

AUSTRALASIA

RAILWAY CORPORATION



ANNUAL REPORT

for year ending 30 June 1999





Chairman

The Hon Denis G Burke
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 1999, 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 in a cursive style.

RICHARD H ALLERT AM
Chairman

16 November 1999

GPO Box 2520
Darwin
Northern Territory 0801
AUSTRALIA
Telephone +61 8 8924 7155
Facsimile +61 8 8924 7078
Email rail@nt.gov.au



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Chairman's Overview



Mr Richard H Allert AM
Chairman

I am pleased to present the AustralAsia Railway Corporation's 1998/99 Annual Report.

Following the Northern Territory Government's resolution of land title issues with the Central and Northern Land Councils, Stage 2 of the project formally commenced on 1 September 1998. For the three short-listed consortia, the Asia Pacific Transport Consortium, Northlink Rail Consortium and the Southern Cross Consortium, this signalled the beginning of the detailed submission phase of the project.

Detailed submissions from the three short-listed consortia were received on 31 March 1999 and thus began an extensive evaluation of the submitted bids that culminated in a report to the Northern Territory and South Australian Governments. The two Governments subsequently approved the Corporation's recommendation that the Asia Pacific Transport Consortium be invited to further develop its bid during Stage 3 of the process as the Corporation's preferred consortium.

Accordingly, on 7 June 1999, the Chief Minister of the Northern Territory and the Premier of South Australia publicly

announced the appointment of the Asia Pacific Transport Consortium as the preferred consortium.

The Corporation is currently negotiating with the preferred consortium to develop a detailed project proposal that meets the objectives of the Governments for the private sector to complete and operate the Adelaide to Darwin rail link. Key target dates are contractual close by year's end, followed by financial close in early 2000 and construction commencing in mid 2000.

I would like to record my own personal appreciation and that of the Board to Mr Barry Coulter, the former Minister for the AustralAsia Railway, for his many years of commitment to the completion of the rail line between Alice Springs and Darwin. There is no doubt that this project would not have progressed this far without his tireless enthusiasm and determination as the Northern Territory Minister for the AustralAsia Railway.

A handwritten signature in black ink, appearing to read 'R. H. Allert'. The signature is written in a cursive style.

RICHARD H ALLERT AM
Chairman



Diagram 1 – Strategic Vision: The AustralAsia Trade Route

The AustralAsia Railway Project

A Project of National Significance

The AustralAsia Railway is a major transport project and will operate between Tarcoola in South Australia, through Alice Springs in Central Australia, to Darwin in the Top End of the Northern Territory, and will be one of the largest infrastructure projects in Australia.

Almost half the railway – from Tarcoola to Alice Springs – is already built. The standard gauge line between Alice Springs and Darwin – a distance of 1410 kilometres – remains to be completed at an estimated cost in excess of \$1 billion.

AustralAsia Trade Route

The AustralAsia Railway will provide a new and faster route for trade between Australia and its overseas markets. By completing and linking the Adelaide to Darwin railway to the new deepwater port at Darwin, the new trading route will not only benefit international trade but also the economic development of Australia's north.

The new trading route will provide significant opportunities to reduce transit times and costs for time sensitive cargo being shipped between Australia and its key overseas markets.

Economic Impacts

An independent study of the economic impact of the rail project was completed for the Northern Territory Government by Access Economics in June 1999.¹ The study examined the likely impacts on the National, South Australian and Northern Territory economies.

Based upon the rail project attracting landbridge freight, in addition to the domestic freight task between Adelaide and Darwin, Access Economics forecast that the project will have the following impacts:

- National Gross Domestic Product (GDP) will increase by \$660 million over the construction period and by \$4.5 billion over 25 years.

¹ Access Economics 1999, **Economic and Budgetary Impacts of the Alice Springs – Darwin Railway**, prepared for the Department of Transport and Works, Access Economics, Canberra, June 1999.

Materials required for construction

- 155,000 tonnes of steel rail
- 15,000 metres of concrete culvert pipe
- 2.2 million cubic metres of ballast
- 17 million cubic metres of earthworks
- 2.3 million sleepers

Legend

- Proposed alignment
- Existing railway line
- Existing transcontinental railway line



Diagram 2 – Scope of the Project

- South Australian Gross State Product (GSP) will increase by \$360 million over the construction period and by \$3 billion over 25 years.
- Territory GSP will increase by \$200 million over the construction period and \$3 billion over 25 years.

