



R.H. Allert A.M.  
Chairman

The Hon Paul Henderson MLA  
Minister for the AustralAsia Railway  
GPO Box 3146  
Darwin NT 0801

Dear Minister

**RE: AUSTRALASIA RAILWAY CORPORATION ANNUAL REPORT**

I have pleasure in presenting this Annual Report of the AustralAsia Railway Corporation. The report details the activities and operations of the Corporation for the year ending 30 June 2001, in accordance with the provisions of Section 32(2) of the *AustralAsia Railway Corporation Act, 1996*.

There is no additional information attached to the report that is required to be presented under Section 32(1) of the Act, as there were no directions, objections, confirmations or reasons given under Section 19 of the Act during the period to which the report relates.

Yours faithfully

A handwritten signature in black ink, appearing to read "R.H. Allert", is written over a light blue horizontal line.

CHAIRMAN

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# Contents

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Chairman's overview	5
Chief Executive Officer's review	7
The project	11
Historical highlights	15
Changing role of AustralAsia Railway Corporation	17
Organisational structure	21
Legislation	23
AustralAsia Railway Corporation Board	25
Board Members' report	27
Board Members' declaration	31
Financial statements	33
Auditor's report	47

*Left: Australia Southern Railroad loco in the Upper Spencer Gulf region of South Australia*



*Top: Financial close, Sydney, April 2001 (left to right: former Chief Minister Denis Burke, Franco Moretti (Asia Pacific Transport), David Hudson (Barclay Mowlem), former Premier John Olsen, Colin Turner (Australia Southern Railroad), Geoff Coffey (John Holland), Senator Nick Minchin, Nick Bowen (Macmahon Holdings), Kathryn Gunn (SANT Holdings), Paul Tyrrell (CEO, AustralAsia Railway Corporation), Rick Allert (Chairman, AustralAsia Railway Corporation)*

*Above: Former South Australian Premier John Olsen, Prime Minister John Howard and former Northern Territory Chief Minister Denis Burke, Adelaide, October 2000*

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# Chairman's Overview

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The past year has seen a series of milestones achieved for this historic project, culminating in the proud moment in Sydney on 20 April this year when the last of some 300 documents were finally signed. Construction began immediately, a gratifying sight for the true believers!

The reality of earthmoving equipment and sleeper factories appearing on the Territory horizon has provided the final seal of confidence for this great project. The rest of Australia is now appreciating the historic inequity of 100 years of broken promises regarding a vital transport link that other States and Territories take for granted, and the economic significance of a new trade and tourism corridor across the centre of Australia.

The completion of the AustralAsia Railway has refocused attention on the role of railways in the economic development of Australia's remote regions. For 150 years, development in the North has been retarded by poor infrastructure, isolation and limited freight options. In the twenty first century, we are seeing a renewed awareness of the potential of rail as part of a multimodal transport mix, the growing economic strength of Northern Australia, and a shift to the private sector in the development of crucial infrastructure.

The AustralAsia Railway epitomises what can be achieved by a successful alliance between the public and private sectors. Government funding of \$480 million (with an additional \$79 million in standby funding provided on commercial terms) has been matched by a private sector consortium raising most of the debt and equity for this \$1.3 billion project, as well as bearing the risk for construction and operation of the line.

The Asia Pacific Transport Consortium was selected as the successful tenderer after an exhaustive process, followed by protracted negotiations in the subsequent 18 months.

It was a difficult time for all parties, with many unexpected delays due mainly to the complexity of the project documents, but the final result has left us all with a justifiable sense of pride and satisfaction, and confidence in the future.

I would like to thank the Chief Executive Officer of the AustralAsia Railway Corporation, Paul Tyrrell, for his sustained dedication. I also thank my fellow board members and staff of the AustralAsia Railway Corporation for their efforts during the past year.

I particularly thank the Northern Territory and South Australian Governments for their continued good will and cooperation throughout the negotiation process. The former Northern Territory Chief Minister Denis Burke, former South Australian Premier John Olsen, and Prime Minister John Howard have never wavered in their support. Their personal contributions have ensured the ultimate success of the project.

I also pay tribute to the Asia Pacific Transport company, its partners, and key negotiators for remaining committed, despite the challenges of marshalling finance at a time when global capital is in heavy demand and despite the challenges of a key investor pulling out of the project at a critical moment. We look forward to the day when the first FreightLink train pulls across the embankment at Darwin's East Arm Port in 2004, followed closely by the first *Ghan* passenger train.

The end result demonstrates what faith, determination and strong public/private sector partnerships can achieve for the benefit not only of South Australia and the Northern Territory, but the economic health of the nation as a whole.



RICHARD H ALLERT AM

Chairman



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# Chief Executive Officer's Review

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In 2004, when the AustralAsia Railway is completed, a new transport and communications system will reduce the distance and isolation that have retarded the Northern Territory's development. A new trade corridor will link the Asia Pacific with southern Australia. South Australian exports will have a direct route to Asian markets. Territorians will have access to cheaper domestic freight options, and Darwin's strategic location as Australia's Asian Gateway will be assured.

Underlying the project are some unique partnerships and extraordinary challenges.

The scope of the project is extensive, incorporating the leasing of the existing 830 kilometre Tarcoola to Alice Springs line, the construction and operation of a new 1410 kilometre line from Alice Springs to Darwin, and integration with Stage Two of Darwin's East Arm Port, which includes a new railway embankment and intermodal container terminal.

The project demonstrates the strength of an alliance between the public and private sector. While the Northern Territory Government has been responsible for purchasing a 1410 kilometre strip of land and for government works, the consortium bears the construction and operating risk. In addition, all parties have worked cooperatively to solve an enormous range of legislative, environmental and technical issues.

