

**AUSTRALIAN RIVER CO. LIMITED AND ITS CONSOLIDATED ENTITIES
(ACN 008 654 206)**

ANNUAL REPORT 2010

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Australian River Co Limited, c/- 473 St Kilda Road, Melbourne VIC 3004

ISSN 1835-7598

CHAIRMAN'S REPORT

Results for the year ended 30 November 2010

The operating result for the period reflects the positive nature of the consolidated entity's activities in respect of the two vessel charters and interest earned on cash and investments.

The ongoing remaining operations of the consolidated entity include:

- charter of the bulk coastal vessels, "River Boyne" and "River Embley" to Queensland Alumina Limited ("QAL") on a yearly renewable basis; and
- management of residual sale, legal and insurance matters.

Board Structure

The following persons hold office as Directors of Australian River Co. Limited at the date of this report and also during the reporting period ended 30 November 2010. There were no changes in Directors from 30 November 2009.

D J Yarra	Chairman
E G Anson AM	Executive Deputy Chairman
P B Smith	Director

Likely Developments and the Future

On 3 May 2002 the Parliamentary Secretary to the then Minister for Finance & Administration wrote to Australian River Co. Limited and stated that the consolidated entity should manage the remaining operations of the consolidated entity with a view to winding down the consolidated entity at the earliest opportunity on a commercially supportable basis, including the pursuit of any sale opportunities.

In January 2009, the then Minister for Finance and Deregulation endorsed a plan of action to crystallise outstanding claims against the consolidated entity, to sell the assets of the consolidated entity and to place the consolidated entity in liquidation when the action plan is fully implemented. During 2009 and 2010, the Board moved to crystallise outstanding claims against the consolidated entity with the result that no actual claims for compensation were received. Having said that, the company's actuary again reviewed the company's potential exposure to claims in future years for the purposes of preparing the financial statements to 30 November 2010 and concluded that the extent of exposure is not declining. In these circumstances, the Board concluded that deregistration of the consolidated entity is likely to be protracted and advised the Minister for Finance and Deregulation accordingly with a view to agreeing future operational arrangements for the company. Nevertheless, consistent with the Minister's desire to wind down the operations of the company, during the reporting period the liquidators for the company's one remaining subsidiary, ANL Cargo Operations Pty Ltd, finalised arrangements for this subsidiary company to be deregistered and this is expected to occur in the first quarter of 2011.

I would like to thank those who have provided valuable service to the consolidated entity over the period, including my fellow Directors, company management and staff, Government Departmental advisers and various company advisers. In particular I would like to acknowledge the valuable service provided by ANL Container Line Pty Ltd (ANL) in relation to claims management, financial and executive support services over the past 4 years. The contract with ANL concludes on 28 February 2011. The Board has contracted ASP Ship Management Group to provide these services and I welcome them to the ARCo team.



D J YARRA
CHAIRMAN

STATUTORY INFORMATION

Occupational Health and Safety

The consolidated entity continued to comply with the requirements of the Occupational Safety (Commonwealth Employment) Act 1991 and the Commonwealth Employees Rehabilitation and Compensation Act 1988 throughout the 2009/2010 financial period.

Ecologically Sustainable Development

The Environment Protection and Biodiversity Conservation Act 1999 applies to the consolidated entity. The consolidated entity has one employee and no premises. Its only assets are two bulk cargo vessels which are leased to QAL. QAL is responsible for the operation of these vessels.

Further, the consolidated entity's instructions from the Shareholder are to manage the remaining operations of the consolidated entity with a view to winding down the consolidated entity at the earliest opportunity on a commercially supportable basis, including the pursuit of any sale opportunities. Apart from operating the two vessels via the time charters to QAL, and managing its ongoing insurance claims portfolio, the consolidated entity is not involved in any other activities that are affected by the principles of ecologically sustainable development.

Occupational Health and Safety

The *Occupational Health and Safety (Commonwealth Employment) Act 1991* applies to the consolidated entity. No health and safety incidents occurred during the year ended 30 November 2010 (2009: Nil).

Freedom of Information

Commonwealth Freedom of Information Act 1982 – The consolidated entity's Section 8 Statement

Details of the consolidated entity's establishment, organisation, functions and powers are detailed elsewhere in the Report of Operations section of this Report.

The business activities of the consolidated entity are solely commercial bulk vessel chartering of its two vessels to QAL on an ongoing basis, and at QAL's option. These activities are conducted on a commercial basis with standard confidentiality provisions to protect commercially sensitive information. That said, there are no decision-making powers of the consolidated entity and/or other powers of the consolidated entity that affect members of the public as they relate to the functions of the consolidated entity in its business activities.

FOI procedures and facilities for access

Requests under the Commonwealth *Freedom of Information Act 1982* ("FOI Act") for access to documents in the possession of the consolidated entity should be addressed to:

Company Secretary
Australian River Co. Limited
473 St Kilda Road
Melbourne VIC 3004

All requests to the consolidated entity under the FOI Act are processed centrally. Enquiries regarding access may be directed to the Company Secretary by telephoning (03) 9211 9353 during business hours. The Executive Deputy Chairman of the consolidated entity is the Principal Officer for the purposes of the Act and is responsible for internal review decisions. The consolidated entity can provide facilities for inspection of documents at its registered offices.

