



Annual Report 2015/2016



LETTER TO THE MINISTER FOR INFRASTRUCTURE, PLANNING AND LOGISTICS

The Hon Nicole Susan Manison MLA
Minister for Infrastructure, Planning and Logistics
GPO Box 3146
Darwin NT 0801

Dear Minister Manison

RE: AUSTRALASIA RAILWAY CORPORATION ANNUAL REPORT

I have pleasure in presenting the 2015/2016 Annual Report of the AustralAsia Railway Corporation.

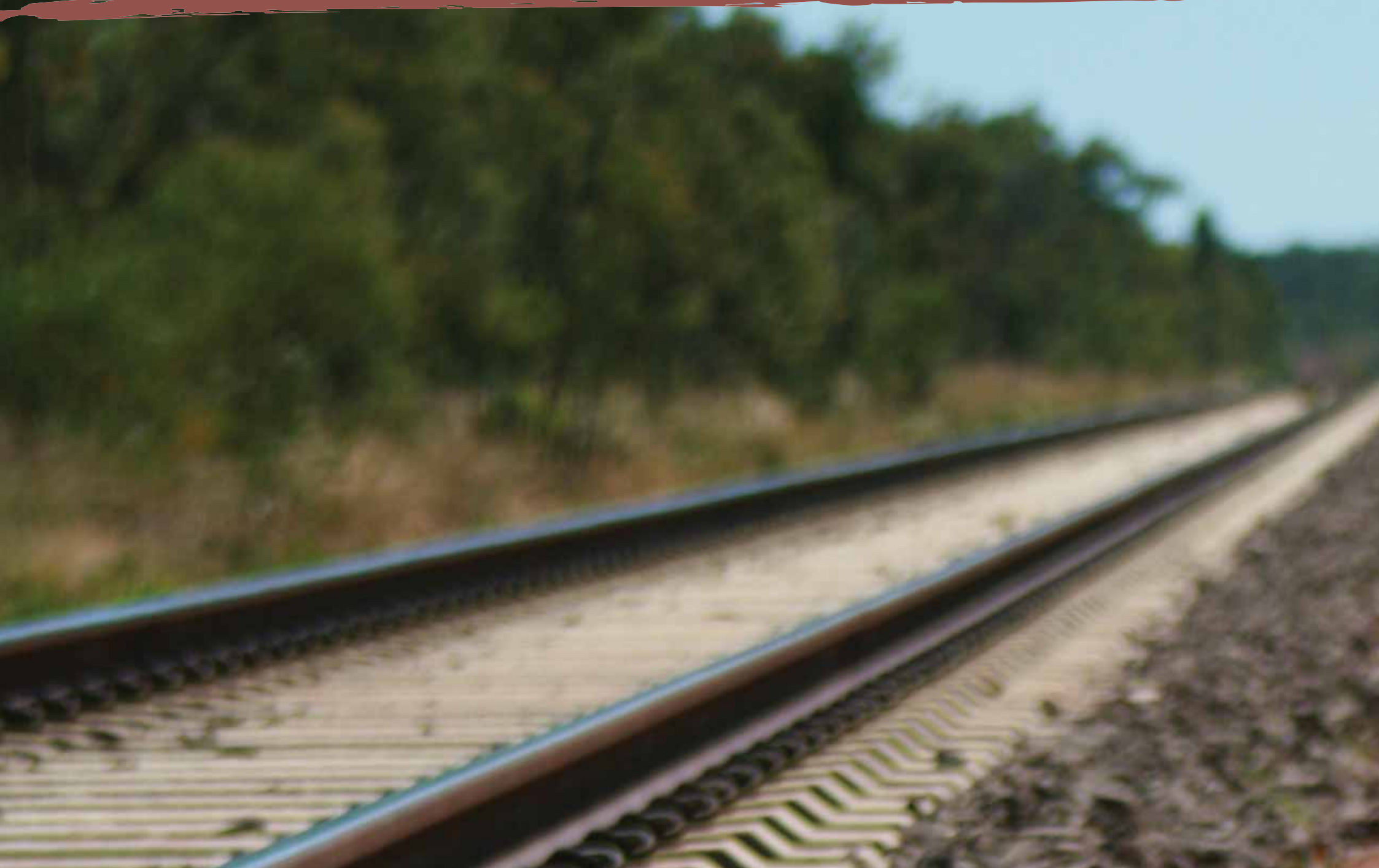
The report details the activities and operations of the Corporation for the year ending 30 June 2016, in accordance with the provisions of section 32(2) of the AustralAsia Railway Corporation Act.

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



Alastair Shields
Chairman
15 November 2016



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CHAIRMAN'S OVERVIEW



The combined total of 1.6 million tonnes of freight transported in 2015/2016 represents a 39% decrease over the previous financial year figure of 2.6 million tonnes. The prevailing low commodity prices in the global market continued to impact severely on bulk minerals traffic on the central corridor. Shipment of concentrates from the Oz Minerals minesite near Coober Pedy is the only remaining bulk minerals traffic on the corridor. The measure of on-time freight availability continued to achieve target levels with improved serviceability of locomotives and rollingstock.

Mindful of the increased measures required to manage risk and the reduced serviceability of sections of light rail south of Alice Springs, the full Board of the Corporation engaged with the GWA(N) Board members on 24 June to discuss the timing for the implementation of the Prescribed Maintenance Tasks required under the Concession Deed. The current decline in bulk freight on the corridor provides an opportunity for GWA(N) to undertake the light rail

replacement during a period which would result in least disruption to scheduled services. The re-railing of sections of the ARTC network between Port Augusta and Tarcoola over the next 2 years, combined with the already competitive market conditions for specialist rail track maintenance contractors, provides the ideal opportunity to attend to this contractual obligation and restore track serviceability to the required standard consistent with the interstate rail network in a timely manner.

Both Boards have renewed their resolve to continue to explore new opportunities to increase business on the corridor with the Corporation facilitating joint participation in planning workshops to be conducted by the new lessee of the Darwin Port in September 2016.

Bulk Minerals

Bulk minerals traffic again declined from the previous year of 1.7 million tonnes to 758k tonnes in the 2015/2016 financial year with the average 16 services per week reduced to an average of 4 per week following the cessation of OMM service in mid-November 2015. At this stage no upturn is expected in the short term unless there is a dramatic improvement in commodity prices, in particular iron ore.

The only exception to this is the start-up of CU River Mining which began hauling iron ore out of Rankin Dam (from the previously mothballed Cairn Hill mine) on 3 July 2016, this is a short term contract and is heavily dependent on the iron ore price (inclusive of the high value cu and gold in the iron ore) staying above or at current prices. The freight task of around 950,000 tonnes per annum has an expected mine life of 2 to 3 years. Any investment in additional passing loops to manage extra train paths for new mine developments remains unclear until there is certainty of projects proceeding.