In legal terms, there are over 300 documents and dozens of parties to the contractual arrangements covering three governments, the six partners of the Asia Pacific Transport company and their respective boards, Aboriginal land councils, and a range of government entities in South Australia and the Northern Territory.

Construction had created many local business opportunities and partnerships between the Northern Territory and South Australia, enhancing capabilities and providing a sound model for future major infrastructure projects. A determination to win tenders has fostered some joint ventures among local businesses, boosting their individual and collective capabilities.

A Local Industry and Aboriginal Participation Plan has led to local jobs and training and it has been encouraging to see the good working relationships developed between ADrail, the consortium's construction arm, subcontractors, land councils and local Aboriginal groups.

Longer term, regional areas are starting to see the benefits that will flow once FreightLink is operating a competitive freight service along the AustralAsia trade route. The start of construction has sparked interest in mining and agribusiness ventures that are dependent on reliable, cost-effective transport. The new trade route will foster associated logistics opportunities, such as cold storage and container management that support Darwin's role as Australia's Asian Gateway.

*Left: Traditional owner of the Mbarntwe land in Alice Springs, Bob Stuart, rides in the cab of an ASR loco*





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It is one thing to dream of these things, but bringing the project to fruition has been a long and complex process. The first step was the establishment of the AustralAsia Railway Corporation by the Northern Territory and South Australian governments in August 1997, with a Chief Executive Officer in Darwin, a Chairman in Adelaide, and a board comprising leading businessmen and government officials from the Northern Territory and South Australia.

The Corporation called for public tenders, detailed submissions from three short-listed consortia were received in March 1999 and Asia Pacific Transport selected as the preferred bidder in June 1999.

Extensive negotiation was required to finalise government project documents, the consortium's debt financing arrangements, equity and joint venture documentation, and contractual arrangements for design, construction and maintenance of the line. So it was a significant milestone in October 2000, when agreement on contractual terms was reached at a ceremony in Adelaide.

The most significant milestone achieved during the year was Financial Settlement in Sydney in April 2001, which was soon followed by the start of construction.

The move into the construction phase of the project has seen the implementation of appropriate systems and procedures by the AustralAsia Railway Corporation to ensure all aspects of its new role are effectively managed and that we have staff with the appropriate technical skills and

project management expertise to monitor construction issues.

I would like to pay tribute to the many people who have contributed to the successful outcome of our negotiations. This includes the many dedicated public servants in the Northern Territory and South Australia who have worked through legal documents, planning issues, the purchase of land, community consultation, and technical advice. We have relied on the expertise and hard work of our many advisers: Clayton Utz, Deutsche Bank, PricewaterhouseCoopers, Evans and Peck, Booz-Allen & Hamilton, Jardines Australian Insurance Brokers and Commercial Risk Consultants. I thank the staff of the AustralAsia Railway Corporation, who worked long hours for many months! Equally, I am grateful for the support of our Chairman Rick Allert and Board members of the AustralAsia Railway Corporation, who have provided strong guidance and moral support over the past year.

Finally, I thank the people of the Northern Territory and South Australia, who never gave up their dream of a transcontinental railway and gave us the motivation to ensure we delivered on the historic, symbolic, and economically vital railway.



**PAUL TYRRELL**

Chief Executive Officer



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# The Project

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The AustralAsia Railway project will create a new trade corridor across Australia and, at last, link the busy markets of Asia with Australia's economic heartland.

The project comprises:

- The construction of a new 1410 kilometre stretch of standard gauge line between Alice Springs and Darwin;
- The leasing, at a nominal rental, and maintenance of the existing 830 kilometre Tarcoola to Alice Springs standard gauge line which opened in 1980;
- The integration with the second stage of Darwin's East Arm Port, which includes a railway embankment and intermodal container terminal; and
- The operation of the new transcontinental line for 50 years after completion of construction.

The project is a Build, Own, Operate and Transfer back (BOOT) scheme, with lease arrangements covering 50 years' operation before the railway is handed back to the Northern Territory and South Australian Governments. This is part of a trend towards privatisation of Australia's railway system and transfer of commercial risk for major infrastructure projects to the private sector.

The project means that Darwin finally will be linked to the national railway grid. However, this is far more than a railway project.

Once the line is completed, the consortium proposes to operate a daily 1.6 kilometre freight train, with 250 double-stacked containers, in each direction between Adelaide and Darwin. The line will create a new transport corridor across the heart of Australia, leading to competitive freight options and easier access to markets for regions in the Northern Territory and South Australia.

Operators of *The Ghan* will run two passenger trains a week during the peak tourist season. Train operators are looking at packages that will capitalise on this new tourism corridor through some of Australia's most alluring tourist spots.

The line will boost regional development, provide a more effective means of transporting high bulk, long distance freight such as mining produce, support defence activities and create new transport hubs in regional towns such as Port Augusta, Tennant Creek and Katherine.

Of greater significance, however, is the role of Darwin as Australia's Asian Gateway, linking busy Asian markets, through the new East Arm Port, to the heavily populated areas of Australia's south-east.

This will enhance the competitiveness of exports, in line with the Federal Government's *Supermarket to Asia* strategy, the South Australian Government's *Food Plan*, and the Northern Territory Government's goal of becoming the supply, service and distribution centre for the region.



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## Funding

The key principle of the governments' support for this project is to provide an up front payment to ensure the railway is commercially viable (recognising the broader social and economic benefits which transcend commercial profits), then pass the construction and operating risks to the private sector.

The AustralAsia Railway Corporation was established in 1997 by the South Australian and Northern Territory governments after several failed attempts to have the railway built by the Commonwealth Government or a private company. Once government support had been affirmed, the Corporation took the project to the market.

In 1999, the Asia Pacific Transport Consortium was selected as the preferred tenderer and negotiations began on contractual detail. In October 1999, government funding was finalised, with the Northern Territory providing \$165 million, the South Australian Government \$150 million, and the Commonwealth \$165 million from its Federation Fund.

