 minutes to 16 hours 1 minute.

Intermodal superfreighter trains running from Islington Junction in New South Wales to Acacia Ridge have had their average transit times reduced by 1 hour 19 minutes to 14 hours 37 minutes, and on the return journey the average transit time has been reduced by 1 hour to 14 hours 45 minutes.

The 'second stage' timetable will be released in October – November 2009 following further upgrades to the Main North and Main South rail lines.

The 'third stage' timetable will be released in April – May 2010 following the completion of the Southern Sydney Freight Line along with other works.

Take up of Botany Rail Terminal

ARTC took over management of operations in the Botany Rail terminal as the first tangible step in improving freight flows into and through Sydney.

The terminal will be utilised as a key freight link in the North South corridor and will form part of future strategies to reduce transit time and increase transport efficiency on the corridor.

CRN/Services Division

Coincident with the end of the NSW Labour Services Agreement in 2008, ARTC established a new division, the CRN / Services Division. The role of the Division is to maintain the NSW Country Regional Network on behalf of the Rail Infrastructure Corporation. In addition, the Division is responsible for the management of the wholly owned subsidiary, ARTC Services Company Pty Ltd.

ALEXANDER MACKENZIE
GM CRN/SERVICES

The Division has over 300 full time positions based at numerous depots throughout NSW. Following the conclusion of the Labour Services Agreement and with a number of the Rail Infrastructure Corporation secondees opting not to seek employment with ARTC, the Division undertook a major recruitment campaign. As a result of significant efforts by the local Team Managers the majority of the positions were filled and staff inducted into ARTC in less than two months.

It is of note that a significant number of the new recruits are under the age of 25, a statistic that bodes well for the future health of the Division and ARTC. The presence of such a high proportion of new recruits in the workforce had the potential to result in an increase in workplace injuries as a result of inexperience and unfamiliarity with equipment. To counter this risk the Division embarked on an aggressive and ongoing safety program at all levels. It is pleasing to note that the injury rate for 2008/09 is at its lowest since take up in 2004.

During the year a number of work groups were assessed by the Awards Committee of the Permanent Way Institute and it is pleasing to note that one of the groups, the West Wyalong team, were awarded the prestigious Permanent Way Institute Award for the best kept rail section in New South Wales.

Funding from the NSW Government received a boost during 2008/09 with a planned works program of over $175 million. This included both maintenance and capital works and continued the program to steadily improve the condition of the CRN. There were three specific projects during the year that merit individual mention, namely the face concrete resleepering program in the Gunnedah Basin, the replacement of the bridge over the Macquarie River at Bathurst and the installation of over 300,000 steel sleepers across the network.

RAIL TAMPING UNDERWAY

Gunnedah Basin Upgrade

With the increasing tonnages being railed from the coal mines in the Gunnedah Basin, the rail infrastructure North of The Gap was assessed as being insufficiently robust to handle the long term requirements of the industry. In a joint venture initiative between ARTC, Rail Infrastructure Corporation and the Transport Express Joint Venture from the ARTC Northern Alliance, a program was established to replace all the sleepers between The Gap and Gunnedah with heavy duty concrete. With the program agreed and funding provided by the NSW Government, the work was completed between July and November 2008. As a result of the program all temporary speed restrictions have been removed, ride quality significantly improved and maintenance costs significantly reduced.

Rail Crossing Over the Macquarie River

The rail crossing over the Macquarie River at Bathurst is by way of a wrought iron bridge built in the late 19th Century. As with all structures of this nature, maintenance costs are high and there has long been a plan to replace the bridge with a new concrete structure. Work originally commenced in the 1950's but lack of funds brought the program to a halt. Finally in 2008/09 funds were approved and work is well advanced to finally complete the task.

Timber Sleeper Replacement

During 2008/09 the CRN Division embarked on an ambitious program to replace life expired timber sleepers with new steel ones. In excess of 300,000 new sleepers were to be installed across the network, the largest partial resleepering program undertaken since ARTC took over management of the network.

Using a combination of local workgroups, regional resleepering teams and some contract resources, the whole program was completed three months ahead of schedule and on budget.

ARTC Services Company

ARTC Services Company Pty Ltd is a wholly owned subsidiary of Australian Rail Track Corporation Ltd. The company provides maintenance and construction services on signalling and control systems to ARTC predominantly in South

CONCRETE RESLEEPERING ON THE NORTH SOUTH RAIL CORRIDOR

Australia, up to and including Parkeston in Western Australia and up to and including Kanandah near Broken Hill in NSW. The company also monitors the condition of ARTC owned control systems infrastructure on the Tarcoola to Alice Springs line.

In 2008/09, ARTC Services Company successfully re-negotiated the Enterprise Agreement for the wages staff of the company. The agreement was lodged with the Workplace Authority in January 2009 and passed the No Disadvantage Test in June 2009.

ARTC Services Company has been involved in a variety of signal and control systems major periodic maintenance and capital works projects in 2008/09; examples of the works include signal cable management, level crossing refurbishment, fault reduction initiatives, installation of safe-working areas around level crossing work sites, track circuit replacement, solar panel replacement, refurbishment of point machines and the upgrade of life expired signal equipment location boxes.

Work was completed on the design, construction, installation, testing and commissioning of the new train management system between Birkenhead and Outer Harbor in August 2008 and work was also completed on the design, construction, installation, testing and commissioning of the new Bishop Crossing Loop between Dry Creek and Gillman Junction in March 2009 on the Dry Creek to Outer Harbor corridor.

Hunter Valley Division

During 2008/09, major steps forward were taken in the development of the Hunter Valley coal chain. ARTC played a key role in enabling delivery of record throughput of coal in December 2008 as well as on time completion of major infrastructure projects.

Whilst overall volumes of export coal were disappointing for the year at 89.91 million tonnes against an expectation of 94.17 million tonnes, on an annualised basis numerous successive records were established in December recording a daily high of 343,801 tonnes, (or 126 million tonnes annualised equivalent), demonstrating the effectiveness of the coal chain when demand profile and logistics are well matched. Lower demand by some producers in the second quarter and ongoing reliability in some areas of the coal chain both brought down the overall final throughput of export coal.

Asset performance was excellent in 2008/09 with reliability, availability, transit time lost due to temporary speed restrictions and track quality parameters all either meeting or exceeding performance targets.

A further key development has been the establishment of the Hunter Valley Major Projects Group to support asset management in the delivery of ARTC's key infrastructure in the Hunter Valley. Employing approximately 35 additional staff directly and 300 through partner and contract arrangements, ARTC has made substantial progress to ensure the group rail capacity remains ahead of demand.

New Passing Loops and Signal Upgrades

New infrastructure completed in 2008/09 includes Ardglen, Wollar, Mangoola and Bylong crossing loops; Antiene to Grasstree track duplication; Maitland to Branxton bi-directional signalling as well as ongoing corridor renewals.

DENISE MCMILLAN-HALL
GM HUNTER VALLEY

Many of these projects were brought forward as part of the Australian Government's $580 million injection in the Hunter Valley which brings the total ARTC investment to approximately $1.3 billion.

Against the backdrop of increasingly volatile world markets, it is essential for the Australian economy that the Hunter Valley rail network is able to meet future market demand and deliver coal to port efficiently and on time.

Projects such as the duplication of the track between Antiene and Grasstree are important

TRACK WORK UNDERWAY DURING A POSSESSION ON THE HUNTER VALLEY NETWORK

stepping stones in enabling significant growth from the coal producing regions.

The ongoing upgrade of the corridor with new signals, more passing loops and bridge replacements is part of ARTC's strategy to stay ahead of future demand for increased export capacity for coal.

Alliances Extended

As well as extending Alliance arrangements with Ansaldo for continued signalling services, ARTC also entered into new Alliances with John Holland /GHD, Leighton's and MVM MacMahon to work with ARTC on the delivery of major projects over the next three years.

Access Undertaking

ARTC has been working with industry to achieve sound commercial outcomes and alignment to support future investment. This will provide certainty of outcome for both producers and service providers in relation to future coal chain capacity to support export coal.

This is reflected in the ARTC Access Undertaking and PWCS / NCIG Port Authorisations all submitted to the ACCC in mid 2009.

East West Division

Over the last 12 months the East West team has successfully implemented the NSW transition from internal labour to an outsourced alliance provider model for track maintenance on the section of track between Broken Hill and Cootamundra.

The East West corridor track maintenance is now fully provided through an alliance relationship with two infrastructure maintenance providers.

A number of major projects were delivered on the East West corridor during this reporting period. Of note was the completion of the Tottenham to Dynon track works, providing improved crossing capabilities in the Melbourne metropolitan area with double track operation between Tottenham and Sims Street Junction.

Conversion to the Phoenix safeworking system was also commissioned during this project. In the Adelaide metropolitan area works were undertaken to complete upgrading of the Le Fevre Peninsula and construction of the new Bishop Loop, both projects assisting in improving the operation and functionality of running trains to the port precinct of Adelaide.

New line segment infrastructure has been included on the East West corridor with the inclusion of the Maroona to Portland branch line as part of the Victorian lease. The broad gauge track section between Albion and Jacana was also included in the East West corridor as a precursor to the construction and commissioning of Passing Lane 1 later in 2009.

The East West has also been the beneficiary of some of the government's Nation Building program and has increased resources to commence the delivery of:

- Western Line Victoria Track Upgrade installing over 400,000 concrete sleepers and associated track upgrades;

ANGELO DEMERTZIS
GM EAST WEST

- Cootamundra to Parkes Track Upgrade installing approximately 300,000 concrete sleepers and associated track upgrades; and

- Construction of 18 crossing loops comprising whole new loops and extensions to existing crossing loops, all to provide 1850 metre standing room.

Extension of A1 Alliance into NSW

This year ARTC successfully extended the A1 Alliance with Transfield Services into NSW from Broken Hill to Parkes – Cootamundra. This seamless transition has integrated the track and civil works associated with maintaining this section of track with the Alliance framework. Transfield Services are

HIGH RAIL IN ACTION EAST OF KALGOORLIE WESTERN AUSTRALIA

undertaking all maintenance and capital works, along with the associated Nation Building projects NSW.

Removing a Bottleneck – Tottenham Dynon Project

ARTC commissioned Tottenham to Dynon infrastructure works, incorporating double track, bi-directional train running between Tottenham and Sims Street Junction, and the roll out of Phoenix safeworking system.

Funded under the Federal Government's Nation Building program, the Tottenham Dynon project involved the complete upgrade of a seven kilometre section of track from Dynon (Dock Link Road) to Tottenham Junction.

The project included the introduction of double standard gauge operational track all the way from Tottenham Junction to Dynon Intermodal Terminal.

In addition, the section of track is now fitted with new signalling and new train control systems.

The project also included upgrades at the interfaces with the broad gauge V/Line network, the Pacific National terminal and VicTrack.

This project will significantly improve operational capacity, operational reliability, and reduce transit times for the rail corridor through one of Australia's most important ports.

It will enhance accessibility, capacity and reliability for connection through to the Port of Melbourne and to Melbourne rail freight terminals.

Corporate Affairs Division

The Corporate Affairs Division is responsible for three major areas within ARTC; Human Resources, Media and Company Secretariat.

GEOFF ATKINSON
GM CORPORATE AFFAIRS

Human Resources

ARTC Services Company Enterprise Agreement 2008

ARTC engaged in negotiations with the workforce and relevant unions to develop a new enterprise agreement for the ARTC Services Company to replace the 2005 Agreement which was nominally expiring.

An employee vote was undertaken in January 2009, with the majority of employees approving the Enterprise Agreement. The Agreement was subsequently lodged with the Workplace Authority on 21 January 2009 and passed the No Disadvantage Test requirements. This Enterprise Agreement is in line with ARTC's other enterprise agreements ensuring consistency and fairness across ARTC.

Recruitment of NSW Infrastructure Maintenance Employees

At the conclusion of the Labour Services Agreement in June 2008 between ARTC and the Government of NSW, ARTC embarked on a major recruitment campaign to fill a number of infrastructure maintenance positions left vacant by the departure of the NSW Government secondees from ARTC's workforce. It was pleasing to note however that a number of the NSW infrastructure employees, previously seconded to ARTC decided to accept direct employment with the company. These employees, together with the new recruits participated in ARTC's orientation programs aimed to assist the assimilation process, to ensure alignment of objectives and to cover off important Occupational Health and Safety issues.

ARTC's maintenance work programs were not impacted by the conclusion of the Labour Services Agreement and the recruitment process.

Management Development Programs

ARTC continued their investment in senior and middle management development capabilities during 2008/09. Courses were offered to employees at three levels; front line management, middle management and senior management. The middle and senior management courses are specifically tailored to ARTC's business direction and development needs.

The senior management course modules make up components of a Master of Business Administration. Currently twenty eight managers are enrolled in the course with the first group due to graduate in October 2009.

BISHOP LOOP WORK TEAM

The middle management course has had thirty employees participate in the course with the second group graduating in March this year.

ARTC (NSW) Enterprise Agreement 2009

ARTC commenced negotiation with unions in February 2009 to replace the ARTC (NSW) Enterprise Agreement 2006.

ARTC Culture Survey

ARTC conducted its annual culture survey in November 2008 which focussed on five categories; customer focus, communication, team work, current climate and alliances. The survey is designed to improve awareness and responsiveness to cultural and attitudinal issues by seeking employee's opinions in relation to these five areas. The high response rate along with the additional comments received this year were representative of an engaged and positive workforce.

ARTC continues to maintain healthy workplace relations and again achieved zero lost days due to industrial action in 2008/09.

Media

The last twelve months has seen infrastructure investment in Australia become a primary focus of the mainstream media. ARTC has been at the forefront of much of the discussion surrounding infrastructure and 'Nation Building' in the media.

ARTC has received increased media coverage in the national press by highlighting major project

milestones; technological innovations; and promoting the benefits of using rail for freight transport. Key examples include the launch of the Advanced Train Management System in Adelaide; the extension of the Victorian Rail lease; and the release of comparative figures showing the cost savings of rail versus road door-to-door.

Governance

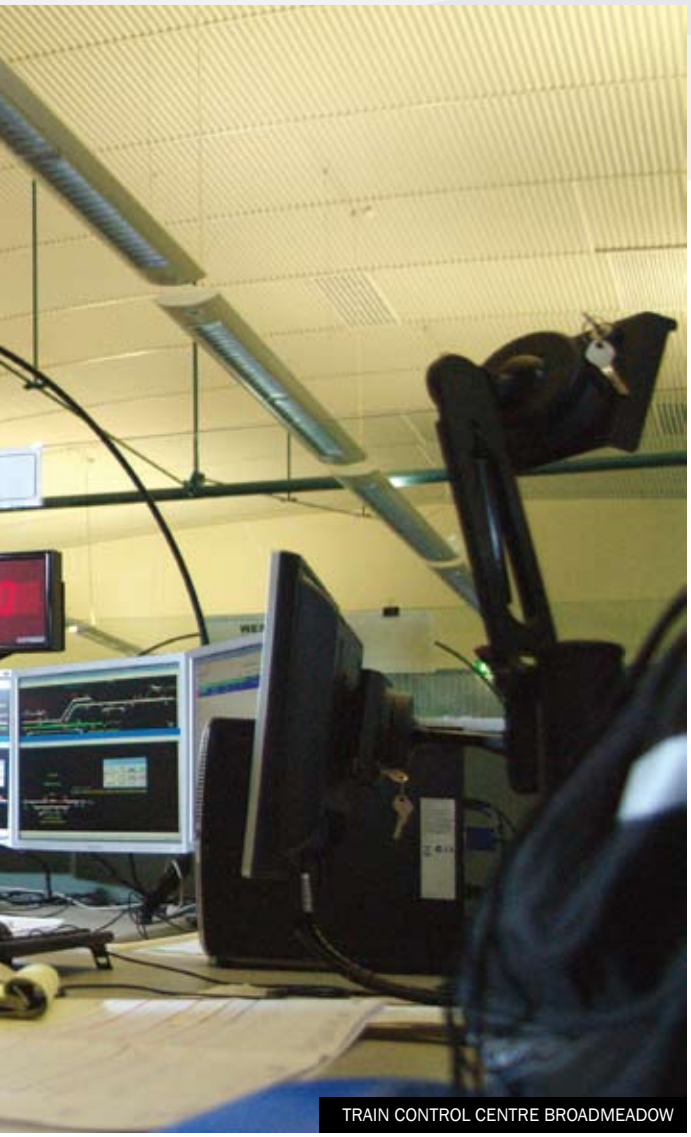
Corporate governance is an essential element of ARTC's day to day business operations. The process encompasses authority, accountability, stewardship, direction and control within the company.