General Freight

The total 823,153 tonnes transported represents a decrease of 4% over the previous year driven by an overall reduction in demand for goods heading north. No change to either the current number or configuration of services is expected at this stage however, should there be a change in projected volumes a review of the Intermodal wagon fleet will be undertaken to manage train capacity.

The role of Darwin as an offshore supply base for the region is expected to provide further stimulus for the local economy when the Ichthys LNG Project commences production phase.

With the assistance of respective NT and SA government agencies the Corporation continues to pursue a review of the decision by the Australian Defence Force to discontinue transportation of Defence materiel on rail in recent years. GWA has worked with the ADF throughout the year to demonstrate its capability to provide the services on rail as required, and remains confident it can comply with any required terms & conditions of carriage.

AustralAsia Trade Route

The long term lease of the Port of Darwin to a private sector operator provides a renewed opportunity to attract the regular international shipping services between Darwin to ports in north and southeast Asia that are required to provide competitive freight import/export opportunities to service resource developments and evolving opportunities in agriculture/horticulture. Through the advocacy of the Corporation, GWA(N) and DarwinPort, the new private

sector operator of the Port of Darwin, have commenced planning the port/rail interface to ensure this potential traffic can be facilitated.

Corridor

The Corporation continues to manage matters impacting the railway corridor including granting of services and access easements to facilitate new projects and protection of landholder entitlements to the use of the land for the purpose of operating the railway both now and into the future.

Over the past year the Corporation resolved to surrender a section of illegally occupied railway corridor in the vicinity of Adelaide River as the most expedient means of dealing with potential public safety risk implications for the operator and Corporation.

Successful submissions were made to the Australian Treasury scoping study of the ARTC to ensure no detriment resulted from potential changes to the underlying ownership of the Tarcoola to Alice Springs railway and to the NT Minister for Lands in response to an application for heritage listing of a further section of the railway corridor which had potential to constrain future growth of railway activities in this already constrained sector.

Alastair Shields

Alastair Shields
Chairman

Role of the AustralAsia Railway Corporation

The AustralAsia Railway Corporation (“the Corporation”) is a statutory body established under the *AustralAsia Railway Corporation Act (NT)* and is 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, its successors and assignees, throughout the life of the Concession.

The Corporation’s obligations under the project documents are guaranteed by the two Governments. The rights and obligations of the two Governments are set out in the Inter-Governmental Agreement.

The current owner GWA (North) Pty Ltd and the Corporation are parties to a Concession Deed which details rights and obligations, including project risks. The Deed seeks to mitigate those risks by apportioning appropriate responsibility for them. The Corporation holds security over the works in the event that the Concession is terminated.

With the commencement of operations in 2004, the Corporation’s role changed substantially. The Corporation continues to ensure delivery of all its obligations under the Concession Deed and ensures other parties deliver on their obligations throughout the Concession Period.

Since the sale of the concession to GWA(N) in December 2010, the Corporation is less able to rely on the financial scrutiny applied to the operation of the business by the financiers under the previous ownership arrangements.



Consequently the Corporation applies increased resources to monitoring the business and its financial performance under the terms of the amended Concession Deed.

An important responsibility of the Corporation is to ensure the rail infrastructure is maintained in a fit for purpose state. The Corporation ensures that annual inspections are conducted and maintenance reports are routinely scrutinised to ensure compliance with Concession obligations.

The Corporation also provides advice to the Northern Territory and South Australian Governments on matters impacting the railway as required.

Business Overview

The combined total of 1.6 million tonnes of freight transported in 2015/2016 represents a 39% decrease over the previous financial year figure of 2.6 million tonnes. Business performance categorised as Intermodal, Bulk Products and Passenger Train Access was as follows:

Intermodal

The twelve trains per week operating between Adelaide and Darwin transported a total 823,153 tonnes comprising more than 82% of all contestable intermodal freight including containerised general freight, automotive and specialised products.

Despite the support of the NT Department of Transport, there has not yet been a return of Australian Defence Force interstate movements from road to rail with renewed effort now being applied through the NT Department of Chief Minister and the SA Department of Planning, Transport and Infrastructure.

Bulk Products

Following OMM entering into Voluntary Administration (VA) on 4 January 2016. GWA ran interim services for the administrator to transport some 181,000 tonnes of stockpiled material to the Port of Darwin throughout the months of April and May from which time all operations at the minesite ceased. Subsequently, the creditors have entered into a Deed of Company Arrangement which will enable a resumption of mining activity when the economic conditions dictate.



GWAN continue to operate a triangulated service for Oz Minerals transporting mining concentrates in half height containers on dedicated trainsets from the Wirrida siding with 3 services per fortnight to Adelaide (approx. 200k tonnes p.a.) and one service per fortnight to Tennant Creek (approx. 62k tonnes p.a.). These services comprise the only bulk services currently operating on the corridor and are expected to continue into the next financial year.

The return to operations for the new owner CU River has seen a prospective freight task of around 950,000 tonnes per annum over an expected mine life of 2 to 3 years return to the corridor between the Cairn Hill minesite and the Port of Adelaide from July 2016.

Bulk Liquid tonnes have marginally decreased from 27,400 tonnes in FY14/15 to 26,700 tonnes in FY15/16 volumes down 2%.