These forecasts highlight a shift in economic activity towards the central regions of Australia from the eastern seaboard.

As a direct result of the project national employment will increase by 7100 jobs in 2001/2002.

A recent study by Booz-Allen and Hamilton showed that the project has a benefit cost ratio of 1.88. That is, for every \$1.00 outlaid on the project, it will return \$1.88 to the Australian community.

Supporting Regional Development

The rail-port project will service world-scale resource, energy and agribusiness projects from the Kimberley to the Gulf of Carpentaria.

These will include oil and gas exploration in the Timor Sea, expansion of the Ord River irrigation area on the Western Australia/Northern Territory border and substantial mining activity in the Gulf of Carpentaria.

The rail project will also support the further development of Australia's Central corridor and complement existing transport and energy links along that corridor.

August 1997	December 1997	April 1998	March 1999	June 1999	December 1999	March 2000	Mid 2000	Mid 2003
Project Timetable								
National and international advertising began	Registration of expressions of interest closed	Three consortia invited to submit detailed proposals, subject to a condition subsequent ¹	Detailed proposals submitted	Preferred consortium announced	Contractual close ²	Financial close ²	Construction begins ²	Construction completed ²

¹ On the 1 April 1998, the Northern Territory entered into a framework agreement with the Northern Land Council and the Central Land Council about secure tenure to the corridor for the railway, in return for compensation, both direct financial compensation and some associated matters dealing with a capital works program and preservation of native title. The agreement was subject to satisfactory consultations with relevant Aborigines along the corridor. Accordingly, the Corporation made the formal commencement of the detailed submission stage subject to the satisfaction of a condition subsequent, namely that the Northern Territory be satisfied that it would gain secure tenure to the corridor. The condition subsequent was satisfied on 12 September 1998.

² Subject to successful conclusion of Stage 3 negotiations.

