AUSTRALASIA
RAILWAY CORPORATION

Annual Report 2009-10


FQ01
FQ01

Letter to the Chief Minister

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 2009/2010 Annual Report of the AustralAsia Railway Corporation.

The report details the activities and operations of the Corporation for the year ending 30 June 2010, 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 Section19 of the Act during the period to which the report relates.

Yours faithfully

PAUL TYRRELL, AO
6 December 2010

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Chairman's Overview

Following the close of bids on 28th May, Receivers and Managers KordaMentha announced on Wednesday 9th June that Genesee & Wyoming Australia Pty Limited had entered into a Business Sale Agreement with APT/FreightLink entities for the sale of the integrated rail and port transport services between South Eastern Australia and the Northern Territory and the assets of the business including the Concession Deed.

Under the Business Sale Agreement, APT is required to obtain the consent of the AustralAsia Railway Corporation, the State and Territory to the transfer of interests and novation of relevant Project Documents as a condition precedent to the completion of the sale. The Corporation has been engaged in extensive negotiations in relation to the novation of and amendments to the Project Documents and the refinancing of the Project. It is anticipated that the sale will be concluded in December 2010.

Over the past year whilst operating in receivership the business has experienced a 25% growth in net Tonnes transported over the previous year to 3.8 MTpa, attributable to a ramp up of production figures from existing mineral projects providing increased traffic to the Port of Darwin in addition to the steady growth of general freight services delivery providing benefits for the Northern Territory and South Australian economies.

The Ghan passenger service continues to offer domestic and international tourists a world class travel experience with opportunities to visit attractions along the track from Adelaide to Darwin and return.

Bulk Minerals

The bulk minerals traffic continues to go from strength to strength with the existing contracts in place providing for increased volumes and extended duration. Following completion of the sale process, investment in additional infrastructure by the new owner is planned for Berrimah yard to complement Northern

Territory Government investment in port bulk handling infrastructure to cater for the demands of bulk minerals exports moving on the railway. Additional passing loops will be necessary to accommodate the growing traffic. There are currently a number of prospective minerals projects which are the subject of feasibility studies and subject to ongoing review as market opportunities arise.

General Freight

The steady growth of domestic freight movements along the central corridor between South Australia and the Northern Territory have continued through the period following the GFC and has been greater than on the east/west corridor. The growth of the "piggy back" road fuel tanker traffic to Alice Springs has also contributed to the removal of significant numbers of heavy vehicles from the road network with significant social benefits to the regional communities.

AustralAsia Trade Route

The AustralAsia Railway continues to act as a stimulus to the development of the AustralAsia Trade Route. In addition to opportunities for bulk minerals exports through the developing Port of Darwin connections with international shipping services between Darwin and the ports of Shanghai and Surabaya provide competitive freight import/export opportunities to service resource developments.

PAUL TYRRELL, AO

Chairman

Role of the AustralAsia Railway Corporation

The AustralAsia Railway Corporation ("the 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 set up in 1997 by the Northern Territory and South Australian Governments to manage the awarding of a Build, Own, Operate and Transfer back (BOOT) concession for the AustralAsia Railway and to enter into contractual arrangements with the successful consortium (Asia Pacific Transport Pty Ltd).

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.

Asia Pacific and the Corporation are parties to a Concession Deed covering 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 completion of construction and commencement of operations in 2003-04 the Corporation's role changed substantially. The Corporation focuses on ensuring delivery of all its obligations under the Concession Deed and that other parties deliver on their obligations throughout the Concession Period.

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

Despite a contracting world economy, freight tonnages continued to grow on the AustralAsia Railway in the 2009 Financial year, resulting in an increase in operating profit of 17% over the previous year. Business can be categorised as intermodal, Bulk Products and Passenger Train Access where performance in each category was as follows:

INTERMODAL

More than 90% of intermodal freight between Adelaide and Darwin is transported by rail. 12 trains per week operating between Adelaide and Darwin carried nearly 800,000 tonnes of intermodal freight comprising containerised general freight, automotive, specialised products and military movements. This was consistent with the previous year figures and in stark contrast with reductions in freight transported on the east-west national rail network, which contracted by 15% during the period.

