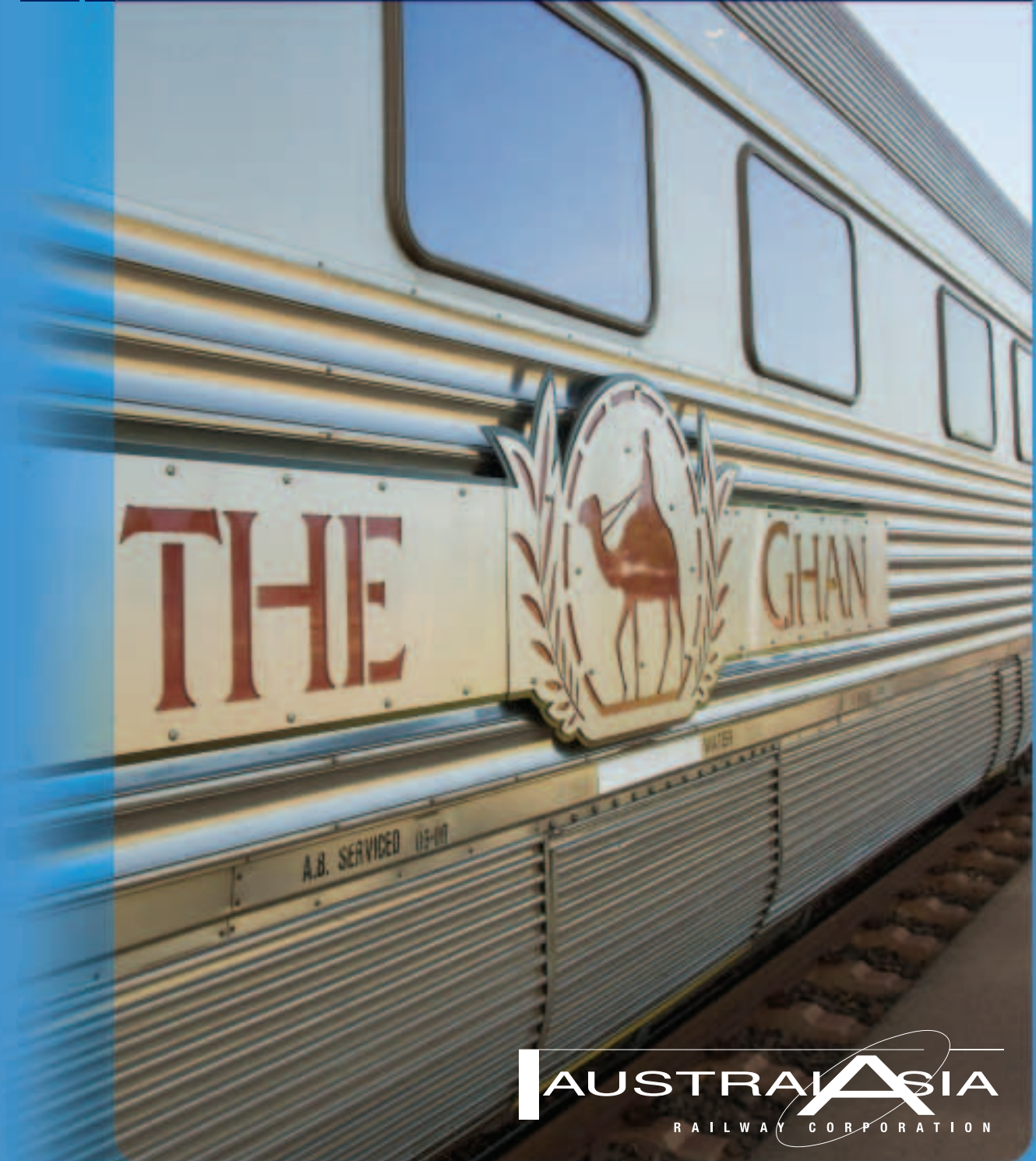


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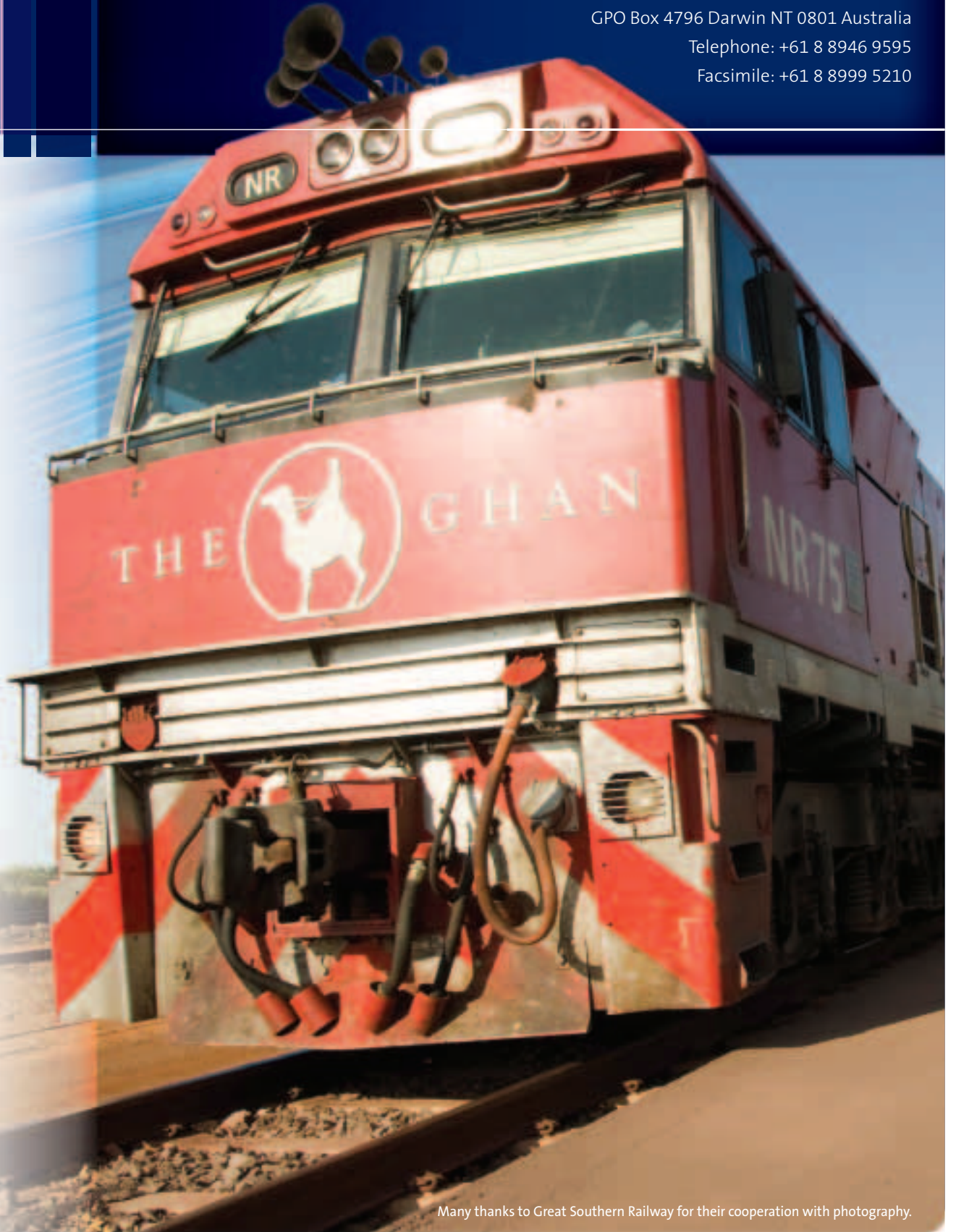
AustralAsia Railway Corporation

Ground Floor Tourism House
43 Mitchell Street Darwin NT 0800 Australia

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Many thanks to Great Southern Railway for their cooperation with photography.



The Hon Paul Henderson MLA
Chief Minister
GPO Box 3146
Darwin NT 0801

Dear Chief Minister

RE: AUSTRALASIA RAILWAY CORPORATION ANNUAL REPORT

I have pleasure in presenting the 2007/2008 Annual Report of the AustralAsia Railway Corporation.

The report details the activities and operations of the Corporation for the year ending 30 June 2008, 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

PAUL TYRRELL
24 November 2008



TABLE OF CONTENTS

Chairman's Overview	6
Role of the AustralAsia Railway Corporation	8
Legislation	9
Board Members	10
Board Members' Report	12
Board Members' Declaration	14
Financial Statements	15
Independent Auditor's Report	38

CHAIRMAN'S OVERVIEW



6

The past year has been another of continued growth for the AustralAsia Railway with the realisation of a number of new mineral projects resulting in increased traffic along the railway to the Port of Darwin in addition to the continuing growth of general freight services delivering benefits for the Northern Territory and South Australian economies.

The expanded Ghan passenger services continued to attract domestic and international visitors beyond the traditional tourist season, offering a broader visitation experience for tourists to communities along the track from Adelaide to Darwin and return.

BULK MINERALS

The bulk minerals traffic continues to go from strength to strength with three contracts now in place and a fourth under negotiation for hauling bulk minerals as far as the Oxiana mine in Wirrida South Australia to the Port of Darwin.