In January, another \$79 million in stand-by funding was provided by the three governments on commercial terms.

In February 2000, the Federal Treasurer approved an access regime for the corridor in accordance with National Competition Policy.

The AustralAsia Railway Corporation coordinated the tender process and negotiations, while the Northern Territory Government had primary responsibility for negotiating with Aboriginal land councils and pastoralists regarding acquisition of the corridor (with compensation payments of

\$22 million), environmental and heritage issues, and fencing of the corridor where required.

A draft Environmental Impact Statement was released in 1983 and updated with a new Environmental Management Plan in 1997. In 1997, the project received environmental approval from the Northern Territory Government under the Environmental Assessment Act (NT) and from the Commonwealth Government under the Environmental Protection (Impact of Proposals) Act.

The Northern Territory obtained Sacred Sites avoidance certificates in accordance with the Northern Territory Aboriginal Sacred Sites Act for an area 200 metres either side of the railway centre line and for identified ballast sites outside the corridor. Various reports were commissioned to determine the likely impact of the railway on sites of archaeological and historical significance.

The Aboriginal Areas Protection Authority has pegged all Aboriginal sites of significance and a good working relationship between the Authority, ADrail (the consortium's construction arm) and Aboriginal organisations will ensure close consultation throughout the project.

The railway will not impact on any declared heritage site, however certificates have been obtained where the railway passes close to three declared heritage sites on the route of the old North Australian Railway line.

**For more information, see the media room of the railway Internet site at <http://www.aarc.com.au>**

*Top Left and Right: Staff from JA Concreting prepare the slab for the Katherine sleeper factory*

*Left: David Searle, surveyor, and Jim Armstrong, on the main rail corridor south of Katherine*



“If it only went to Port Darwin, it would be worth constructing. But in going there it went to Java, India, Siam, China, and also shortened the communications with Europe and America. The line would ramify eventually to Queensland and New South Wales, and who could tell the full benefits which would accrue from connecting all these colonies with the iron band of a railway.” (1878)

1878	First sod turned for the proposed Transcontinental Railway in Port Augusta by Governor Sir William Jervois.	1911	Commonwealth takes control of the Territory from South Australia and promises to complete the transcontinental line (but no date put on the promise).	1926	Northern line crosses the Katherine River and the new town of Katherine is born. The line reaches Birdum in 1929.	1929	First train arrives through Heavitree Gap in Alice Springs, leading to a boost in construction, population and tourism.	1976	The Northern line from Darwin to Larrimah closes.
1886	Work starts on the Palmerston to Pine Creek line which reaches Pine Creek in 1889. A railway jetty replaces the 1874 Gulnare Jetty.	1913	Route of the proposed railway surveyed, all the way to Darwin.	1927	First sod turned in Oodnadatta for the last section of the Southern line to Alice Springs.	1949	Commonwealth again commits to completing the line, as part of the post-war construction process and recommendations to standardise Australia's railway gauges.		



# Historical Highlights

This barrow was used in Port Augusta, by Governor Sir William Jervois in 1878 in the turning of the first sod; Oodnadatta by the Hon. W.C.Hill M.P. Minister of State for Works and Railways on the 21<sup>st</sup> January 1927; In 1975 at Tarcoola by Prime Minister Gough Whitlam and for the final ceremony by Prime Minister John Howard on 17 July 2001 in Alice Springs.



1980	Princess Alexandra opens the new 830km standard gauge line from Tarcoola to Alice Springs. Construction crews expect they will keep going to Darwin.	1980s	Chief Minister Paul Everingham launches the "Act of Faith" campaign to have the railway built by 1988, the Bicentennial year. Rail North is established with partners including Kumagai Gumi and Henry Walker.	1997	The AustralAsia Railway Corporation is established by the South Australian and Northern Territory Governments to manage a public tender process to build, own and operate the Adelaide to Darwin Railway.	April 2001	Financial Settlement reached. Construction starts on the railway and on Stage Two of Darwin's East Arm Port.
1978	The Territory wins self-government and begins a sustained campaign for the railway's completion.	1983	Hawke Government comes to power. The Hill Report, finds the project not viable. Darwin remains the only mainland capital not linked by a railway.	1992	NT Chief Minister Marshall Perron commits \$100 million towards the railway. SA Premier Dean Brown matches the commitment in 1993.	1999	Asia Pacific Transport Consortium named as the preferred bidder.







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# Role Of AustralAsia Railway Corporation

The AustralAsia Railway Corporation is a statutory body established under the *AustralAsia Railway Corporation Act 1996* and supported by South Australia through complementary legislation.

The Corporation was established in 1997 by the Northern Territory and South Australian Governments to manage the awarding of a Build, Own, Operate and Transfer back (BOOT) concession and to enter into contractual arrangements with the successful consortium.

The governments jointly guarantee the corporation's obligations which are specified in contractual arrangements covered by the project documents. The respective rights and obligations of the two governments and the project are regulated by an Inter-Governmental Agreement.

The Corporation has negotiated a detailed Concession Deed which seeks to deal with all risks identified as having the potential to arise during the project and balance those risks by apportioning appropriate responsibility for them.

The Corporation is based in Darwin. Chairman Rick Allert is a prominent South Australian businessman. The Chief Executive Officer is Paul Tyrrell, Secretary of the Northern Territory Department of the Chief Minister.

In the transition from the negotiation to the construction period, the corporation's role changes substantially. Two critical functions are:

- to receive and invest government financial contributions and provide progress payments against certified completion of construction;

- to manage the Corporation's contractual obligations under the project documents. Construction works are divided into Government Works and Company Works. The Government Works Program covers elements with long life low depreciation, such as embankments and bridges.