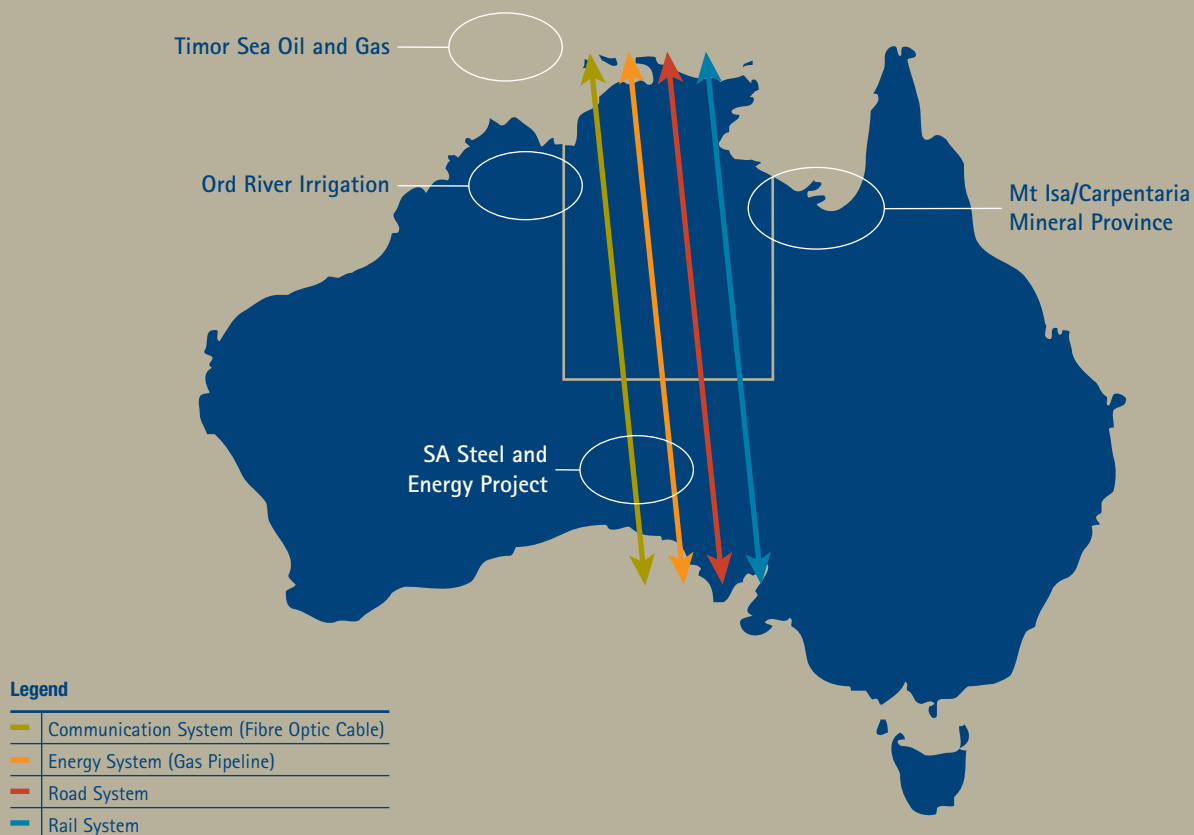


Diagram 3 – Central Australia's Infrastructure Development Corridor



Defence

Darwin's role as an important staging point for supplying both peacekeeping forces and aid agencies to support the United Nations efforts in resolving the East Timor Crisis, highlights the opportunities for a future railway in supporting Australia's defence forces.

Defence of Australia's north will be strengthened through the availability of the AustralAsia railway.

Environment

A leading consulting firm has estimated that the railway will enhance the environment, with the shift from road to rail saving an estimated annual average 40 million litres of fuel. This will reduce carbon dioxide emissions by 100,000 tonnes annually over the first 50 years of operation.

Chief Executive Officer's Review



Mr Paul Tyrrell
Chief Executive Officer

The major focus of the Corporation's work during the year related to the receipt and evaluation of detailed bids from the three short listed consortia.

Commencement of the bid preparation was delayed by outstanding negotiations with the Northern and Central Land Councils on the title for the new railway corridor between Alice Springs and Darwin. On 1 September 1998, the Northern Territory Government and the Land Councils announced that they had reached an agreement that would guarantee a rail corridor through Aboriginal land for 99 years, with renewal option for a further 99 years.

During the bid preparation stage there were a number of changes to the composition of the short-listed consortia, strengthening their membership. At the time of bid finalisation, the composition of the three consortia was as follows:

Asia Pacific Transport Consortium

Key participants:

- Brown & Root Engineering and Construction Pty Ltd incorporating Kinhill Pty Ltd, Genesee & Wyoming;
- Hutchinson Port Holdings;
- MPG Logistics;
- MacMahon Holdings Ltd;
- Barclay Mowlem Construction Ltd;
- John Holland Group Pty Ltd.

Northlink Rail Consortium

Key participants:

- Thiess Contractors Pty Ltd;
- Commonwealth Bank of Australia;
- National Rail Corporation;
- Perkins Shipping.

Southern Cross Consortium

Key participants:

- Henry Walker Group Ltd;
- Australian Transport Network (comprising Wisconsin Central Transportation Corporation, Tranz Rail Holdings, Fay Richwhite & Company Ltd, Berkshire Partners);
- Bouygues Construction;
- Travaux Du Sud-Ouest;
- Macquarie Bank.

On 31 March 1999 bids were received from the three shortlisted consortia.

During the period 31 March 1999 to 1 June 1999, the Corporation assessed the submissions. This included intense analysis by the Corporation's financial, legal and technical advisers who were assisted by a range of other experts brought in to offer their advice on the merits of the submissions. All in all over 30 people were involved in the process of assessing the submissions, the information from which was used in the evaluation undertaken by the Board of the Corporation.

The commercial-in-confidence nature of the bid preparation phase and the subsequent evaluation of the submissions, required the Corporation to maintain strict probity and security protocols under the auspices of its probity adviser.

On 7 June 1999, the Northern Territory and South Australian Governments named the Asia Pacific Transport Consortium as the preferred consortium to construct and operate the AustralAsia railway.