The Northern Territory Government has budgeted a further \$60 million in port bulk handling infrastructure to cater for the demands of bulk minerals exports moving on the railway. Construction of a number of passing loops and increased stabling roads at the Consortium's Berrimah yards are currently being planned to accommodate the growing traffic.

GENERAL FREIGHT

The progressive growth in domestic freight movements reflects the competitiveness and the reliability which have resulted in Freightlink services becoming the preferred mode for freight transport between South Australia and the Northern Territory. The removal of significant numbers of heavy vehicles from the road network continues to have significant social benefits to the wider communities of these regions.

AUSTRALASIA TRADE ROUTE

The AustralAsia Railway continues to act as a stimulus to the development of the AustralAsia Trade Route. Connecting with the developing Port of Darwin which has seen the establishment of new direct international shipping services between Darwin and the ports of Shanghai and Surabaya with the Australasia Railway providing competitive freight import/export opportunities to service resource developments.

SALE AND ADMINISTRATION/RECEIVERSHIP OF CONSORTIUM

The Consortium notified the Corporation of its intention to sell the railway business in the forthcoming year.

Prior to the publishing of this Report, the Consortium announced it had been unsuccessful in gaining all necessary consents to the sale and therefore had taken the decision to place

its business into voluntary administration. As a consequence the project's senior banks have appointed a receiver over the business. The receiver has advised that it will be business as usual whilst in receivership and that the business is expected to be sold in the near future.

The Corporation anticipates that its operating activities and financial position are unlikely to be materially affected as a result of the proposed sale or the administration/receivership arrangements.

I congratulate FreightLink/Asia Pacific Transport on their efforts in building the railway business to the success it is now and look forward to working with the new Concession Holder and Operator when the sales process has been finalised.



Paul Tyrrell
Chairman

ROLE OF THE AUSTRALASIA RAILWAY CORPORATION

The AustralAsia Railway Corporation is a statutory body established under the *AustralAsia Railway Corporation Act 1996 (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 (Asia Pacific Transport Company).

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

The Corporation negotiated a detailed Concession Deed to deal with risks that have been identified as having the potential to arise during the project. The Deed seeks to mitigate those risks by apportioning appropriate responsibility for them. The Corporation holds security over the completed works in the event that the Concession is terminated.

In transition from project negotiation through construction to the commencement of operations, the Corporation's role has 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.

An important responsibility of the Corporation during operations is to ensure the rail infrastructure is being 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.

During the coming year, the Corporation will be requested to provide its consent to a new concession holder and operator on finalisation of the current sales process.

The Corporation continues to provide advice to the Northern Territory and South Australian Governments on railway matters as and when required.

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 to Darwin Railway Act 1997 (SA)*.

The *AustralAsia Railway Corporation Act 1996 (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*

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*

BOARD MEMBERS



CHAIRMAN

Mr Paul Tyrrell

B.Ec, Dip.CE, FIEAust, CPEng, FCILT

Appointed Chairman 28 June 2004. Initial appointment to Board 4 September 1997

Paul Tyrrell retired as Chief Executive (CE) of the Northern Territory Department of the Chief Minister on 31 January 2008 after eight and a half years in the job.

Senior past appointments have included CE of the AustralAsia Railway Corporation, CE of the Department of Lands and Housing, Department of Transport and Works and the Darwin Port Corporation.

Paul has played a key role in many infrastructure projects over the past 30 years including the East Arm Port and Adelaide to Darwin railway, and recently the Darwin Convention Centre and Waterfront redevelopment and the NT Gas Taskforce.



CHIEF EXECUTIVE OFFICER

Brendan Lawson

Dip.CE, CPEng

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. His previous position with the Northern Territory Department of Transport and Works involved managing a range of preconstruction activities for the Railway. Mr Lawson was also involved in the construction of the Darwin Waterfront Development and Darwin's East Arm Port.

BOARD MEMBERS



Ms Pamela Martin

LL.B.

Appointed 28 June 2004

Ms Martin is Commercial Counsel, Commercial Advice in the South Australian Department of the Premier and Cabinet. Ms Martin is a solicitor specialising in commercial matters. She is a member of the South Australian Affordable Housing Trust, the Adelaide University Council, the Adelaide to Outback GP Training Program Board and the Board of Walford Anglican School for Girls.



Mr Joseph Ullianich

B.Ec, CPA

Appointed 28 June 2004

Mr Ullianich is Director, Financial Services in the South Australian Department for Families and Communities. From October 1997 until his appointment to the AARC Board, Mr Ullianich had been a member of the South Australian Rail Taskforce as the Treasury representative. Senior past appointments included Director, Finance and Investment, Department of Treasury and Finance. Past Board appointments included South Australian Asset Management Corporation and Southern Group Insurance Corporation.