Other functions of the AustralAsia Railway Corporation during construction include:

- ensuring compliance with the design brief in conjunction with the Asia Pacific Transport company and coordinating the work of an auditor and independent certifier;
- monitoring and reporting on the progress of the project;
- protecting the interests of the three governments and ensuring the consortium is meeting its obligations under the project documents, including those covering operations and maintenance of the existing Tarcoola to Alice Springs railway;
- facilitating the resolution of any issues between the Asia Pacific Transport company and government agencies to ensure unobstructed construction and ensuring the Northern Territory Government carries out its obligations regarding environmental monitoring and fencing;
- participating in a range of committees stipulated in contractual documents, covering matters such as design, community issues, environmental monitoring, Aboriginal issues, industry participation, and port development;
- monitoring the obligations of the consortium under the Local Industry and Aboriginal Participation Plan, under which the Asia Pacific Transport company has committed

*Top Left: David Franz, an indigenous trainee, working on the surveying team at Tennant Creek*

*Top Right: Surveyor Ken Franklin, at Tennant Creek*

*Left: A screening plant and front end loader at Tennant Creek*



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to spend at least 75% of construction expenditure on South Australian and Territory goods, services and labour;

- contract and lease administration.

In order to manage the vast number of documents and contractual obligations, the corporation has implemented a digital contract management system, using intranet browser technology.

An extensive business plan was prepared during the year, covering the roles and responsibilities of the corporation.

The changed responsibilities also led to a restructure of staffing and move to new premises at 43 Mitchell Street, Darwin. Brendan Lawson has been appointed Deputy Chief Executive Officer and Andrew Kirkman Chief Financial Officer.

Ernst and Young was appointed independent project auditor to ensure compliance with the Local Industry and Aboriginal Participation Plan.

### Contractual Structure

The project is one of the most complex infrastructure projects undertaken in Australia, with over 300 documents and dozens of separate signatories. The project documents fall into six main groups:

- **The government project documents:** which comprise all documents to which the corporation and governments are parties. They include the Concession Deed and each of the various lease documents for the corridor. The Government Works

Agreement and \$50 million Loan Agreement are the project documents that facilitate the government financial contributions to the project.

- **The equity and joint venture documents:**

These documents regulate the private sector investment in the project. The consortium members have formed an unincorporated joint venture in accordance with the terms of the Unincorporated Joint Venture Agreement and their equity contributions are made in accordance with the Equity Subscription Agreement.

- **Design and construction:** These are contractual arrangements that provide for the construction of the railway by the Design and Construction joint venturers for the company and the Government Works Contractor.

- **Operation and maintenance:** These contractual arrangements deal with the operation and maintenance of the railway.

- **Debt financing documents:** These comprise the contractual arrangements under which the senior debt providers and mezzanine debt providers will lend money for the project. They include loan arrangements, charges over company assets, and intercreditor arrangements to regulate relationships between the various lenders.

*Left: Nelson Hogan at Tennant Creek*



# Organisational Structure





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# Legislation

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The AustralAsia Railway Corporation was established by the AustralAsia Railway Corporation Act 1996 (NT) which was assented to on 7 January 1997, and commenced on 25 August 1997. The legislation is supported by the complementary enactment of the Alice Springs – Darwin Railway Act 1997 (SA).

The AustralAsia Railway Corporation Act has been amended by:

- *AustralAsia Railway Amendment Act 1998*
- *AustralAsia Railway Amendment Act 2000*
- *AustralAsia Railway Amendment Act No. 2 2000*

The Northern Territory and South Australian Governments have also passed additional supporting legislation that ensures an

efficient interface between various pieces of South Australian and Northern Territory legislation and the processes involved in constructing and operating the AustralAsia Railway.

In the Northern Territory, the legislation includes:

- *AustralAsia Railway (Special Provisions) Act 1999;*
- *AustralAsia Railway (Special Provisions) Amendment Act 2000;*
- *AustralAsia Railway (Special Provisions) Amendment Act (No.2) 2000.*

In South Australia, the legislation includes:

- *Alice Springs to Darwin Railway (Financial Commitment) Amendment Act 1999;*
- *Alice Springs to Darwin Railway (Miscellaneous) Amendment Act 2000.*





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# AustralAsia Railway Corporation Board

## Chairman Mr Richard H Allert AM

Appointed 4 September 1997

DUniv, FICA

Richard Allert is Chairman of Southcorp Limited, Voyages Hotels & Resorts Pty Ltd Advisory Board, the National Wine Centre, and AXA Asia Pacific Holdings Limited.

He is a Director of Coles Myer Limited, Members Equity Pty Limited and other companies.

## Member and Chief Executive Officer Mr Paul Tyrrell

Appointed 4 September 1997

B.Ec, Dip.CE, FIEA, CPE, FCIT

Paul Tyrrell is Chief Executive Officer of the Northern Territory Department of the Chief Minister and Chairman of the Northern Territory Government's Railway Executive Group. He has previously headed a number of government departments, including the Department of Transport and Works.

## Member Mr John Crosby

Appointed 4 December 1997

John Crosby is the Managing Director of Brencorp Properties Pty Ltd, and a Director of various subsidiary boards of the Fosters Group (Lensworth Group). He is a former Director of the South Australian Urban Planning Authority and SA Water Corporation and past Chairman of the Australian Finance Conference (SA Division).

## Member Mr Otto Alder

Appointed 21 July 1998

Otto Alder served in various executive capacities for the Northern Territory Government for 20 years until his retirement in 1994, at which time he was the head of the Department of Industries and Development. During that period he held a range of statutory appointments. He was the Chairman and then Chief Executive of the Yulara Group of companies through the documentation, construction and commissioning phase of the Ayers Rock Tourist Resort.