ARTC's adherence to best practice corporate governance influences the setting of company objectives, appropriate monitoring and assessment of risk and the creation of company value through innovation and development. It also provides for the adoption of accountability and control systems commensurate with the risks involved.

Throughout 2008/09 ARTC held regular monthly Board meetings (except January) along with regular meetings of the Board Committees. The committee structure includes the Audit and Compliance Committee, the People, Policy and Remuneration Committee, the Environment, Health and Safety Committee, the Committee of the Whole Board for Risk and the Committee of the Whole Board for Succession Planning.

During the year the Board undertook, with the assistance of an external facilitator, a review of it's performance to determine any areas where improvement would be of benefit. This will be an ongoing part of the Board's continuous improvement process.

ARTC's system of corporate governance reflects the eight principles enunciated in


TRAIN CONTROL CENTRE BROADMEADOW

the ASX Corporate Governance Council 'Principles of good corporate governance and best practice recommendations':

- **Lay solid foundations for management and oversight** – ARTC recognises the respective roles and responsibilities of the Board and Management through publication of formal delegations and a schedule of matters reserved to the Board. This enables the Board to provide strategic guidance for the company and effective oversight of Management, clarifies the respective roles and responsibilities of Board members and senior executives in order to facilitate Board and Management accountability to both the company and its shareholders, and ensures a balance of authority so that no single individual has unfettered powers.

- **Structure the Board to add value** – The Board has an effective composition, size and commitment to adequately discharge its responsibilities and duties, and possesses a balance of skills, experience and independence appropriate to the nature and extent of company operations.

- **Promote ethical and responsible decision-making** – ARTC's business affairs are conducted legally and ethically with strict observance of high standards of integrity and propriety. ARTC has a formal Code of Conduct which clearly states the high standards expected of Management and the Board.

- **Safeguard integrity in financial reporting** - Independent verification is provided by internal and external audit under the scrutiny of the Audit and Compliance Committee of the Board.

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

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

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

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

Communications and Control Systems Divis

The Communications and Control Systems Division is a new corporate group combining traditional rail signals and communications with the latest advances in information and technology.

The catalyst for this approach was the recognition that the equipment and skills in the two areas are converging over time and that synergies could be realised by having a forward looking group dealing with all the business technologies and systems in the one Division.

The vision of the Communications and Control Systems Division is to create the platform to sustain ARTC commercial and operational performance and to provide cost efficient business systems to support ARTC's operations.

The Communications and Control Systems Division deals with long term projects, day to day operations and maintenance of systems at all levels of the company. Divisional staff are based in Adelaide, Sydney, Newcastle and Wagga. The Division incorporates the corporate asset management team and has carriage of the Geographic Information System (GIS) development and production environments.

The business systems covered range from development of the Advanced Train Management System (ATMS) through to desktop applications such as Microsoft windows based office and email products. The Division comprises a small team of talented individuals with different backgrounds who are challenging the rail systems norms and delivering and developing new products to take rail into the next decade and beyond.

A major initiative undertaken by the Division was the outsourcing of our communications network to deliver voice and data into trains. Railways traditionally have owned their communications network; however, ARTC's approach when outdated technology was to be replaced, was to outsource this in a partnering arrangement with Telstra.

MIKE VAN DE WORP
GM COMMUNICATIONS AND CONTROL SYSTEMS

This major project will deliver a digital backbone across our defined interstate rail network based on Telstra's NextG network and will deliver voice and data into locomotives across the entire network using one interface.

Telstra's NextG™ Communications System

As part of a major communications upgrade, ARTC signed an agreement with Telstra in April 2007 that will result in Telstra's NextG™ network being used to replace nine disparate communications systems across 10,000 kilometres of the interstate rail network.

ARTC, in conjunction with the Australian Government will fund the design and construction of 78 new installations (62 regional base stations and 16 sites providing for coverage in tunnels). These new NextG™ sites together with Telstra's existing sites will provide a single network for communications between locomotives, train control, track workers and wayside equipment across ARTC's entire interstate rail network. This seamless coverage will be backed up by a secondary communications platform provided by the iridium satellite network.

Additionally this project will provide 700 in-cabin communication units for train operators

ion

to install in their locomotives operating across ARTC and the adjacent controlled rail corridors, on the Telstra NextG™ network.

The new system is expected to be operational by February 2010, and the transition from legacy communication systems completed by June 2011.

A total of 67 out of 78 base stations which Telstra has been contracted to design, construct and maintain are now completed and in service. The remaining base stations are in various stages of design and construction and are expected to be completed by August 2009.

The NextG™ survey has shown favourable coverage along the surveyed rail sections. ARTC and Telstra are evaluating the coverage data and with optimisation it is expected any poorly performing coverage areas over the network will be corrected.

Development and testing of the locomotive in-cabin equipment is progressing, with Hunter Valley field trials scheduled for August 2009 and East West corridor trials scheduled for November 2009.

Advanced Train Management System (ATMS)

In June 2008 ARTC announced an investment of $90 million to improve capacity, safety and efficiency on the interstate rail network through the development of an Advanced Train Management System. As part of the investment, the ARTC entered into a Proof of Concept contract with Lockheed Martin for the company to design, develop, construct, integrate and test an ATMS prototype system on 105 kilometres of the interstate rail network between Crystal Brook and Port Augusta. Lockheed Martin has engaged Ansaldo-STS to assist with the delivery of the project.

The Proof of Concept task has been divided into two stages, with Stage 1 delivering a number of identified 'base' functionalities and Stage 2 building on more advanced functionalities. The plan is for Stage 1 of the program to be completed by mid 2010 with Stage 2 completed by late 2011.

The initial stage of the Proof of Concept program has involved the mobilisation of project teams in America and Australia. Lockheed Martin and ARTC have co-located the key project management personnel in Adelaide; Lockheed Martin's system engineering and software development teams are based in Manassas (Virginia USA) and in Melbourne; and the Ansaldo-STS team is based in Brisbane, Perth and France.

NTCS TELSTRA NEXTG TOWER AT YUNTA (SA)

Risk and Compliance Division

2008/09 has been a significant year for Risk and Compliance at ARTC, with a restructure of the Division and significant progress on reviewing and bedding down corporate management systems to enhance legislative compliance processes, and in particular the new Rail Safety Acts (based on the NTC Model Rail Safety Bill), OHS legislation and Environmental legislation in each State.

SIMON GRAY
GM RISK AND COMPLIANCE

Dealing with multiple regulators and differing obligations in each state continues to present an avoidable compliance burden on ARTC, and lobbying continues to simplify and rationalise the regulatory and legislative landscape.

ARTC has made good progress in the project to enhance its risk management capability, rolling out improved processes reflecting the So Far As Is Reasonably Practicable (SFAIRP) test which is embedded in legislative requirements for railway Safety Management Systems (SMS).

A new Risk Register structure has been developed and populated, and work is underway to cross reference all aspects of our SMS using a risk-based approach.

The restructure of the Division has seen the addition of a Risk Manager, Environment Health and Safety Manager and Risk and Compliance Data Analyst, as well as strengthened internal assurance and incident investigation teams to improve ARTC's risk management and compliance assurance capabilities.

Development of a single suite of safeworking rules (the ARTC Consolidated Safeworking Rules, or CSR Project) has made good progress, with a complete suite of rules drafted to replace the three separate systems currently in use, in SA/WA, Victoria and New South Wales.

This project is one of a suite of 'uniformity projects' addressing standardisation of processes inherited from the various jurisdictions in which ARTC now operates, and delivery will achieve significant milestones embedded in ARTC's charter. Consolidation of safeworking rules has obvious benefits for interstate rail competitiveness through improved efficiencies and worker mobility, as well as reduction in interface safety risk.

Working closely with the Rail Industry Safety Standards Board (RISSB) through its Australian National Rules Project (ANRP), phase 1 of this

STEEL GIRDER REPLACEMENT ON BRIDGE AT WAUCHOPE NSW

work (the 'Work on Track' rules) has completed its development and consultation phases and has been submitted to the Rail Safety Regulators as a variation to ARTC's accreditation. Once final approvals are in place, training will commence and during 2009/10 ARTC will finally achieve a consistent 'Work on Track' system of working across the entire ARTC network. Phase 2 of the ARA Project is currently working through ARTC's remaining draft rules (Operational Safeworking) and ARTC expects to be proceeding with pre-implementation consultation and risk assessment before the end of 2009.

Risk Management

Risk management principles are applied across the company in all areas including routine daily tasks, managing the existing assets and project delivery.

Risks are regularly reviewed and reassessed to ensure that appropriate management and mitigation strategies are applied.

Further development of the risk management process has been undertaken, consistent with recommended best practice as defined in Australian Standard AS/NZS 4360.

The area of Risk Management is subject to review, both internally and also by recognised external specialist resource providers, which further ensures a robust and sustainable process is being applied.

Rail Safety

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

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

- ARTC retains the competence and capacity to manage safety at all levels in its business;
- safety and risk management are accepted as core values in all business activities;

A WELD BEING DROPPED AS PART OF THE CONSTRUCTION OF THE 'BISHOP LOOP' IN ADELAIDE

- safety is communicated in a clear, concise and consistent manner;
- the technology and equipment necessary to manage, monitor and support the system are in place;
- it is recognised that safety is a key responsibility for both individuals and the Company; and
- investment in training, technology and network improvements is directed towards creating a safer, more sustainable business environment.

Rail Safety Accreditation has been retained in all jurisdictions in which ARTC operates. ARTC collaborates actively with other sections of the industry on matters of mutual concern, and works consultatively with Regulators through the Rail Safety Regulators' Consultative Forum.

ARTC has continued its active engagement with the National Transport Commission and rail policy and regulatory representatives from State Transport Departments in the uptake of the approved model rail safety legislation and regulations. The model legislation has now been enacted in several jurisdictions, and provides a framework for consistency in national rail safety regulation and more effective effort on the part of industry in terms of safety outcomes.

Commercial Division

The Commercial division is responsible for the management, development and review of ARTC's corporate strategy, plans and pricing, and oversees ARTC's regulatory strategy. The division also provides critical analysis of markets and the impacts on ARTC's business, and oversees the development of ARTC customer relationships. Another important role is the assessment and development of commercial opportunities.

SIMON ORMSBY
GM COMMERCIAL

In March 2008, the Australian Government announced the Inland Rail Study to determine the economic benefits and likely commercial success of a new standard gauge inland railway between Melbourne and Brisbane, along with development of the optimum alignment. ARTC was asked to undertake the study and commissioned two consultancies. The Financial and Economic Consultant is PricewaterhouseCoopers with ACIL Tasman and SAHA; and the Lead Technical Consultant is Parsons Brinckerhoff with Aurecon and Halcrow.

The first stage of the study was finalised this year. This stage focused on preliminary evaluations of likely demand, capital costs and operating costs to determine a route for further detailed analysis.

The next stages of the study will involve more engineering, environmental and land baseline analysis of the route together with further financial and economic work. Stage 2 results are expected in the third quarter of 2009, and the study is to be completed by the end of the year.

As part of its five year planning cycle, ARTC has completed its Corporate Plan 2009/10 to 2013/14. The Corporate Plan is a rolling five year plan updated on an annual basis, and is developed in conjunction with the ARTC Board, the Executive Committee, and with input from their teams. The plan includes an assessment of the internal and external environments, key objectives and strategies, five year financial forecasts and key performance indicators. It is supplemented by the investment strategy documents for the East West, North South, and Hunter Valley corridors.

Interstate Undertaking and Agreements

ARTC's 2002 Interstate Access Undertaking covering ARTC's interstate network in Victoria, South Australia and Western Australia expired in June 2007. At that time, ARTC lodged a new Interstate Access Undertaking to cover the ARTC's interstate network, including the interstate network leased by ARTC in NSW, with the ACCC for acceptance under Part IIIA of the Trade Practices Act (1974). The ACCC conducted an extensive public consultation in relation to the new undertaking during 2007/08. Following this and further consultation with ACCC, ARTC lodged a

AN INTERMODAL TRAIN CROSSES PLAINS ON THE EAST WEST CORRIDOR

revised Interstate Access Undertaking in June 2008, which was accepted by the ACCC in July 2008. The Interstate Access Undertaking has a term of 10 years, and seeks to provide a balanced framework for negotiations between ARTC and customers for access to ARTC's interstate network on a fair, open and equitable basis with an objective to promote customer confidence, efficiency, competition and market growth on the interstate rail network.

Access Agreements

The new undertaking has provided the framework for negotiating new contracts with rail operators. Twenty new access agreements are now in place. The majority of rail operators will now operate under longer term (5-10 years), single agreements with standard terms and conditions.

Assessment of Long Term Investment Requirements

In early July 2008, ARTC provided Infrastructure Australia (IA) with a 15 year overview of the infrastructure investment that would be desirable on the Interstate and Hunter Valley Rail Networks under a high volume growth scenario. The submission was based on detailed modelling of potential volume growth under a range of assumptions around input costs, with future oil prices being a key driver of the growth outcomes. The submission emphasised the high levels of uncertainty in the investment environment and the difficulty in forecasting volumes given this environment. The investment scope was based on the high growth scenario to provide a framework for investment planning that ensures rail is well positioned to respond to volume growth. ARTC's submission

to IA is available on the ARTC website. Following further information requests from IA, ARTC in February 2009 provided more detail on the ATMS project, potential deviations on the North South corridor and potential upgrading of the Botany rail line.

Reform of Transport Markets

As part of the Australian Transport Council's reform agenda it established a Ministerial Taskforce on an Economic Framework for an Efficient Transportation Marketplace. ARTC made a submission and appeared before the taskforce in February 2009.

ARTC's submission expressed a view that the institution framework that applies to the rail freight sector is a highly desirable model and that there would be considerable benefit in applying this model consistently across the transport sector. Key features of the rail sector model are:

- Management of the infrastructure on a commercial basis, with the assets expected to earn a full economic return on the resources invested;
- Independent economic regulation to ensure that prices are set between a floor of marginal cost, and a ceiling of full economic cost, applying the "combinatorial" principle and governed by access undertakings;
- Pricing within the floor and ceiling set commercially, without political interference;
- Investment decisions made on a commercial basis with any politically / socially required investment funded transparently; and

AN INTERMODAL TRAIN TRAVERSES AN UNDERBRIDGE

- The submission also emphasised the considerable economic benefit with moving quickly to adopt mass-distance pricing for heavy road vehicles.

Carbon Pollution Reduction Scheme

ARTC has been actively participating in the climate change and Carbon Pollution Reduction Scheme (CPRS) debate through submissions which include the Garnaut Climate Change Review, the CPRS Green Paper, the National Transport Commission's review on Freight Transport in a Carbon Constrained Economy, CPRS Exposure Draft Legislation, and through attendance at industry consultation forums.

ARTC is fully supportive of the introduction of a carbon pollution reduction scheme and supports the transport sector being included from the commencement of the scheme. Transport is one of the fastest growing sources of emissions, mainly due to the growth in road transport. When tackling emissions from the transport sector, it is important that the Government take a holistic view and look at encouraging the most carbon efficient transport modes, particularly when the Australian road freight task is forecast to more than double between 2000 and 2020.

Rail uses less fuel and produces fewer emissions than road so it makes sense for rail to be considered an important part of any solution to lower emissions from the transport sector, particularly in the case of long distance freight transport.