Mr Peter Caldwell

BA Hons(Econ), GMAICD

Appointed 28 June 2004

Mr Caldwell is Deputy Under Treasurer, Northern Territory Treasury. In addition to NT Treasury, he has worked in the Department of Industries and Development; the Department of Mines and Energy; with the Asian Development Bank; with the Department of the Northern Territory; the University of Ghana; and the Commonwealth Government Departments of Trade, Territories and Treasury.

BOARD MEMBERS' REPORT

The Board Members present their report on the accounts for the period ended 30 June 2008.

MEMBERS

The following persons held office as Members of AustralAsia Railway Corporation ("the Corporation") for the 2007-08 financial year:

- Paul Tyrrell (Appointed Chairman 28 June 2004)
- Brendan Lawson (Appointed Chief Executive Officer 6 October 2004)
- Pamela Martin (Appointed 28 June 2004)
- Joseph Ullianich (Appointed 28 June 2004)
- Peter Caldwell (Appointed 28 June 2004)

Further details on Members are provided at Note 11 to the financial statements and profiles of Members at Pages 10 and 11.

PRINCIPAL ACTIVITIES

The functions of the Corporation are specified in the *AustralAsia Railway Corporation Act 1996 (NT)*. In summary, the Corporation was created to facilitate the completion of the AustralAsia Railway on behalf of the Northern Territory and South Australian Governments and subsequent to completion, monitor operations of the railway throughout the fifty year concession period to ensure obligations and responsibilities of the Consortium and Governments under the Concession Deed are met.

MINISTERIAL DIRECTIONS

No written ministerial directions were received by the Corporation under Section 19 of the *AustralAsia Railway Corporation Act (NT)* for the period ending 30 June 2008.

REVIEW OF OPERATIONS AND SIGNIFICANT CHANGES DURING THE FINANCIAL YEAR

With completion of construction and commencement of rail operations in January 2004 the Corporation's role shifted from facilitating completion of the rail link to monitoring 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 Consortium and Governments throughout the fifty year concession period.

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 Consortium 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.

Activities during the year resulted in the Corporation recording an operating deficit of \$3.6 million. This

operating deficit largely resulted from depreciation charges of \$3.5 million to the accounts, reflecting use of the Corporation's \$427.5 million (valued at cost) in rail infrastructure assets. Operating deficits will 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 PERIOD

At the date of this report there is no matter or circumstance which has arisen since 30 June 2008 that has significantly affected or may significantly affect:

- (a) the operations, in financial periods subsequent to 30 June 2008, of the Corporation, or
- (b) the results of those operations, or
- (c) the state of affairs, in financial periods subsequent to 30 June 2008, of the Corporation.

The Consortium notified the Corporation of its intention to sell the railway business in the forthcoming year.

Prior to the publishing of this Report, the Consortium announced it had been unsuccessful in gaining all necessary consents to the sale and therefore had taken the decision to place its business into voluntary administration. As a consequence the project's senior banks have appointed a receiver over the business. The receiver has advised that it

will be business as usual whilst in receivership and that the business is expected to be sold in the near future.

The Board's view is that the Corporation's operating activities and financial position are unlikely to be materially affected as a result of the proposed sale or the administration/receivership arrangements.

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 2008-09 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 Kendalls (NT) was re-appointed as auditor in accordance with section 27 of the *AustralAsia Railway Corporation Act* and section 327 of the *Corporations Act 2001*.

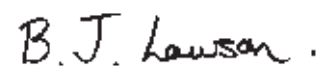
This report is made in accordance with a resolution of the Board Members.



PAUL TYRRELL

Chairman

13 November 2008



BRENDAN LAWSON

Chief Executive Officer

13 November 2008

BOARD MEMBERS' DECLARATION

The Board Members declare that:

1. the financial statements and notes:
 - a) are in accordance with the *Corporations Act 2001* and comply with Accounting Standards and Corporations Regulations and;
 - b) give a true and fair view of the Corporation's financial position as at 30 June 2008 and of its performance for the year ended on that date;
2. in the opinion of the Board Members, there are reasonable grounds to believe that the Corporation will be able to pay its debts as and when they become due and payable.

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



PAUL TYRRELL

Chairman

13 November 2008



BRENDAN LAWSON

Chief Executive Officer

13 November 2008



FINANCIAL STATEMENTS

FINANCIAL STATEMENTS

BALANCE SHEET as at 30 June 2008

	Note	2008 \$000	2007 \$000
Current Assets			
Cash and Cash equivalents	2	165	135
Receivables	3	16	12
Other Current Assets	4	0	0
Total Current Assets		181	147
Non Current Assets			
Property, Plant and Equipment	5	411,831	415,379
Total Assets		412,012	415,526
Current Liabilities			
Payables	6	45	4
Non Current Liabilities			
Net Loans	7	0	0
Net Advances	8	0	0
Total Liabilities		45	4
NET ASSETS		411,967	415,522
EQUITY			
Accumulated funds	13	411,967	415,522
Contingent Assets and Liabilities	17		
Commitments	18		

The Balance Sheet should be read in conjunction with notes 1 to 20 forming part of the financial statements.