Categories of documents

Some records of the consolidated entity are located at its registered offices and others are held by the Executive Deputy Chairman., however, given the nature of the operations of the consolidated entity the majority of corporate documents are now retained for administrative or legal purposes in off-site archival storage.

Categories of documents are: minutes and business papers, annual reports, and correspondence and business files which comprise chartering, financial and accounting records. The consolidated entity's Annual Reports are also available through the Government's Library Deposit Scheme.

AUSTRALIAN RIVER CO. LIMITED

FINANCIAL REPORT AT 30 NOVEMBER 2010

Registered Office:

Australian River Co. Limited
473 St Kilda Road
Melbourne VIC 3004

Board of Directors:

Mr D J Yarra	Chairman
Mr E G Anson, AM	Executive Deputy Chairman
Mr P B Smith	Director

Group Company Secretary:

Mr A. McLoughlin

DIRECTORS' REPORT

The Board of Directors of Australian River Co. Limited has pleasure in submitting its report in respect of the financial year ended 30 November 2010.

DIRECTORS

The following persons held office as Directors of Australian River Co. Limited during the financial year ended 30 November 2010. Directors were in office for this entire period unless otherwise stated.

D J Yarra	Chairman
E G Anson AM	Executive Deputy Chairman
P B Smith	Director

NAMES, QUALIFICATIONS AND EXPERIENCE OF DIRECTORS

D J Yarra PSM

David John Yarra was appointed to the position of Chairman of Australian River Co. Limited on 18 April 2008. Mr Yarra currently holds the position of Chief Audit Executive of the Department of Finance and Deregulation. Mr Yarra is also Chairman of Australian Industry Development Corporation.

E G Anson AM (Executive Deputy Chairman)

Edward (Ted) George Anson, AM, held the position of Chairman of Australian River Co. Limited from 7 September 1995 to 31 March 1999. Since that time Mr Anson has held the position of Executive Deputy Chairman of the consolidated entity. Mr Anson is the former Chairman of the Civil Aviation Safety Authority, the Australian Maritime Safety Authority and ASP Ship Management. He is also a former Chief Executive and Director of a number of companies in the Howard Smith Group. Mr Anson is currently Chairman of Lloyd's Register of Shipping Technical Advisory Committee and is a member of the Australian Committee of Lloyd's Register of Shipping.

P B Smith

Philip Brendan Smith was appointed as a director of Australian River Co. Limited on 22 October 2009. Mr Smith currently holds the position of Manager Insurance and Risk Management Branch, Department of Finance and Deregulation.

A McLoughlin (Company Secretary)

Andrew McLoughlin was appointed as Company Secretary of Australian River Co. Limited on 16 December 2010. Mr McLoughlin is a chartered accountant and holds the position of Group Financial Controller at ASP Ship Management.

N A Slingsby (Company Secretary)

Nicholas Slingsby was appointed as Company Secretary of Australian River Co. Limited on 1 April 2007. Mr Slingsby resigned as the Company Secretary of Australian River Co. Limited on 17 December 2010.

PRINCIPAL ACTIVITIES

The principal activities of the consolidated entity throughout the year were to continue as the owner and head charterer of the two bulk cargo vessels River Boyne and River Embley. These vessels are currently on 12 month renewable time charters to QAL. Both vessels are employed in carrying bauxite from Weipa in North Queensland to Gladstone on the Central Queensland coast and on occasion, cargoes of alumina from Gladstone to Newcastle, NSW. As owner/head charterer the consolidated entity is primarily responsible for ensuring that the vessels are operated in accordance with the terms of the two time charters and that the vessels comply with all regulatory and insurance requirements for the operation of vessels in the Australian coasting trade. QAL as time charterer is responsible for the ongoing maintenance of the vessels, including dry docking costs.

In addition, the consolidated entity continued to administer its workers' compensation liabilities.

DIRECTORS' REPORT (CONTD.)

Whilst the Board of the consolidated entity has throughout the reporting period continued to investigate and plan for the eventual wind down of the consolidated entity there has been no change to the nature of the consolidated entity's principal activities during the year.

CONSOLIDATED RESULTS

	2010	2009
	\$000	\$000
Operating profit	2,393	2,797
Income tax expense attributable to operating profit	-	-
Operating profit after income tax	<u>2,393</u>	<u>2,797</u>

REVIEW OF OPERATIONS

The operating result for the year reflects the positive nature of the consolidated entity's activities in respect of the two vessel charters, and interest earned on cash and investments. Both vessels are being operated and maintained effectively and the operating profit is within forecast expectations, as is interest earned.

During the reporting period the consolidated entity determined to terminate the Management Services Agreement between it and ANL Container Line Pty Ltd (ANL). In place of ANL the consolidated entity entered a Management Services Agreement with ASP Ship Management Pty Ltd. This decision was taken in order to rationalise the consolidated entity's historical insurance document process. ASP Ship Management Pty Ltd commenced providing Management Services to the consolidated entity from 1 December 2010. The contract with ANL concludes on 28 February 2011.

DIVIDENDS

During the financial year the consolidated entity paid a dividend to the Commonwealth Government of \$2,796,551.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There has been no change in the state of affairs of the consolidated entity during the financial year ended 30 November 2010.