ARTC's arguments have been around equity across transport modes and ensuring that rail is recognised for the important role it can play in a low emissions future.

Chief Financial Officer's Division

The overall objective of the ARTC Finance Division is to support ARTC's commercial objectives and business operations while complying with all relevant accounting standards, ARTC Shareholder and other relevant regulatory requirements.

The Finance Division provides business support and governance related activities in the following areas: transactional accounting, financial systems, financial reporting, taxation, treasury, management accounting, payroll, property, procurement, fleet management, plant and equipment and contracts.

ANDREW BISHOP
CHIEF FINANCIAL OFFICER

Corporate Accounting

Corporate Accounting provides the blend of governance, compliance, transactional and financial systems support, in partnership with the operational divisions of ARTC to enable them to deliver the ongoing business requirements. This has included the following:

- Short Term debt funding to enable continued delivery of the major capital program within forecast timelines;
- Development of a comprehensive Treasury Policy to ensure prudent yet proactive management of ARTC's cashflows and debt funding; and
- Processing over 50,000 invoices per year to achieve on time payment to suppliers of suitably approved items and with online access for end users.

Management Accounting

This business unit is focussed on the delivery of accurate, relevant and timely information to the ARTC Board, management and other stakeholders. The close alignment of management accounting staff with each of the divisions is a key factor in achieving this outcome.

Property

Property is responsible for managing all proposed entries into the railway corridor from a wide range of applicants such as: utility providers, local Councils, private companies or even individuals. These approaches may be to install cables, pipes or wires, under, over or alongside the rail track. Additionally ARTC Property is responsible for managing applications for any new private siding connections, leasing or licensing of existing sidings, or access to and use of ARTC owned buildings and/or land.

MAITLAND TO MUSWELLBROOK TRACK DUPLICATION WORKS

There are in excess of 2,000 leases/licences currently managed by the ARTC Property.

All of ARTC's required obligations and responsibilities associated with heritage and environmental legislation and compliance are managed by Property. Company wide, although predominately in NSW, there are hundreds of heritage listed assets, mainly bridges and buildings, which need to be maintained and the necessary registers kept to record that work.

ARTC is also licensed by the relevant Environmental government agencies in NSW and SA, with which comes legislative compliance matters – primarily focussed on noise and/or pollution emanating from the ARTC railway land and rail corridors.

Procurement and Contracts

This business unit continues to drive value for money creation through testing the

market for procurement activities together with the refinement and implementation of contract management procedures with constant attention to probity aspects.

Procurement and Contracts has also provided continuing support to major works and Nation Building projects in relation to sourcing and supply of rail, sleepers, level crossing and turnouts materials and providing guidance and governance in contractual relationships.

Support is also provided to maintenance activities with improved contract templates to reduce lead times on common engagements. Plant and equipment supply is now centrally managed with the focus on targeted plant upgrades and procurement to reduce downtime and improve efficiency. A comprehensive review of the ARTC motor vehicle fleet and management procedures is underway to reduce costs and attain a better fit for the task and workloads.

Payroll

To support the transition of seconded employees to ARTC, the payroll time and attendance system was further developed to allow automatic interpretation of timesheet entries based on the new infrastructure maintainer agreement.

The self service functions of the HR / Payroll system not previously used, has been successfully implemented within a pilot group. This functionality allows employees to view their leave balances, book their leave, and change their deductions and payments online. This functionality will be gradually rolled out to employees over the coming months.

Environmental Management

ARTC has continued its environmental management practices during the 2008/09 financial year on several fronts.

At a corporate level, ARTC is playing an active role in both the climate change and greenhouse gas debates. ARTC supports the introduction of a Carbon Pollution Reduction Scheme for Australia and actively participates through its membership of the Australian Railway Association to the development and implementation of an appropriate scheme. In addition, ARTC is

also developing a national greenhouse gas emission and energy consumption report for its activities that will facilitate the development and implementation of efficiency initiatives.

In NSW, ARTC is continuing to develop various pollution reduction programs under its Environmental Protection Licence. Studies into locomotive noise sources, fugitive coal dust from trains and nuisance associated with the use of detonators are being addressed to drive improvements in the environmental performance of ARTC's network.

In South Australia, ARTC continues to monitor rail noise in the Adelaide Hills through its RailSQAD site located at Heathfield as part of its Environmental

LEVEL CROSSING UPGRADE AT WAUCHOPE NSW

Improvement Program (EIP) to mitigate wheel squeal. Data from the Heathfield site is supplied to train operators to assist with their own noise mitigation strategies.

As part of its EIP, ARTC has also commenced a comprehensive assessment of its rail lubrication in the Adelaide Hills to ensure that the practices do not contribute to wheel rail noise emissions.

Heritage Management

During 2008/09, ARTC continued its commitment to proactively manage its heritage assets.

At 30 June 2009, 276 assets were listed on the ARTC Heritage Register throughout NSW, Victoria, South Australia and Western Australia.

ARTC also managed and maintained a further 309 assets throughout the NSW Country Regional Network for the NSW rail authorities.

The annual heritage asset inspection program undertaken by heritage personnel this year focussed on the northern and central western regions of NSW, and South Australia and was complemented with regular inspections by infrastructure management and property management staff.

The ARTC Heritage Register was further updated and met statutory obligations to maintain a heritage register under South Australian, Victorian and NSW legislation. The Register with some additional input will fulfil requirements for a Commonwealth Heritage Register.

Board of Directors

The Board of Directors of the Australian Rail Track Corporation Ltd (ARTC) has pleasure in submitting the Directors' Report in respect of the year ended 30 June 2009.

Directors

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

- B K Murphy
- L Di Bartolomeo
- D Howarth
- O M Johnstone-Donnet
- D W Marchant
- A J P Staines
- G D Walters

Barry Murphy

B.Sc.App., B.E. (Chem), CSci, MBA, PgDip.Env.Stud., PgDip. En.Stud., FIChemE, FAICD (non executive Chairman)

B K Murphy joined ARTC in 1999 as non executive Chairman and continues in that role, also serving as Chairman of the People, Policy & Remuneration Committee, The Committee of the Whole Board for Risk, The Committee of the Whole Board for Succession Planning and is a member of the ARTC Audit & Compliance Committee.

Lucio Di Bartolomeo

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

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

David Howarth

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

D Howarth joined the Board in September 2007. Before this appointment, Mr Howarth had an extensive career in Australia and overseas in the design and project management of infrastructure projects, primarily in the transportation sector. He was a Director of Sinclair Knight Merz for 26 years and Chairman of the Board for four years. He was awarded the Professional Engineer of

FROM LEFT TO RIGHT: OWEN JOHNSTONE-DONNET, GRAHAM WALTERS, BARRY MURPHY, ANDREA STAINES, LUCIO DI BARTOLOMEO, DAVID MARCHANT, DAVID HOWARTH

the Year Award by the Institution of Engineers, Australia in 1991. He serves as a member of the ARTC Environment Health & Safety Committee.

Owen Main Johnstone-Donnet

BA (Hons) (non executive Director)

O M Johnstone-Donnet joined the Board in June 2007. Mr Johnstone-Donnet has had experience as advisor to State and Federal Ministers, and held senior positions in the NSW State Rail Authority. He also serves as a member of the ARTC People, Policy & Remuneration Committee.

David William Marchant

D W Marchant was appointed Chief Executive Officer and Managing Director in June 1998. Prior to this appointment, Mr Marchant held a range of positions in utility groups and government agencies.

Andrea Joy Powys Staines

B. Econs, MBA, GAICD (non executive Director)

A J P Staines joined the Board in December 2006. Andrea is a Non Executive Director of Gladstone Ports Corporation, publicly-listed Early Learning Services and the Brisbane Royal Children's Hospital Foundation. She is also a Company Advisor in strategy, risk and governance. She has a background in commercial and financial management within the aviation industry, having been co-founder and Chief Executive Officer of Australian Airlines, a Qantas subsidiary flying to Asia. She has a Master of Business Administration from the University of Michigan, and a Bachelor of Economics from the University of Queensland. She is also a member of the ARTC Audit and Compliance Committee.

Graham Douglas Walters

AM, FCA (non executive Director)

G D Walters joined the Board in 2004. Mr Walters is a professional Director and currently Chairman of Master Super, Non Executive Director of Elders Ltd and Bio Innovation SA and is a Fellow of the Institute of Chartered Accountants. Mr Walters also serves as the Chair of the ARTC Audit & Compliance Committee.

Geoff Atkinson

(B.A. (Acctcy), GDip App Fin, CPA, FCSA) (Company Secretary)

G Atkinson joined the company in 1998 and is currently the General Manager Corporate Affairs.

Directors' Report

Meetings of Directors

The number of meetings of the company's Board of Directors and of each Board Committee held during the year ended 30 June 2009, and the numbers of meetings attended by each Director were:

			Meetings of committees					
	Full meetings of Directors		Audit & Compliance Committee		Environment Health & Safety Committee		People, Policy & Remuneration Committee	
	A	**B**	**A**	**B**	**A**	**B**	**A**	**B**
B K Murphy	12	12	4	4	1	1	8	8
L Di Bartolomeo	12	12	-	-	4	4	-	-
D Howarth	12	12	2	2	2	3	-	-
O M Johnstone-Donnet	12	12	2	2	-	-	7	7
D W Marchant	11	12	5	6	4	4	7	7
A J P Staines	10	12	3	4	-	-	1	1
G D Walters	12	12	6	6	-	-	-	-

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

(* denotes chairman)

Members acting on the Committees of the Board during the year were:

Audit & Compliance

G D Walters *
O M Johnstone-Donnet (served on the committee until November 2008)
D Howarth (served on the committee until November 2008)
B K Murphy (appointed to the committee November 2008)
A J P Staines (appointed to the committee November 2008)

Environment Health & Safety

L Di Bartolomeo *
B K Murphy (served on the committee until November 2008)
D Howarth (appointed to the committee November 2008)

People, Policy & Remuneration

B K Murphy *
A J P Staines (served on the committee until November 2008)
O M Johnstone-Donnet (appointed to the committee November 2008)

Dividends

There was no dividend provided for or paid in the current year by the Group. (2008: $nil).

Principal activities

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

Review of operations

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

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Group during the financial year.

Significant events after the balance date

(a) Equity injection

The Group received a equity injection of $678m from the Commonwealth Government in July 2009 as part of the Commonwealth Government nation building package.

(b) ATO assessment

In July 2009 a payment of $74.4m was made to the Australian Taxation Office to settle 50% of the primary tax and related interest in relation to the 2004, 2005 and 2006 grants received. The outstanding primary tax of $113.6m and related interest of $40.5m is expected to be paid in 2009/10 subject to the outcome of the objection process.

(c) Lodgement of objections in relation to tax assessments

On the 31st of July 2009 objections were lodged against the tax assessments resulting from the Australian Taxation Office specific issue audit for grants received in 2004, 2005 and 2006. 100% of the tax liability stated in the assessments has been provided for in the accounts, but is subject to the outcome of the objections.

Likely developments and expected results of operations

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

Environmental regulation

ARTC holds licences from both the Environmental Protection Authority of South Australia and the Environmental Protection Authority of NSW. In South Australia, the licence is held under Part 6 of the Environmental Protection Act, 1993 to undertake the activity of a "Railway System". The licence is due to expire on 31 January 2010 and an application for renewal will be lodged at that time. In New South Wales, the licence is held under Section 55 of the Protection of the Environment Operations Act 1997 to undertake "Railway Activities". The licence expires on 5 September 2009 and an application for renewal will be lodged prior to expiration. To date, ARTC has complied with the requirements of both licence agreements. Other than in South Australia and New South Wales, ARTC is not required to be licensed.

Rounding of amounts

Amounts in the financial statements have been rounded to the nearest thousand dollars unless specifically stated otherwise under the option available to the company under ASIC Class Order 98/0100. The company is an entity to which the Class Order applies.

Indemnification of Officers

During the reporting period, ARTC had in place insurance cover in respect of

liabilities arising from the performance of the Directors and Officers of the company.

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

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

Non audit services

Non audit services can be found in note 29 of the Financial Statements

Independence of auditors

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

Auditors Independence Declaration to the Directors of Australian Rail Track Corporation Ltd.

In relation to our audit of the financial report of Australian Rail Track Corporation Ltd for the financial year ended 30 June 2009, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Australian National Audit Office

John McCullough
Audit Principal
Delegate of the Auditor-General
Signed in Canberra on the 28th of August 2009

Signed in accordance with a resolution of the Directors

B K Murphy
Director
Signed in Adelaide on the 28th of August 2009

G D Walters
Director
Signed in Adelaide on the 28th of August 2009

Financial Report

Notes to the Financial statements

Income statement
For the year ended 30 June 2009

	Notes	Consolidated June 2009 $'000	Consolidated June 2008 $'000	Parent entity June 2009 $'000	Parent entity June 2008 $'000
Revenue from continuing operations	5	**523,298**	529,706	**522,991**	529,525
Other income from continuing operations	5	**41,225**	79,591	**41,220**	79,601
Total revenue and Other Income from continuing operations	5	**564,523**	609,297	**564,211**	609,126
Employee benefits expense	6	**(118,406)**	(144,575)	**(115,033)**	(141,461)
Human resources & training		**(6,710)**	(7,912)	**(6,602)**	(7,825)
Minor equipment/Service agreements		**(5,217)**	(4,771)	**(4,985)**	(4,553)
Property & related costs		**(6,241)**	(6,552)	**(6,240)**	(6,551)
Train control communications		**(8,665)**	(6,229)	**(8,665)**	(6,229)
Communications expenses		**(3,800)**	(6,004)	**(3,749)**	(5,910)
Motor vehicle expenses		**(7,289)**	(11,392)	**(7,086)**	(11,154)
Legal fees		**(2,989)**	(1,036)	**(2,989)**	(1,036)
Insurance & accreditation		**(8,157)**	(8,228)	**(8,157)**	(8,228)
Travel & accommodation		**(5,629)**	(5,188)	**(5,559)**	(5,132)
Operating lease expense		**(4,670)**	(6,494)	**(4,162)**	(6,047)
Project and development expenses		**(4,020)**	(2,916)	**(4,014)**	(2,909)
Infrastructure maintenance		**(249,053)**	(207,829)	**(253,806)**	(212,668)
Other expenses		**(5,867)**	(6,686)	**(5,803)**	(6,578)
Incident costs		**(14,901)**	(19,466)	**(14,901)**	(19,466)
Depreciation and amortisation expense	6	**(68,409)**	(29,241)	**(68,308)**	(29,089)
Recognition of impairment loss	1(n),(i),13(c)	**(227,141)**	(304,676)	**(227,141)**	(304,676)
Expenses, excluding finance costs		**(747,164)**	(779,195)	**(747,200)**	(779,512)
Finance costs		**(82,141)**	(95)	**(82,141)**	(95)
Total Expenses		**(829,305)**	(779,290)	**(829,341)**	(779,607)
Loss before income tax		**(264,782)**	(169,993)	**(265,130)**	(170,481)
Income tax (expense)/benefit	7	**(279,139)**	83,745	**(279,046)**	84,002
Loss from continuing operations		**(543,921)**	(86,248)	**(544,176)**	(86,479)
Loss is attributable to:					
Equity holders of Australian Rail Track Corporation Ltd		**(543,921)**	(86,248)	**(544,176)**	(86,479)

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

Statement of financial position
As at 30 June 2009

	Notes	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent entity 2009 $'000	Parent entity 2008 $'000
Assets					
Current assets					
Cash and cash equivalents	8	**121,014**	284,334	**119,792**	280,618
Trade and other receivables	9	**82,397**	84,742	**84,216**	88,561
Inventories	10	**48,944**	40,807	**48,944**	40,807
Other current assets	11	**3,098**	3,300	**3,098**	3,300
Total current assets		**255,453**	413,183	**256,050**	413,286
Non-current assets					
Property, plant and equipment	13	**1,930,410**	1,591,165	**1,929,060**	1,589,765
Intangible assets	15	**2,966**	3,732	**2,966**	3,732
Alliance partner deposits	12	**14,492**	14,039	**14,492**	14,039
Deferred tax assets	14	**146,988**	164,818	**146,988**	164,818
Investments in subsidiary		**-**	-	**123**	123
Defined benefit plans	25	**-**	1,441	**-**	1,441
Total non-current assets		**2,094,856**	1,775,195	**2,093,629**	1,773,918
Total assets		**2,350,309**	2,188,378	**2,349,679**	2,187,204
Liabilities					
Current liabilities					
Trade and other payables	16	**209,790**	101,233	**211,374**	101,996
Current tax liabilities	18	**166,840**	11,097	**166,840**	11,097
Provisions	17	**62,472**	62,900	**62,331**	62,762
Deferred income - government grants	19	**4,395**	574	**4,395**	574
Finance lease	20	**182**	170	**182**	170
Derivative financial instruments	36	**24**	-	**24**	-
Total current liabilities		**443,703**	175,974	**445,146**	176,599
Non-current liabilities					
Deferred tax liabilities	23	**64,403**	69,870	**64,403**	69,870
Provisions	24	**3,334**	12,281	**3,100**	12,066
Defined benefit plans	25	**4,229**	-	**4,229**	-
Deferred income - government grants	21	**195,603**	79,981	**195,603**	79,981
Finance lease	22	**1,029**	1,211	**1,029**	1,211
Total non-current liabilities		**268,598**	163,343	**268,364**	163,128
Total liabilities		**712,301**	339,317	**713,510**	339,727
Net assets		**1,638,008**	1,849,061	**1,636,169**	1,847,477
Equity					
Contributed equity	26	**657,126**	235,126	**657,126**	235,126
Reserves	27(a)	**747,353**	832,083	**747,353**	832,083
Retained earnings	27(b)	**233,529**	781,852	**231,690**	780,268
Total equity		**1,638,008**	1,849,061	**1,636,169**	1,847,477

The above Statement of financial position should be read in conjunction with the accompanying notes.