FINANCIAL STATEMENTS

INCOME STATEMENT For Financial Year ended 30 June 2008

	Note	2008 \$000	2007 \$000
Revenue			
Income from Ordinary Activities	9	209	114
TOTAL REVENUE		209	114
Operating Expense			
Expenses	10	3,764	3,712
TOTAL EXPENSE		3,764	3,712
OPERATING SURPLUS/(DEFICIT) BEFORE AND AFTER TAX	13,15	(3,555)	(3,598)

The Income Statement should be read in conjunction with notes 1 to 20 forming part of the financial statements.

FINANCIAL STATEMENTS

STATEMENT OF CHANGES IN EQUITY for Financial Year ended 30 June 2008

	Note	Accumulated Funds \$000	Total \$000
Balance at 30 June 2006	13	419,120	419,120
Surplus/(Deficit) for the year		(3,598)	(3,598)
Balance at 30 June 2007	13	415,522	415,522
Surplus/(Deficit) for the year		(3,555)	(3,555)
Balance at 30 June 2008	13	411,967	411,967

The Statement of Changes in Equity should be read in conjunction with notes 1 to 20 forming part of the financial statements.

FINANCIAL STATEMENTS

CASH FLOW STATEMENT for Financial Year ended 30 June 2008

	Note	2008 \$000	2007 \$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Government Grants and Contributions	16	200	100
Recovery of Operating Expenses		0	0
Interest		9	14
Payments			
Payments for Goods and Services		(180)	(199)
Net Cash Provided By/(Used In) Operating Activities	15	29	(86)
NET INCREASE (DECREASE) IN CASH HELD		29	(86)
Cash and Cash Equivalents at Beginning of Reporting Period		135	221
CASH AND CASH EQUIVALENTS AT END OF REPORTING PERIOD		164	135

The Cash Flow Statement should be read in conjunction with notes 1 to 20 forming part of the financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 30 June 2008

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report which has been prepared on an accruals basis and is based on historical cost. The report is in accordance with the requirements of the *AustralAsia Railway Corporation Act 1996*, applicable Australian Accounting Standards and other mandatory professional reporting requirements, including Urgent Issues Group Consensus Views.

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

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

The following is a summary of the material accounting policies adopted by the AustralAsia Railway Corporation in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Basis of Preparation

AustralAsia Railway Corporation has prepared its financial statements in accordance with the Australian Accounting Standards, other authoritative

pronouncements of the Australian Accounting Standards Board and the Corporations Act.

a) Going Concern Assumption:

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

b) Cash and Cash Equivalents:

For the purpose of the Cash Flow Statement, cash and cash equivalents include cash on hand and cash held in the AustralAsia Railway Corporation Operating Account.

c) Railway Infrastructure, Other Property, Plant and Equipment and Depreciation:

- 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; and
- Depreciation/amortisation is provided on property, plant and equipment (refer Note 5). 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 are estimated useful lives used in the calculation of depreciation/amortisation:

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 30 June 2008

Railway Infrastructure

- Culverts and Bridges 50 years
- Yards and Freight Handling Facilities 50 years
- Signalling 15 years

d) Borrowings:

Loans are recorded at an amount equal to the net proceeds received. Interest expense is recognised on an accrual basis (refer Note 7). No interest was payable on the loans for either financial period.

e) Goods and Service Tax:

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

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

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

f) Leased Assets:

Operating lease payments, where substantially all risks and benefits incidental to the ownership of the asset remain with the lessor, are recognised as expenses in the periods in which they are incurred.

g) Receivables:

Receivables are recorded at original invoice amounts due less any allowance for uncollectible amounts.

Trade receivables are recognised at original invoice amounts less an allowance for uncollectible amounts and have repayment terms between 30 and 90 days. Collectibility status of trade receivables is achieved by assessing evidence that the entity will not be able to collect all amounts due according to the original terms. Objective evidence of impairment include financial difficulties of the debtor, default payments or debts more than 360 days overdue. On confirmation that the trade receivable will not be collectible the gross carrying value of the asset is written off against the associated provision.

h) Fair Value of Non Current Assets:

Due to the special circumstances of the project, the Board is satisfied that the assets are carried at their fair value.

i) Revenue Recognition:

Grant income and interest income is recognised as they accrue. All revenue is stated net of the amount of goods and services tax (GST).

j) Creditors:

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 30 June 2008

k) Financial Assets:

Recognition and initial measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed is recognised in profit or loss.