BULK PRODUCTS

24 trains per week between Darwin and rail loading sidings servicing mines along the corridor carried 2,218,000 tonnes of bulk minerals comprising manganese ore, iron ore and copper/gold concentrates. This business is in an establishment and growth phase and prospects of further growth are likely to materialise as the world demand for minerals expands on the back of an improving economic outlook.

Since the commencement of the OZ Minerals business and the continuing growth of OM Manganese and Territory Resources there is increasing confidence in the prospect of further bulk minerals projects proceeding. In addition to bulk minerals some 71,000 tonnes of bulk liquids comprising piggy-back road tanker rail tank cars were carried in the 2009 financial year.

PASSENGER TRAIN ACCESS

The Ghan passenger service saw 57,156 passengers travelling on various sectors during the 2009 financial year bringing the total to 364,300 since commencement in 2004. The 80th anniversary promotion of the Ghan and the $14 million investment in rolling stock for the Platinum Class service, which commenced in September 2008 and provides a premium level of service option for discerning travellers, has assisted in cushioning the effects of the global economic crisis.

Board Members

CHAIRMAN
Mr Paul Tyrrell, AO
B.EC, Dip.CE, FIEAust

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

Paul Tyrrell is Chairman of the Darwin waterfront Corporation. Senior past appointments have included Chief Executive (CE) of the Northern Territory Department of the Chief Minister, Chair of the NT Major Projects Group, Chair of the Chief Executives Coordination Group, Secretary, NT Department of Lands and Housing, Secretary, NT Department of Transport and works, CE of the Darwin Port Corporation and Chair of the Gas Task Force at the time the Inpex project was secured for Darwin.

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. Previous positions involved managing a range of preconstruction activities for the Railway and project management of Darwin's East Arm Port. Mr. Lawson was also involved in the construction of the Darwin Waterfront Development as Project Administrator and is currently Executive Director, Major Projects, Asian Relations and Trade Division within the NT Department of the Chief Minister.

Ms Pamela Martin
LL.B

Appointed 28 June 2004

Ms Martin is Commercial Counsel 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 Adelaide University Council and the Adelaide to Outback GP Training Program Board and is the Chair of the Council of Walford Anglican school for Girls. Past board appointments include the Land Management Corporation, the South Australian Film Corporation and the South Australian Affordable Housing Trust.

Mr Joseph Ullianich
B.Ec, CPA

Appointed 28 June 2004

Mr Ullianich is Executive 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), PSM, FAICD

Appointed 28 June 2004

Mr Caldwell is Deputy Under Treasurer, Northern Territory Treasury and Associate Utilities Commissioner of the Northern Territory. He previously worked in the Northern Territory Departments of Industries and Development; and Mines and Energy; the Asian Development Bank; the Commonwealth Departments of Trade, Territories and Treasury; and the University of Ghana. He is also a Director of NT Gas Pty Limited and NT Gas Distribution Pty Limited and an alternate member of the Territory Insurance Office Board.

Board Members' Report

Board Members' Report

The Board Members present their report on the accounts for the period ended 30 June 2010.

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:

- Paul Tyrrell, AO (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 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, 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 ministerial directions were received by the Corporation under Sections 18 or 19 of the *AustralAsia Railway Corporation Act (NT)* for the period ended 30 June 2010.

Review of Operations and Significant Changes during the Financial Period

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 Consortium and Governments throughout the 50 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 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 $3.474 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) 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 Period

At the date of this report there is no matter or circumstance which has arisen since 30 June 2010 that has significantly affected or may significantly affect:

a) the operations in the financial periods subsequent to 30 June 2010, of the Corporation; or

b) the results of those operations; or

c) the state of affairs in financial periods subsequent to 30 June 2010, 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 2010-11 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 (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*.

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 39.

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

B.J. Lawson.