Passenger Train Access

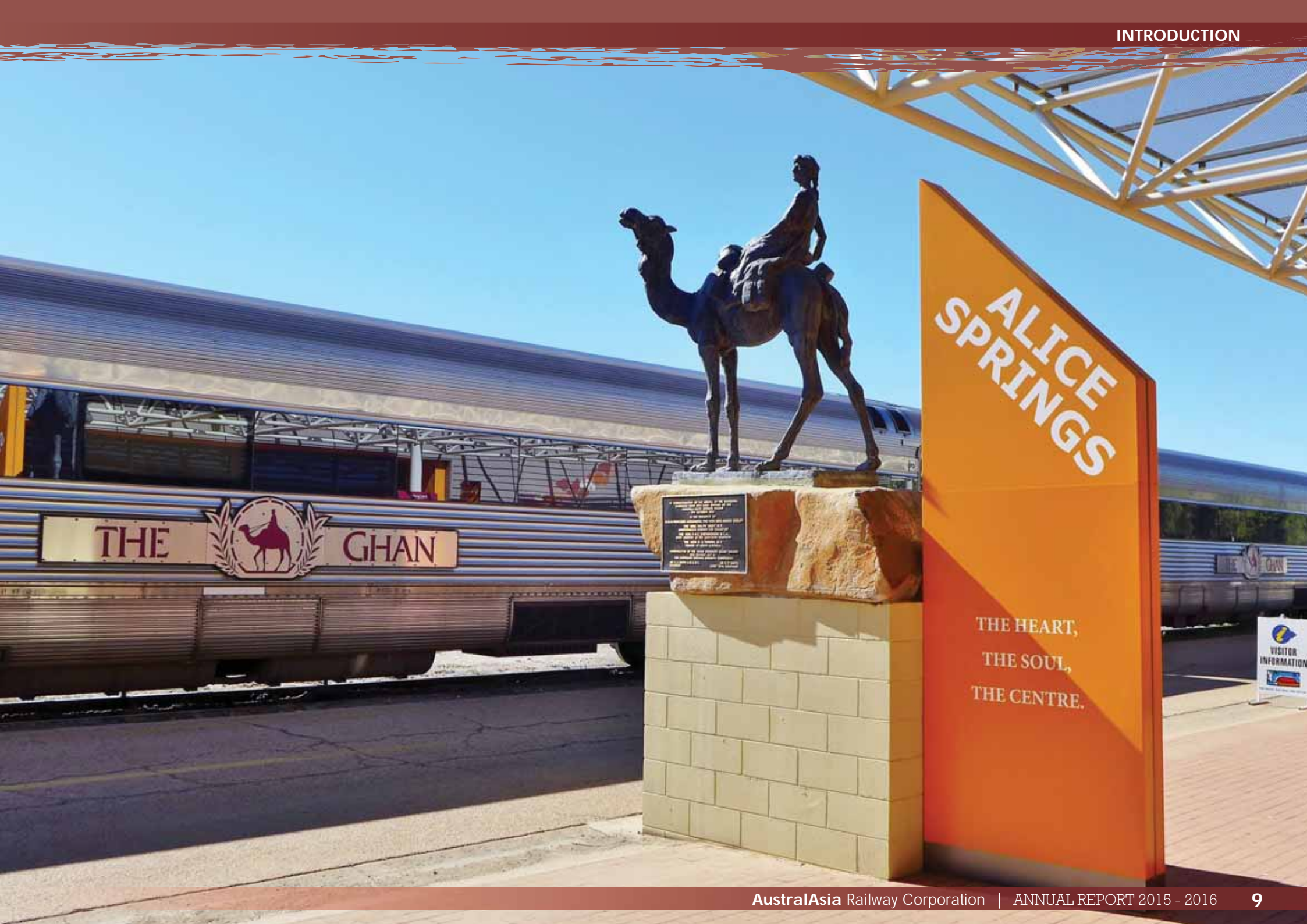
Great Southern Rail (GSR) continued to operate one return service per week throughout the year with extended train lengths of up to 1600 metres. Ongoing Federal Government support for concession travel aboard The Ghan was withdrawn effective 30 June 2016. Since 1 July, The Ghan has comprised exclusively of Gold Service and Platinum Service accommodation. The Ghan continued to record increased patronage in its Gold and Platinum levels of service, increasing from 49,000 sectors in 2015 to a projected 51,461 sectors in 2016.

The four-day Ghan Expedition journey attracted strong customer interest in its second year and has been included in the 2017 itinerary as an extended six-month season (May-October) to meet demand for this new product.

In January, newly remodelled Platinum Club carriages were added to the fleet to serve as an exclusive dining and lounge area for Platinum Service guests. Featuring a deluxe bar, lounge and fully flexible dining area, the Platinum Club marked the first major refurbishment for Great Southern Rail trains since 2008. In September, the first of four upgraded Gold Single carriages also entered service, offering a sophisticated and modern option for solo travellers.

In September 2016, GSR owner Allegro Funds announced that private equity firm Quadrant had entered an agreement to acquire a majority stake in the Great Southern Rail business. The transaction was expected to be finalised by October 2016.





THE  GHAN

ALICE
SPRINGS

THE HEART,
THE SOUL,
THE CENTRE.

THE HEART, THE SOUL, THE CENTRE. THE Ghan is the heart, the soul, the centre of Alice Springs. It is the heart, the soul, the centre of the Ghan. It is the heart, the soul, the centre of the Ghan. It is the heart, the soul, the centre of the Ghan.

VISITOR
INFORMATION

BOARD MEMBERS



ALASTAIR SHIELDS

B.Bus (Acctg). LLB, EMPA

Appointed on 2 September 2014

Alastair was appointed as Chief Executive Officer of the Department of Land Resource Management in March 2015.

Alastair was born and educated in Darwin and has more than 30 years of public sector experience in the Northern Territory, most of it at the Northern Territory Department of the Attorney-General and Justice and its predecessors. He has qualifications in Law and Accounting and a Masters in Public Administration.



BRENDAN LAWSON

Dip.CE, FIEAust, PSM

Appointed CEO 6 October 2004

Brendan Lawson is the Chief Executive Officer of the AustralAsia Railway Corporation. Mr Lawson is a civil engineer with a background in construction of transport infrastructure and has been associated with the AustralAsia

Railway Project since 1996. Previous roles with the Northern Territory Government involved managing a range of preconstruction activities for the Railway, project management of Darwin's East Arm Port, Project Administrator of the Darwin Waterfront Development and the Darwin Marine Supply Base.



MR ROB FULLER

LL.B

Appointed 1 September 2012

Mr Fuller is Manager, Legal Services in the South Australian Crown Solicitor's Office. Robert is a solicitor representing the South Australian Government and practices in the areas of public finance, project finance, debt capital markets,

derivatives, insurance and general commercial. Past board appointments include the Director of the South Australian statutory body RESI Corporation.



MARK WILLIAMS

M.Eng.Sc

Appointed 1 September 2013 (Resigned 15 December 2015)

Mark Williams is the Senior Engineer, Commercial, in the South Australian Governments Office of the State Coordinator General.

Mr Williams is a civil engineer with over 30 years' experience in railway infrastructure and operations.

Mr Williams has worked for the South Australian Government since 2001 and has been a member of the South Australian Rail Task Force as the transport representative. Previous roles included working for the Australian National Railways Commission and the private sector.



MS CLARE GARDINER-BARNES

DIPT, GdipArts (Leadership), MSWAP

Appointed 21 May 2013 (Resigned 23 July 2015)

Ms Gardiner-Barnes has over 20 years' experience in the public sector including previous roles within the Northern Territory Government as the Chief Executive of the Department of Children and Families and the Department of Transport. Clare is currently a member of the Austroads Board. Previous board appointments include the Heavy Vehicle Charging and Investment Board.



MIKE WILDE

Appointed on 28 July 2016

Mike Wilde is the Manager, Moving Freight in the South Australian Department Of Planning, Transport and Infrastructure (DPTI). Prior to joining DPTI, Mr Wilde spent over 30 years in the rail freight industry with experience in business development, customer service delivery, and operations planning roles. This includes 15 years in freight activities on the Alice Springs and Darwin corridors, holding senior management positions with FreightLink and as a board member for the Tarcoola to Darwin corridor maintenance joint venture.



ANDREW KIRKMAN

Appointed on 14 October 2015

Andrew was appointed as the Chief Executive of the Department of Transport in July 2015, and continues as the Chief Executive of the Darwin Waterfront Corporation.