SIGNIFICANT EVENTS AFTER BALANCE SHEET DATE

Subsequent to year end, a dividend of \$2,392,624 was declared. In addition the deregistration of the dormant subsidiary ANL Cargo Operations Pty Ltd was progressed with deregistration expected to occur in the first quarter of 2011, and a new Management Services provider was appointed to provide claims management, financial and board support services following the conclusion of the contract with ANL. There have been no other significant events occurring after balance date which may affect either the consolidated entity's operations or results of those operations or the consolidated entity's state of affairs.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

On 3 May 2002 the Parliamentary Secretary to the then Minister for Finance & Administration wrote to Australian River Co. Limited and stated that the company should manage the remaining operations of the consolidated entity with a view to winding down the consolidated entity at the earliest opportunity on a commercially supportable basis, including the pursuit of any sale opportunities.

DIRECTORS' REPORT (CONTD.)

In January 2009, the then Minister for Finance and Deregulation endorsed a plan of action to crystallise outstanding claims against the consolidated entity, to sell the assets of the consolidated entity and to place the consolidated entity in liquidation when the action plan is fully implemented. During 2009 and 2010, the Board moved to crystallise outstanding claims against the consolidated entity with the result that no actual claims for compensation were received. Having said that, the company's actuary again reviewed the company's potential exposure to claims in future years for the purposes of preparing the financial statements to 30 November 2010 and concluded that the extent of exposure is not declining. In these circumstances, the Board concluded that deregistration of the company is likely to be protracted and advised the Minister for Finance and Deregulation accordingly with a view to agreeing future operational arrangements for the company. Nevertheless, consistent with the Minister's desire to wind down the operations of the company, during the reporting period, the liquidators for the company's one remaining subsidiary, ANL Cargo Operations Pty Ltd, finalised arrangements for that subsidiary to be deregistered with this expected to occur in the first quarter of 2011.

In relation to potential claims against the consolidated entity, the most likely claims relate to compensation claims from former employees. The consolidated entity continues to receive a number of workers compensation enquiries each year some of which result in claims that are managed in consultation with the consolidated entity's insurers. Over time, the number of such claims has trended down.

The financial statements have been prepared under the assumption that there will be no changes in the corporate structure, chartering arrangements and operations of the business of the Australian River Co. Limited for a period of 12 months from the date of signing these financial statements. The Directors have no grounds to believe that this assumption is not reasonable in the circumstances. Accordingly, no adjustments or reclassifications have been made in the financial statements to reflect any changes that may arise as a result of the Government and Directors finalising their deliberations on the matters mentioned above.

DIRECTORS' MEETINGS

The number of meetings of the Board of Directors and of Board Committees during the financial year was:

	<i>Board of Directors</i>		<i>Audit Committee of the Board of Directors</i>	
	<i>Meetings Attended</i>	<i>Maximum Possible to Attend</i>	<i>Meetings Attended</i>	<i>Maximum Possible to Attend</i>
D J Yarra	4	4	1	1
E G Anson	4	4	0	0
P B Smith	4	4	1	1

INDEMNIFICATION OF DIRECTORS AND OFFICERS

The consolidated entity has paid insurance premiums to maintain, in force, the existing Directors' and Officers' Liability insurance contract, insuring all current and former directors, company secretaries and officers, now or formerly concerned in the management of the company and its consolidated entities, against certain liabilities as set out in the policy wording. The insurance policies prohibit disclosure of the premiums paid in respect of those policies and the nature of the liabilities insured by the policies.

ENVIRONMENTAL REGULATION PERFORMANCE

The *Environment Protection and Biodiversity Conservation Act 1999* applies to the consolidated entity. The consolidated entity has one employee and no premises. Its only assets are two bulk cargo vessels which are leased to QAL. QAL is responsible for the operations of these vessels.

Further, the consolidated entity's instructions from the Shareholder are to manage the remaining operations of the consolidated entity with a view to winding down the consolidated entity at the earliest opportunity on a commercially supportable basis, including the pursuit of any sale opportunities. Apart from operating the two vessels via the time charters to QAL, and managing its ongoing insurance claims portfolio, the consolidated entity is not involved in any other activities that are affected by the principles of ecologically sustainable development.

There have been no known breaches of the consolidated entity's environmental obligations.

DIRECTORS' REPORT (CONTD.)

OCCUPATIONAL HEALTH AND SAFETY

Throughout the reporting period the consolidated entity has complied with its obligations under the *Occupational Health and Safety (Commonwealth Employment) Act 1991*. No health and safety incidents occurred during the year ended 30 November 2010 (2009: Nil).

FREEDOM OF INFORMATION

Throughout the reporting period the consolidated entity has complied with its obligations under the *Commonwealth Freedom of Information Act 1982*. Details of the consolidated entity's establishment, organisation, functions and powers are detailed elsewhere in the Report of Operations section of this Report.

The business activities of the consolidated entity are solely commercial bulk vessel chartering of its two vessels to QAL on an ongoing basis, and at QAL's option. These activities are conducted on a commercial basis with standard confidentiality provisions to protect commercially sensitive information. That said, there are no decision-making powers of the consolidated entity and/or other powers of the consolidated entity that affect members of the public as they relate to the functions of the consolidated entity in its business activities.

The consolidated entity has procedures and facilities in place for requests under the *Commonwealth Freedom of Information Act 1982* ("FOI Act") for access to documents in the possession of the consolidated entity. Requests should be addressed to:

Company Secretary
Australian River Co. Limited
473 St Kilda Road
Melbourne VIC 3004

EMPLOYEES

The consolidated entity has 1 employee as at 30 November 2010 (2009: 1). In addition, the finance and secretarial functions have since 1 December 2010 been outsourced to ASP Ship Management Pty Ltd.