This project milestone marked the beginning of an intensive period of negotiation with the Asia Pacific Transport Consortium. It also signified the end of seven months of bid preparation and a subsequent two month evaluation of those bids by the Corporation.

Negotiations with the preferred consortium, the Asia Pacific Transport Consortium, commenced shortly after the public announcement on the 7 June 1999 and, subject to acceptance by the three Governments, are expected to be completed by early 2000.

I am confident the project will proceed notwithstanding the need to resolve a number of issues including; the terms and conditions of the government financial contributions and the hand over of the Tarcoola to Alice Springs line; and the finalisation with the National Competition Council on the nature of the access arrangements that will apply to the completed railway.

The outcomes of this project rely on the goodwill, cooperation and support of the Northern Territory, South Australian and Commonwealth Governments. In that regard, the assistance and efforts of those officers in the Northern Territory and South Australian Governments, including members of the Northern Territory Railway Executive Group and the South Australian Rail Task Force is acknowledged.

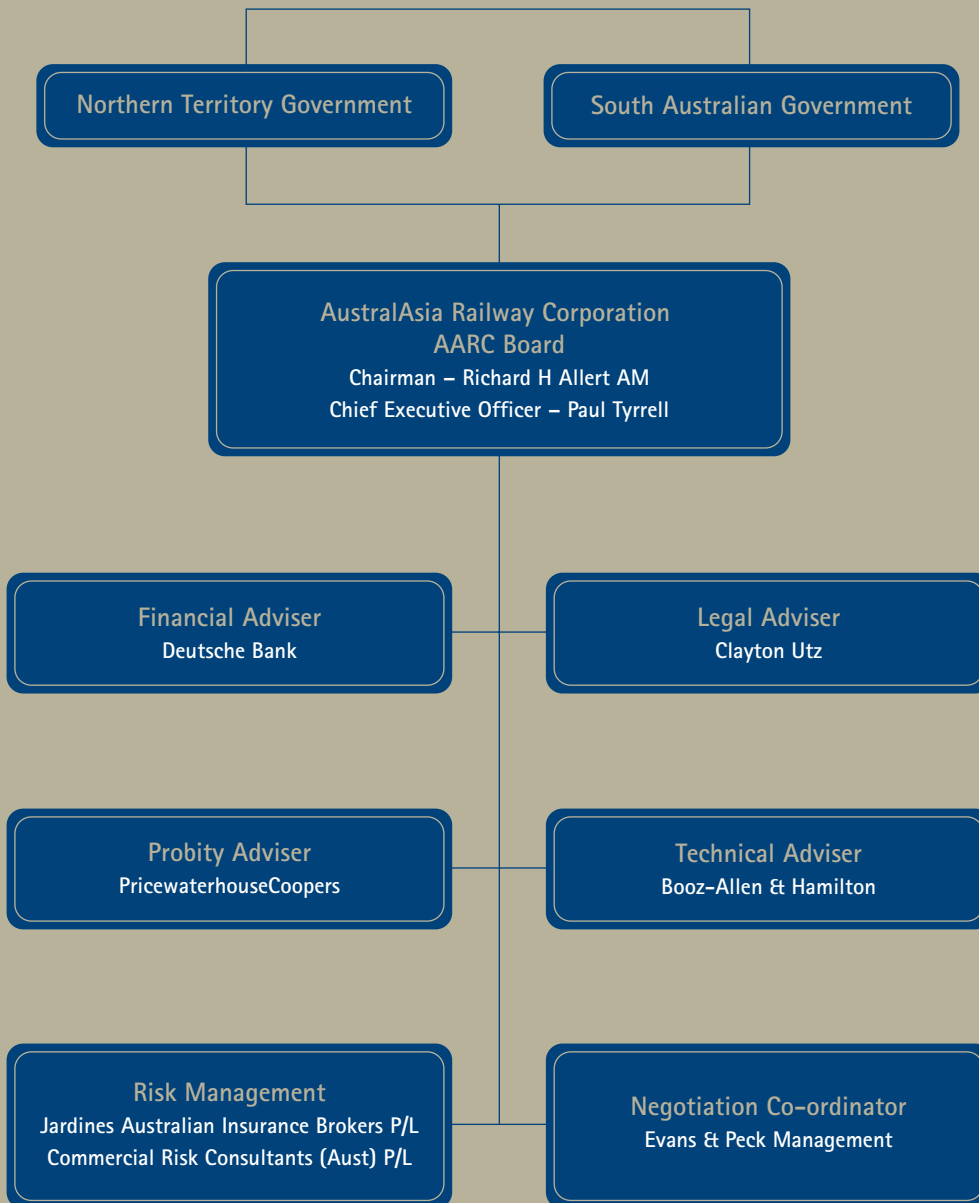
With the continued efforts of the preferred consortium, the Corporation, its advisers and officers and the political will of the Governments, the construction of the railway will commence in the year 2000.