Classification and subsequent measurement

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

l) Other financial liabilities:

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method. Other financial liabilities comprise loan balances from the Northern Territory Government, South Australia Government and the Commonwealth Government.

m) Employee/Member Benefits:

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

n) Taxation:

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

o) Change in Accounting Policies:

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 30 June 2008

p) Rounding of Amounts to Nearest Thousand Dollars

Amounts have been rounded off in the Members' Report and financial statements to the nearest thousand dollars, in accordance with class order 98/100, unless otherwise indicated.

q) Impairment of Assets

At each reporting date the Corporation reviews the carrying values of its tangible assets to assess whether there is any indication that individual assets are impaired. Where impairment indicators exist, recoverable amount is determined and impairment losses are recognised in the income statement where the asset's carrying value exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

r) Critical accounting estimates and judgements

Board Members evaluate estimates and judgements incorporated into the financial report 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 company that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined.

Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

Key judgements – provision for impairment of receivables

Board Members believe that all receivables are recoverable and no provision for impairment of receivables has been made at 30 June 2008.

s) Accounting Standards issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2008 reporting periods. The Corporation's assessment of the impact of these new standards and interpretations is set out below.

(i) Revised AASB101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB101

A revised AASB101 was issued in September 2007 and is applicable for annual reporting periods beginning on or after 1 January 2009. It requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If the entity has made prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 30 June 2008

	2008 \$000	2007 \$000
NOTE 2 CASH AND CASH EQUIVALENTS		
Operating Account	164	134
Cash on Hand	1	1
Total Cash and Cash Equivalents	165	135
NOTE 3 RECEIVABLES		
Current		
Goods and Services Tax Refunds Receivable	7	12
Other Receivables	9	0
Total Receivables	16	12
Consisting of:		
Government Agencies	16	12
External Bodies	0	0
Total Receivables	16	12
<p>The 'Other Receivables' do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due. The Corporation does not hold any collateral in relation to these receivables.</p>		
NOTE 4 OTHER CURRENT ASSETS		
Prepayments	0	0
Total Other Current Assets	0	0

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 30 June 2008

	2008 \$000	2007 \$000
NOTE 5 (A) PROPERTY, PLANT AND EQUIPMENT		
Infrastructure Assets:		
Earthworks and Capping Layer		
At Cost	270,917	270,917
	270,917	270,917
Culverts and Bridges		
At Cost	127,662	127,662
Less Accumulated Depreciation	(11,277)	(8,724)
	116,385	118,938
Freight Handling and Signalling		
At Cost	28,920	28,920
Less Accumulated Depreciation	(4,391)	(3,396)
	24,529	25,524
Total Property, Plant and Equipment (refer Note 1)	411,831	415,379

Railway Infrastructure represents the Corporation's share of the \$1.1 billion total of the new rail infrastructure located between Alice Springs and Darwin.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 30 June 2008

NOTE 5 (B) PROPERTY, PLANT AND EQUIPMENT (RECONCILIATION)

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

	Earthworks and Capping Layer	Culverts and Bridges	Freight Handling and Signalling	Total
Balance at 1 July 2007	270,917	118,938	25,524	415,379
Depreciation and Amortisation	0	(2,553)	(995)	(3,548)
Disposals	0	0	0	0
Balance at 30 June 2008	270,917	116,385	24,529	411,831

26

	2008 \$000	2007 \$000
NOTE 6 PAYABLES		
Current		
Trade Creditors	45	4
Total Payables	45	4
Consisting of:		
Northern Territory Government Agencies	7	4
External Bodies	38	0
Total Payables	45	4

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 30 June 2008

	2008 \$000	2007 \$000
NOTE 7 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 Consortium	(50,000)	(50,000)
Net Loans	0	0

The Corporation received loans from the Northern Territory and South Australian Governments totalling \$50 million for the purpose of on lending to the Consortium. Repayment of loans to Governments is conditional upon receipt of loan repayments from the Consortium. Therefore, the loan liability has been netted off against the loan asset. The full amount of \$50 million has been drawn down by the Consortium 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 Consortium and these are not anticipated in the short to medium term. Interest on The loan to the Consortium is secured over the assets of the Consortium and repayment is guaranteed by individual members of the Consortium.