ROUNDING

The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the company under Australian Securities and Investments Commission Class Order 98/0100. The Company is an entity to which the Class Order applies.

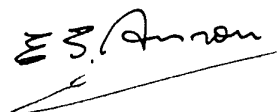
AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration for the year ended 30 November 2010 has been received from Australian National Audit Office. This can be referred to on page 8 of the financial report.

Signed in accordance with a resolution of Directors.



D J YARRA
Chairman



E G ANSON AM
Executive Deputy Chairman

Dated at Canberra this 17th day of February, 2011



**AUSTRALIAN RIVER CO. LIMITED FINANCIAL REPORT 2009–10
AUDITOR'S INDEPENDENCE DECLARATION**

In relation to my audit of the financial report of the Australian River Co. Limited and its consolidated entities for the year ended 30 November 2010, to the best of my knowledge and belief, there have been:

- (i) no contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (ii) no contravention of any applicable code of professional conduct.

Australian National Audit Office

Kristian Gage
Engagement Executive

Delegate of the Auditor-General
Canberra

17 February 2011

AUSTRALIAN RIVER CO. LIMITED
(ACN 008 654 206)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 NOVEMBER 2010

	Note	2010	2009
		\$000	\$000
Continuing Operations			
Revenues from charter/sub-charter operations	3	2,171	2,679
Other income	3	947	766
Insurance (costs)/recoveries		(306)	104
Company management expenses		(386)	(379)
Exchange losses	3	(33)	(373)
		<hr/>	<hr/>
Profit from continuing operations before income tax		2,393	2,797
Income tax expense	4	-	-
		<hr/>	<hr/>
Net Profit for the period		2,393	2,797
Other comprehensive income		-	-
Total comprehensive income for the period		2,393	2,797

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

AUSTRALIAN RIVER CO. LIMITED
(ACN 008 654 206)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 NOVEMBER 2010

	NOTE	2010 \$000	2009 \$000
CURRENT ASSETS			
Cash and cash equivalents	5	5,663	6,151
Receivables	6	13,625	14,081
Total Current Assets		19,288	20,232
NON-CURRENT ASSETS			
Receivables	6	14,928	13,650
Plant and equipment	8	9,233	9,233
Total Non-Current Assets		24,161	22,883
TOTAL ASSETS		43,449	43,115
CURRENT LIABILITIES			
Payables	9	127	82
Provisions	10	855	971
Total Current Liabilities		982	1,053
NON-CURRENT LIABILITIES			
Provisions	11	18,088	17,279
Total Non-Current Liabilities		18,088	17,279
TOTAL LIABILITIES		19,070	18,332
NET ASSETS		24,379	24,783
EQUITY			
Contributed equity	12	246,391	246,391
Accumulated losses	13	(222,012)	(221,608)
TOTAL EQUITY		24,379	24,783

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

AUSTRALIAN RIVER CO. LIMITED
(ACN 008 654 206)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
AS AT 30 NOVEMBER 2010

	Issued Capital \$000	Retained Earnings \$000	Total \$000
At 1 December 2009	246,391	(221,608)	24,783
Net profit for the year		2,393	2,393
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	2,393	2,393
Transactions with owners in their capacity as owners:			
Dividends paid	-	(2,797)	(2,797)
At 30 November 2010	246,391	(222,012)	24,379
At 1 December 2008	246,391	(221,199)	25,192
Net profit for the year	-	2,797	2,797
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	2,797	2,797
Transactions with owners in their capacity as owners:			
Dividends paid	-	(3,206)	(3,206)
At 30 November 2009	246,391	(221,608)	24,783

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

AUSTRALIAN RIVER CO. LIMITED
(ACN 008 654 206)

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 NOVEMBER 2010

	Note	2010 \$000	2009 \$000
Cash Flows from Operating Activities:			
Receipts from charter/sub-charter operations		2,427	2,958
Payments to financiers and employees		(825)	(1,211)
GST paid		(219)	(262)
Interest received		926	826
		<hr/>	<hr/>
Net Cash Flows from/(used in) operating activities	14	2,309	2,311
		<hr/>	<hr/>
Cash Flows from Investing Activities:			
Sale proceeds of bank bills		-	1,500
		<hr/>	<hr/>
Net Cash Flows from/(used in) financing activities		-	1,500
		<hr/>	<hr/>
Cash Flows from Financing Activities:			
Dividend paid		(2,797)	(3,206)
		<hr/>	<hr/>
Net Cash Flows from/(used in) financing activities		(2,797)	(3,206)
		<hr/>	<hr/>
Net increase/(decrease) in Cash and cash equivalents		(488)	605
Cash and cash equivalents at beginning of the financial year		6,151	5,546
		<hr/>	<hr/>
Cash and cash equivalents at end of the financial year	5	5,663	6,151
		<hr/> <hr/>	<hr/> <hr/>

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

1. CORPORATE INFORMATION

The financial report of Australian River Co. Limited for the year ended 30 November 2010 was authorised for issue in accordance with a resolution of the Directors on the date of signing this report.

Australian River Co. Limited is a company limited by shares that is incorporated and domiciled in Australia. The Commonwealth of Australia is the ultimate controlling entity of the consolidated entity.