Statement of recognised income and expense
For the year ended 30 June 2009

	Notes	Year Consolidated 2009 $'000	Year Consolidated 2008 $'000	Year Parent entity 2009 $'000	Year Parent entity 2008 $'000
Actuarial loss on defined benefit plans recognised directly in retained earnings	25(f),27	**(5,670)**	(1,683)	**(5,670)**	(1,683)
Tax adjustment to defined benefit fund to equity for 2008/09		**1,268**	-	**1,268**	-
Expense for the year recognised directly in equity		**(4,402)**	(1,683)	**(4,402)**	(1,683)
Loss for the year		**(543,921)**	(86,248)	**(544,176)**	(86,479)
Total recognised income and expense for the year		**(548,323)**	(87,931)	**(548,578)**	(88,162)

The above statement of recognised income and expense should be read in conjunction with the accompanying notes.

Cash flow statement
For the year ended 30 June 2009

	Notes	Consolidated Jun 2009 $'000	Consolidated Jun 2008 $'000	Parent entity Jun 2009 $'000	Parent entity Jun 2008 $'000
Cash flows from operating activities					
Receipts from customers (inclusive of goods and services tax)		**531,930**	496,882	**535,811**	496,827
Tripartite agreement income		**13,322**	59,917	**13,322**	59,917
Inland Rail study		**7,289**	-	**7,289**	-
Payments to suppliers and employees (inclusive of goods and services tax)		**(415,387)**	(456,717)	**(416,677)**	(459,450)
Tax paid		**(93,805)**	-	**(93,805)**	-
Interest paid		**(25,699)**	-	**(25,699)**	-
		17,650	100,082	**20,241**	97,294
Interest received		**9,982**	36,100	**9,834**	35,919
Net cash inflow from operating activities	35	**27,632**	136,182	**30,075**	133,213
Cash flows from investing activities					
Payments for property, plant and equipment		**(746,084)**	(614,314)	**(746,029)**	(613,048)
Receipt of Held to maturity investments into cash and cash equivalents		**-**	350,000	**-**	350,000
Payments for intangibles computer software		**(372)**	(1,728)	**(372)**	(1,728)
Proceeds from sale of property, plant and equipment		**99**	20	**95**	-
Net cash (outflow) inflow from investing activities		**(746,357)**	(266,022)	**(746,306)**	(264,776)
Cash flows from financing activities					
Government Grant - other		**133,405**	50,809	**133,405**	50,809
Proceeds from equity funding		**422,000**	-	**422,000**	-
Net cash inflow from financing activities		**555,405**	50,809	**555,405**	50,809
Net decrease in cash and cash equivalents		**(163,320)**	(79,031)	**(160,826)**	(80,754)
Cash and cash equivalents at the beginning of the financial year		**284,334**	363,365	**280,618**	361,372
Cash and cash equivalents at end of year	8	**121,014**	284,334	**119,792**	280,618

The above cash flow statement should be read in conjunction with the accompanying notes.

Note 1
Summary of significant accounting policies

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

ARTC (the parent) is a company limited by shares incorporated in Australia. The ultimate controlling entity of the Group is the Commonwealth Government.

The financial report of ARTC for the year ended 30 June 2009 was authorised for issue in accordance with a resolution of the Directors on 28 August 2009.

(a) Basis of preparation of financial report for the year ended 30 June 2009

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

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

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year Financial Statements.

The financial report is prepared on a historical cost basis except for property, plant and equipment which are measured at fair value.

Compliance with IFRS

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

(b) New accounting standards and interpretations

Certain new accounting standards have been published that are not mandatory for 30 June 2009 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 (effective from 1 January 2009)

AASB 8 is a disclosure statement that will no longer require the Group to present segment reporting. The Group will apply this standard from 1 July 2009.

(ii) Revised AASB 123 Borrowing Costs and AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 (effective from 1 January 2009)

The revised AASB 123 has removed the option to expense all borrowing costs and - when adopted - will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset.

The Group will apply the revised AASB 123 from 1 July 2009 and capitalise its borrowing costs relating to all qualifying assets for which the commencement date for capitalisation is on or after this date. The impact on the financial statements will depend on the amount of qualifying assets and related borrowing costs in the first year of application. There would be no effect in 2008/09 as there was no qualifying asset, as borrowings were related to funding general cashflow not property, plant and equipment.

(iii) Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101 (effective from 1 January 2009)

The revised AASB 101 requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheets (Statement of financial position), this one being as at the beginning of the comparative period. The Group will apply the revised standard from 1 July 2009.

(iv) AASB 2008-1 Amendments to Australian Accounting Standard - Share-based Payments: Vesting Conditions and Cancellations (effective from 1 January 2009)

AASB 2008-1 clarifies that vesting conditions are service conditions and performance conditions only and that

other features of a share-based payment are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. As the Group does not have any share-based payment schemes it is not expected to affect the Group's financial statements.

(v) AASB 2008-2 Amendments to Australian Accounting Standards - Puttable Financial Instruments and Obligations Arising on Liquidation (effective from 1 January 2009)

The amendments made by AASB 2008-2 in March 2008 relate to puttable financial instruments and instruments that require the entity to pay the holder a pro-rata share of the entity's net assets on liquidation. Under the revised rules, the relevant instruments will be classified as equity if certain conditions are satisfied. The Group will not be affected by this standard.

(vi) Revised AASB 3 Business Combinations, AASB 127 Consolidated and Separate Financial Statements and AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 (effective 1 July 2009)

The revised AASB 3 continues to apply the acquisition method to business combinations, but with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the Income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs must be expensed. This is different to the Group's current policy which is set out in note 1 above.

The revised AASB 127 requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses, see note 1(c) (i). The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in profit or loss. Currently the Group only has fully controlled subsidiaries and the standard will have no impact on the current financials.

The Group will apply the revised standards prospectively to all business combinations and transactions with non-controlling interests from 1 July 2009.

(vii) AASB 2008-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Project (effective from 1 January 2009)

In July 2008, the AASB issued a number of improvements to existing Australian Accounting Standards. The Group will apply the revised standards from 1 July 2009. On initial application, the entity will need to make adjustments to disclosures for each of the amendments.

(viii) AASB 2008-6 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (effective 1 July 2009)

The amendments to AASB 5 *Discontinued Operations* and AASB 1 *First-Time Adoption of Australian-Equivalents to International Financial Reporting Standards* are part of the IASB's annual improvements project published in May 2008. They clarify that all of a subsidiary's assets and liabilities are classified as held-for-sale if a partial disposal sale plan results in loss of control. Relevant disclosures should be made for this subsidiary if the definition of a discontinued operation is met. The Group will apply the amendments prospectively to all partial disposals of subsidiaries from 1 July 2009.

(ix) AASB 2008-7 Amendments to Australian Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (effective 1 July 2009)

In July 2008, the AASB approved amendments to AASB 1 First-time Adoption of International Financial Reporting Standards and AABS 127 Consolidated and Separate Financial Statements. The Group will apply the revised rules prospectively from 1 July 2009. After that date, all dividends received from investments in subsidiaries, jointly controlled entities or associates will be recognised as revenue, even if they are paid out of pre-acquisition profits, but the investments may need to be tested for impairment as a result of the dividend payment.

(x) AASB Interpretation 15 Agreements for the Construction of Real Estate (effective 1 January 2009)

AASB-Interpretation 15 clarifies whether AASB 118 Revenue or AASB 111 Construction Contracts should be applied to particular transactions. The Group intends to apply the interpretation from 1 July 2009. The Group does not expect to make any adjustment on the initial application of AASB-Interpretation 15.

(xi) AASB-Interpretation 16 Hedges of a Net Investment in a Foreign Operation (effective 1 October 2008)

AASB-I 16 clarifies which foreign currency risks qualify as hedged risk in the hedge of a net investment in a foreign operation and that hedging instruments may be held by any entity or entities within the group. It also provides guidance on how an entity should determine the amounts to be reclassified from equity to profit or loss for both the

hedging instrument and the hedged item. The Group does not operate a foreign operation. AASB116 will therefore have no impact on the Group's financial statements.

(xii) AASB 2008-8 Amendment to IAS 39 Amendment to Australian Accounting Standards - Eligible Hedged Items (effective 1 July 2009)

AASB 2008-8 amends AASB 139 Financial Instruments: Recognition and Measurement and must be applied retrospectively in accordance with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors. The amendment makes two significant changes. It prohibits designating inflation as a hedgeable component of a fixed rate debt. It also prohibits including time value in the one-sided hedged risk when designating options as hedges. The Group will apply the amended standard from 1 July 2009. It is not expected to have a material impact on the Group's financial statements.

(xiii) AASB Interpretation 17 Distribution of Non-cash Assets to Owners and AASB 2008-13 Amendments to Australian Accounting Standards arising from AASB Interpretation 17 (effective 1 July 2009)

AASB Interpretation 17 applies to situations where an entity pays dividends by distributing non-cash assets to its shareholders. These distributions will need to be measured at fair value and the entity will need to recognise the difference between the fair value and the carrying amount of the distributed assets in the Income statement on distribution. This is different to the Group's current policy which is to measure distributions of non-cash assets at their carrying amounts. The interpretation further clarifies when a liability for the dividend must be recognised and that it is also measured at fair value. This standard is not currently applicable to the Group.

(xiv) AASB Interpretation 18 – Transfer of assets from customers (effective 1 July 2009)

This Interpretation applies to the accounting for transfers of items of property, plant and equipment by entities that receive such transfers from their customers. It is not expected that this will have any impact on the financial statements of the Group.

(xv) Amendments to International Reporting Standards - Amendments to IFRS 7 (Effective 1 July 2010) and AASB 2009-2 - Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments (effective from 1 July 2009)

The amended IFRS 7 requires fair value measurements to be disclosed by the source of inputs, using the following three-level hierachy: - Quoted prices in active markets for identical assets or liabilities (Level 1), Inputs other than quoted prices included in Level 1 that are observable as for the asset or liability, either directly (as prices) or indirectly (derived from prices) or indirectly (derived from prices) Level 2, Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3). It is anticipated that this amendment will have no impact on the Group.

(xvi) AASB 2009-4 Amendments to Australian Accounting Standards arising from the Annual Improvements Project. (AASB 2 and AASB 138 AASB Interpretations 9 & 16) (effective from 1 July 2009)

The amendments to some standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal affect on accounting. Also due primarily to changes that will result from IFRIC 16 more hedging relationships will become eligible for hedge accounting as a result of the amendment. It is anticipated that the amendments will have minimal impact on the Group.

(xvii) AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (AASB 5,8,101,107,117,118,136 & 139) (effective from 1 July 2010)

The amendments to some standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal affect on accounting. The main impact from the amendments is that made to AASB 117 by removing the specific guidance on classifying land as a lease so that only the general guidance remains. It is anticipated that the amendments will have minimal impact on the Group.

(xviii) AASB 2009-7 Amendments to Australian Accounting Standards

These amendments comprise editorial amendments and are not expected to have a major impact on the requirements of the amended pronouncements. Application date is 1 July 2009.

(xviiii) Amendments to International Financial Reporting Standards - Amendments to IFRS 2 (effective 1 July 2010)

The amendments clarify the accounting for group cash-settled share-based payment transactions, in particular the scope of AASB 2 and the interaction between IFRS 2 and other standards. The Group does not have a share-based payment arrangement and therefore will not be impacted by this amendment. A group has the same

meaning as in IAS 27 Consolidated and Separate Financial Statements, that is, it includes only a parent and its subsidiaries. The amendments also incorporate guidance previously included in IFRIC 8 Scope of IFRS 2 and IFRIC 11 IFRIS 2- Group and Treasury Share Transactions. As a result, IFRIC 8 and IFRIC 11 have been withdrawn.

(c) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by the Australian Rail Track Corporation Ltd (''company'' or ''parent entity'') as at 30 June 2009 and the results of the controlled entities for the year then ended. Australian Rail Track Corporation Ltd and its controlled entities are referred to in this financial report as the "consolidated entity" or "the Group". The effects of all transactions between entities in the consolidated entity are eliminated in full.

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

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

(d) Revenue recognition

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

(i) Access revenue

Access revenue recorded in the Income statement comprises amounts received and receivable by the consolidated entity granting operators access to the rail network during the year.

(ii) Interest Income

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

(iii) Country Regional Network revenue

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

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

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

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

Contingent liabilities and assets are reviewed throughout the year and finalised at balance sheet date for inclusion in the financial statements. Inclusion of liabilities or assets relating to rail access related incidents occurs where the Group is reasonably certain of costs or recoveries.

(f) Government grants

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

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

Where those grants relate to expenditure that is to be capitalised, they are credited to the Income statement on a straight line basis over the expected lives of the related assets from the date of commissioning. Grants that are related to expenditures that are

not to be capitalised, are credited to the Income statement as the relevant expense is incurred; or

(ii) Where the Grants are special government grants that are one-off type grants, have no attached conditions and are not related to a specific project, they are recognised at fair value immediately as revenue when the grant monies are received.

(g) Income tax

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

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

Deferred income tax liabilities (DTLs) are recognised for all taxable temporary differences except: when the DTL arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets (DTAs) are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised, except: when the DTA relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognized to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

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

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

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

Tax consolidation legislation

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

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

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

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

(h) Leases

Group as a lessee (note 13).

Leases of property, plant and equipment where the Group, as lessee has substantially all the risks and benefits incident to ownership of the leased item are classified as finance leases (note 13). Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the Income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (note 31). Payments made under operating leases (net of any incentives received from the lessor) are charged to the Income statement on a straight-line basis over the period of the lease.