PAUL TYRRELL, AO	**BRENDAN LAWSON**
Chairman	Chief Executive Officer
19 November 2010	19 Novembwer 2010

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 Australian Accounting Standards (including Australian Accounting Interpretations) and;

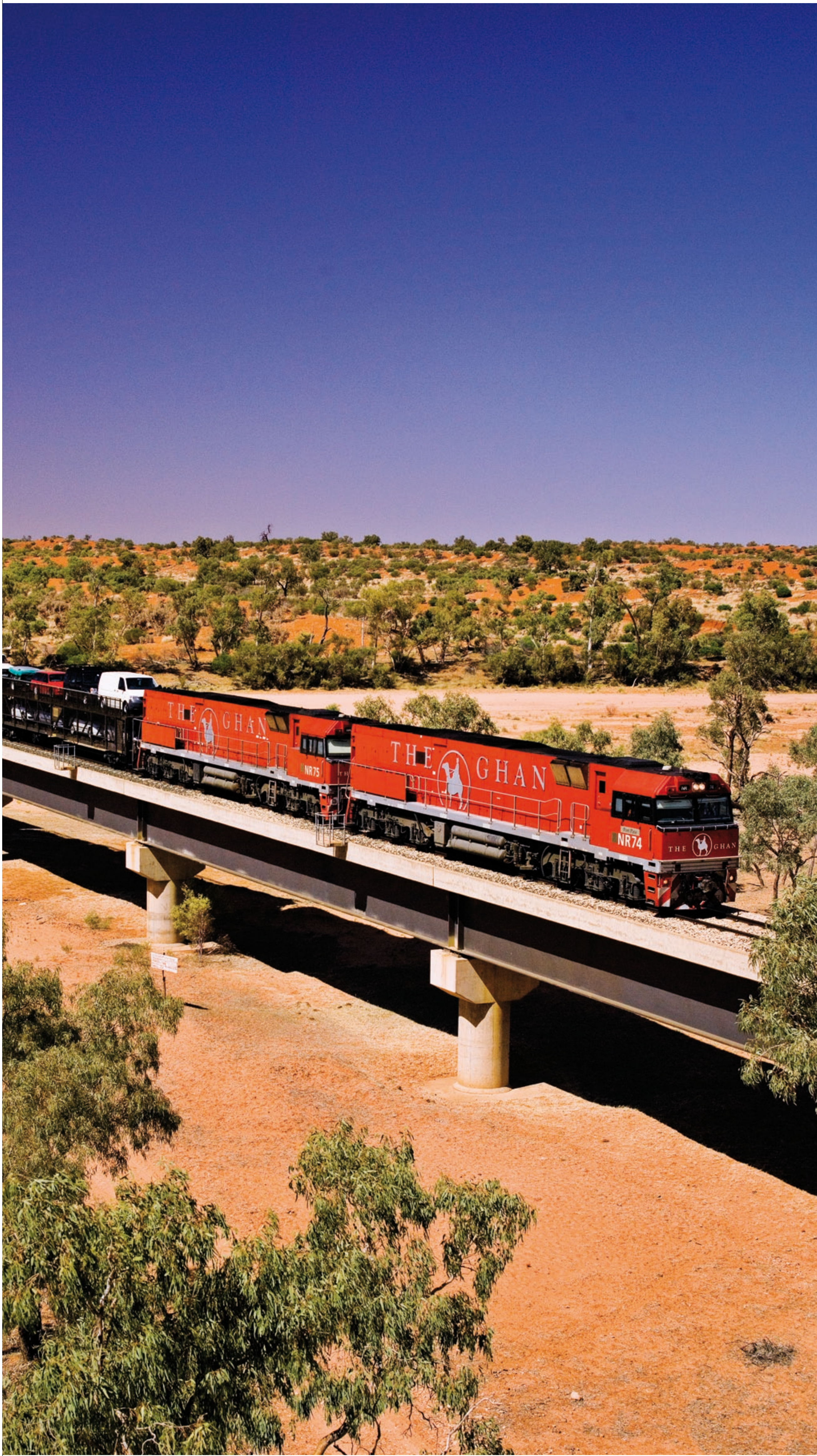
   b) give a true and fair view of the Corporation's financial position as at 30 June 2010 and of its performance for the period ended on that date;

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.

PAUL TYRRELL, AO
Chairman
19 November 2010

BRENDAN LAWSON
Chief Executive Officer
19 November 2010



Financial Statements

Statement of Comprehensive Income
for the year ended 30 June 2010

	Note	2010 $'000	2009 $'000
Income			
Income from Ordinary Activities		200	200
Other		5	8
Total Income	**3**	**205**	**208**
Expenses			
Employee Expenses		61	106
Depreciation and Amortisation		3,548	3,548
Other Expenses	4	70	90
Total Expenses		**3,679**	**3,744**
Surplus/(Deficit) for the Year		**(3,474)**	**(3,536)**
Other Comprehensive Income			
Other Comprehensive Income for the Year		-	-
Total Other Comprehensive Income		**-**	**-**
Total Comprehensive Income for the Year		**(3,474)**	**(3,536)**

The Statement of Comprehensive Income should be read in conjunction with the notes to the financial statements.