The principal activities of the consolidated entity throughout the year were to continue as the owner and head charterer of two vessels which are subject to various charter/sub-charter arrangements between Australian River Co. Limited and a third party, and the administration of workers' compensation liability.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial report is a general-purpose financial report which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial statements have also been prepared on a historical cost basis.

The financial statements are 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 98/100. The company is an entity to which the class order applies.

2.2 Statement of Compliance

These financial statements comply with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial statements comply with International Financial Reporting Standards (IFRS).

Certain Australian Accounting Standards and UIG interpretations have recently been issued or amended but are not yet effective and have not been adopted for the annual reporting period ended 30 November 2010. The Directors have assessed the impact of these new or amended standards (to the extent relevant to the company) and interpretations and do not anticipate any material impact to Australian River Co. Limited.

2.3 New accounting standards and interpretations

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

2.4 Basis of Consolidation

The consolidated financial statements comprise the financial statements of the parent entity, Australian River Co. Limited, and its consolidated entities, referred to collectively throughout the financial statements as the "consolidated entity".

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company using consistent accounting policies.

Investments in subsidiaries are accounted for using the cost method less any impairment charges.

In preparing the consolidated financial statements all inter-entity balances and transactions, income and expenses have been eliminated in full.

Where an entity either began or ceased to be controlled during the period, the results are included only from the date control commenced to the date control ceased.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.5 Revenue Recognition

Revenue is recognised as the fair value of the consideration received or receivable to the extent that it is probable that economic benefits will flow to the entity and the revenue can be reliably measured.

Interest revenue is recognised as interest accrues using the effective interest method.

2.6 Income tax

The financial statements apply the principles of tax-effect accounting. Income tax on the profit for the reporting period comprises current and deferred tax. Income tax is recognised in the Statement of Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the period. Deferred tax is provided using the balance sheet method, providing for temporary differences, at the tax rates expected to apply when the assets are recovered or liabilities settled, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Temporary differences arising from the initial recognition of an asset or liability that affect neither accounting profit nor taxable income, to the extent that they will probably not reverse in the foreseeable future, are not provided for. Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future tax amounts will be available to utilise those temporary differences and tax losses. At 30 November 2010 deferred tax assets have not been recognized on the basis that it is not considered probable that future tax amounts will be available to utilize the temporary differences and tax losses.

2.7 Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

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

2.8 Foreign Currency Translation

Both the functional and presentation currency of the company is Australian Dollars (\$).

Transactions and balances

Foreign currency items are translated to Australian currency on the following bases:

- Transactions are converted at exchange rates approximating those prevailing at the date of the transaction; and
- Amounts payable and receivable are translated at the average of the buy and sell rates available on the close of business at balance date.

Exchange differences relating to monetary items are included in the Income Statement, as exchange gains or losses, in the period when the exchange rates change.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

Derivative financial instruments and hedging

The consolidated entity uses derivative financial instruments such as forward currency contracts to hedge its risk associated with foreign currency fluctuations.

Any gains or losses arising from the change in the fair value of derivatives are taken directly to net profit or loss for the year. The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

There were no derivative financial instruments at 30 November 2010.

2.9 Cash and Cash Equivalents

For purposes of the Cash Flow Statements, cash includes deposits at call which are readily converted to cash on hand and which are used in the cash management function on a day to day basis, net of outstanding bank overdrafts.

2.10 Impairment of Assets

The consolidated entity assesses at each reporting date whether there is an indication that an asset may be impaired. If such an indication exists, or when annual impairment testing for an asset is required, the consolidated entity makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases, the asset is tested for impairment as part of the cash generating unit to which it belongs. When the carrying amount of an asset or cash generating unit exceeds its recoverable amount, the asset or cash generating unit is considered impaired and is written down to its recoverable amount.

In assessing an asset's 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. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset.

All non-current assets are depreciated over their expected useful life to their estimated residual value at the end of that period.

2.11 Property, plant and equipment

Owned Assets (Vessels)

At the expiration of two operating leases to a third party during prior financial periods the company purchased the vessels for prices which closely approximated a net delivered scrap price at the time of purchase of each vessel. Depreciation is not provided on these vessels because the depreciable amount is nil given the estimated net delivered scrap price is greater than the vessels' carrying values.

2.12 Assets

Trade and other receivables

Trade and other receivables are recognised and carried at original invoice amount less a provision for any uncollectable debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Deposits

Bank deposits and floating rate notes are carried at cost. Interest revenue is recognised on an effective yield basis.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.13 Contributed equity

Ordinary share capital bears no special terms or conditions affecting income or capital entitlements of the Shareholder.

2.14 Liabilities

Trade and other payables

Trade and other payables are carried at amortised cost and due to their short term nature they are not discounted. They represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year that are unpaid and arise when the consolidated entity becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and generally paid within 30 days.

Provisions

Provisions are recognised when the consolidated entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that the sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

A provision for dividend is not recognised as a liability unless the dividend is declared, determined or publicly recommended on or before the reporting date.

2.15 Significant accounting judgements, estimates and assumptions

Provision for Crew Claims

The provision for crew claims and related claims recoverable has been determined based on an actuarial review of the consolidated entity's claims exposure. The provision covers claims incurred but not paid, incurred but not reported, and the anticipated direct and indirect cost of settling those claims, plus a risk margin. Some claims may take up to 40 years to settle.

The claims recoverable represent the estimated amounts recoverable from the company's insurers.