## Member Mr Jim Hallion

Appointed 6 October 1998

BE(Hons), ASIA, MIE(Aust)

Jim Hallion is Chief Executive of the South Australian Department of Industry and Trade and head of the South Australian Adelaide-Darwin Rail Task Force. Before joining the department in 1994, Mr Hallion was Director of Corporate Services with the Australian National Railways Commission. Prior to that position, he worked in the transport sector in engineering positions involving planning, design and construction.

### Left to Right

Mr Paul Tyrrell  
Mr Jim Hallion  
Mr Richard H Allert AM  
Mr John Crosby  
Mr Otto Alder



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# Board Members' Report

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The Board Members present their report on the accounts for the period ended 30 June 2001.

## Members

The following persons held office as members of AustralAsia Railway Corporation (Corporation) for the 2000-01 financial year:

- Richard H Allert AM (Chairman)
- Paul Tyrrell (Chief Executive Officer)
- John Crosby
- Otto Alder
- Jim Hallion

Further details on Members are provided at Note 11 to the financial statements.

## Principal Activities

The functions of the Corporation are specified in *the AustralAsia Railway Corporation Act 1996 (NT)*. In summary, the Corporation was created to facilitate the completion of the Adelaide to Darwin rail link on behalf of the Northern Territory and South Australian Governments.

## Ministerial Directions

No written ministerial directions were received by the Corporation, under Section 19 of the AustralAsia Railway Corporation Act, for the period ending 30 June 2001.

## Rounding of Amounts to Nearest Thousand Dollars.

Amounts have been rounded off in the Members' Report and financial statements to the nearest thousand dollars, unless otherwise indicated.

## Review of Operations and Significant Changes during the Financial Year

On 20 April 2001 contractual documentation was executed that gave the Asia Pacific Transport Company the right to construct and operate a railway between Alice Springs and Darwin on a "Build Own Operate and Transfer back" arrangement.

In accordance with agreements set out under the contractual documentation, the Corporation was entitled to project grants and loans totalling \$370 million by 30 June 2001 (2000 nil) from the Commonwealth of Australia and the Governments of the Northern Territory and South Australia. Payments towards capital works and loans are required to be made by the Corporation to the Asia Pacific company (the Company), in accordance with contractual arrangements. At 30 June 2001 these payments totalled \$143 million.

Activities during the year resulted in the Corporation recording an operating surplus after tax of \$322 million.

*Left: Troy Cooper, foreman of Katherine company Power Projects, wiring the Katherine sleeper factory*



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### Matters Subsequent to the End of the Financial Period

At the date of this report there is no matter or circumstance which has arisen since 30 June 2001 that has significantly affected or may significantly affect:

- (a) the operations, in financial periods subsequent to 30 June 2001, of the economic entity constituted by the Corporation, or
- (b) the results of those operations, or
- (c) the state of affairs, in financial periods subsequent to 30 June 2001, of that economic entity.

### Likely Developments and Expected Results of Operations

In accordance with contractual agreements resulting from operations during the 2000-01 financial year, the Corporation expects to continue to receive project grants and make payments towards capital works during the 2001-02 financial year and perform any other services necessary to facilitate the completion of the Adelaide to Darwin rail link, on behalf of the Northern Territory and South Australian Governments.

### Auditor

The independent audit firm of BDO was appointed as auditor in accordance with section 27 of the *AustralAsia Railway Corporation Act* and section 327 of the *Corporations Act 2001*.

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



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RICHARD H ALLERT AM

Chairman

30 October 2001



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PAUL C W TYRRELL

Board Member

30 October 2001



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# Board Members' Declaration

The Board Members declare that:

1. the financial statements and notes, as set out on pages 33 to 45:
  - a) comply with Accounting Standards and the *Corporations Act 2001*; and
  - b) give a true and fair view of the Corporation's financial position as at 30 June 2001 and of its performance for the year ended on that date;

2. in the opinion of the Board Members, there are reasonable grounds to believe that the Corporation will be able to pay its debts as and when they become due and payable.

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



RICHARD H ALLERT AM

Chairman

30 October 2001



PAUL C W TYRRELL

Board Member

30 October 2001

*Top: Geoff Norton, a Cat diesel operator, and Clint Juster working on fencing at The Bend camp, south of Katherine*

*Left: John Alexopoulos of JA Concrete in Katherine*





# Financial Statements

## Statement of Financial Position

as at 30 June 2001

	Note	30 June 2001 \$000s	30 June 2000 \$000s
<b>Current Assets</b>			
Cash at Bank	2	2,518	1,296
Cash Investments	3	151,191	-
Receivables	4	27,286	-
<b>Total Current Assets</b>		<b>180,995</b>	<b>1,296</b>
<b>Non Current Assets</b>			
Receivables	4	50,000	-
Capital Works	5	122,789	-
Property, Plant and Equipment	6	242	-
<b>Total Non Current Assets</b>		<b>173,031</b>	<b>-</b>
<b>TOTAL ASSETS</b>		<b>354,026</b>	<b>1,296</b>
<b>Current Liabilities</b>			
Payables	7	25,459	1,127
<b>Non Current Liabilities</b>			
Net Loans	8	6,570	-
<b>TOTAL LIABILITIES</b>		<b>32,029</b>	<b>1,127</b>
<b>NET ASSETS</b>		<b>321,997</b>	<b>169</b>
<b>ACCUMULATED FUNDS</b>	13	<b>321,997</b>	<b>169</b>
<b>Contingent Liabilities</b>	17		
<b>Commitments</b>	18		

*The Statement of Financial Position should be read in conjunction with the notes to and forming part of the financial statements.*

## Statement of Financial Performance

For Financial Year ended 30 June 2001

	Note	2001 \$000s	2000 \$000s
<b>Revenue</b>			
Income from Operating Activities	9	330,400	4,836
<b>TOTAL REVENUE</b>		<b>330,400</b>	<b>4,836</b>
<b>Operating Expenditure</b>			
Expenditure	10	8,572	5,156
<b>TOTAL EXPENDITURE</b>		<b>8,572</b>	<b>5,156</b>
<b>OPERATING SURPLUS/(DEFICIT) BEFORE AND AFTER TAX</b>	<b>15</b>	<b>321,828</b>	<b>(320)</b>