Group as a lessor

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

(i) Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(j) Cash and cash equivalents

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

(k) Trade and other receivables

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

An allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

(l) Inventories

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

(m) Derivatives and hedging activities

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

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

The Group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will

continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 36. Movements in the hedging reserve in shareholders' equity are shown in note 27. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

(i) Cash flow hedge

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

Amounts accumulated in equity are recycled in the Income statement in the periods when the hedged item affects profit or loss (for instance when the delivery of the goods hedged takes place). The gain or loss relating to the effective portion of forward foreign exchange contracts hedging the imported goods is recognised in the Income statement within 'infrastructure maintenance'. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets) the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in profit or loss as infrastructure maintenance in the case of goods relating to maintenance, or as depreciation in the case of fixed assets.

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

(n) Property, plant and equipment

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

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

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

Maximum Economic Useful Life *

Infrastructure assets	
Ballast	60 years
Bridges	40 years
Culverts	100 years
Rail	110 years
Sleepers	70 years
Signals & Communications	30 years
Turnouts	15 years
Tunnels	50 years
Non Infrastructure assets	
Buildings	50 years
IT & Other Equipment	4 years
Motor vehicles	5 years
Other equipment	40 years

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

(i) Impairment

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

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax

discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

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

At 30 June 2009 the Group recognised an impairment loss of $227.1m (refer also note 13).

(ii) Revaluations

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

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

Any revaluation increment is credited to the asset revaluation reserve included in the equity section of the balance sheet, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the Income statement, in which case the increase is recognised in the Income statement (net of tax).

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

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

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

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

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

At 30 June 2009 the Group recognised a reversal of the 2008 revaluation for infrastructure assets on the East West corridor for $100.7m. This adjusts the carrying value of these assets to the estimated fair value of the infrastructure assets in the East west corridor.

(iii) Leasehold improvements

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

(o) Capital work in progress and capitalisation

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

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

(p) Intangible assets

Computer software

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

(q) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid and are measured

at amortised cost. The amounts are unsecured and are usually paid within 30 days of recognition.

Due to their short term nature they are not discounted.

(r) Provisions

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

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

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

(s) Employee benefits

(i) Wages and salaries, annual leave and sick leave

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

(ii) Long service leave

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

(t) Major periodic maintenance

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

(u) Goods and Services Tax (GST)

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

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

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

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

(v) Rail infrastructure assets

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

(w) Defined Benefit Fund

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

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

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions

are recognised in the period in which they occur, outside profit or loss directly in the statement of recognised income and expense.

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

State Authorities Superannuation Scheme(SASS)

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

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

State Authorities Non- Contributory Superannuation Scheme (SANCS)

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

State Superannuation Scheme (SSS)

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

(x) Contributed equity

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

(y) Foreign currency translation.

(i) Functional and presentation currency

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

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income statement, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Note 2
Financial risk management

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

Financial risk management is performed by the finance division ensuring compliance with policies and procedures approved by the Board of Directors. The finance division identifies, evaluates and manages financial risks in close co-operation with the Group's operating units. The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. Methods used in managing risk include monitoring levels of exposure to interest rate risk and assessment of market forecasts for interest rate movements; monitoring and managing credit risk against investments using the Treasury Investment Policy and Cash Management Procedure; and managing liquidity risk through forecasting systems to monitor cash flow requirements, including managing the Group's receivables and payables using aged analysis and maintaining customer and supplier relationships.

The Group and the parent entity hold the following financial instruments:

	Consolidated		Parent entity	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Financial assets				
Cash and cash equivalents	**121,014**	284,334	**119,792**	280,618
Trade and other receivables	**82,397**	84,742	**84,216**	88,561
	203,411	369,076	**204,008**	369,179
Financial liabilities				
Trade and other payables	**209,790**	101,233	**211,374**	101,996
Other financial liabilities	**1,211**	1,381	**1,211**	1,381
Derivative financial instruments	**24**	-	**24**	-
	211,025	102,614	**212,609**	103,377

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions and recognised financial assets and financial liabilities are denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting. Forward contracts, transacted with Group Treasury, are used to manage foreign exchange risk. Group Treasury is responsible for managing exposures in each foreign currency by using external forward currency contracts.

The Group's exposure to foreign currency risk at the reporting date, expressed in Australian dollar, was as follows:

	30 June 2009	30 June 2008
	USD	USD
	$'000	$'000
Forward exchange contracts		
- buy foreign currency (cash flow hedges)	**24**	-

The carrying amounts of the parent entity's financial assets and liabilities are denominated in Australian dollars except as set out below:

	30 June 2009	30 June 2008
	USD	USD
	$'000	$'000
Forward exchange contracts		
- buy foreign currency (cash flow hedges)	**24**	-

Group sensitivity

Based on the financial instruments held at 30 June 2009, had the Australian dollar weakened/ strengthened by 10% against the US dollar with all other variables held constant, the Group's equity account would have been $33,280 (lower)/ $25,152 higher arising from foreign forward exchange contracts designated as cash flow hedges.

Parent entity sensitivity

Based on the financial instruments held at 30 June 2009, had the Australian dollar weakened/ strengthened by 10% against the US dollar with all other variables held constant, the Group's equity account would have been $33,280 (lower)/ $25,152 higher arising from foreign forward exchange contracts designated as cash flow hedges.

(ii) Cash flow and fair value interest rate risk

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

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

The Group has also previously entered into held to maturity investments and managed fund investment. As at the reporting date, the Group had the following variable rate investments :

	30 June 2009		30 June 2008	
	Weighted average interest rate	**Balance**	Weighted average interest rate	Balance
	%	**$'000**	%	$'000
Cash at bank	**4.5%**	**35,057**	6.5%	35,841
Deposits at call	**5.7%**	**85,957**	7.4%	248,493
Net exposure to cash flow interest rate risk		**121,014**		284,334

(iii) Summarised sensitivity analysis

The following table summarises the sensitivity of the Group's financial assets and financial liabilities to interest rate risk and foreign exchange risk.

Consolidated	Interest rate risk				Foreign exchange risk			
	-0.5%		+0.5%		-10%		+10%	
30 June 2009	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets								
Cash and cash equivalents		(200)	(200)	200	200	-	-	-	-
Derivatives - cash flow hedges		-	-	-	-	-	(33)	-	25
Total increase/ (decrease)		**(200)**	**(200)**	**200**	**200**	**-**	**(33)**	**-**	**25**

Consolidated	Interest rate risk				Foreign exchange risk			
	-0.5%		+0.5%		-10%		+10%	
30 June 2008	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets								
Cash and cash equivalents		(400)	(400)	400	400	-	-	-	-
Derivatives - cash flow hedges		-	-	-	-	-	-	-	-
Total increase/ (decrease)		**(400)**	**(400)**	**400**	**400**	**-**	**-**	**-**	**-**

(b) Credit risk

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

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

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

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

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

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

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

(c)Liquidity risk

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

Financing arrangements

The Group utilised a short-term borrowing facility with its finance provider ending 30 April 2009. Whilst long-term borrowing options are currently being reviewed, following the capital injection into ARTC by the Commonwealth Government announced in December 2008, long term funding is unlikely to be required before mid 2009/2010, however details are currently being finalised.

	Consolidated		Parent entity	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Floating rate				
- Expiring within one year (bank overdraft, business card and revolving lease facility)	**20,000**	7,500	**20,000**	7,500

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

Maturities of financial assets based on contractual maturities

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

Group – At 30 June 2009	Less than 6 months	6 - 12 months	Between 1 and 5 years	Over 5 years	Total
	$'000	$'000	$'000	$'000	$'000
Financial assets					
Cash & cash equivalents	121,014	-	-	-	121,014
Trade & other receivables	82,397	-	-	-	82,397
Total financial assets	**203,411**	**-**	**-**	**-**	**203,411**
Financial liabilities					
Trade & other payables	209,790	-	-	-	209,790
Other financial liabilities	115	91	945	84	1,235
Total financial liabilities	**209,905**	**91**	**945**	**84**	**211,025**

Group – 30 June 2008	Less than 6 months	6 - 12 months	Between 1 and 5 years	Over 5 years	Total
Financial assets					
Cash & cash equivalents	284,334	-	-	-	284,334
Trade & other receivables	83,082	1,660	-	-	84,742
Total financial assets	**367,416**	**1,660**	**-**	**-**	**369,076**
Financial liabilities					
Trade & other payables	101,233	-	-	-	101,233
Other financial liabilities	85	85	811	400	1,381
Total financial liabilities	**101,318**	**85**	**811**	**400**	**102,614**

Parent – At 30 June 2009	Less than 6 months	6 - 12 months	Between 1 and 5 years	Over 5 years	Total
	$'000	$'000	$'000	$'000	$'000
Financial assets					
Cash & cash equivalents	119,792	-	-	-	119,792
Trade & other receivables	84,216	-	-	-	84,216
Total financial assets	**204,008**	**-**	**-**	**-**	**204,008**
Financial liabilities					
Trade & other payables	211,374	-	-	-	211,374
Other financial liabilities	115	91	945	84	1,235
Total financial liabilities	**211,489**	**91**	**945**	**84**	**212,609**

Parent – 30 June 2008	Less than 6 months	6 - 12 months	Between 1 and 5 years	Over 5 years	Total
Financial assets					
Cash & cash equivalents	280,618	-	-	-	280,618
Trade & other receivables	86,901	1,660	-	-	88,561
Total financial assets	**367,519**	**1,660**	**-**	**-**	**369,179**
Financial liabilities					
Trade & other payables	101,996	-	-	-	101,996
Other financial liabilities	85	85	811	400	1,381
Total financial liabilities	**102,081**	**85**	**811**	**400**	**103,377**

(d) Fair value estimation

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

Note 3
Significant accounting estimates and judgements

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

(i) Defined benefit plans

Various actuarial assumptions are required when determining the Group's defined benefit obligations. These assumptions and the related carrying amounts are discussed in note 25.

(ii) Timing of project completion

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

(iii) Impairment

In order to comply with the relevant accounting standards, ARTC undertook impairment testing of the Group's infrastructure assets, which resulted in ARTC taking up an impairment loss of $227.1m against the carrying value of those assets as they could not be supported by the forecast net cash flows to be derived in relation to those assets.

At 30 June 2009 the Group recognised a reversal of the 2008 revaluation for infrastructure assets on the East West corridor for $100.7m. This adjusts the carrying value of these assets to the estimated fair value of the infrastructure assets in the East west corridor.

(iv) Deferred tax recognition

The recognition of the deferred tax asset of $146.9m is considered appropriate following an assessment of the overall forecast profit and taxation position of the Group over the next 5 years, including reversal of existing temporary differences. The deferred tax liability of $64.4m comprises the difference between the tax base and carrying value relating to various assets and liabilities.

(v) Incident recognition

The provision for incidents of $14.1m recognises the Group's estimated liability with respect to costs associated with damage caused by incidents such as derailments, including the potential for third party and/or insurance recoveries.

(vi) Operating lease commitments - Group as lessor

The Group has entered into commercial property leases on property assets owned by the Group.

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

(vii) Tripartite agreement income recognition

Pursuant to a Tripartite Agreement (between the Commonwealth of Australia, the State of NSW and ARTC) in connection with the take up of the NSW Lease in 2004, ARTC is entitled to funding contributions from the state of NSW which have offset in part, maintenance costs incurred by ARTC under the NSW Lease. The first payment was received in September 2007.

(viii) Inland Rail Study Income

The Australian Government announced the Inland Rail study that will determine the economic benefits and likely commercial success of a new standard gauge inland railway between Melbourne and Brisbane and along with the potential optimum alignment. The study is to be conducted over three stages and is currently in stage 1 where the focus is to determine the preferred route.

Note 4
Segment information

The company operates predominantly in one industry segment, the rail industry, and in one geographical segment

Note 5
Revenue

		Consolidated		Parent entity	
		Jun 2009 $'000	Jun 2008 $'000	**June 2009 $'000**	June 2008 $'000
From continuing operations					
Sales Revenue					
Access revenue		**333,348**	329,181	**333,189**	329,181
CRN Revenue		**179,968**	164,425	**179,968**	164,425
Interest Revenue		**9,982**	36,100	**9,834**	35,919
Total Revenue		**523,298**	529,706	**522,991**	529,525
Other Income					
Govt grants - other		**2,301**	237	**2,301**	237
Third party and/or insurance recovery		**5,070**	9,880	**5,070**	9,880
Other income		**13,243**	9,557	**13,238**	9,567
Tripartite agreement income	3(vii)	**13,322**	59,917	**13,322**	59,917
Inland Rail Study	3(viii)	**7,289**	-	**7,289**	-
		41,225	79,591	**41,220**	79,601
		564,523	609,297	**564,211**	609,126

Note 6
Expenses

	Consolidated		Parent entity	
	Jun 2009 $'000	Jun 2008 $'000	**June 2009 $'000**	June 2008 $'000
Depreciation				
Buildings	**581**	513	**544**	476
Plant and equipment	**66,690**	27,694	**66,626**	27,579
Total depreciation	**67,271**	28,207	**67,170**	28,055
Amortisation				
Computer software	**1,138**	1,034	**1,138**	1,034
Total amortisation	**1,138**	1,034	**1,138**	1,034
Wages and Salaries	**114,468**	137,786	**111,150**	134,715
Workers compensation	**2,907**	6,060	**2,852**	6,017
Defined benefit super	**1,031**	729	**1,031**	729
Total employee expenses	**118,406**	144,575	**115,033**	141,461

Note 7
Income tax expense/ (benefit)

	Consolidated		Parent entity	
	Jun 2009 $'000	Jun 2008 $'000	**June 2009 $'000**	June 2008 $'000
(a)Income tax expense/(benefit)				
Current income tax charge	**831**	11,097	**738**	10,953
Adjustment of current income tax from previous year	**21,519**	(759)	**21,519**	(872)
Adjustment of current income tax prior year amendments	**227,197**	-	**227,197**	-
Deferred income tax				
Relating to movement in temporary differences	**29,592**	(94,083)	**29,592**	(94,083)
Income tax benefit reported in the Income statement	**279,139**	(83,745)	**279,046**	(84,002)
Deferred income tax (revenue)/expense included in income tax expense comprises:				
Decrease (increase) in deferred tax assets (note 14)	**29,817**	(87,258)	**29,817**	(87,258)
Decrease in deferred tax liabilities (note 23)	**(225)**	(6,825)	**(225)**	(6,825)
	29,592	(94,083)	**29,592**	(94,083)

	Consolidated		Parent entity	
	Jun 2009 $'000	Jun 2008 $›000	**Jun 2009 $'000**	Jun 2008 $'000
(b)Numerical reconciliation of income tax expense/(benefit) to prima facie tax payable				
Loss from continuing operations before income tax expense	**(264,782)**	(169,993)	**(265,130)**	(170,481)
Tax at the Group's Statutory Tax Rate of 30%	**(79,435)**	(50,998)	**(79,539)**	(51,144)
Adjustments in respect of current income tax:				
Non deductible expenses				
Adjustment of current income tax from previous year	**21,519**	(759)	**21,519**	(872)
Adjustment due to prior year amendments	**227,197**	-	**227,197**	-
Other assessable income	**465**	-	**465**	-
Trade Debtors	**1,077**	5,198	**1,077**	5,198
Prepayments	**21**	16	**21**	16
Provisions	**6**	6	**-**	-
Depreciation & Impairment	**88,664**	100,175	**88,634**	100,129
Other	**553**	810	**551**	810
Deferred grant revenue taxable in advance	**39,331**	11,673	**39,331**	11,673
Deductible expenses				
Depreciation	**(37,099)**	(28,398)	**(37,051)**	(28,343)
Loss on disposals	**(9,021)**	-	**(9,020)**	-
Provisions	**-**	(5,765)	**-**	(5,766)
R&D	**(600)**	(2,625)	**(600)**	(2,625)
Other assessable income	**(1,157)**	-	**(1,157)**	-
Other	**(1,974)**	(193)	**(1,974)**	(193)
Prior tax losses claimed to reduce current tax expense	**-**	(18,802)	**-**	(18,802)
Current income tax expense	**249,547**	10,338	**249,454**	10,081
Movement attributable to temporary differences				
Tax losses decrease	**-**	15,390	**-**	15,390
Property, plant and equipment (increase)/decrease	**29,817**	(102,648)	**29,817**	(102,648)
	29,817	(87,258)	**29,817**	(87,258)
Movement deferred tax liabilities decrease	**(225)**	(6,825)	**(225)**	(6,825)
Tax benefit deferred total	**29,592**	(94,083)	**29,592**	(94,083)
Total income tax (benefit)/expense	**279,139**	(83,745)	**279,046**	(84,002)

	Consolidated		Parent entity	
	Jun 2009 $'000	Jun 2008 $'000	**Jun 2009 $'000**	Jun 2008 $'000
(c)Amounts charged or credited directly to equity				
Deferred income tax related to items charged directly to equity (refer to note 27(a))				
Net loss on revaluation of infrastructure assets	**(15,954)**	69,624	**(15,954)**	69,624
Net loss on Defined Benefit Fund	**(1,268)**	-	**(1,268)**	-
Net gain on FX hedge	**(7)**	-	**(7)**	-
Total	**(17,229)**	69,624	**(17,229)**	69,624
Deferred income tax charge included in equity comprises:				
Increase/(decrease) in deferred liabilities	**(15,954)**	69,624	**(15,954)**	69,624
(Increase)/decrease in deferred assets	**1,275**	-	**1,275**	-
Total	**(17,229)**	69,624	**(17,229)**	69,624

(d) Tax assets

At 30 June 2009, the Group has unrecognised temporary differences in relation to deferred tax assets of $272m [2008: $149m] associated with the Group's ability to claim tax deprecation on NSW lease assets as a result of the Group being able to use Division 58 of the Income Tax Assessment Act 1997 and also due to the impairment of the North-South assets.