PAUL TYRRELL
Chief Executive Officer

Organisational Structure

AustralAsia Railway Corporation
as at 30 June 1999



Legislation



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)* by South Australia.

The AustralAsia Railway Corporation Act was amended by the *AustralAsia Railway Amendment Act 1998* which was assented to on 30 March 1998. This legislation places a statutory limit on expenditure on the project by the Northern Territory.

Barry Francis Coulter



Barry F Coulter
Minister for the AustralAsia Railway
1995–1999

Barry Coulter was first elected to the Northern Territory Legislative Assembly in December 1983. A year later he was promoted to Cabinet and remained a Cabinet Minister until his retirement in June 1999. Barry Coulter became directly involved with the completion of the railway between Adelaide and Darwin in 1986, maintaining this involvement initially as Treasurer and from 1 July 1995 as the Minister for the AustralAsia Railway.

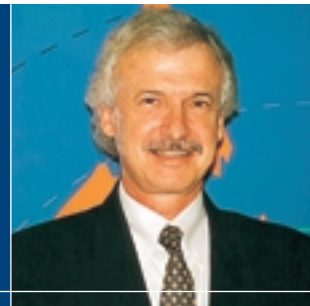
Over a period of some thirteen years he played key roles in:

- securing the route survey and environmental clearance;
- securing tenure for the new link between Alice Springs and Darwin, particularly negotiation of Aboriginal agreements;
- winning financial support for the railway from South Australia and the Commonwealth;

- establishment of the AustralAsia Railway Corporation leading directly to the current submission and selection process for a private group to build and operate the railway.

When Barry Coulter retired as Member for Blain in the Northern Territory Legislative Assembly and Minister for the AustralAsia Railway this year, a preferred consortium had been named to complete the project.

AustralAsia Railway Corporation Board



Chairman

Mr Richard H Allert AM

Appointed 4 September 1997

Richard Allert is Chairman of Southcorp Limited, Ayers Rock Resort Management Pty Ltd Advisory Board, the National Wine Centre, and Deputy Chairman of National Mutual Holdings Limited.

He is a Director of Coles Myer Ltd, FH Faulding & Co Limited and other companies.

Member and Chief Executive Officer

Mr Paul Tyrrell

Appointed 4 September 1997

Paul Tyrrell is Secretary of the Northern Territory Department of the Chief Minister and Chairman of the Northern Territory Government's Railway Executive Group.



Member

Mr John Crosby

Appointed 4 December 1997

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

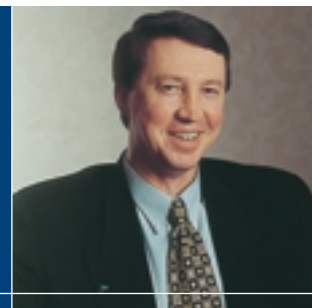


Member

Mr Otto Alder

Appointed 21 July 1998

Otto Alder served in various executive capacities for the Northern Territory Government for twenty 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

Jim Hallion is Deputy Chief Executive Officer in the South Australian Department of Industry and Trade. Before joining the Department of Industry and Trade in 1994, Mr Hallion held the position of Director of Corporate Services with the Australian National Railways Commission. Prior to that position, he was employed in the transport sector in engineering positions involving planning, design and construction.



Board Members' Report

The Board Members present their report on the accounts for the period ended 30 June 1999.