*The Statement of Financial Performance should be read in conjunction with the notes to and forming part of the financial statements.*

## Statement of Cash Flows

For Financial Year ended 30 June 2001

	Note	2001 \$000s	2000 \$000s
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Government Grants and Contributions	16	253,814	4,740
Interest		1,586	96
<b>Total Receipts from Operating Activities</b>		<b>255,400</b>	<b>4,836</b>
<b>Payments</b>			
Payments for Goods and Services		(9,344)	(4,570)
<b>Net Cash flows from Operating Activities</b>	<b>15</b>	<b>246,056</b>	<b>266</b>
<b>CASH FLOWS FROM INVESTMENTS IN NON-FINANCIAL ASSETS</b>			
Capital Works Expenditure		(100,213)	-
<b>CASH FLOWS FROM INVESTMENTS IN FINANCIAL ASSETS</b>			
Cash Investments		(151,191)	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Government Loans Received		50,000	-
Loans Provided to Company		(43,430)	-
<b>Net Cash flows from Financing Activities</b>		<b>6,570</b>	<b>-</b>
<b>NET INCREASE IN CASH HELD</b>		<b>1,222</b>	<b>266</b>
Cash at beginning of reporting period		1,296	1,030
<b>CASH HELD AT END OF REPORTING PERIOD</b>	<b>2</b>	<b>2,518</b>	<b>1,296</b>

The Statement of Cash Flows should be read in conjunction with the notes to and forming part of the financial statements.

## Notes To and Forming Part of the Financial Statements

30 June 2001

### NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies which have been adopted in the preparation of the financial statements are:

#### a) Basis of accounting:

This financial report is a general purpose financial report which has been prepared on an historical cost basis. The report is in accordance with the requirements of the *AustralAsia Railway Corporations Act 1996*, the *Financial Management Act*, Treasurer's Directions, applicable Accounting Standards and other mandatory professional reporting requirements, including Urgent Issues Group Consensus Views.

The *AustralAsia Railway Corporation Act 1996* requires that accounting and reporting obligations imposed and standards required by the *Corporations Law*, apply to the Corporation as if the Corporation were a public corporation incorporated under the Law, and the Territory were the shareholders of the Corporation.

In July 2001, the *Corporations Law* became the *Corporations Act* and as such applies to financial statements compiled after this time.

#### b) Going Concern Assumption:

The ongoing operation of the Corporation is reliant on continued funding by the Northern Territory and South Australian Governments.

#### c) Cash:

For the purpose of the statement of cash flows, cash includes cash on hand and cash held in the AustralAsia Railway Corporation Operating Account.

#### d) Capital Works, Property, Plant and Equipment and Depreciation:

- Capital Works are recorded at the cost of acquisition, being the purchase consideration determined at the date of acquisition plus costs incidental to the acquisition;
- Property, plant and equipment acquired are recorded at the cost of acquisition, being the purchase consideration determined at the date of acquisition plus costs incidental to the acquisition; and
- Depreciation is provided on property, plant and equipment (refer Note 6). Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The following are estimated useful lives used in the calculation of depreciation.

• Leasehold Improvements	5 years
• Office Furniture & Equipment	3 years

**e) Borrowings:**

Loans are recorded at an amount equal to the net proceeds received. Interest expense is recognised on an accrual basis (refer Note 8).

**f) Goods and Service Tax:**

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST"), except:

- Where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- For receivables and payables which are recognised inclusive of GST.

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

**g) Leased Assets:**

Operating lease payments, where substantially all risks and benefits incidental to the ownership of the asset remain with the lessor, are recognised as an expense as incurred.

**h) Receivables:**

Receivables are recorded at amounts due less any provision for doubtful debts.

**i) Recoverable Amounts of Non Current Assets:**

Non Current Assets are written down to a recoverable amount where the carrying value of any non current asset exceeds the recoverable amount. The recoverable amount is reviewed annually by the Board.

**j) Revenue Recognition:**

- Grant Income is recognised as it accrues; and
- Interest income is recognised as it accrues.

**k) Creditors:**

Liabilities are recognised for amounts to be paid in the future for goods or services received prior to Balance Date, whether or not billed to the Corporation. Trade creditors are normally settled within 30 days.

**l) Financial Assets and Liabilities:**

Financial assets and liabilities are measured at cost and recognised when it is probable that the economic benefits embodied in the asset or the future sacrifice of economic benefits required of the liability will eventuate.

**m) Employee/Member Benefits:**

- **Superannuation:** Superannuation Guarantee Levy is paid in respect to remuneration of employees and Members.
- **Other Employee Benefits:** The Corporation reimburses the Northern Territory Government for all employee annual leave, leave bonuses, long service leave and other employee benefits.

**n) Taxation:**

*The Income Tax Assessment Act 1936* exempts income received by AustralAsia Railway Corporation from income tax.

**o) Change in Accounting Policies:**

There have been no changes in accounting policies in the current financial year.