The provision and the related recoverable are reviewed at each reporting date by the Directors on the advice by actuaries, and adjusted as appropriate. The nature of the provision estimated and the data upon which the provision estimate is based, are such that it is quite likely that the outcome could be significantly different from the current estimate. However the Directors believe that at the date of signing these accounts, based on the evidence available, the methodologies and assumptions used in the estimation of the provision are reasonable.

2.16 Financial risk management objectives and policies

The company's principal financial instruments comprise receivables, payables, cash and short term deposits.

The company manages its exposure to key financial risks, including interest rate and currency risk in accordance with its financial risk management policy. The objective of the policy is to support the delivery of the company's financial targets whilst protecting future financial security.

Refer to Note 15 for detailed analysis of the company's financial risk categories.

2.17 Segment Reporting

The consolidated entity's sole and primary segment is the charter of vessels in Australia.

NOTES TO THE FINANCIAL STATEMENTS

	2010	2009
	\$000	\$000
3. REVENUE AND EXPENSES		
(a) Revenues		
Vessels charter/sub-charter	<u>2,171</u>	<u>2,679</u>
(b) Other income		
Interest from unrelated persons	<u>947</u>	<u>766</u>
(c) Expenses		
Net foreign exchange translation losses	33	373
(Release) provision for Crew Claims	<u>(116)</u>	<u>(335)</u>
(d) Dividends paid and proposed		
<i>Declared and paid during the year</i>		
Dividends on ordinary shares:		
Final unfranked dividend (i)	<u>2,797</u>	<u>3,206</u>

(i) The franking account balance is nil.

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

	2010	2009
	\$000	\$000

4. INCOME TAX

A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the consolidated entity's applicable income tax rate is as follows:

Profit before income tax	2,393	2,797
At the consolidated entity's statutory income tax rate of 30% (2009: 30%)	718	839
Unrecognised tax losses	<u>(718)</u>	<u>(839)</u>
Income tax expense reported in the Statement of Comprehensive Income	<u>-</u>	<u>-</u>

Tax losses

As at 30 November 2010 the consolidated entity has estimated unconfirmed unrecouped income tax losses of \$36.3 million (2009: \$38.8 million) available to offset against future years' taxable income. The benefit of these losses at 30 % is \$10.9 million (2009: \$11.6 million) has not been brought to account as realisation is not probable.

Similarly, a deferred tax asset of \$1.1 million (2009: \$1.1 million) attributable to timing differences has not been brought to account as the Directors do not believe it is appropriate to regard the realisation of such a benefit as being probable.

These benefits will only be obtained if:

- (i) the parent entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;
- (ii) the parent entity continues to comply with the conditions for deductibility imposed by the law; and
- (iii) no changes in tax legislation adversely affect the relevant entities in realising the benefit from the deductions for the losses.

	2010	2009
	\$000	\$000

5. CASH AND CASH EQUIVALENTS

Cash at bank	<u>5,663</u>	<u>6,151</u>
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Deposits with banks are paying interest at current bank deposit rates.

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

	2010	2009
	\$000	\$000
6A. RECEIVABLES - CURRENT		
Crew claims recoverable (a)	427	896
Other receivables	198	185
Floating rate notes (b)	13,000	13,000
	<u>13,625</u>	<u>14,081</u>

6B. RECEIVABLES – NON CURRENT

Crew claims recoverable (a)	<u>14,928</u>	<u>13,650</u>
-----------------------------	---------------	---------------

(a) Refer to Note 11.

(b) The bank issued floating rate notes bear quarterly interest at the 3 month BBSW swap rate plus a points margin. Due to the short term nature of these receivables their carrying value is assumed to approximate their fair value.

7. INVESTMENTS IN CONTROLLED ENTITIES

The consolidated financial statements at 30 November 2010 include the following consolidated entities:

	Country of Incorporation	2010 %	Holding 2009 %
Trans United Pty Ltd	Australia	-	100
ANL Cargo Operations Pty Ltd	Australia	100	100

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

	2010	2009
	\$000	\$000
8. PLANT AND EQUIPMENT		
8.1 Owned asset- vessel (i)		
Cost		
Opening balance	9,233	9,233
Additions	-	-
Closing balance	<u>9,233</u>	<u>9,233</u>
Accumulated depreciation		
Opening balance	-	-
Depreciation for the year	-	-
Closing balance	<u>-</u>	<u>-</u>
Net book value	<u>9,233</u>	<u>9,233</u>

- (i) At year end the carrying value of the owned vessels are recorded at the value at which they were purchased, being a price which closely approximated a net delivered scrap price at that time.

At year end the current estimated net delivered scrap price of each vessel is estimated to be in excess of the vessel's carrying value, accordingly depreciation has not been provided for in the current financial year.