Members

The following persons held office as members of AustralAsia Railway Corporation at 30 June 1999:

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

Principal activities

The functions of the Corporation as specified in the *AustralAsia Railway Corporation Act 1996 (NT)* are to:

- obtain and hold secure title to the corridor;
- develop and manage the project brief inviting submissions from consortia to undertake the project;
- advise and assist South Australia and the Territory on the implementation of the Commonwealth's contribution to the project;
- nominate the successful consortium to undertake the project;
- receive and distribute dividends to South Australia and the Northern

Territory enabling them to share in any profits in the project;

- provide, by way of lease, sublease, licence, concession or other arrangements, secure rights of access to the corridor to enable the successful consortium to undertake the project;
- coordinate and supervise the making of government grants to the successful consortium;
- evaluate submissions received on the project and to make recommendations to South Australia and the Northern Territory in respect of the submissions;
- approach Government agencies to define the concessions and basis for agreement between South Australia, the Northern Territory and the Commonwealth and the successful consortium;
- undertake all necessary environmental and planning processes, including all heritage and Aboriginal conservation clearances, as may be required for the project to commence;
- facilitate rail access principles to the railway for the successful consortium and to liaise in respect to access regimes for the national rail network;
- facilitate the determination of the terms of access to the Port of Darwin;

- assist and determine the conditions of access to the project through service roads and to assist in determining rights for extraction of construction materials and the royalty arrangements involved;
- monitor construction and operation of the project to ensure it complies with minimum requirements, including heritage, Aboriginal and environmental issues;
- exercise residual powers that may be detailed in any lease, licence or concession agreement between the Corporation and the successful consortium during the ongoing operation of the railway, including powers to order emergency access and to supervise reversionary arrangements at the end of the project;
- facilitate opportunities for businesses in South Australia and the Northern Territory to provide goods and services required for the project;
- give effect to the *AustralAsia Railway Corporation Act* and any agreement between South Australia and the Northern Territory relating to the project, including winding up and dissolution of the Corporation and the distribution of assets.

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 1999.

Rounding of amounts to nearest dollar

Amounts have been rounded off in the members report and financial statements to the nearest dollar.

Meetings of Members

The numbers of meetings of the Corporation's members (including meetings of committees of members) held during the year ended 30 June 1999, and the numbers of meetings attended by each member are shown below.

Full meetings of Board Members

There were 9 meetings for the 1998/99 financial year.

Member	Meetings eligible to attend	Meetings attended
Richard H Allert	9	9
Paul Tyrrell	9	9
John Crosby	9	8
Otto Alder	9	9
Jim Hallion	9	8

Retirement, election and continuation in office of Board 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

Mr G Bradley was appointed as a member on 4 September 1997. He resigned as a Board member on 6 October 1998.

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 1999 that has significantly affected or may significantly affect:

- the operations, in financial periods subsequent to 30 June 1999, of the economic entity constituted by AustralAsia Railway Corporation, or;
- the results of those operations, or;
- the state of affairs, in financial periods subsequent to 30 June 1999, of that economic entity.

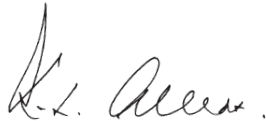
Likely developments and expected results of operations

Information on likely developments in the operations of the economic entity and the expected results of operations have not been included in this report because the members believe it would be likely to result in unreasonable prejudice to the Corporation.

Auditor

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

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



RICHARD H ALLERT AM

Chairman

16 November 1999



PAUL C W TYRRELL

Board Member

16 November 1999

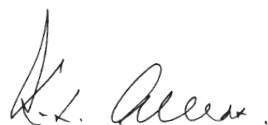


Board Members' Statement

In the opinion of the Board Members:

- the financial statements set out on pages 25 to 31 are drawn up in accordance with Divisions 4, 4a and 4b of Part 3.6 of the Corporations Law and so as to give a true and fair view of:
 - the state of affairs as at 30 June 1999 and the profit, for the financial period ended on that date, of the Corporation; and
 - the other matters with which they deal;
- at the date of this statement there are reasonable grounds to believe that the Corporation will be able to pay its debts as and when they fall due; and
- the financial statements are drawn up in accordance with applicable Accounting Standards and other mandatory professional reporting requirements.