Statement of Financial Position
as at 30 June 2010

	Note	2010 $'000	2009 $'000
Current Assets			
Cash and Cash Equivalents	5	210	175
Trade and Other Receivables	6	102	14
Total Current Assets		**312**	**189**
Non Current Assets			
Property, Plant and Equipment	7	404,736	408,283
Total Non Current Assets		**404,736**	**408,283**
TOTAL ASSETS		**405,048**	**408,472**
Current Liabilities			
Trade and Other Payables	8	91	41
Total Current Liabilities		**91**	**41**
Non Current Liabilities			
Net Loans		-	-
Net Advances		-	-
Total Non Current Liabilities	**9**	**-**	**-**
TOTAL LIABILITIES		**91**	**41**
NET ASSETS		**404,957**	**408,431**
Equity			
Accumulated Funds		404,957	408,431
TOTAL EQUITY		**404,957**	**408,431**

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 2010

	Note	2010 $'000	2009 $'000
Accumulated Funds			
Balance at 1 July		408,431	411,967
Surplus/(Deficit) for the Period		(3,474)	(3,536)
BALANCE AT 30 JUNE		**404,957**	408,431

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 2010

	Note	2010 $'000	2009 $'000
Cash Flows from Operating Activities			
Grants and Subsidies Received		150	200
Payments for Goods and Services		(120)	(198)
Interest Received		5	8
Net Cash Provided by/(Used In) Operating Activities	**10**	**35**	**10**
Net increase in cash and cash equivalents		35	10
Cash and cash equivalents at the beginning of the financial year		175	165
Cash and Cash Equivalents at the end of the Financial Year	**5**	**210**	**175**

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 2010

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 4796, 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 Consortium 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 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.*

The financial statements were authorised for issue by the Board Members on 18 November 2010.

a) Basis of Preparation

The financial statements have been prepared on an accrual basis using historical cost, except for the revaluation of certain non-current assets and financial instruments.

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

All amounts are presented in Australian dollars and have been rounded to the nearest thousand dollars, in accordance with class order 98/100, unless otherwise indicated.

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 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 Repairment of Receivables

The Board Members' believe that all receivables are recoverable and no provision for impairment of receivables has been made as at 30 June 2010.

c) Accounting Standards Issued But Not Yet Effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2010 reporting periods.

The Corporation's assessment of the impact of these new standards and interpretations is set out below.

(i) *AASB 9 Financial Instruments, Amends the requirements for classification and measurement of financial assets*

Effective for annual reporting periods beginning on or after 1 January 2013.

This amends the requirements for classification and measurement of financial assets. Due to the recent release of these amendments and that adoption is only mandatory for the 30 June 2014 year end, the entity has not yet made an assessment of the impact of these amendments.

(ii) *AASB Interpretation 19 (issued December 2009), Financial Instruments*

Effective for annual reporting periods beginning on or after 1 July 2010.

This discusses extinguishing Financial Liabilities with Equity Instruments. Equity instruments issued to a creditor to extinguish all or part of a financial liability are 'consideration paid' to be recognised at the fair value of the equity instruments issued, unless their fair value cannot be measured reliably, in which case they are measured at the fair value of the debt extinguished. Any difference between the carrying amount of the financial liability extinguished and the 'consideration paid' is recognised in profit or loss. There will be no impact as the entity has not undertaken any debt for equity swaps.

(iii) *Revised AASB 124 Related Party Disclosures*

Effective for annual reporting periods commencing on or after 1 January 2011.

This amendment clarifies and simplifies the definition of a related party. When applied, the amendment will require the Corporation to disclose any transactions between itself and its associates. As the Corporation has not put in place any system to capture such transactions it is not possible to disclose the financial impact, if any, of the amendment on the related party disclosures.