With more than 17 years' experience in the Northern Territory Public Sector, Andrew has previously held positions as the General Manager for the Land Development Corporation and as Deputy Chief Executive and Executive Director in the Department of Housing.

In addition to key roles in the AustralAsia Railway Corporation, Department of the Chief Minister and NT Treasury, he has worked in finance and commercial roles in the private sector, locally in the mining industry and overseas on public private partnerships.

Andrew holds tertiary qualifications in business and is a Certified Practising Accountant.

BOARD MEMBERS REPORT

The Board Members present their report on the accounts for the financial year ended 30 June 2016.

Members

The following persons held office as Members of the AustralAsia Railway Corporation (“the Corporation”) Board during the year and up to date of this report:

- Alastair Shields (Appointed 2 September 2014)
- Brendan Lawson (Appointed Chief Executive Officer 6 October 2004)
- Robert Fuller (Appointed 1 September 2012)
- Andrew Kirkman (Appointed 14 October 2015)
- Mike Wilde (Appointed 28 July 2016)
- Clare Gardiner-Barnes (Resigned 23 July 2015)
- Mark Williams (Resigned 15 December 2015)

Further details on Members are provided at Note 12 to the financial statements and member profiles at page 10 and 11 of the Annual Report.

Principal Activities

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

The Corporation was created to facilitate the completion of the AustralAsia Railway on behalf of the Northern Territory and South Australian Governments and subsequent to completion, to monitor operations of the railway throughout

the fifty year concession period to ensure obligations and responsibilities of the Concession Holder and Governments under the Concession Deed are met.

Ministerial Directions

No ministerial directions were received by the Corporation under Sections 18 or 19 of the *AustralAsia Railway Corporation Act (NT)* for the financial year ended 30 June 2016.

Review of Operations and Significant Changes during the Financial Year

The Corporation’s role is to monitor operations to ensure responsibilities under the Concession Deed and the statutory obligations pursuant to the *AustralAsia Railway Corporation Act (NT)* are met. The Concession Deed covers the rights, responsibilities and obligations of the Concession Holder and Governments throughout the fifty year concession period from 2004.

Significant responsibilities of the Corporation include ensuring that the rail infrastructure, including the \$427.5 million (valued at cost) of Corporation owned infrastructure, is maintained in a ‘fit for purpose’ state by the Concession Holder throughout the Concession Period and that secure title over the rail corridor is held throughout this time.

The Corporation also provides advice and assistance to the Northern Territory and South Australian Governments on AustralAsia Railway matters.

This financial year has been the fifth full financial year of operations since the concession was sold to GWA (North) Pty Ltd. The year has continued to focus on establishing stronger relationships and reporting regimes with

the Concession Holder to ensure that both GWA (North) Pty Ltd and the Corporation meet their responsibilities in accordance with the Concession Deed.

Activities during the year resulted in the Corporation recording an operating deficit of \$3.44 million (2015: deficit \$3.46 million). This operating deficit resulted from depreciation charges of \$3.5 million to the accounts, reflecting use of the Corporation's \$427.5 million (valued at cost) rail infrastructure assets. Operating deficits do not affect the operations of the Corporation, with Governments providing the necessary resources to ensure the going concern of the entity.

Matters Subsequent to the End of the Financial Year

At the date of this report there is no matter or circumstance which has arisen since 30 June 2016 that has significantly affected or may significantly affect:

- a. the operations in the financial year subsequent to 30 June 2016, of the Corporation; or
- b. the results of those operations; or
- c. the state of affairs in the financial year subsequent to 30 June 2016, of the Corporation.

Likely Developments and Expected Results of Operations

In accordance with contractual agreements resulting from operations during past financial years, the Corporation expects to continue to receive operational grants and payments towards operational expenditure during the 2016-17 financial year, and perform any other services necessary to monitor operations of the AustralAsia Railway on behalf of the Northern Territory and South Australian Governments.

Auditor

The independent audit firm of BDO Audit (NT) continued as auditor in accordance with Section 27 of the *AustralAsia Railway Corporation Act* and Section 327 of the *Corporations Act 2001*.

Auditor's Independence Declaration

A copy of the auditor's independence declaration, as required under Section 307C of the *Corporations Act 2001*, is set out on page 14.

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

ALASTAIR SHIELDS

CHAIRMAN

30 September 2016

BRENDAN LAWSON

CHIEF EXECUTIVE OFFICER

30 September 2016

DECLARATION OF INDEPENDENCE BY BDO AUDIT (NT) TO THE BOARD MEMBERS OF AUSTRALASIA RAILWAY CORPORATION

In accordance to Section 307C of the *Corporations Act 2001* as auditor of AustralAsia Railway Corporation for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

Yours faithfully



Carmelo Jesech Sciacca

AUDIT PARTNER

BDO Audit (NT)

Darwin: 3 October 2016

BDO Audit (NT) ABN 98 944 751 649 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit (NT) and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation other than for the acts or omissions of financial services licensees.

BOARD MEMBERS' DECLARATION

The Board Members declare that:

1. The financial statements and accompanying notes;
 - a. are in accordance with the *Corporations Act 2001* and comply with Australian Accounting Standards (including Australian Accounting Interpretations); and
 - b. give a true and fair view of the Corporation's financial position as at 30 June 2016 and of its performance for the period 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.



ALASTAIR SHIELDS

CHAIRMAN

30 September 2016



BRENDAN LAWSON

CHIEF EXECUTIVE OFFICER

30 September 2016

FINANCIAL STATEMENTS

15/16



Statement of Profit or Loss and
Other Comprehensive Income
For the year ended 30 June 2016



	NOTE	2016 \$'000	2015 \$'000
Income			
Income from Ordinary Activities		302	300
Other Income		32	28
Total Income	3	334	328
Expenses			
Employee Expenses		134	133
Depreciation and Amortisation		3,548	3,548
Other Expenses	4	97	105
Total Expenses		3,779	3,786
Surplus/(Deficit) for the Year		(3,445)	(3,458)
Other Comprehensive Income			
Other Comprehensive Income for the Year		-	-
Total Other Comprehensive Income		-	-
Total Comprehensive Income/(Deficit) for the Year		(3,445)	(3,458)

The Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the notes to the financial statements.