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



RICHARD H ALLERT AM

Chairman

16 November 1999



PAUL C W TYRRELL

Board Member

16 November 1999

Financial Statements

Balance Sheet

AustralAsia Railway Corporation
as at 30 June 1999

	Note	30 June 1999 \$	30 June 1998 \$
Current assets			
Cash at bank	2	1,030,446	16,703
Receivables	3	0	404,000
Total current assets		1,030,446	420,703
Total assets		1,030,446	420,703
Current liabilities			
Creditors	4	541,078	154,091
Total current liabilities		541,078	154,091
Total liabilities		541,078	154,091
NET ASSETS		489,369	266,612
Accumulated funds			
Accumulated surplus at the beginning of the financial year		266,612	0
Surplus for the current year	8	222,757	266,612
TOTAL ACCUMULATED FUNDS		489,369	266,612

The Balance Sheet should be read in conjunction with the notes to and forming part of the Financial Statements set out on pages 28 to 31.

Income and Expenditure Statement

AustralAsia Railway Corporation
for financial year ended 30 June 1999

	Note	1999 \$	1998 \$
Operating income			
Income	11	4,000,589	3,227,000
Total income		4,000,589	3,227,000
Operating expenditure			
Expenditure		3,777,832	2,960,388
Total expenditure		3,777,832	2,960,388
Operating surplus before and after tax	10	222,757	266,612
Net profit attributable to shareholders		222,757	266,612
Retained profits at the beginning of the financial period		266,612	0
RETAINED PROFITS AT THE END OF THE FINANCIAL PERIOD	8	489,369	266,612

The Income and Expenditure Statement should be read in conjunction with the notes to and forming part of the Financial Statements set out on pages 28 to 31.

Statement of Cash Flows

AustralAsia Railway Corporation
for the financial year ended 30 June 1999

	Note	1999 \$	1998 \$
Cash flows from operating activities			
Receipts			
Government contributions	11	4,404,000	2,823,000
Interest		589	0
Sub total		4,404,589	2,823,000
Payments			
Suppliers of services		3,390,845	2,806,297
Net cash from operations	10	1,013,744	16,703
Net increase (decrease) in cash held	10	1,013,744	16,703
Cash at beginning of reporting period		16,703	0
CASH AT END OF REPORTING PERIOD		1,030,446	16,703

The Statement of Cash Flows should be read in conjunction with the notes to and forming part of the Financial Statements set out on pages 28 to 31.

Notes to and forming part of the Financial Statements

AustralAsia Railway Corporation
for financial year ended 30 June 1999

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of accounting

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

The AustralAsia Railway Corporation Act 1996 states that the accounting and reporting obligations imposed and standards required by the Corporations Law of or in relation to a public corporation incorporated under the Corporations Law apply to and in relation to the Corporation as if the Corporation were a public corporation so incorporated, and the Territory were the shareholders of the Corporation, and the Corporations Law, with the necessary changes, applied to the extent necessary to enforce those standards.

Going concern assumption

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

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.

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.

Superannuation

Superannuation Guarantee Levy is paid on Member's fees.

Taxation

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

Comparatives

The accounting policies have been consistently applied with previous years.

	1999 \$	1998 \$
NOTE 2 – CASH		
Operating account	1,030,446	16,703
Total Cash	1,030,446	16,703
NOTE 3 – RECEIVABLES		
Current	0	404,000
Total Receivables	0	404,000
NOTE 4 – CREDITORS		
Current	541,078	154,091
Total Creditors	541,078	154,091
Consisting of:		
Northern Territory Government Agencies	9,661	1,151
External bodies	531,417	152,940
	541,078	154,091
NOTE 5 – AUDITOR'S REMUNERATION		
Audit Services:		
Auditors of the Corporation	3,000	3,750

NOTE 6 – MEMBER'S REMUNERATION

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	–	1
\$20,000 – \$29,999	1	–
\$30,000 – \$39,999	1	–
\$40,000 – \$49,999	–	1
\$50,000 – \$59,999	–	–
\$60,000 – \$69,999	1	–
Total income paid or payable, or otherwise made available to all Members of the Corporation, from the Corporation	\$118,561	\$66,000

NOTE 7 – FINANCIAL INSTRUMENTS

Interest rate risk exposures

The Corporation does not have an exposure to interest rate risk as all its financial assets and financial liabilities are non-interest bearing.