(iv) *AASB 2009-5 Further Amendments to Australian Accounting Standards Arising from the Annual Improvements Process (issued May 2009)*

Effective for annual reporting periods commencing on or after 1 January 2010.

The following amendments relevant to the Corporation are as follows:

a) *AASB 101 Presentation of Financial Statements*

Clarifies that terms of a liability that could, at the option of the counterparty, result in the liability being settled by the issue of equity instruments, do not affect its classification. This means that unless the terms of such liabilities require a transfer of cash or other assets within 12 months, they do not necessarily have to be classified as current liabilities. Initial adoption of this amendment will have no impact as the Corporation does not have any current liabilities where the counterparty has the option to have the liabilities settled by the issue of equity instruments.

b) *AASB 107 Statement of Cash Flows*

Clarifies that only expenditures that result in a recognised asset in the statement of financial position are eligible for classification as cash flows from investing activities. Initial adoption of this amendment will have no impact as the Corporation only recognises cash flows from investing activities for expenditures that result in a recognised asset in the statement of financial position.

c) *AASB 117, Leases*

This explains that land can be classified as a finance lease for very long leases where the significant risks and rewards are effectively transferred,

despite there being no transfer of title. Initial adoption of this amendment will have no impact as the Corporation has no leases.

d) Going Concern Basis

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

e) 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 cash flow statement 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.

f) Revenue

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

g) Government Grants

Government grants that are non-reciprocal in nature are recognised as revenues in the financial year in which they are receivable.

h) Income Tax

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

i) Cash and Cash Equivalents

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

j) Financial Instruments

All investments and other financial assets are initially stated at cost, being the fair value of consideration given plus acquisition costs. Purchases and sales of investments are recognised on trade date which is the date on which the Corporation arranges to purchase or sell the asset. Accounting policies for each category of investments and other financial assets subsequent to initial recognition are set out below.

(i) Held-to-maturity Investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Corporation has the positive intention and ability to hold-to-maturity and are measured at amortised cost subsequent to initial recognition using the effective interest method. If the Corporation were to sell other than an insignificant amount of held-to-maturity investments, the whole category is then reclassified as available-for-sale.

(ii) Available-for-sale Financial Assets

Available-for-sale financial assets comprise investments in listed and unlisted entities and any non-derivatives that are not classified as any other category, and are classified as non-current assets. After initial recognition, these investments are measured at fair value with gains or losses recognised as a separate component of

equity (available-for-sale investments revaluation reserve). Where losses have been recognised in equity and there is objective evidence that the asset is impaired, the cumulative loss, being the difference between the acquisition cost and current fair value less any impairment loss previously recognised in the statement of comprehensive income, is removed from equity and recognised in the statement of comprehensive income.

(iii) Loans and Receivables

Non-current loans and receivables include loans due from related parties repayable within 365 days of balance sheet date. As these are non-interest bearing, fair value at initial recognition requires an adjustment to discount these loans using a market-rate of interest for a similar instrument with a similar credit rating. The discount is debited to the income statement immediately and amortised using the effective interest method.

(iv) Impairment of Financial Assets

An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset or a group of financial assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined by publicly available information such as quoted market prices or by calculating the net present value of future anticipated cash flows. In estimating these cash flows, management makes judgements about a counterparty's financial situation and the net realisable value of any underlying collateral.

Financial assets are grouped on the basis of similar credit risk characteristics that are indicative of the debtors' ability to pay all amounts due according to the contractual terms and the collective impairment provision is estimated for any such group where credit risk characteristics of the group of financial assets has deteriorated. Factors such as any deterioration in country risk, industry performance, technological obsolescence as well as identified structural weaknesses or deterioration in cash flows are taken into consideration and the amount of the provision is based on the historical loss pattern within each group, adjusted to reflect current economic change.

Impairment losses on assets measured at amortised cost using the effective interest rate method are calculated by comparing the carrying value of the asset with the present value of estimated future cash flows at the original effective interest rate. Losses are recognised in *'Provisions for losses on loans and advances and impairment of investment securities'* in the statement of comprehensive income and interest on the impaired asset continues to be recognised as part of the unwinding of the discount.

k) Trade and Other Receivables

Trade and other receivables are recognised at fair value less any allowance for impairment losses. 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.

l) 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.