Statement of Financial Position

As at 30 June 2016

	NOTE	2016 \$'000	2015 \$'000
Current Assets			
Cash and Cash Equivalents	5	439	340
Trade and Other Receivables	6	1	2
Total Current Assets		440	342
Non Current Assets			
Property, Plant and Equipment	7	383,451	386,998
Total Non-Current Assets		383,451	386,998
TOTAL ASSETS		383,891	387,340
Current Liabilities			
Trade and Other Payables	8	28	32
Total Current Liabilities		28	32
Non-Current Liabilities			
Net Loans		-	-
Net Advances		-	-
Total Non-Current Liabilities	9	-	-
TOTAL LIABILITIES		28	32
NET ASSETS		383,863	387,308
Equity			
Accumulated Funds		383,863	387,308
TOTAL EQUITY		383,863	387,308

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

Statement of Changes in Equity for the year ended 30 June 2016

	NOTE	2016 \$'000	2015 \$'000
Accumulated Funds			
Balance at 1 July		387,308	390,766
Deficit for the Period		(3,445)	(3,458)
Other Comprehensive Income for the Year		-	-
Total Comprehensive Deficit for the Year		(3,445)	(3,458)
BALANCE AT 30 JUNE		383,863	387,308

The Statement of Changes in Equity should be read in conjunction with the notes to the financial statements.

Statement of Cash Flows For the year ended 30 June 2016

	NOTE	2016 \$'000	2015 \$'000
Cash Flows from Operating Activities			
Grants and Subsidies Received		302	300
Net Payments for Goods and Services		(235)	(242)
Interest Received		7	7
Other Income		25	21
Net Cash Provided by/(Used In)			
Operating Activities	10	99	86
Net Increase in Cash and Cash Equivalents		99	86
Cash and Cash Equivalents at the Beginning of the Financial Year		340	254
Cash and Cash Equivalents at the End of the Financial Year	5	439	340

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

Notes to the Financial Statements for the year ended 30 June 2016

1. General Information

The AustralAsia Railway Corporation (“the Corporation”) is a statutory authority, incorporated in Australia and operating within Darwin, Northern Territory, Australia.

Principal place of business:

Level 5 Hospitality
7 Kitchener Drive, Darwin NT 0800

Postal address:

GPO Box 1449, Darwin NT 0801

The Corporation was established to facilitate the completion of the AustralAsia Railway on behalf of the Northern Territory and South Australian Governments and subsequent to completion, to monitor operations of the railway throughout the fifty year concession period (which commenced in 2004) to ensure obligations and responsibilities of the Concession Holder and Governments under the Concession Deed are met.

2. Significant Accounting Policies

Statement of Compliance

The financial statements are general purpose financial statements and have been prepared to fulfil the Corporation’s reporting requirements under the *AustralAsia Railway Corporation Act* and the *Corporations Act 2001*. The accounting policies used in the preparation of these financial statements

are consistent with those of previous years unless stated otherwise, and in the opinion of the Board Members are appropriate to meet the needs of the AustralAsia Railway Corporation.

The general purpose financial statements have been prepared in accordance with the Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the requirements of the *AustralAsia Railway Corporation Act* and the *Corporations Act 2001*.

The financial statements comprise AustralAsia Railway Corporation financial statements as an individual reporting entity. For the purposes of preparing the financial statements, the Corporation is a not-for-profit entity.

These financial statements are presented in Australian dollars, which is the Corporation’s functional and presentation currency.

The financial statements were authorised for issue by the Board Members on 30 September 2016.

a) Basis of Preparation

The general purpose financial statements have been prepared on an accrual basis using historical cost, except for the revaluation of certain non-current assets and financial instruments that are measured at re-valued amounts or fair values, as explained in the accounting policies below.

Cost is based on the fair values of the consideration given in exchange for assets.

The Corporation is of a kind referred to in ASIC Legislative Instrument 2016/191, issued by the Australian Securities and Investments Commission,

relating to 'rounding off'. All amounts are presented in Australian dollars and have been rounded off in accordance with that Legislative Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar. Figures in the financial statements and notes may not equate due to rounding.

b) Critical Accounting Estimates and Judgements

The Board Members evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data.

Key Estimates – Impairment

The Corporation assesses impairment at each reporting date by evaluating conditions specific to the Corporation that may lead to impairment of assets. Where an impairment indicator exists during the year, the recoverable amount of the asset is assessed by management and impairment losses are recognised in profit and loss where an asset's carrying value exceeds its recoverable amount. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates. Where it is not possible to estimate recoverable amount for an individual asset, recoverable amount is determined for the cash generating unit to which the asset belongs.

Key Judgements – Allowance for Impairment Losses

The provision of impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the ageing of receivables, historical collection rates and specific knowledge of the individual debtor's financial position. There is no allowance for impairment recognised as at 30 June 2016 (2015: Nil).

c) Adoption of New and Revised Accounting Standards

The Corporation has adopted all the new, revised or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Any significant impact on the accounting policies of the Corporation from the adoption of these Accounting Standards and Interpretations are disclosed below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Corporation. The following Accounting Standards and Interpretations are most relevant to the Corporation.

(i) AASB 2013-9 Amendments to Australian Accounting Standards [Part A Conceptual Framework]

Part A of this standard updates references to the Framework for the Preparation and Presentation of Financial Statements (July 2004) (Framework) in particular Australian Accounting Standards (including Interpretations) as a consequence of the issue of AASB CF 2013-1 in December 2013.

(ii) AASB 2013-9 Amendments to Australian Accounting Standards [Part B Materiality]

Part B of this standard makes amendments to particular Australian Accounting Standards to delete references to AASB 1031.

(iii) AASB 2015-3 Amendments to Australian Accounting Standards arising from the withdrawal of AASB 1031 Materiality

This standard completes the withdrawal of references to AASB 1031 in all Australian Accounting Standards and Interpretations, allowing the standard to effectively be withdrawn. The standard does not impact the financial statements.

d) Accounting Standards Issued But Not Yet Effective

New accounting standards and interpretations have been published that are not mandatory for 30 June 2016 reporting periods. The Corporation has not adopted any of these standards earlier than their effective start date. The Corporation's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 9 Financial Instruments (Dec 2014), AASB 2014-1 Amendments to Australian Accounting Standards (Part E – Financial Instruments), AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (Dec 2014)

The final version of AASB 9 brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace AASB 139 *Financial Instruments: Recognition and Measurement*. This version adds a new expected loss impairment model and limited amendments to classification and measurement for financial assets.

This is effective from annual reporting periods beginning on or after 1 January 2018 and hence adoption of AASB 9 is only mandatory for the year ending 30 June 2018. The Corporation is yet to make an assessment of the

impact of these amendments on the financial statements when AASB 9 is first adopted.

(ii) AASB 15 Revenue from Contracts with Customers, AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15

AASB 15 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. It replaces several Standards and Interpretations, including AASB 111 *Construction Contracts*, AASB 118 *Revenue*, and Interpretation 15 *Agreements for the Construction of Real Estate*, and Interpretation 18 *Transfers of Assets from Customers*.

This is effective from annual reporting periods beginning on or after 1 January 2018.

This will have minimal impact on the financial statements when it is first adopted.

(iii) AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation [AASB 116 & 138]

This standard amends AASB 116 *Property, Plant and Equipment* and AASB 138 *Intangible Assets* to provide additional guidance on how the depreciation or amortisation of property, plant and equipment and intangible assets should be calculated.