9. PAYABLES

Trade payables	92	55
Sundry payables	35	27
Related parties		-
	<u>127</u>	<u>82</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

	2010 \$000	2009 \$000
10. PROVISIONS		
Provision for crew claims		
Gross provision	(18,933)	(18,240)
Gross recoverable from insurers	15,355	14,546
Net provision for crew claims	<u>(3,578)</u>	<u>(3,694)</u>
Opening balance	(3,694)	(4,004)
Discount rate change	(50)	(63)
Utilised during the period	(3)	33
Revised economic assumptions	(23)	95
Revised actuarial assumptions	192	245
Closing balance	<u>(3,578)</u>	<u>(3,694)</u>
Current Provision for crew claims		
At 1 December 2009	(971)	(1,143)
Arising during the year	116	(172)
	<u> </u>	<u> </u>
At 30 November 2010	<u>(855)</u>	<u>(971)</u>

11. PROVISIONS – NON CURRENT

Provision for crew claims		
At 1 December 2009	(17,269)	(14,005)
Arising during the year	(809)	(3,264)
	<u> </u>	<u> </u>
At 30 November 2010	<u>(18,078)</u>	<u>(17,269)</u>
Other Provision	(10)	(10)
	<u> </u>	<u> </u>
Total Non Current Liabilities	<u>(18,088)</u>	<u>(17,279)</u>
	<u> </u>	<u> </u>
Total At 30 November 2010	<u>(18,088)</u>	<u>(17,279)</u>

Provision for crew claims

The provision for crew claims and related claims recoverable has been determined based on an actuarial review of the company's claims exposure. The provision covers claims incurred but not paid, incurred but not reported, and the anticipated direct and indirect cost of settling those claims, plus a risk margin. Some claims may take up to 40 years to settle.

The claims recoverable represent the estimated amounts recoverable from the company's insurers.

The provision and the related recoverable are reviewed at each reporting date by the Directors on the advice by actuaries, and adjusted as appropriate. The nature of the provision estimated and the data upon which the provision estimate is based, are such that it is quite likely that the outcome could be significantly different from the current estimate. However the Directors believe that at the date of signing these accounts, based on the evidence available, the methodologies and assumptions used in the estimation of the provision are reasonable.

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

	2010	2009
	\$000	\$000
12. CONTRIBUTED EQUITY		
Ordinary shares (a)	246,391	246,391
(a) Fully paid ordinary shares carry one vote and the right to dividends.		
13. RETAINED EARNINGS		
At the beginning of the financial year	(221,608)	(221,199)
Net profit	2,393	2,797
Dividend paid	(2,797)	(3,206)
At 30 November 2010	(222,012)	(221,608)
14. NOTES TO THE STATEMENT OF CASH FLOWS		
<i>Reconciliation of Net Cash from/(used in) Operating Activities to Operating Profit After Income Tax</i>		
Net profit after income tax	2,393	2,797
Changes in assets and liabilities		
(Increase)/ Decrease in receivables	(13)	(43)
Increase (Decrease) in trade and other creditors	45	(108)
Increase/(Decrease) in current provisions, net of recoverable	(116)	(335)
Net cash from/(used in) operating activities	2,309	2,311

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

15. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The consolidated entity's principal financial instruments comprise receivables, payables, and cash.

The consolidated entity has historically entered into derivative transactions, including forward currency contracts. There are no derivative transactions at 30 November 2010.

The main risks arising from the consolidated entity's financial instruments are credit risk, interest rate risk and currency risk. The management of the consolidated entity reviews and agrees policies for managing each of these risks and they are summarised below.

(i) Credit risk

The company trades only with QAL, which has been a long term creditworthy customer.

There are no significant concentrations of credit risk within the company.

(ii) Interest rate risk

The company's exposure to market interest rates is primarily to the Group's cash and cash equivalents and floating rate notes.

At reporting date, the company had the following financial assets exposed to variable interest rates:

	2010 \$000	2009 \$000
Financial assets		
Cash at bank	5,663	6,151
Floating rate notes receivables	13,000	13,000
Total financial assets	18,663	19,151
Net exposure	18,663	19,151

Interest on financial assets as variable rate is repriced at intervals of less than one year.

The following sensitivity analysis is based on the interest rate risk exposures in existence at reporting date.

At 30 November 2010, if interest rates had moved, as illustrated in the table below, with all other variables held constant, surplus after tax and other comprehensive income would have been affected as follows:

Judgement of reasonably possible movements: Higher/(lower)	Impact on total comprehensive income	
	2010 \$000	2009 \$000
+1.0% (100 basis points)	186	192
-0.5% (50 basis points)	(93)	(96)

(iii) Foreign currency risk

The company charters vessels to Queensland Alumina Limited for charter income denominated in US dollars. The majority of the company's operating costs are denominated in Australian dollars. The company is exposed to foreign currency exchange risk.

Throughout the financial year ended 30 November 2010, the company did not use any derivative financial instruments such as forward currency contracts to hedge its risk associated with foreign currency fluctuations.

15. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

(iv) Fair values

All assets and liabilities recognised in the Statement of Financial Position, whether they are carried at cost or at fair value, are recognised at amounts that represent a reasonable approximation of fair value unless otherwise stated in the applicable notes.

16. FUTURE OPERATIONS OF AUSTRALIAN RIVER CO. LIMITED

On 3 May 2002 the Parliamentary Secretary to the then Minister for Finance & Administration wrote to Australian River Co. Limited and stated that the consolidated entity should manage the remaining operations of the consolidated entity with a view to winding down the consolidated entity at the earliest opportunity on a commercially supportable basis, including the pursuit of any sale opportunities.