(e) Tax consolidation legislation

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

Note 8
Current assets – Cash and cash equivalents

		Consolidated		Parent entity	
		2009	2008	**2009**	2008
		$'000	$'000	**$'000**	$'000
Cash at bank and in hand	note (b)	**35,057**	35,841	**33,835**	33,125
Deposits at call	note (c)	**85,957**	248,493	**85,957**	247,493
		121,014	284,334	**119,792**	280,618

(a) Interest rate risk exposure

The Group's and the parent entity's exposure to interest rate risk is discussed in note 2.

(b) Cash at bank and in hand

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

(c) Deposits at call

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

(d) Fair value

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

Note 9
Current assets – Trade and other receivables

		Consolidated		Parent entity	
		2009	2008	**2009**	2008
		$'000	$'000	**$'000**	$'000
Net trade receivables					
Trade receivables	note (a)	**43,697**	36,102	**43,666**	36,069
Other receivables	note (b)	**38,700**	48,649	**38,570**	48,621
Provision for doubtful receivables		**-**	(9)	**-**	(9)
		82,397	84,742	**82,236**	84,681
Amount due from subsidiary		**-**	-	**1,980**	3,880
		82,397	84,742	**84,216**	88,561

(a) Allowance for impairment loss

As at 30 June 2009 there was no requirement for the allowance of any impairment in trade and other receivables of the Group (and the parent) (2008 - $9) as it was assessed that the receivables are expected to be recovered.

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

The ageing of trade receivables is as follows:

	Consolidated		Parent entity	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
0-30 days	**38,026**	27,717	**38,023**	27,684
31-60 days	**3,849**	4,375	**3,849**	4,375
61-90 days	**97**	528	**97**	528
> 90 days	**1,725**	3,482	**1,697**	3,482
	43,697	36,102	**43,666**	36,069

(b) Other receivables

These amounts generally arise from transactions outside the usual operating activities of the Group. Interest may be charged at commercial rates where the terms of repayment exceed six months. Collateral is not normally obtained. Other receivables include a balance of $2.5m relating to salary maintenance under a labour services agreement with the New South Wales government. These employees were seconded to the Group for both the New South Wales leased network and the New South Wales Country Regional network from the Rail Infrastructure Corporation.

Other receivables past due but not considered impaired are: Consolidated $5.3m (2008: $6.0m); Parent $5.3m (2008: $6.0m). Direct contact is being maintained with the relevant debtor and the Group is satisfied that payment will be received in full.

(c) Foreign exchange and interest rate risk

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

(d) Fair value and credit risk

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

Note 10
Current assets – Inventories

	Consolidated		Parent entity	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Inventory - Raw Materials				
- at cost	**48,944**	40,807	**48,944**	40,807
	48,944	40,807	**48,944**	40,807

(a)Inventory expense

Inventories recognised as expense during the year ended 30 June 2009 amounted to $20.6m (2008:$12.3m).

Note 11
Current assets – Other current assets

	Consolidated		Parent entity	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Prepayments - other	**2,714**	2,997	**2,714**	2,997
Other current assets	**384**	303	**384**	303
	3,098	3,300	**3,098**	3,300

Note 12
Non–current assets – Alliance partner deposits

	Consolidated		Parent entity	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Alliance partner deposits	**14,492**	14,039	**14,492**	14,039

Note 13
Non–current assets – Property, plant and equipment

Consolidated	Construction in progress	Freehold land	Freehold buildings	Leasehold buildings	Plant and equipment	Leasehold improvements	Leased plant & equipment	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Year ended 30 June 2009								
Opening net book amount as at 30 June 2008 (includes revaluation)	366,462	22	10,914	6,268	486,149	708,249	1,440	1,579,504
Additions into asset register from capital work in progress	-	9	87	685	49,885	410,420	-	461,086
Assets disposed	-	-	-	-	-	-	-	-
Additions into capital work in progress	746,084	-	-	-	-	-	-	746,084
Impairment charge recognised in Income statement	(227,141)	-	-	-	-	-	-	(227,141)
Depreciation charge	-	-	(332)	(249)	(30,993)	(35,593)	(104)	(67,271)
Transfers out of capital work in progress	(461,086)	-	-	-	-	-	-	(461,086)
Sale of asset	-	-	-	-	(99)	-	-	(99)
Revaluation of assets	-	-	-	-	(49,608)	(51,059)	-	(100,667)
Closing net book amount	**424,319**	**31**	**10,669**	**6,704**	**455,334**	**1,032,017**	**1,336**	**1,930,410**
Year ended 30 June 2009								
Cost or fair value	424,319	31	12,578	7,359	66,818	411,616	1,545	924,266
Valuation / note (b)	-	-	-	-	396,947	648,359	-	1,045,306
Accumulated depreciation	-	-	(1,909)	(655)	(8,431)	(27,958)	(209)	(39,162)
Net book amount	**424,319**	**31**	**10,669**	**6,704**	**455,334**	**1,032,017**	**1,336**	**1,930,410**

Consolidated	Construction in progress	Freehold land	Freehold buildings	Leasehold buildings	Plant and equipment	Leasehold improvements	Leased plant & equipment	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 July 2007								
Cost or fair value	149,505	10	8,447	2,917	19,343	130,534	880	311,636
- Valuation	-	-	-	-	272,645	-	-	272,645
Accumulated depreciation	-	-	(1,292)	(178)	(36,783)	(14,830)	(3)	(53,086)
Net book amount	**149,505**	**10**	**7,155**	**2,739**	**255,205**	**115,704**	**877**	**531,195**
Year ended 30 June 2008								
Opening net book amount	149,505	10	7,155	2,739	255,205	115,704	877	531,195
Additions into asset register from capital work in progress	-	12	4,044	3,757	16,192	57,272	664	81,941
Additions into capital work in progress	614,314	-	-	-	-	-	-	614,314
Impairment charge recognised in Income statement	(303,755)	-	-	-	33	(979)	-	(304,701)
Depreciation charge	-	-	(285)	(228)	(17,342)	(10,251)	(101)	(28,207)
Transfers out of capital work in progress	(81,941)	-	-	-	-	-	-	(81,941)
Sale of asset	-	-	-	-	(20)	-	-	(20)
Revaluation of assets	-	-	-	-	232,081	546,503	-	778,584
Closing net book amount	**378,123**	**22**	**10,914**	**6,268**	**486,149**	**708,249**	**1,440**	**1,591,165**
Year ended 30 June 2008								
Cost or fair value	378,123	22	12,490	6,675	24,655	6,217	1,545	429,727
Valuation	-	-	-	-	473,466	706,706	-	1,180,172
Accumulated depreciation	-	-	(1,576)	(407)	(11,972)	(4,674)	(105)	(18,734)
Net book amount	**378,123**	**22**	**10,914**	**6,268**	**486,149**	**708,249**	**1,440**	**1,591,165**

Parent entity	Construction in progress	Freehold land	Freehold buildings	Leasehold buildings	Plant and equipment	Leasehold improvements	Leased plant & equipment	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Year ended 30 June 2009								
Opening net book amount	366,462	22	9,829	6,268	485,834	708,249	1,440	1,578,104
Reclassify assets opening balance adjustments	-	-	-	-	-	-	-	-
Additions into asset register from capital work in progress	-	9	87	685	49,838	410,420	-	461,039
Additions into capital work in progress	746,029	-	-	-	-	-	-	746,029
Additions into cwip government grant non cash	-	-	-	-	-	-	-	-
Impairment charge recognised in Income statement	(227,141)	-	-	-	-	-	-	(227,141)
Depreciation charge	-	-	(295)	(249)	(30,929)	(35,593)	(104)	(67,170)
Transfers out of capital work in progress	(461,039)	-	-	-	-	-	-	(461,039)
Sale of assets	-	-	-	-	(95)	-	-	(95)
Revaluation	-	-	-	-	(49,608)	(51,059)	-	(100,667)
Closing net book amount	**424,311**	**31**	**9,621**	**6,704**	**455,040**	**1,032,017**	**1,336**	**1,929,060**
Year ended 30 June 2009								
Cost or fair value	424,311	31	11,456	7,359	66,187	411,616	1,545	922,505
Valuation / note(b)	-	-	-	-	396,947	648,359	-	1,045,306
Accumulated depreciation	-	-	(1,835)	(655)	(8,094)	(27,958)	(209)	(38,751)
Net book amount	**424,311**	**31**	**9,621**	**6,704**	**455,040**	**1,032,017**	**1,336**	**1,929,060**

Parent entity	Construction in progress	Freehold land	Freehold buildings	Leasehold buildings	Plant and equipment	Leasehold improvements	Leased plant & equipment	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 July 2007								
Cost or fair value	149,505	10	8,447	2,917	18,858	130,534	880	311,151
- Valuation	-	-	-	-	272,645	-	-	272,645
Accumulated depreciation	-	-	(1,292)	(178)	(36,604)	(14,830)	(3)	(52,907)
Net book amount	**149,505**	**10**	**7,155**	**2,739**	**254,899**	**115,704**	**877**	**530,889**
Year ended 30 June 2008								
Opening net book amount	149,505	10	7,155	2,739	254,899	115,704	877	530,889
Reclassify assets opening balance adjustments	-	-	-	-	-	-	-	-
Additions into asset register from capital work in progress	-	12	2,922	3,757	16,048	57,272	664	80,675
Additions into capital work in progress	613,048	-	-	-	-	-	-	613,048
Additions into cwip government grant non cash assets	-	-	-	-	-	-	-	-
Impairment charge recognised in Income statement	(303,755)	-	-	-	33	(979)	-	(304,701)
Depreciation charge	-	-	(248)	(228)	(17,227)	(10,251)	(101)	(28,055)
Transfers out of capital work in progress	(80,675)	-	-	-	-	-	-	(80,675)
Revaluation of assets	-	-	-	-	232,081	546,503	-	778,584
Closing net book amount	**378,123**	**22**	**9,829**	**6,268**	**485,834**	**708,249**	**1,440**	**1,589,765**
Year ended 30 June 2008								
Cost or fair value	378,123	22	11,368	6,675	24,063	6,217	1,545	428,013
Valuation / note(b)	-	-	-	-	473,466	706,706	-	1,180,172
Accumulated depreciation	-	-	(1,539)	(407)	(11,695)	(4,674)	(105)	(18,420)
Net book amount	**378,123**	**22**	**9,829**	**6,268**	**485,834**	**708,249**	**1,440**	**1,589,765**

(a) Leased assets

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

	Consolidated		Parent entity	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Leased equipment				
Cost	**1,545**	1,545	**1,545**	1,545
Accumulated depreciation	**(209)**	(105)	**(209)**	(105)
Net book amount	**1,336**	1,440	**1,336**	1,440

(b) Basis of valuation – 30 June 2008

The 2008 revaluation used a discounted cash flow approach to provide the fair value of all leased and owned infrastructure assets across the network.

Due to the nature of the business' assets, prices can not be determined individually as there is no similar market quoted assets. The revaluation surplus net of applicable deferred income taxes was credited to reserves in shareholders' equity. (note 27).

(c) Impairment of plant and equipment

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

At the end of the June 2009 financial year, the Group undertook impairment testing of the Group's infrastructure assets in accordance with the requirements of the accounting standard AASB 136 Impairment of Assets. The recoverable amount estimation was based on the value in use of the assets with an analysis of the projected free cash flows and profits over a 25 year forecast period. This was done using a terminal growth rate of 2.5% and a pre tax discount rate of 11.15% (2008: 11.76%) which is the North South and East West WACC and the WACC for the Hunter Valley is 10.71% (2008: 10.71%). This was determined at the relevant cash generating unit level, defined as corridors i.e. North South, East West and Hunter Valley. There was no change in the value of the Hunter Valley CGU from 2008.

The result of the analysis confirmed that the carrying value of the North South Corridor infrastructure assets could not be supported by the forecast net cash flows to be derived in relation to those assets at June 2009, the impairment testing resulted in the recognition of an impairment loss of $227.1m in relation to the North South CGU.

As a result of the impairment testing of the East West Corridor, the infrastructure assets could not be supported by the forecast net cash flows to be derived in relation to those assets, resulting in a reduction to the asset revaluation reserve by $100.7m.

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

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

	Consolidated		Parent entity	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Plant & equipment				
Cost or deemed cost	**351,586**	309,434	**350,955**	308,842
Accumulated depreciation	**(65,415)**	(55,366)	**(65,078)**	(55,089)
Net book amount	**286,171**	254,068	**285,877**	253,753
Leasehold improvements				
Cost	**597,030**	187,110	**597,030**	187,110
Accumulated depreciation	**(41,974)**	(25,364)	**(41,974)**	(25,364)
Net book amount	**555,056**	161,746	**555,056**	161,746

Note 14
Non-current assets – Deferred tax assets

	Consolidated		Parent entity	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
The balance comprises temporary differences attributable to:				
Property plant & equipment	**145,713**	164,818	**145,713**	164,818
Defined Benefit Fund (note 27 (a))	**1,268**	-	**1,268**	-
Cash flow hedges (note 27(a))	**7**	-	**7**	-
	146,988	164,818	**146,988**	164,818
Movements:				
Opening balance at 1 July	**164,818**	77,560	**164,818**	77,560
Credited/(charged) to the Income statement (note 7)	**(29,817)**	87,258	**(29,817)**	87,258
Credited/(charged) to equity (note 27)	**1,275**	-	**1,275**	-
Reclassification of assets from DTL	**10,712**	-	**10,712**	-
Closing balance at 30 June	**146,988**	164,818	**146,988**	164,818
Deferred tax assets to be recovered within 12 months	**-**	26,313	**-**	26,313
Deferred tax assets to be recovered after more than 12 months	**146,988**	138,505	**146,988**	138,505
	146,988	164,818	**146,988**	164,818

Refer to note 7(d) for recognition criteria for deferred tax assets.