	2001 \$000s	2000 \$000s
<b>NOTE 2 CASH</b>		
Operating Account	2,517	1,296
Cash on Hand	1	-
<b>Total Cash</b>	<b>2,518</b>	<b>1,296</b>
<b>NOTE 3 CASH INVESTMENTS</b>		
Cash Invested	151,191	-

*No adjustment has been made to the carrying value to reflect net realisable value as it is considered the full carrying amount will be recovered*

#### **NOTE 4 RECEIVABLES**

##### **Current**

Goods and Services Tax Refunds to be received	2,260	-
South Australian Government Project Grants	25,000	-
Other Receivables	26	-
<b>Total Current Receivables</b>	<b>27,286</b>	<b>-</b>

##### **Non Current**

South Australian Government Project Grants	50,000	-
<b>Total Receivables</b>	<b>77,286</b>	<b>-</b>

	2001 \$000s	2000 \$000s
<b>NOTE 5 CAPITAL WORKS</b>		
Progress Claims (refer Note 1)	122,789	-
<b>Total Capital Works</b>	<b>122,789</b>	<b>-</b>
<b>NOTE 6 OTHER PROPERTY, PLANT AND EQUIPMENT</b>		
Leasehold Improvements	223	-
Office Furniture & Equipment	19	-
<b>Total Property, Plant and Equipment</b>	<b>242</b>	<b>-</b>

*These assets were acquired in June 2001. In accordance with the Corporation's accounting policies depreciation will commence in July 2001. Hence, the only asset movements are those detailed in Notes 5 and 6.*

#### NOTE 7 PAYABLES

<b>Current</b>		
Trade Creditors	25,459	1,127
<b>Total Creditors</b>	<b>25,459</b>	<b>1,127</b>
Consisting of:		
Northern Territory Government Agencies	93	14
External Bodies	25,366	1,113
<b>Total Creditors</b>	<b>25,459</b>	<b>1,127</b>

	2001 \$000s	2000 \$000s
<b>NOTE 8 NET LOANS</b>		
Loan from the Northern Territory Government	25,000	-
Loan from South Australian Government	25,000	-
<b>Total Loans from Governments</b>	<b>50,000</b>	<b>-</b>
Loans to the Consortium	(43,430)	-
<b>Net Loans</b>	<b>6,570</b>	<b>-</b>

*The Corporation received loans from the Northern Territory and South Australian Governments totalling \$50 million for the purpose of on lending to the successful Company. Repayment of loans to Governments is conditional upon receipt of loan repayments from the Company. Therefore, the loan liability has been netted off against the loan asset. As at 30 June 2001, an amount of \$43.430 million had been drawn down by the Company. The remaining \$6.57 million is scheduled to be drawn down within the next 12 months. Loans to the Company are secured over the assets of the Company.*

#### NOTE 9 REVENUE

##### Income from operating activities

Government Contributions	8,814	4,740
Government Project Grants	320,000	-
Interest Revenue	1,586	96
<b>Total Revenue</b>	<b>330,400</b>	<b>4,836</b>

*Project Grants include \$75 million in accrued revenue from the South Australian Government, not received prior to 30 June 2001 as per Note 4.*

#### NOTE 10 EXPENDITURE

Auditor's Remuneration – Audit Service	3	4
Other Operating Expenditure	8,569	5,152
<b>Total Expenditure</b>	<b>8,572</b>	<b>5,156</b>



**NOTE 11 DETAILS OF BOARD MEMBERS**

**Member's Remuneration**

	2001 Members	2000 Members
The number of members of the Corporation whose income from the Corporation falls within the following bands:		
\$0 - \$9,999	2	2
\$10,000 - \$19,999		
\$20,000 - \$29,999		
\$30,000 - \$39,999	2	2
\$40,000 - \$49,999		
\$50,000 - \$59,999		
\$60,000 - \$69,999		1
\$70,000 - \$79,999	1	
	<b>\$000's</b>	<b>\$000's</b>
<b>Total income paid or payable, or otherwise made available to all members of the Corporation from the Corporation, including <i>superannuation guarantee levy</i>.</b>	<b>145</b>	<b>128</b>

#### Full Meetings of Board Members

There were 12 meetings for the 2000/2001 financial year.

#### Numbers of meetings attended by:

Member	Number of Meetings Eligible to Attend	Number of Meetings Attended
Richard H Allert	12	12
Paul Tyrrell	12	11
John Crosby	12	11
Otto Alder	12	12
Jim Hallion	12	12

#### Retirement, Election and Continuation in Office of Board Members

#### The date of appointment of members:

Member	Date of Appointment
Richard H Allert	4 September 1997
Paul Tyrrell	4 September 1997
John Crosby	4 December 1997
Otto Alder	21 July 1998
Jim Hallion	6 October 1998

#### NOTE 12 FINANCIAL INSTRUMENTS

##### Interest rate risk

The Corporation does not have an exposure to interest rate risk for financial assets and financial liabilities. Loans as detailed in Note 8 do attract interest, however, no interest is payable until an equivalent amount of interest is received from the Company.

##### Net fair value of financial assets and liabilities

Monetary financial assets and financial liabilities are recorded at their nominal value.

The carrying amount of cash operating account, accounts receivable and accounts payable approximate net fair value.

	2001 \$000's	2000 \$000's
<b>NOTE 13 ACCUMULATED FUNDS</b>		
Accumulated funds at the beginning of the financial year	169	489
Operating surplus/(deficit) and extraordinary items after income tax and government contributions	321,828	(320)
<b>Accumulated Funds</b>	<b>321,997</b>	<b>169</b>

#### NOTE 14 SERVICES RECEIVED FREE OF CHARGE

During 2000 and 2001 financial years, the Corporation received advisory services from members of the Northern Territory and South Australian Governments at no charge.