In January 2009, the then Minister for Finance and Deregulation endorsed a plan of action to crystallise outstanding claims against the consolidated entity, to sell the assets of the consolidated entity and to place the consolidated entity in liquidation when the action plan is fully implemented. During 2009 and 2010, the Board moved to crystallise outstanding claims against the consolidated entity with the result that no actual claims for compensation were received. Having said that, the company's actuary again reviewed the company's potential exposure to claims in future years for the purposes of preparing the financial statements to 30 November 2010 and concluded that the extent of exposure is not declining. In these circumstances, the Board concluded that deregistration of the company is likely to be protracted and advised the Minister for Finance and Deregulation accordingly with a view to agreeing future operational arrangements for the company. Nevertheless, consistent with the Minister's desire to wind down the operations of the company, during the reporting period, the liquidators for the company's one remaining subsidiary, ANL Cargo Operations Pty Ltd, finalised arrangements for that subsidiary to be deregistered with this expected to occur in the first quarter of 2011.

The financial statements have been prepared under the assumption that there will be no changes in the corporate structure, chartering arrangements and operations of the business of the Australian River Co. Limited for a period of 12 months from the date of signing these financial statements. The Directors have no grounds to believe that this assumption is not reasonable in the circumstances. Accordingly, no adjustments or reclassifications have been made in the financial statements to reflect any changes that may arise as a result of the Government and Directors finalising their deliberations on the matters mentioned above.

17. KEY MANAGEMENT PERSONNEL

2010	2009
\$	\$

Details of key management personnel

The directors of Australian River Co. Limited at 30 November 2010 are:

D J Yarra
E G Anson AM
P B Smith

Compensation of key management personnel

Income paid or payable, or otherwise made available, in respect of the financial year, to all directors of each entity in the consolidated entity, directly or indirectly, by the entities of which they are directors or any related party:

Short-term

Salaries and fees

51,068	49,930
<u>51,068</u>	<u>49,930</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

18. REMUNERATION OF AUDITORS

	2010	2009
	\$	\$
Remuneration received or due and receivable by the auditor of Australian River Co. Limited for:		
An audit of the financial report of the entity	33,000	33,000
	<u>33,000</u>	<u>33,000</u>

19. RELATED PARTY DISCLOSURES

Consolidated Entities

Information relating to the consolidated entities is set out in Note 7.

Transactions with Directors – related entity

Transactions with Directors for the period ended 30 November 2010 (Nil): (2009: Nil)

Ultimate Parent Company

Australian River Co. Limited is the Australian parent company of the consolidated entity.

The Commonwealth of Australia is the ultimate controlling entity of the consolidated entity.

Transactions with Related Parties

No related party transactions occurred in the period ended 30 November 2010 or the prior period except as noted above.

20. SEGMENT INFORMATION

(a) *Industry Segments*

The consolidated entity's sole and primary segment is the charter of vessels in Australia.

21. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

Subsequent to year end, a dividend of \$2,392,624 was declared. In addition the deregistration of the dormant subsidiary ANL Cargo Operations Pty Ltd was progressed with deregistration expected to occur in the first quarter of 2011, and a new Management Services provider was appointed to provide claims management, financial and board support services following the conclusion of the contract with ANL. There have been no other significant events occurring after balance date which may affect either the consolidated entity's operations or results of those operations or the consolidated entity's state of affairs.

22. STATUS OF VESSEL CHARTERS

The two vessels owned by the consolidated entity are chartered to QAL on a 12 month charter basis with the charters being renewable for subsequent 12 month terms at QAL's option. The vessel charter parties are cancellable by QAL by giving the consolidated entity at least three months notice before the anniversary of each 12 months charter term.

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

23. PARENT ENTITY INFORMATION

Information relating to the parent entity	Australia River Co. Limited	
	2010 \$000	2009 \$000
Results of the parent entity		
Profit after tax for the period	2,393	2,797
Other comprehensive income/(loss)	-	-
Total comprehensive income for the year	2,393	2,797
Financial position of the parent entity		
Current assets	19,288	20,232
Non-current assets	24,161	22,883
Total assets	43,449	43,115
Current liabilities	982	1,053
Non-current liabilities	18,088	17,279
Total liabilities	19,070	18,332
Total equity of parent entity comprising of:		
Contributed equity	246,391	246,391
Accumulated losses	(222,012)	(221,608)
Total Equity	24,379	24,783

DIRECTORS' DECLARATION

In the opinion of the Directors:

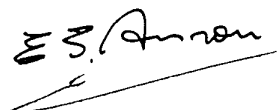
- (a) the financial statements and associated notes of the company and of the consolidated entity are in accordance with the Corporations Act 2001, including;
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 November 2010 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.

On behalf of the Board



**D J YARRA
CHAIRMAN**



**E G ANSON AM
EXECUTIVE DEPUTY CHAIRMAN**

Dated at Canberra this 17th day of February 2011



INDEPENDENT AUDITOR'S REPORT

To the members of Australian River Co. Limited

Report on the Financial Report

I have audited the accompanying financial report of Australian River Co. Limited and the consolidated entities, which comprises the Consolidated Statement of Financial Position as at 30 November 2010, and the Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows for the year ended on that date, Notes to the Financial Statements including a Statement of Significant Accounting Policies, and the Directors' Declaration. The consolidated entity comprises the Australian River Co. Limited 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 River Co. Limited 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 2.2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply 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 entity'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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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*. I confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Australian River Co. Limited on 17 February 2011, would be in the same terms if provided to the directors as at the date of this auditor's report.

Auditor's Opinion

In my opinion:

- (a) the financial report of Australian River Co. Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of Australian River Co. Limited's and the consolidated entity's financial position as at 30 November 2010 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 statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2.2.

Australian National Audit Office



Kristian Gage
Engagement Executive

Delegate of the Auditor-General
Canberra

21 February 2011