This is effective from annual reporting periods beginning on or after 1 January 2016.

This will have minimal impact on the financial statements when it is first adopted.

(iv) *AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle [AASB 1,2,3,5,7,11,110,119,121,133,134,137 and 140]*

This standard amends AASB 5 change in methods of disposal; AASB 7 servicing contracts and applicability of the amendments to AASB 7 to condensed interim financial statements; AASB 119 discount rate: regional market issue and AASB 134 disclosure of information ‘elsewhere in the interim financial report’.

This is effective from annual reporting periods beginning on or after 1 January 2016.

This will have minimal impact on the financial statements when it is first adopted.

(v) *AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative Amendments to AASB 101*

This standard amends AASB 101 to provide clarification regarding the disclosure requirements in AASB 101. Specifically, the standard proposes narrow-focus amendments to address some of the concerns expressed about existing presentation and disclosure requirements and to ensure entities are able to use judgement when applying a standard in determining what information to disclose in their financial statements.

This is effective from annual reporting periods beginning on or after 1 January 2016.

This will have minimal impact on the financial statements when it is first adopted.

(vi) *AASB 2015-6 Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities [AASB 10, 124 and 1049]*

This standard extends the scope of AASB 124 *Related Party Disclosures* to include not-for-profit public sector entities. This standard also makes related amendments to AASB 10 *Consolidated Financial Statements* and AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

This is effective from annual reporting periods beginning on or after 1 January 2016.

(vii) *AASB 2015-7 Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities*

This standard amends AASB 13 *Fair Value Measurement* to relieve not-for-profit public sector entities from certain disclosures applying to assets within the scope of AASB 116 *Property, Plant and Equipment* whose future economic benefits are not primarily dependent on the asset’s ability to generate future net cash inflows.

This is effective from annual reporting periods beginning on or after 1 January 2016.

e) Going Concern Basis

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

f) Goods and Services Tax

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

- (i) 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
- (ii) 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 receivables or payables.

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

g) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable exclusive of the amount of GST. Corporation revenue from ordinary activities comprises grants received from the Northern Territory and South Australian Governments.

h) Government Grants

Grants that are non reciprocal in nature are recognised at their fair value where there is reasonable assurance that the grant will be received and the

entity will comply with all the attached conditions.

i) Income Tax

The Corporation is exempt from income tax as per the *Income Tax Assessment Act 1936*.

j) Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows and Statement of Financial Position, cash and cash equivalents includes cash on hand and cash held in the Corporation's bank account.

k) Financial Instruments

Investments and other financial assets are initially measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted. The fair values of quoted investments are based on current bid prices. For unlisted investments, the Corporation establishes fair value by using valuation techniques. These included the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Corporation has transferred substantially all the risks and rewards of ownership.

Available-for-Sale Financial Assets

Available-for-sale financial assets are non-derivative financial assets, principally equity securities that are either designated as available-for-sale or not classified as any other category. After initial recognition, fair value movements are recognised in other comprehensive income through the available-for-sale

reserve in equity. Cumulative gain or loss previously reported in the available-for-sale reserve is recognised in profit or loss when the asset is derecognised or impaired.

Loans and Receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Impairment of Financial Assets

The Corporation assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for financial assets carried at cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for similar financial assets.

Available-for-sale financial assets are considered impaired when there has been a significant or prolonged decline in value below initial cost. Subsequent increments in value are recognised in other comprehensive income through the

available-for-sale reserve.

Derecognition of Financial Assets

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Non-Derivative Financial Liabilities

The Corporation initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date at which the Corporation becomes a party to the contractual provisions of the instrument.

The Corporation derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

The Corporation classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method.

Other financial liabilities comprise loans and borrowings, debt securities issued, bank overdrafts and trade and other payables.

Bank overdrafts that are repayable on demand and form an integral part of the Corporation's cash management are included as a component of cash and cash equivalents for the statement of cash flows.

l) Trade and Other Receivables

Trade and other receivables are recognised at fair value less any allowance for impairment losses. Collectability of receivables is assessed on an ongoing basis. Debts which are known to be uncollectible are written off. The allowance for impairment losses represents the amount of receivables the Corporation estimates are likely to be uncollectible and are considered doubtful.

Trade receivables are generally settled within 30 days.

m) Property, Plant and Equipment

The property, plant and equipment of the Corporation comprises of railway infrastructure. Railway infrastructure represents the Corporation's share of the \$1.1 billion total of new rail infrastructure located between Alice Springs and Darwin completed in 2004.

The Corporation values land, buildings and infrastructure assets in accordance with the Australian Accounting Standard AASB 116 *Property, Plant & Equipment* and annually reviews the carrying balances of its assets in accordance with Accounting Standards to ensure any impairment loss is appropriately recorded.

Railway infrastructure is recorded at the cost of acquisition, being the purchase consideration determined at the date of acquisition plus costs incidental to the acquisition.

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.

Depreciation is provided on property, plant and equipment (excluding Earthworks and Capping Layer). Depreciation is calculated on a straight line

basis so as to write off the net cost of each asset over its expected useful life.

The following useful lives are used in the calculation of depreciation:

<i>Railway Infrastructure</i>	
Culverts and Bridges	50 years
Yards and Freight Handling Facilities	50 years
Signalling	15 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, with the effect of any changes recognised on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Corporation. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

n) Borrowings

Loans are initially recognised at the fair value of the consideration received less directly attributable transaction costs. Interest expense is recognised on an accrual basis (refer Note 9). No interest was payable on loans for either financial period.

o) Trade and Other Payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Corporation. These amounts are unsecured and are usually settled within normal trading terms of 30 days.

p) Employee/Member Benefits

The Corporation reimburses the Northern Territory Government for the relevant proportion of employee annual leave, leave bonuses, long service leave, Superannuation Guarantee Levy and other employee benefits.

q) Comparative Amounts

Comparative information has been reclassified and restated where necessary to be consistent with disclosures in the current reporting format.

r) Commitments

Disclosures in relation to capital and other commitments are shown at note 13 and are consistent with the requirements contained in AASB 101. Commitments are those contracted as at 30 June 2016 where the amount of the future commitment can be reliably measured.

s) Services Received Free of Charge

During the 2016 financial year the Corporation received advisory services from officers of the Northern Territory and South Australian Governments at no charge. These amounts are not readily determined and are considered immaterial.