	2001 \$000s	2000 \$000s
<b>NOTE 15 STATEMENT OF CASH FLOWS</b>		
<b>Reconciliation of operating surplus/(deficit) after tax to net cash flows from operations</b>		
Operating surplus/(deficit) after tax	321,828	(320)
Changes in Assets and Liabilities		
Increase in Receivables	(77,286)	-
Increase in Creditors Relating to Operations	1,514	586
<b>Net Cash flows from Operations</b>	<b>246,056</b>	<b>266</b>

#### NOTE 16 GOVERNMENT GRANTS AND CONTRIBUTIONS RECEIVED FOR PERIOD

Northern Territory Government Project Grants	140,000	-
South Australian Government Project Grants	50,000	-
Commonwealth Government Project Grants	55,000	-
<b>Total Project Grants</b>	<b>245,000</b>	<b>-</b>
Northern Territory Government Operating Contributions	4,407	2,370
South Australian Government Operating Contributions	4,407	2,370
<b>Total Operating Contributions</b>	<b>8,814</b>	<b>4,740</b>
<b>Total Government Contributions</b>	<b>253,814</b>	<b>4,740</b>

## NOTE 17 CONTINGENT LIABILITIES

- (1) The Corporation will consider paying certain costs, including losing bidder costs. If these costs eventuate, they will be subject to full reimbursement by the Governments of NT and SA by way of Government financial contributions to the Corporation.
- (2) The Company is eligible to receive additional payments if it complies with agreed specific performance criteria during the construction of the railway. The maximum liability for the Corporation is estimated to be \$7 million. The earliest date for this amount to become due and payable is 1 July 2003.
- (3) Guarantees and indemnities provided under contracts to which the Corporation is a party are subsequently underwritten by the Governments of the Northern Territory and or South Australia. The Corporation has provided a number of indemnities under the project documents according to a risk allocation structure agreed with the Company and other parties to the project documents.

Principally, the Corporation has granted indemnities to ensure that title to the railway corridor is secure for the construction and operation of the railway infrastructure. These indemnities cover risks related to native title, claims under the *Aboriginal Land Rights Act*, undisclosed interests on the corridor, environmental contamination, heritage and sacred sites, and environmental assessment processes. For all of these risks, the Corporation has undertaken extensive work to secure appropriate

title and to minimise the likelihood of any problems arising. The contingent liabilities arising from these indemnities are unquantifiable, but expected to be immaterial.

The project documents provide for the early termination of the concession arrangement by the Consortium in certain circumstances that would give rise to the payment of an Early Termination Amount. The Early Termination Amount has several components, including all debt and debt break costs for the project, certain agreed break costs for third party contractors and payments to equity to reflect the value of their investment in the project.

While the monetary value of certain components of the Early Termination Amount are set out in the project documents, the overall amount of the payment will depend on circumstances known only at the time of the payment of an Early Termination Amount. Apart from the component representing compensation for contractual and debt financing break costs, the Early Termination Amount is designed to be a proxy for the market value of the railway business. In return for making an Early Termination Amount payment, ownership of the railway infrastructure will return to the Corporation.

There is an extensive risk management regime in place for all events that would give rise to an Early Termination Amount payment. In particular, the Corporation has specified periods to cure the event that would give rise to the termination. For all of these events, the cure is within the control of either

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the Corporation and/or the NT/SA Governments. During the cure period, the Corporation provides an indemnity to the Company for any losses it suffers as a result of the event that the Corporation/ Governments are seeking to cure.

Commonwealth funding agreements contain standard form indemnities from the Corporation in favour of the Commonwealth and its officers for any unlawful or negligent acts or omissions by the Corporation.

The contingent liabilities arising from all of the above guarantees and indemnities are unquantifiable, but expected to be immaterial. However, for all of the events that would give rise to the liabilities, the Corporation has comprehensive risk management procedures in place. Accordingly, although the prospect of any one of the contingent liabilities eventuating is considered to be minimal, the Corporation has established contract management procedures to deal with possible eventualities should they arise.

#### **NOTE 18 COMMITMENTS**

The Corporation is committed, subject to certain works being completed by the Company, to make payments under the project documents, as part of the agreed level of Government contributions and loans to the project. Obligations of the Corporation are guaranteed by the Northern Territory and South Australian Governments. The balance of payment commitments resulting from these obligations was \$334.5 million at 30 June 2001 (nil 2000). It is anticipated that these commitments will be fully met by 31 July 2003.

#### **NOTE 19 SEGMENTS**

The Corporation operated solely to facilitate the completion of the Adelaide to Darwin rail link during the financial year ending 30 June 2001.

#### **NOTE 20 OTHER STATUTORY INFORMATION**

##### **Distributions**

No dividends or distributions were made during the financial year ending 30 June 2001.

##### **Corporation Details**

###### **Principal Place of Business**

Tourism House, 43 Mitchell Street DARWIN NT 0800

###### **Postal Address**

GPO Box 4796 DARWIN NT 0801

##### **Indemnifying Officer**

No indemnities have been given or agreed to be given or insurance premiums paid or agreed to be paid, during or since the end of the financial year, to any person who is or has been an officer or auditor of the company.

**Details of Board Members' experience and qualifications are detailed on page 25 of the Annual Report.**





Chartered Accountants  
& Advisers

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## INDEPENDENT AUDIT REPORT TO THE MEMBERS OF AUSTRALASIA RAILWAY CORPORATION

### Scope

We have audited the financial statements of AustralAsia Railway Corporation for the financial year ended 30 June 2001 as set out on pages 33 to 45. The Corporation's Board members are responsible for the financial statements. We have conducted an independent audit of these financial statements in order to express an opinion on them to the members of the Corporation.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial statements are free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial statements are presented fairly in accordance with Accounting Standards, other mandatory professional reporting requirements and statutory requirements so as to present a view which is consistent with our understanding of the Corporation's financial position, and performance as represented by the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

### Audit Opinion

In our opinion, the financial statements of AustralAsia Railway Corporation are in accordance with:

- a) the Corporations Act, including:
  - (i) giving a true and fair view of the Corporation's financial position as at 30 June 2001 and of its performance for the year ended on that date; and
  - (ii) complying with Accounting Standards and the Corporations Regulations; and
- b) other mandatory professional reporting requirements.

**BDO**  
Chartered Accountants & Advisers

**R G Rutter**  
Partner

Darwin: 30 October 2001



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