NOTE 8 NET ADVANCES

Advance from Commonwealth	5,050	5,050
Advance to Northern Territory Government	(5,050)	(5,050)
Net Advances	0	0

The Corporation received an advance from the Commonwealth Government totalling \$5.05 million for the purpose of on lending to the Northern Territory Government. Repayment of the advance to the Commonwealth Government is conditional upon receipt of advance repayments from the Northern Territory Government. Therefore, the advance liability has been netted off against the advance asset.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 30 June 2008

	2008 \$000	2007 \$000
NOTE 9 REVENUE		
Income from Ordinary Activities		
Government Contributions	200	100
Interest Revenue	9	14
Other Revenue	0	0
Total Revenue	209	114
NOTE 10 EXPENSES		
Auditors' Remuneration – Audit Services	7	7
Other Operating Expenditure Classified by Nature:		
Depreciation	3,548	3,548
Employee Expenses	104	101
Other	105	56
Total Expenses	3,764	3,711

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 30 June 2008

NOTE 11 DETAILS OF BOARD MEMBERS

Members' Remuneration

	2008 Members	2007 Members
The number of Members of the Corporation whose income from the Corporation falls within the following bands:		
\$0 - \$9,999	4	5
\$10,000 - \$19,999	1	0
Total income paid or payable, or otherwise made available to all Members of the Corporation from the Corporation, including superannuation guarantee levy.	13	0

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

	2008 \$000	2007 \$000
Key management personnel remuneration		
<i>The key management personnel remuneration is as follows:</i>		
Short-term employee benefits	79	79
Other long term benefits	0	0
Post-employment benefits	0	0
Termination benefits	0	0
Total Key Personnel Remuneration	79	79

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 30 June 2008

NOTE 11 DETAILS OF BOARD MEMBERS (CONTINUED)

Full Meetings of Board Members

There were 4 meetings for the 2007-08 financial year.

Numbers of meetings attended by:

Member	Number of Meetings Eligible to Attend	Number of Meetings Attended
Paul Tyrrell	4	4
Brendan Lawson (or Delegate)	4	4
Pamela Martin	4	4
Joseph Ullianich	4	4
Peter Caldwell	4	3

Election and Continuation in Office of Board Members

The date of appointment of members:

Member	Initial Date of Appointment
Paul Tyrrell	4 September 1997
Brendan Lawson	6 October 2004
Pamela Martin	28 June 2004
Joseph Ullianich	28 June 2004
Peter Caldwell	28 June 2004

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 30 June 2008

NOTE 12 FINANCIAL RISK MANAGEMENT

(a) General objectives, policies and processes

In common with all other businesses, the Corporation is exposed to risks that arise from its use of financial instruments. This note describes the Corporation's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

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.

The Corporation hold the following financial instruments:

	2008 \$000	2007 \$000
Financial assets		
Cash Assets	165	135
Receivables	16	12
Loans Receivable	55,050	55,050
	55,231	55,197
Financial Liabilities		
Loans Payable	55,050	55,050
Payables	45	4
	55,095	55,054

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 a minimum of four 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 30 June 2008

NOTE 12 FINANCIAL RISK MANAGEMENT (CONTINUED)

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Corporation's flexibility. Further details regarding these policies are set out below:

(b) 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.

There is no particular concentration of credit risk with respect to current receivables as the Corporation has a number of diverse customers.

(c) Liquidity Risk

Liquidity risk is the risk that the entity 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 fully funded by the Northern Territory and South Australian Governments as required.

Maturity Analysis - 2008	Carrying Amount \$000	1 Year or less \$000	2-5 Years \$000	Over 5 Years \$000
Financial Liabilities				
Payables	45	45	0	0
Loans from State and Territory Govts	50,000	0	0	50,000
Advance from Commonwealth	5,050	0	0	5,050
Total Financial Liabilities	55,095	45	0	55,050
Financial Assets				
Receivables	16	16	0	0
Loans to Consortium	50,000	0	0	50,000
Advance to NT Government	5,050	0	0	5,050
Total Financial Assets	55,065	16	0	55,050

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 30 June 2008

NOTE 12 FINANCIAL RISK MANAGEMENT (CONTINUED)

Maturity Analysis - 2007	Carrying Amount \$000	1 Year or less \$000	2-5 Years \$000	Over 5 Years \$000
Financial Liabilities				
Payables	4	4	0	0
Loans from State and Territory Govts	50,000	0	0	50,000
Advance from Commonwealth	5,050	0	0	5,050
Total Financial Liabilities	55,054	4	0	55,050
Financial Assets				
Receivables	12	12	0	0
Loans to Consortium	50,000	0	0	50,000
Advance to NT Government	5,050	0	0	5,050
Total Financial Assets	55,062	12	0	55,050

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 30 June 2008

(d) 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.

The entity has minimal exposure to interest rate risk as all financial assets and financial liabilities with the exception of cash at bank are either non interest bearing or interest bearing based only on the Consortium's profits. The exposure to interest rate risk on financial assets and financial liabilities is set out in the following table.

	2008 \$000	2007 \$000
Variable rate instrument		
Financial Assets	165	135
Financial Liabilities	0	0
Total	165	135

(e) Net Fair Value

The carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their respective net fair values. Where such differences exist, these are not material.