3. Income

	2016 \$'000	2015 \$'000
<i>Income from Ordinary Activities</i>		
<i>Operating Grants and Other Contributions</i>		
Northern Territory Government	152	150
South Australian Government	150	150
<i>Other Income</i>		
Interest on Cash Balances	7	7
Other Income	25	21
Total Revenue	334	328

4. Other Expenses

	2016 \$'000	2015 \$'000
Audit Fees (auditors received no other benefits)*	9	9
Other Operational Costs	88	96
Total Other Expenses	97	105

*Audit fees payable for services provided for the 2015-16 financial statement audit is \$9,200

5. Cash and Cash Equivalents

	2016 \$'000	2015 \$'000
Cash at Bank	439	340
Total Cash and Cash Equivalents	439	340

6. Trade and Other Receivables

	2016 \$'000	2015 \$'000
Current		
Other	-	1
Goods and Services Tax Recoverable	1	1
Total Trade and Other Receivables	1	2

Consisting of:

Government Agencies	1	2
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Receivables are all current and are neither due nor impaired. The Corporation does not hold any financial assets whose terms have been renegotiated, but would otherwise be past due or impaired. No collateral is held as security for any of the trade or other receivables balances.

7. Property, Plant and Equipment

	2016 \$'000	2015 \$'000
Infrastructure Assets		
Earthworks and Capping Layer		
At Cost	270,917	270,917
Total Earthworks and Capping Layer	270,917	270,917
Culverts and Bridges		
At Cost	127,662	127,662
Less: Accumulated Depreciation	31,702	29,149
Total Culverts and Bridges	95,960	98,513
Freight Handling and Signalling		
At Cost	28,920	28,920
Less: Accumulated Depreciation	12,346	11,352
Total Freight Handling and Signalling	16,574	17,568
Total Property, Plant and Equipment	383,451	386,998

Reconciliations

Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:

	2016 \$'000	2015 \$'000
Earthworks and Capping Layer		
Carrying Amount at Beginning of Year	270,917	270,917
Carrying Amount at End of Year	270,917	270,917
Culverts and Bridges		
Carrying Amount at Beginning of Year	98,513	101,066
Depreciation	(2,553)	(2,553)
Carrying Amount at End of Year	95,960	98,513
Freight Handling and Signalling		
Carrying Amount at Beginning of Year	17,568	18,563
Depreciation	(994)	(995)
Carrying Amount at End of Year	16,574	17,568
Total Property, Plant and Equipment	383,451	386,998



8. Trade and Other Payables

	2016 \$'000	2015 \$'000
Current		
Trade Payables	28	32
Total Trade and Other Payables	28	32

Consisting of:

Government Agencies	15	14
External Bodies	13	18

9. Other Financial Liabilities

	2016 \$'000	2015 \$'000
Net Loans		
Loan from Northern Territory Government	25,000	25,000
Loan from South Australia Government	25,000	25,000
Total Loans from Governments	50,000	50,000
Loans to the Concession Holder	(50,000)	(50,000)
Net Loans	-	-

The Corporation received loans from the Northern Territory and South Australian Governments totalling \$50 million for the purpose of on lending to the Concession Holder. With the sale of the concession to GWA (North) Pty Ltd in late 2010, GWA (North) Pty Ltd has accepted responsibility to repay these loans on the same terms as applied to the Consortium (the original Concession Holder). Repayment of loans to Government is conditional upon receipt of loan repayments from the Concession Holder.

Therefore, the loan liability of \$50 million has been netted off against the loan asset of \$50 million in the Statement of Financial Position. The full amount of \$50 million was drawn down by the original Concession Holder and is not repayable until the completion of the 50 year concession period. Interest on the loan is triggered only after significant cumulative profits are earned by the Concession Holder and these are not anticipated in the short to medium term. Interest on the loan to the Concession Holder is secured over the assets of the Concession Holder.

10. Notes to the Statement of Cash Flows

Reconciliation of operating surplus/(deficit) for the period to net cash flows from operating activities:

	2016 \$'000	2015 \$'000
Operating Deficit	(3,445)	(3,458)
Non-Cash Items		
Depreciation and Amortisation	3,548	3,548
Changes in Assets and Liabilities		
Decrease in Payables	(4)	(4)
Net Cash from Operating Activities	99	86



11. Financial Risk Management

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(a) Capital Risk Management

The Corporation manages its capital to ensure that it will be able to continue as a going concern. Financial instruments held by the Corporation include cash, receivables, payables and other financial liabilities. The fair values of the financial assets and liabilities approximate the carrying values.

There have been no substantive changes in the Corporation's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

(b) Categories of Financial Instruments

2015-16 Categorisation of Financial Instruments

Fair Value through Profit and Loss	Designated at Fair Value	Financial Assets – Loans & Receivables	Total
	\$'000	\$'000	\$'000
Cash and Cash Equivalents	-	439	439
Loans Receivable	50,000	-	50,000
Total Financial Assets	50,000	439	50,439
Payables ¹	28	-	28
Loans Payable	50,000	-	50,000
Total Financial Liabilities	50,028	-	50,028

1. Total amounts disclosed here exclude statutory amounts

2014-15 Categorisation of Financial Instruments

Fair Value through Profit and Loss	Designated at Fair Value	Financial Assets – Loans & Receivables	Total
	\$'000	\$'000	\$'000
Cash and Cash Equivalents	-	340	340
Receivables	-	2	2
Loans Receivable	50,000	-	50,000
Total Financial Assets	50,000	342	50,342
Payables	32	-	32
Loans Payable	50,000	-	50,000
Total Financial Liabilities	50,032	-	50,032

(c) Financial Risk Management Objectives

The Board has overall responsibility for the determination of risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the management team. The Corporation's risk management policies and objectives are therefore designed to minimise the potential impacts of these risks on the results of the Corporation where such impacts may be material. The Board receives an appropriate number of reports per annum from the Chief Executive Officer through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

(d) Interest Rate Risk

Interest rate risk is the risk of financial loss and/or increased costs due to adverse movements in the values of financial assets and liabilities as a result of changes in interest rates.

The Corporation has minimal exposure to interest rate risk with the exception of cash at bank. The exposure to interest rate risk on financial assets and financial liabilities is set out in the following table.

	2016 \$'000	2015 \$'000
Variable Rate Instrument		
Financial Assets	439	340

(e) Credit Risk

Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the Corporation incurring a financial loss. Credit risk arises from cash assets and deposits with financial institutions, as well as credit exposures to the Corporation's outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of "A" are accepted.

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period is equivalent to the carrying value and classification of those financial assets (net of any provisions) as presented in the statement of financial position.

There is no collateral held by the Corporation securing trade and other receivables.

Trade and other receivables that are neither past due or impaired are considered to be of high credit quality. Aggregates of such amounts are as detailed at Note 6.

(f) Liquidity Risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation manages liquidity risk

by continuously monitoring forecast and actual cash flows and is funded by the Northern Territory and South Australian Government as required.

(g) Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The primary market risk that the Corporation is exposed to is interest rate risk.