Net fair value of financial assets and liabilities

Monetary financial assets and financial liabilities not readily traded in a financial market are determined by valuing them at the present value of contractual future cash flows on amounts due from customers (reduced for expected credit losses) or due to suppliers.

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

	1999	1998
	\$	\$
NOTE 8 – ACCUMULATED FUNDS		
Accumulated funds at the beginning of the financial year	266,612	0
Operating surplus/(deficit) and extraordinary items after income tax and Government contributions	222,757	266,612
Accumulated funds at the end of the financial year to be carried forward to meet next year's expenses	489,369	266,612

NOTE 9 – SERVICES RECEIVED FREE OF CHARGE

Financial and human resource system support are also provided by the Financial Services Division of Northern Territory Treasury and the Department of Corporate and Information Services at no charge. It is not possible to reliably estimate the value of these services as applicable to the Corporation as they are provided at a whole of Government level and are not segregated by organisation.

In 1998/1999 the Department of Transport and Works provided various services including payroll and personnel services; staff for administration; financial accounting and computing support and property management at no charge.

In 1998/1999 the AustralAsia Railway Corporation received advisory services from members of the South Australian Government at no charge.

	1999 \$	1998 \$
NOTE 10 – STATEMENT OF CASH FLOWS		
Reconciliation of operating surplus after tax to net cash flows from operations.		
Operating surplus/(deficit) after tax	222,757	266,612
Changes in assets and liabilities:		
Decrease/(increase) in debtors	404,000	(404,000)
(Decrease)/increase in creditors	386,987	154,091
Net cashflows from operations	1,013,744	16,703
NOTE 11 – GOVERNMENT CONTRIBUTIONS		
Northern Territory Government	2,000,000	1,823,000
South Australian Government	2,000,000	1,404,000
Additional AustralAsia Railway Corporation like activities are funded directly by the South Australian Government. For 1997/98 these activities were valued at \$129,000	0	129,000
South Australian Government	2,000,000	1,533,000
Total Government Contributions	4,000,000	3,356,000

NOTE 12 – CONTINGENT LIABILITIES

AustralAsia Railway Corporation has agreed to pay losing bidders costs of 50% of total costs up to a maximum of \$3 million per Consortium. Funding to match this expenditure will be received from both the Northern Territory and South Australian Governments. The 1998/1999 financial statements do not include either income or expenditure relating to losing bidders costs.



Chartered Accountants

GPO Box 1616
Darwin NT 0801
Australia

1st Floor, 19 Lindsay Street
Darwin NT 0800
Australia

Telephone +61 8 8981 8722
Telephone +61 8 8941 0238

Independent Auditors' Report to the Members of AustralAsia Railway Corporation

Scope

We have audited the financial statements of AustralAsia Railway Corporation for the financial period ended 30 June 1999, consisting of the Board Members' Statement, Balance Sheet, Income and Expenditure Statement, Statement of Cash Flows and the accompanying notes, set out on pages 23 to 31. The Corporation's 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 misstatements. 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 as to whether, in all material respects, the financial statements are presented fairly in accordance with Accounting Standards and 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, the results of its operations and its cashflows.

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 properly drawn up:

- (a) so as to give a true and fair view of:
 - i) the state of affairs of the Corporation at 30 June 1999, and the results and cash flows of the Corporation for the financial period ended on that date: and
 - ii) the other matters required by Divisions 4, 4A and 4B of Part 3.6 of the Corporations Law to be dealt with in the financial statements;
- (b) in accordance with the provisions of the Corporations Law and the *AustralAsia Railway Corporation Act*; and
- (c) in accordance with applicable Accounting Standards and other mandatory professional reporting requirements.

Date: 16 November 1999

KPMG
Chartered Accountants

Devendra N Patel
Partner





AUSTRALASIA RAILWAY CORPORATION

18–20 Cavenagh Street Darwin NT 0800
GPO Box 2520 Darwin NT 0801 Australia

Telephone +61 8 8924 7100

Facsimile +61 8 8924 7078

Email rail@nt.gov.au