Note 15
Non–current assets – Intangible assets

	Consolidated Computer software $'000	Parent Computer software $'000
Year ended 30 June 2009		
Opening net book amount	3,732	3,732
Additions	372	372
Impairment charge	-	-
Amortisation charge	(1,138)	(1,138)
Closing net book amount	**2,966**	**2,966**
Year ended 30 June 2009		
Cost	7,485	7,485
Accumulated amortisation and impairment	(4,519)	(4,519)
Net book amount	**2,966**	**2,966**
Year ended 30 June 2008		
Opening net book amount	3,013	3,013
Additions	1,728	1,728
Impairment charge	25	25
Amortisation charge	(1,034)	(1,034)
Closing net book amount	**3,732**	**3,732**
Year ended 30 June 2008		
Cost	5,776	5,776
Accumulated amortisation and impairment	(2,044)	(2,044)
Net book amount	**3,732**	**3,732**

Note 16
Current liabilities – Trade and other payables

	Consolidated		Parent entity	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Trade payables	**209,790**	100,050	**211,374**	100,813
Other payables	**-**	1,183	**-**	1,183
	209,790	101,233	**211,374**	101,996

(a) Fair value

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

(b) Risk exposure

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

Note 17
Current liabilities – Provisions

		Consolidated		Parent entity	
		2009	2008	**2009**	2008
		$'000	$'000	**$'000**	$'000
Employee benefits	note (a)	**39,150**	37,716	**39,009**	37,578
Coal provision	note (b)	**8,224**	6,238	**8,224**	6,238
Incident provision	note (c)	**14,141**	17,650	**14,141**	17,650
Other provisions	note (d)	**957**	1,296	**957**	1,296
		62,472	62,900	**62,331**	62,762

(a) Employee benefits

Refer to note 1(s) for the relevant accounting policy and a discussion of the significant estimations and assumptions applied in the measurement of this provision.

(b) Coal provision

This provision relates to the Hunter Valley coal revenue, where the Group has provided for the current and prior years regulatory uncertainty and for the possible transfer of funds to train operators upon final completion and negotiations of the coal 'Unders and Overs' calculation under the regulatory pricing regime. This calculation is management's best estimate of the Group's present legal and constructive obligation in relation to those past expenditures.

(c) Incident provision

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

(d) Other Provisions

This provision is primarily comprised of access fee revenue items in dispute.

(e) Movement in provisions

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

	Employee benefits $'000	Coal provision $'000	Incident provision $'000	Other provisions $'000	Total $'000
Consolidated – 2009					
Current					
Carrying amount at start of year	37,716	6,238	17,650	1,296	62,900
additional provisions recognised	15,597	6,299	11,392	1,189	34,477
amounts transferred between balance sheet accounts	8,726	-	-	-	8,726
payments/other sacrifices of economic benefits	(22,889)	(4,313)	(14,901)	(1,528)	(43,631)
Carrying amount at end of year	**39,150**	**8,224**	**14,141**	**957**	**62,472**

	Employee benefits $'000	Coal provision $'000	Incident provision $'000	Other provisions $'000	Total $'000
Consolidated – 2008					
Current					
Carrying amount at start of year	43,875	7,727	18,783	2,722	73,107
additional provisions recognised	20,652	3,619	19,127	1,667	45,065
amounts transferred between balance sheet accounts	11,699	-	-	-	11,699
payments/other sacrifices of economic benefits	(13,837)	(5,108)	(20,260)	(3,093)	(42,298)
amounts transferred between balance sheet accounts	(24,673)	-	-	-	(24,673)
Carrying amount at end of year	**37,716**	**6,238**	**17,650**	**1,296**	**62,900**

	Employee benefits $'000	Coal provision $'000	Incident provision $'000	Other provisions $'000	Total $'000
Parent – 2009					
Current					
Carrying amount at start of year	37,578	6,238	17,650	1,296	62,762
additional provisions recognised	15,490	6,299	11,392	1,189	34,370
amounts transferred between balance sheet accounts	8,726	-	-	-	8,726
payments/other sacrifices of economic benefits	(22,785)	(4,313)	(14,901)	(1,528)	(43,527)
Carrying amount at end of year	**39,009**	**8,224**	**14,141**	**957**	**62,331**

	Employee benefits $'000	Coal provision $'000	Incident provision $'000	Other provisions $'000	Total $'000
Parent entity – 2008					
Current					
Carrying amount at start of year	43,727	7,727	18,783	2,722	72,959
additional provisions recognised	20,544	3,619	19,127	1,667	44,957
amounts transferred between balance sheet accounts	11,699	-	-	-	11,699
payments/other sacrifices of economic benefits	(13,719)	(5,108)	(20,260)	(3,093)	(42,180)
amounts transferred between balance sheet accounts	(24,673)	-	-	-	(24,673)
Carrying amount at end of year	**37,578**	**6,238**	**17,650**	**1,296**	**62,762**

Note 18
Current liabilities – Current tax liabilities

	Consolidated		Parent entity	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Income tax	**166,840**	11,097	**166,840**	11,097
	166,840	11,097	**166,840**	11,097

Note 19
Current liabilities – Deferred income government grants

	Consolidated		Parent entity	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Government grants	**4,395**	574	**4,395**	574
	4,395	574	**4,395**	574

The Government grants received by the Group to 30 June 2009 and classified as current are $4.4m and are only recognised as income when projects are completed and then depreciated over the useful lives of the assets funded.

Note 20
Current liabilities – Finance lease

	Consolidated		Parent entity	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Finance lease	**182**	170	**182**	170
	182	170	**182**	170

(a) Interest rate risk is considered negligible
(b) The carrying amount of the finance lease liabilities approximates fair value

Note 21
Non-current liabilities – Deferred income government grants

	Consolidated		Parent entity	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Government grants	**195,603**	79,981	**195,603**	79,981
	195,603	79,981	**195,603**	79,981

The Government grants received by the Group to 30 June 2009 and classified as current are $195.6m and are only recognised as income when projects are completed and then depreciated over the useful lives of the assets funded

Note 22
Non-current liabilities – Finance lease

	Consolidated		Parent entity	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Finance lease	**1,029**	1,211	**1,029**	1,211
	1,029	1,211	**1,029**	1,211

(a) Interest rate risk is considered negligible
(b) The carrying amount of the finance lease liabilities approximates fair value

Note 23
Non-current liabilities – Deferred tax liabilities

	Consolidated		Parent entity	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
The balance comprises temporary differences attributable to:				
Receivables	**-**	246	**-**	246
Property plant and equipment revaluation	**64,403**	69,624	**64,403**	69,624
Sub-total other	**64,403**	69,870	**64,403**	69,870
Movements:				
Opening balance at 1 July	**69,870**	7,071	**69,870**	7,071
Credited to the Income statement (note 7)	**(225)**	(6,825)	**(225)**	(6,825)
Charged to equity (note 27)	**(15,954)**	69,624	**(15,954)**	69,624
Reclassification of DTA/DTL	**10,712**	-	**10,712**	-
Closing balance at 30 June	**64,403**	69,870	**64,403**	69,870
Deferred tax liabilities to be settled within 12 months	**-**	246	**-**	246
Deferred tax liabilities to be settled after more than 12 months	**64,403**	69,624	**64,403**	69,624
	64,403	69,870	**64,403**	69,870

Note 24
Non–current liabilities – Provisions

	Consolidated		Parent entity	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Employee benefits	**3,334**	12,281	**3,100**	12,066
	3,334	12,281	**3,100**	12,066

(a) Employee benefits

Refer to note 1(s) for the relevant accounting policy and a discussion of the significant estimations and assumptions applied in the measurement of this provision.

Note 25
Defined benefit plans

(a) Superannuation plan

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

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

All the Schemes are closed to new members.

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

(b) Balance sheet amounts

The amounts recognised in the balance sheet are determined as follows:

	Consolidated		Parent entity	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Present value of the defined benefit obligation	**31,828**	24,830	**31,828**	24,830
Fair value of defined benefit plan assets	**(27,599)**	(26,271)	**(27,599)**	(26,271)
Net (asset)/liability in the balance sheet	**4,229**	(1,441)	**4,229**	(1,441)

(c) Categories of plan assets

	Consolidated		Parent entity	
	2009	2008	**2009**	2008
	%	%	**%**	%
Cash	**8**	6	**8**	6
Equity instruments	**58**	57	**58**	57
Fixed interest securities	**11**	15	**11**	15
Property	**10**	11	**10**	11
Other assets	**13**	11	**13**	11
Total	**100**	100	**100**	100

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

(d) Reconciliations

	Consolidated		Parent entity	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Reconciliation of the present value of the defined benefit obligation, which is partly funded:				
Balance at the beginning of the year	**24,830**	23,547	**24,830**	23,547
Current service cost	**575**	577	**575**	577
Interest cost on benefit obligation	**1,597**	1,478	**1,597**	1,478
Contributions by plan participants	**307**	292	**307**	292
Actuarial (gains) and losses (*)	**3,227**	(869)	**3,227**	(869)
Benefits paid	**1,292**	(195)	**1,292**	(195)
Balance at the end of the year	**31,828**	24,830	**31,828**	24,830
Reconciliation of the fair value of plan assets:				
Balance at the beginning of the year	**26,271**	26,671	**26,271**	26,671
Expected return on plan assets	**1,141**	1,326	**1,141**	1,326
Actuarial gains and (losses) (*)	**(2,443)**	(2,552)	**(2,443)**	(2,552)
Employer contributions	**1,031**	729	**1,031**	729
Contributions by fund participants	**307**	292	**307**	292
Benefits paid	**1,292**	(195)	**1,292**	(195)
Balance at the end of the year	**27,599**	26,271	**27,599**	26,271

(e) Amounts recognised in Income statement

The amounts recognised in the Income statement are as follows:

	Consolidated		Parent entity	
	Jun 2009	Jun 2008	**Jun 2009**	Jun 2008
	$'000	$'000	**$'000**	$'000
Current service cost	**575**	577	**575**	577
Interest cost on benefit obligation	**1,597**	1,478	**1,597**	1,478
Expected return on assets	**(2,128)**	(1,326)	**(2,128)**	(1,326)
Total included in employee benefits expense	**44**	729	**44**	729
Actual return on plan assets	**(2,895)**	(1,752)	**(2,895)**	(1,752)

(f) Amounts recognised against statement of recognised income and expense

	Consolidated		Parent entity	
	Jun 2009	Jun 2008	**Jun 2009**	Jun 2008
	$'000	$'000	**$›000**	$'000
Cumulative loss/(gain)	**2,574**	(3,096)	**2,574**	(3,096)
Net actuarial loss recognised (refer to (*) above)	**5,670**	1,683	**5,670**	1,683

(g) Principal actuarial assumptions

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

	Consolidated		Parent entity	
	2009	2008	**2009**	2008
	%	%	**%**	%
Discount rate	**5.6**	6.6	**5.6**	6.6
Expected rate of return on assets backing current pension liabilities	**8.1**	8.3	**8.1**	8.3
Expected rate of return on assets backing other liabilities	**8.1**	7.3	**8.1**	7.3
Future salary increases	**3.5**	4.0	**3.5**	4.0

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

(h) Employer contributions

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

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

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

(i) Net financial position of plan

Total employer contributions expected to be paid by Group companies for the year ending 30 June 2009 are $717k (parent entity: $717k).

The economic assumptions used by the actuary to make the funding recommendations were an expected rate of return on fund assets of 8.3% pa (FY 2008: 7.7%), a salary increase rate of 4.0% pa (FY 2008: 4.0%) and an inflation rate of 2.5% pa (FY 2008: 2.5%).

(j) Historic summary

	2009	2008	2007	2006	2005
	$'000	$'000	$'000	$'000	$'000
Defined benefit plan obligation	**(31,828)**	(24,830)	(23,547)	(19,946)	(18,461)
Plan assets	**27,599**	26,271	26,671	20,577	16,806
Surplus / (deficit)	**(4,229)**	1,441	3,124	631	(1,655)
Experience adjustments arising on plan liabilities	**3,226**	(870)	384	(318)	7,550
Experience adjustments arising on plan assets	**3,430**	3,290	(2,406)	(1,708)	(5,501)

Note 26
Contributed equity

(a) Share capital

	Consolidated entity		Parent entity	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Fully paid	**657,126**	235,126	**657,126**	235,126
	657,126	235,126	**657,126**	235,126
Number of ordinary shares	**565,375,100**	143,375,100	**565,375,100**	143,375,100

(b) Movements in ordinary share capital:

Date	Details	Number of shares	$'000
1 July 2007	Opening balance	143,375,100	235,126
	Share Capital issued during the year	-	-
30 June 2008	Balance	143,375,100	235,126
1 July 2008	Opening balance	143,375,100	235,126
	Share capital issued during the year	422,000,000	422,000
30 June 2009	Balance	565,375,100	657,126

(c) Ordinary shares

During the year the Group issued 422,000,000 shares at $1 to its shareholder as part of the capital injection announced in December 2008.

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

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

The shares have no par value.

(d) Capital risk management

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

In managing its capital structure and in accordance with agreements relating to the take up of the NSW lease, it has been agreed that the Group will reinvest any profits in the period to June 2009 rather than making any dividend payments to its shareholders. The Group is not subject to any externally imposed capital requirements.

In line with the Group's forecasting it is expected the Group will be in a net borrowing position in the 2010 financial year. It is intended that ARTC will during the first half of 2009/10 take steps to ensure appropriate funding is available when required.

(e) Financial

Over the next 2 years, the Federal Government has announced that ARTC will receive up to $1.2 billion as part of the national building package as equity to assist ARTC in funding a number of additional infrastructure projects. The Group has received $422m in the current financial period (refer note 26 (c)) above and will receive a further $678m in the 2009/10 financial year (refer to Directors Report under Significant events after the balance date) and $88m in the 2010/11 financial year.

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

Note 27
Reserves and retained earnings

(a) Reserves

	Consolidated		Parent entity	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Asset revaluation reserve	**747,370**	832,083	**747,370**	832,083
Foreign currency translation reserve	**(17)**	-	**(17)**	-
	747,353	832,083	**747,353**	832,083

		Consolidated		Parent entity	
		2009	2008	**2009**	2008
		$'000	$'000	**$'000**	$'000
Movements:					
Reserves					
Balance 1 July		**832,083**	123,123	**832,083**	123,123
Revaluation – gross	(note 13)	**(100,667)**	778,584	**(100,667)**	778,584
Deferred tax liabilities	(note 23)	**15,954**	(69,624)	**15,954**	(69,624)
Hedge tax effect	(note 7)	**7**	-	**7**	-
Hedge liability	(note 35)	**(24)**	-	**(24)**	-
Balance 30 June		**747,353**	832,083	**747,353**	832,083

(b) Retained earnings

Movements in retained earnings were as follows:

	Consolidated		Parent entity	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Retained earnings	**781,852**	869,783	**780,268**	868,430
Loss for the year	**(543,921)**	(86,248)	**(544,176)**	(86,479)
Actuarial gains(losses) on defined benefit plans (note 25(f))	**(5,670)**	(1,683)	**(5,670)**	(1,683)
Tax effect on defined benefit fund for 2008/09	**1,268**	-	**1,268**	-
Balance 30 June	**233,529**	781,852	**231,690**	780,268

(c) Nature and purpose of reserves

(i) Asset revaluation reserve

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

(ii) Hedging reserve - cash flow hedges

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised directly in equity, as described in note 1(m). Amounts are recognised in profit and loss when the associated hedged transaction affects profit and loss.