(h) Net Fair Value

The carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their respective net fair values apart from the following provided below;

	2016		2015	
	Total Carrying Amount	Net Fair Value Level 3	Total Carrying Amount	Net Fair Value Level 3
	\$000	\$000	\$000	\$000
Financial Assets and Liabilities				
Loans Receivable	50,000	27,507	50,000	23,724
Borrowings and Advances	(50,000)	(27,507)	(50,000)	(23,724)
Total Financial Assets and Liabilities	-	-	-	-

The fair value of the loan receivable and borrowings is estimated by discounting the remaining contractual maturity at the current Commonwealth Bond rate. Refer to Note 9 for the further information on right of set-off.

(i) Maturity Analysis

The following tables detail the Corporation's remaining contractual maturity for commitments relating to its financial assets and liabilities:

2016	Carrying Amount \$'000	1 Year or Less \$'000	2 to 5 Years \$'000	Over 5 Years \$'000
Financial Liabilities				
Payables	28	28	-	-
State/Territory Govt Loans	50,000	-	-	50,000
Total Financial Liabilities	50,028	28	-	50,000
Financial Assets				
Loans to Concession Holder	50,000	-	-	50,000
Total Financial Assets	50,000	-	-	50,000

2015	Carrying Amount \$'000	1 Year or Less \$'000	2 to 5 Years \$'000	Over 5 Years \$'000
Financial Liabilities				
Payables	32	32	-	-
State/Territory Govt Loans	50,000	-	-	50,000
Total Financial Liabilities	50,032	32	-	50,000
Financial Assets				
Receivables	2	2	-	-
Loans to Concession Holder	50,000	-	-	50,000
Total Financial Assets	50,002	2	-	50,000

12. Details of Board Members**Members Remuneration**

The number of Members of the Corporation whose income from the Corporation falls within the following bands:

	2016 \$'000	2015 \$'000
\$0	5	4
\$1 to \$79,999	-	1
Total Income Paid or Payable, or Otherwise Made Available to all Members of the Corporation from the Corporation	-	16

All current Board Members are Northern Territory or South Australian public servants and are remunerated by their respective jurisdictions.

Key Management Personnel Remuneration

	2016 \$	2015 \$
Short-Term Employee Benefits	115,708	105,761
Total Key Personnel Remuneration	115,708	105,761

Short-term benefits as stated above incorporate the part-time services of the Chief Executive Officer. These benefits are paid on a reimbursement basis as the Corporation's personnel are employed by the Northern Territory Government.

Full Meetings of Board Members

There were 4 meetings for the 2015-16 financial period attended by:

Member	Meetings Eligible to Attend	Meetings Attended
Alastair Shields	4	4
Brendan Lawson	4	4
Mark Williams	4	3
Robert Fuller	4	4
Andrew Kirkman	3	3

Election and Continuation in Office of Board Members

The date of appointment of members:

Member	Initial Date of Appointment
Alastair Shields	2 September 2014
Brendan Lawson	6 October 2004
Robert Fuller	1 September 2012
Andrew Kirkman	14 October 2015
Mike Wilde	28 July 2016
Clare Gardiner- Barnes	21 May 2013 (Resigned 23 July 2015)
Mark Williams	1 September 2013 (Resigned 15 December 2015)

13. Commitments

There are no commitments other than those quantified within the financial statements as at 30 June 2016.

14. Contingent Liabilities

Guarantees and indemnities provided under contracts to which the Corporation is a party are ultimately 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 Concession Holder 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, though there is a low probability that they will arise.

The project documents provide for the early termination of the concession arrangement by the Concession Holder in certain circumstances that would give rise to the payment of an Early Termination Amount. The Early Termination Amount will be calculated by reference to the market value of the Project as at the date of termination. In return for making the 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 the Corporation and/or the NT/SA Governments. During the cure period, the Corporation provides an indemnity to the Concession Holder for any losses it suffers as a result of the event that the Corporation/Governments are seeking to cure.

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 prospects 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.

15. Supplementary Information

Distributions

No dividends or distributions were paid or proposed during the financial period ended 30 June 2016.

Number of Employees

The Corporation reimbursed the Northern Territory Government for an average of 3 part time employees contracted to the Corporation during the financial year (2015 – 3 part time employees).

Indemnifying Officers

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

Segments

The Corporation operates solely in Australia to monitor the operations of the AustralAsia Railway on behalf of the Northern Territory and South Australian Governments.

16. Events Subsequent to Balance Date

No events have arisen between the end of the financial year and the date of this report that require adjustment to, or disclosure in these financial statements, other than those disclosed herein.





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AUSTRALIA

INDEPENDENT AUDITOR'S REPORT

To the board members of AustralAsia Railway Corporation

We have audited the accompanying financial report of AustralAsia Railway Corporation, which comprises the statement of financial position as at 30 June 2016, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the board members' declaration.

Board Members' Responsibility for the Financial Report

The board members of the Corporation are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and the *AustralAsia Railway Corporations Act 1996 (NT)* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 Corporation preparation of the financial report that gives a true and fair view 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 Corporation 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.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the board members of Corporation, would be in the same terms if given to the directors as at the time of this auditor's report.

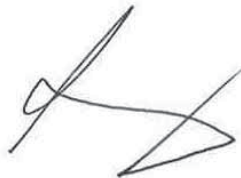
Opinion

In our opinion the financial report of AustralAsia Railway Corporation is in accordance with the *Corporations Act 2001* and the *AustralAsia Railway Corporations Act 1996 (NT)*, including:

- (a) giving a true and fair view of the Corporation financial position as at 30 June 2016 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.



BDO Audit (NT)



Carmelo Joseph Sciacca
Audit Partner

Darwin: 3 October 2016

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Legislation

The AustralAsia Railway Corporation was established by the AustralAsia Railway Corporation Act (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 to Darwin Railway Act 1997 (SA).

The AustralAsia Railway Corporation Act (NT) has been amended by:

- AustralAsia Railway Corporation Amendment Act 1998
- AustralAsia Railway Corporation Amendment Act 2000
- AustralAsia Railway Corporation Amendment Act No. 2 2000
- AustralAsia Railway Corporation Amendment Act 2001
- AustralAsia Railway (Special Provisions) Regulations 2000
- Corporation Reform (Consequential Amendments NT) Act 2001

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
- AustralAsia Railway (Third Party Access) Act 1999
- AustralAsia Railway (Special Provisions) Amendment Act 2003
- AustralAsia Railway (Third Party Access) Amendment Act 2003
- AustralAsia Railway (Special Provisions) Amendment Act 2004

In South Australia, the legislation includes:

- Alice Springs to Darwin Railway Act 1997
- Alice Springs to Darwin Railway (Financial Commitment) Amendment Act 1999
- AustralAsia Railway (Third Party Access) Act 1999
- Alice Springs to Darwin Railway (Miscellaneous) Amendment Act 2000
- Alice Springs to Darwin Railway (Financial Commitment Amendment) Act 2001



MGW	WLOAD	TARE	CUBE
33700	35000	28000	208
KG	KG	KG	CU
74000	77000	61000	736
LB	LB	LB	CU

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