NOTE 13 ACCUMULATED FUNDS

	2008 \$000	2007 \$000
Accumulated Funds at the Beginning of the Financial Year	415,522	419,120
Operating Surplus/(Deficit)	(3,555)	(3,598)
Accumulated Funds	411,967	415,522

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 30 June 2008

NOTE 14 SERVICES RECEIVED FREE OF CHARGE

During the 2006-07 and 2007-08 financial years, 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 considered immaterial.

	2008 \$000	2007 \$000
NOTE 15 CASH FLOW STATEMENT		
Reconciliation of Operating Surplus/(Deficit) to Net Cash Flows from Operations		
Operating Surplus/(Deficit)	(3,555)	(3,598)
Changes Not Requiring Funds		
Depreciation	3,548	3,548
Assets Written Down	0	0
Changes in Assets and Liabilities		
Increase in Receivables	(4)	(7)
Decrease in Prepayments	0	0
Net Decrease/(increase) in payables	40	(28)
Net Cash Provided By/(Used In) Operations	29	(86)

NOTE 16 GOVERNMENT GRANTS AND CONTRIBUTIONS RECEIVED FOR PERIOD

Northern Territory Government Operating Contributions	100	50
South Australian Government Operating Contributions	100	50
Total Government Operating Contributions	200	100

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 30 June 2008

NOTE 17 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 Consortium 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 Consortium in certain circumstances that would give rise to the payment of an Early Termination Amount. The Early Termination Amount comprises several components, including all debt and debt break costs for the

Project, certain agreed break costs for third party contractors and payments to equity to reflect the value of their investment in the Project.

While the monetary value of certain components of the Early Termination Amount are set out in the project documents, the overall amount of the payment will depend on circumstances known only at the time of the payment of the Early Termination Amount. Apart from the component representing compensation for contractual and debt financing break costs, the Early Termination Amount is designed to be a proxy for the market value of the railway business. In return for making 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 Consortium for any losses it suffers as a result of the event that the Corporation/Governments are seeking to cure.

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 30 June 2008

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

NOTE 18 COMMITMENTS

The Corporation has made all payments required under the project documents, hence, there were no further commitments at 30 June 2008 (2007 Nil).

NOTE 19 SUBSEQUENT EVENTS

The Consortium notified the Corporation of its intention to sell the railway business in the forthcoming year.

Prior to the publishing of this Report, the Consortium announced it had been unsuccessful in gaining all necessary consents to the sale and therefore had taken the decision to place its business into voluntary administration. As a consequence the project's senior banks have appointed a receiver over the business. The receiver has advised that it will be business as usual whilst in receivership and that the business is expected to be sold in the near future.

The Board's view is that the Corporation's operating activities and financial position are unlikely to be

materially affected as a result of the proposed sale or the administration/receivership arrangements.

NOTE 20 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.

NOTE 21 OTHER STATUTORY INFORMATION

Distributions

No dividends or distributions were made during the financial year ending 30 June 2008.

Domicile of Company

Darwin, NT, Australia

Number of Employees

The Corporation reimbursed the NT Government for an average of 5 part time employees contracted to the Corporation during the financial year (2007 - 4 part time employees).

Corporation Details

Principal Place of Business:	Ground Floor Tourism House, 43 Mitchell Street DARWIN NT 0801
Postal Address:	GPO Box 4796 DARWIN NT 0801

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 company.



INDEPENDENT AUDITOR'S REPORT

To the members of AustralAsia Railway Corporation

Report on the Financial Report

We have audited the accompanying financial report of AustralAsia Railway Corporation, which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the corporation are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *AustralAsia Railway Corporations Act 1996 (NT)*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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 Australian professional ethical pronouncements.

Auditor's Opinion

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

- (a) giving a true and fair view of the corporation's financial position as at 30 June 2008 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations).

BDO Kendalls (NT)

C J Sciacca
Audit Partner

A handwritten signature in black ink, appearing to be 'C J Sciacca', written over a faint, illegible stamp.

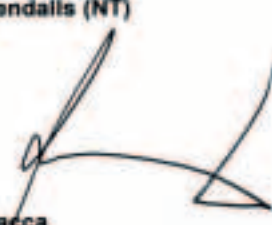
Darwin: 17 November 2008

DECLARATION OF INDEPENDENCE BY C J SCIACCA TO THE DIRECTORS OF AUSTRALASIA RAILWAY CORPORATION

As lead auditor of AustralAsia Railway Corporation for the year ended 30 June 2008, I declare that, to the best of my knowledge and belief, there have been no contraventions of

- the auditor independence requirements of the Australian professional ethical pronouncements;
- any applicable code of professional conduct in relation to the audit.

BDO Kendalls (NT)



C J Sciacca
Audit Partner

Darwin: 17 November 2008



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