Note 28
Directors and Key Management Personnel disclosures

(a) Directors

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

(i) Chairman - non-executive
B K Murphy

(ii) Executive Director
D W Marchant
(Chief Executive Officer)

(iii) Non-executive Directors
L Di Bartolomeo
D Howarth
O M Johnstone-Donnet
A J P Staines
G D Walters

(b) Key Management Personnel

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

Chief Operating Officer . . . . . G W James
Chief Financial Officer . . . . . A J Bishop
General Manager Strategy Development . . . . . L J Welsby
General Manager Corporate Services and Company Secretary. . . . . G Atkinson
General Manager Communications and Control Systems . . . . . M van de Worp
General Manager Commercial . . . . . S Ormsby
General Manager Risk and Compliance . . . . . S R Gray
General Manager CRN/Services. . . . . A Mackenzie
General Manager Hunter Valley. . . . . D McMillan-Hall
General Manager North-South . . . . . T Ryan
General Manager East-West. . . . . A Demertzis

(c) Remuneration of Directors and Key Management Personnel

	Consolidated		Parent entity	
	Jun 2009	Jun 2008	**Jun 2009**	Jun 2008
	$	$	**$**	$
Short-term employee benefits	**4,973,457**	2,779,100	**4,973,457**	2,779,100
Post-employment benefits	**268,540**	677,672	**268,540**	677,672
	5,241,997	3,456,772	**5,241,997**	3,456,772

Remuneration of Directors and Key Management Personnel

The list of Directors and Key Management personnel of the Group who were paid, or were due to be paid, remuneration (including brokerage, commissions, bonuses and salaries but excluding payments in connection with their retirement), or indirectly, from the Group are shown above. The total of all remuneration paid, or due and payable, directly or indirectly, from the Group to the Directors and Key Management Personnel was $5,241,997 (2008: $3,456,772). This includes a sum of $1,285,383 to be paid in July 2009 to Key Management Personnel who qualified under the five-year NSW Rail Lease Business Development Key Personnel Performance Scheme. This Scheme was established pursuant to the 60-year lease to ARTC by the NSW Government over the then Defined Interstate Network and Hunter Valley rail systems. The objectives of the Scheme have been achieved. The Board terminated the Scheme at 30 June 2009.

Note 29
Remuneration of auditors

	Consolidated		Parent entity	
	Jun 2009 $	Jun 2008 $	**Jun 2009 $**	Jun 2008 $
(a)Assurance services				
Audit services				
The following total remuneration was received or is due and receivable, by the Australian National Audit Office in respect of its services, including those performed by its contractors Ernst & Young:				
Auditing the financial report of the entity in the consolidated group.	**221,500**	188,000	**221,500**	188,000
Total remuneration for audit services	**221,500**	188,000	**221,500**	188,000
Other assurance services				
The following total remuneration was received or is due and receivable, by the Australian National Audit Office in respect of its services, including those performed by its contractors Ernst & Young:				
Fees for Auslink Grant Audit	**6,000**	6,000	**6,000**	6,000
Total remuneration for audit related services	**6,000**	6,000	**6,000**	6,000
(b) Other services				
Preparation and completion of income tax returns and general taxation advice	**123,981**	131,588	**123,981**	131,588
Other non audit services	**49,793**	6,380	**49,793**	6,380
Total remuneration for non -audit services	**173,774**	137,968	**173,774**	137,968

Note 30
Contingencies

Contingent liabilities and contingent assets

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

Note 31
Commitments

(a) Capital commitments

At 30 June 2009, the Group has commitments in the order of $353.6m relating to the substantial investment program that the Group will be undertaking in the North-South and Hunter Valley interstate corridor in the coming years.

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

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

	Consolidated		Parent entity	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Property, plant and equipment				
Payable:				
Within one year	**347,103**	191,620	**347,103**	191,620
Later than one year but not later than five years	**6,500**	5,000	**6,500**	5,000
Later than five years	**-**	-	**-**	-
	353,603	196,620	**353,603**	196,620

(b) Lease commitments : Group company as lessee

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

The Group also leases motor vehicles under operating leases.

	Consolidated		Parent entity	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:				
Within one year	**4,623**	5,043	**4,623**	4,746
Later than one year but not later than five years	**6,276**	7,268	**6,276**	7,165
Later than five years	**990**	1,509	**990**	1,509
	11,889	13,820	**11,889**	13,420

(i) Finance leases

The Group leases various plant and equipment with a carrying amount of $1.3m (2008 - $1.4m) under finance leases expiring within seven years. Under the terms of the leases, the Group has the option to acquire the leased assets for the agreed residual value on expiry of the leases.

	Consolidated		Parent entity	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Commitments in relation to finance leases are payable as follows:				
Within one year	**261**	261	**261**	261
Later than one year but not later than five years	**1,119**	1,044	**1,119**	1,044
Later than five years	**85**	421	**85**	421
Minimum lease payments	**1,465**	1,726	**1,465**	1,726
Future finance charges	**(254)**	(345)	**(254)**	(345)
Recognised as a liability	**1,211**	1,381	**1,211**	1,381
Representing lease liabilities:				
Current	**182**	170	**182**	170
Non-current	**1,029**	1,211	**1,029**	1,211
	1,211	1,381	**1,211**	1,381

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

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

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

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

	Consolidated		Parent entity	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Within one year	**3,426**	3,050	**3,426**	3,050
Later than one year and not later than five years	**14,175**	12,882	**14,175**	12,882
Later than five years	**9,799**	10,794	**9,799**	10,794
	27,400	26,726	**27,400**	26,726

Note 32
Related party disclosures

(a) Ultimate controlling entity

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

(b) Directors

Other than those listed below there were no other related party transactions with Directors at year end. (2008: $ nil)

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

ARTC Chairman, Mr B K Murphy was a Director of Telstra Sale Company Ltd (TSCL), a company incorporated by the Australian Government to act as trustee for the shares held in Telstra Corporation Ltd on behalf of Instalment Receipt shareholders and the Commonwealth of Australia, as part of the Telstra T3 share sale process. TSCL had no commercial relationship with Telstra or ARTC. TSCL was deregistered by the Australian Government on 27 May 2009.

There were no loans to Directors at year end (2008:$nil).

(c) Key management personnel

There were no related party transactions with Key management personnel at year end. (2008: $ nil)

(d) Other related parties transactions including shareholders

There were no other related party transactions at year end. (2008: $ nil)

Note 33
Economic dependency

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

Note 34
Significant events after the balance date

(a) Equity injection

The Group received a equity injection of $678m from the Commonwealth Government in July 2009 as part of the Commonwealth Government nation building package.

(b) ATO assessment

In July 2009 a payment of $74.4m was made to the Australian Taxation Office to settle 50% of the primary tax and related interest in relation to the 2004, 2005 and 2006 grants received. The outstanding primary tax of $113.6m and related interest of $40.5m is expected to be paid in 2009/10 subject to the outcome of the objection process.

(c) Lodgement of objections in relation to tax assessments

On the 31st of July 2009 objections were lodged against the tax assessments resulting from the Australian Taxation Office specific issue audit for grants received in 2004, 2005 and 2006. 100% of the tax liability stated in the assessments has been provided for in the accounts, but is subject to the outcome of the objections.

Note 35

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

	Consolidated		Parent entity	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Loss for the year	**(543,921)**	(86,248)	**(544,176)**	(86,479)
Depreciation and amortisation	**68,409**	29,241	**68,308**	29,089
Movement in provisions	**(9,375)**	(5,571)	**(9,397)**	(5,590)
Non - cash grant revenue	**(2,301)**	(237)	**(2,301)**	(237)
Recognition of impairment loss	**227,141**	304,676	**227,141**	304,676
Decrease/(Increase) in trade debtors and other receivables	**2,345**	(13,999)	**4,345**	(16,582)
(Increase) in inventories	**(8,137)**	(6,790)	**(8,137)**	(6,790)
(Increase)/Decrease in other current assets	**(251)**	867	**(251)**	867
Decrease/(Increase) in deferred tax assets	**19,105**	(87,258)	**19,105**	(87,258)
Increase in trade creditors	**108,557**	3,806	**109,378**	3,722
Decrease in other operating liabilities	**(170)**	(5,818)	**(170)**	(5,818)
Increase in provision for income taxes payable	**155,743**	10,338	**155,743**	10,438
(Decrease)/Increase in deferred tax liabilities	**10,487**	(6,825)	**10,487**	(6,825)
Net cash inflow from operating activities	**27,632**	136,182	**30,075**	133,213

Note 36
Derivative financial instruments

	Consolidated		Parent entity	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Current liabilities				
Forward foreign exchange contracts - cash flow hedge ((a)(i))	**24**	-	**24**	-
Total current derivative financial instrument liabilities	**24**	-	**24**	-
Total derivative financial instrument liabilities	**24**	-	**24**	-

(a) Instruments used by the Group

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

(i) Forward exchange contracts - cash flow hedges

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

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

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

Group

During the year ended 30 June 2009 there was no reclassification of cash flow hedge from equity. There was no hedge ineffectiveness in the current or prior year.

Parent entity

During the year ended 30 June 2009 there was no reclassification of cash flow hedge from equity. There was no hedge ineffectiveness in the current or prior year.

(b) Risk exposures

Credit risk arises from the potential failure of counterparties to meet their obligations under the respective contracts at maturity. This arises on derivative financial instruments with unrealised gains. At reporting date $442K is payable (Australian dollar equivalents) for the Group from forward foreign exchange contracts (2008 - $nil).

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

Directors' Declaration

30 June 2009

In the Directors' opinion:

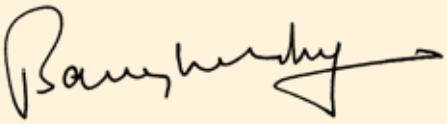
(a) the financial statements and notes set out on pages 46 to 96 are in accordance with the Corporations Act 2001, including:

(i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the financial year ended on that date; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

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



B K Murphy
Director
Signed in Adelaide on the 28th of August 2009

Independent Audit Report

Australian National Audit Office

INDEPENDENT AUDITOR'S REPORT

To the members of Australian Rail Track Corporation Ltd

Scope

I have audited the accompanying financial report of the Australian Rail Track Corporation Ltd and the consolidated entity, which comprises which comprises the statement of financial position as at 30 June 2009, and the income statement, statement of recognised income and expense and cash flow statement for the year ended on that date, notes to the financial statements and the directors' declaration of the consolidated entity comprising the Australian Rail Track Corporation Ltd and the entities it controlled at the year's end or from time to time during the financial year.

The Directors' Responsibility for the Financial Report

The Directors of the Australian Rail Track Corporation Ltd are responsible for the preparation and fair presentation of the 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 controls relevant to the preparation and fair presentation of the 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(a), the Directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on my audit. I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Australian Rail Track Corporation Ltd's

preparation and fair presentation of the 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 Australian Rail Track Corporation Ltd's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

Auditor's Opinion

In my opinion:

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

  (i) giving a true and fair view of the Australian Rail Track Corporation Ltd and the consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and

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

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

Australian National Audit Office

John McCullough
Audit Principal
Delegate of the Auditor-General

Canberra
31 August 2009

Key Performance Indicators

Corridor: **East West** / Commodity: **All Commodities** / Customer: **All Customers**

	Period Ending	Q1	Q2	Q3	Q4	2008/2009
All Services	Number of Services	1,810	1,706	1,512	1,537	6,565
	Number of Force Majeure Services	18	29	13	12	72
	Number of Services On Time Entry	1,126	1,043	971	1,058	4,198
	Number of Services On Time Exit	1,060	927	864	981	3,832
	% All Services Entering on Time	62.80%	62.20%	64.80%	69.40%	64.70%
	% All Services Exiting on Time	59.20%	55.30%	57.60%	64.30%	59.00%
Healthy Services	Number of Healthy Services	1,087	960	885	996	3,928
	% Services that are Healthy	60.70%	57.20%	59.00%	65.30%	60.50%
	On Time Exit Healthy Services	1,060	927	864	981	3,832
	% Healthy Trains Exiting on Time	97.50%	96.60%	97.60%	98.50%	97.60%
Unhealthy Services	Number of Unhealthy Services	705	717	614	529	2,565
	% Services that are Unhealthy	39.30%	42.80%	41.00%	34.70%	39.50%
	Number of Late Entry	381	398	318	263	1,360
	% Services That Enter Late	21.30%	23.70%	21.20%	17.20%	20.90%
	Number of Unhealthy Enroute	324	319	296	266	1,205
	Number of Services Deteriorated	167	150	181	71	569
	% Unhealthy Services Undeteriorated	76.30%	79.10%	70.50%	86.60%	77.80%
ARTC Delays	Train Management	9,293	1,819	2,308	1,857	15,277
	ARTC Communications	543	111	2,779	101	3,534
	ARTC Signalling	19,275	9,046	11,856	6,262	46,439
	ARTC Track Fault	14,820	24,088	24,379	16,148	79,435
	Total:	**43,931**	**35,064**	**41,322**	**24,368**	**144,685**
Operator Delays	Late entry	58,149	56,588	51,823	39,436	205,996
	Crew/Personnel	14,987	19,425	19,610	14,700	68,722
	Terminal	25,016	24,839	19,679	21,889	91,423
	Operator Run	139,693	128,789	95,427	84,099	448,008
	Slow Run	28,634	25,505	23,111	23,234	100,484
	Operator Preference	5,718	6,155	3,275	4,685	19,833
	Rolling Stock Failure	22,319	22,398	19,246	14,458	78,421
	Total:	**294,516**	**283,699**	**232,171**	**202,501**	**1,012,887**
Neither Delays	3rd Party Delay	26,106	25,507	26,686	25,497	103,796
	Force Majeure	34,613	27,445	37,421	4,336	103,815
	Total:	**60,719**	**52,952**	**64,107**	**29,833**	**207,611**
Total Delays En Route (excl Recovery)	Total Delays (ARTC Operator Neither)	399,166	371,715	337,600	256,702	1,365,183
	Delays Per Service - All	667	649	678	502	2,496

Corridor: **North South** / Commodity: **All Commodities** / Customer: **All Customers**

	Period Ending	Q1	Q2	Q3	Q4	2008/2009
All Services	Number of Services	1,829	1,692	1,554	1,535	6,610
	Number of Force Majeure Services	10	34	11	43	98
	Number of Services On Time Entry	1,367	1,228	1,237	1,204	5,036
	Number of Services On Time Exit	1,212	1,184	1,219	1,157	4,772
	% All Services Entering on Time	75.20%	74.10%	80.20%	80.70%	77.30%
	% All Services Exiting on Time	66.60%	71.40%	79.00%	77.50%	73.30%
Healthy Services	Number of Healthy Services	1,390	1,293	1,312	1,247	5,242
	% Services that are Healthy	76.40%	78.00%	85.00%	83.60%	80.50%
	On Time Exit Healthy Services	1,212	1,184	1,219	1,157	4,772
	% Healthy Trains Exiting on Time	87.20%	91.60%	92.90%	92.80%	91.00%
Unhealthy Services	Number of Unhealthy Services	429	365	231	245	1,270
	% Services that are Unhealthy	23.60%	22.00%	15.00%	16.40%	19.50%
	Number of Late Entry	206	189	119	119	633
	% Services That Enter Late	11.30%	11.40%	7.70%	8.00%	9.70%
	Number of Unhealthy Enroute	223	176	112	126	637
	Number of Services Deteriorated	128	63	66	37	294
	% Unhealthy Services Undeteriorated	70.20%	82.70%	71.40%	84.90%	76.90%
ARTC Delays	Train Management	3,712	1,752	1,900	2,376	9,740
	ARTC Communications	240	205	2,650	12	3,107
	ARTC Signalling	14,488	6,182	7,186	3,286	31,142
	ARTC Track Fault	28,237	15,459	12,138	11,696	67,530
	Total:	**46,677**	**23,598**	**23,874**	**17,370**	**111,519**
Operator Delays	Late entry	36,564	31,808	23,258	19,710	111,340
	Crew/Personnel	10,899	9,482	8,784	8,320	37,485
	Terminal	25,195	17,910	14,851	20,378	78,334
	Operator Run	26,258	19,631	14,884	11,822	72,595
	Slow Run	8,998	9,461	7,474	8,569	34,502
	Operator Preference	4,718	2,821	2,371	2,734	12,644
	Rolling Stock Failure	7,027	5,370	4,679	6,920	23,996
	Total:	**119,659**	**96,483**	**76,301**	**78,453**	**370,896**
Neither Delays	3rd Party Delay	36,570	19,538	13,406	18,183	87,697
	Force Majeure	5,144	3,241	1,241	17,472	27,098
	Total:	**41,714**	**22,779**	**14,647**	**35,655**	**114,795**
Total Delays En Route (excl Recovery)	Total Delays (ARTC Operator Neither)	208,050	142,860	114,822	131,478	597,210
	Delays Per Service - All	342	253	221	258	1,074

Australian Rail Track Corporation Ltd

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