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. 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:

Railway Infrastructure	
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.

m) 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.

n) 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.

o) 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.

p) Comparative Amounts

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

q) 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 2010 where the amount of the future commitment can be reliably measured.

r) Services Received Free of Charge

During the 2010 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 considered immaterial.

3. Revenue

	2010 $'000	2009 $'000
Income from Ordinary Activities		
Operating Grants and Other Contributions		
Northern Territory Government	100	100
South Australian Government	100	100
Other		
Interest on Cash Balances	5	8
Total Revenue	**205**	**208**

4. Other Expenses

Audit Fees (auditors received no other benefits)	8	7
Other Operational Costs	62	83
Total Other Expenses	**70**	**90**

5. Cash and Cash Equivalents

Cash at Bank	210	175
Cash on Hand	-	-
Total Cash and Cash Equivalents	**210**	**175**

6. Trade and Other Receivables

Current		
Trade Receivables	50	-
Other	45	14
Goods and Services Tax Recoverable	7	-
Total Trade and Other Receivables	**102**	**14**
Consisting of:		
Government Agencies	102	14
External Bodies	-	-

No receivables are past due or impaired. The corporation does not hold any financial assets whose terms have been renegotiated, but would otherwise be past due or impaired. No collaterall is held as security for any of the trade or other receivables balances.

7. Property, Plant and Equipment

	2010 $'000	2009 $'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	(16,383)	(13,830)
Total Culverts and Bridges	**111,279**	**113,832**
Freight Handling and Signalling		
At Cost	28,920	28,920
Less: Accumulated Depreciation	(6,380)	(5,386)
Total Freight Handling and Signalling	**22,540**	**23,534**
Total Property, Plant and Equipment	**404,736**	**408,283**

Reconciliations

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

	2010 $'000	2009 $'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	113,832	116,385
Depreciation	(2,553)	(2,553)
Carrying amount at end of year	**111,279**	**113,832**
Freight Handling and Signalling		
Carrying amount at beginning of year	23,534	24,529
Depreciation	(994)	(995)
Carrying amount at end of year	**22,540**	**23,534**
Total Property, Plant and Equipment	**404,736**	**408,283**

8. Trade and Other Payables

Current		
Trade Payables	91	41
Total Trade and Other Payables	**91**	**41**
Consisting of:		
Government Agencies	-	-
External Bodies	91	41

9. Other Financial Liabilities

	2010 $'000	2009 $'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 Consortium	(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 Consortium. Repayment of loans to Government 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.

	2010 $'000	2009 $'000
Net Advances		
Advance from Commonwealth	5,050	5,050
Advance to Northern Territory Government	(5,050)	(5,050)
Net Advances	**-**	**-**

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.

10. Notes to the Statement Cash Flows

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

	2010 $'000	2009 $'000
Operating Surplus/(Deficit)	**(3,474)**	**(3,536)**
Non-cash items		
Depreciation and Amortisation	3,548	3,548
Changes in assets and liabilities		
(Increase)/decrease in receivables	(82)	2
(Decrease)/Increase in payables	43	(4)
Net Cash from Operating Activities	**35**	**10**

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

	2010 $'000	2009 $'000
Financial Assets		
Cash and Cash Equivalents	210	175
Receivables	102	14
Loans Receivable	55,050	55,050
Total Financial Assets	**55,362**	**55,239**
Financial Liabilities		
Payables	91	41
Loans Payable	55,050	55,050
Total Financial Liabilities	**55,141**	**55,091**

(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 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.

(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.

Variable Rate Instrument		
Financial Assets	210	175
Financial Liabilities	-	-

(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.

(i) Maturity Analysis

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

2010	Carrying Amount $'000	1 Year or Less $'000	2 to 5 Years $'000	Over 5 Years $'000
Financial Liabilities				
Payables	91	91	-	-
State/Territory Govt Loans	50,000	-	-	50,000
Commonwealth Advances	5,050	-	-	5,050
Total Financial Liabilities	**55,141**	**91**	**-**	**55,050**
Financial Assets				
Receivables	102	102	-	-
Loans to Consortium	50,000	-	-	50,000
Advance to NT Government	5,050	-	-	5,050
Total Financial Assets	**55,152**	**102**	**-**	**55,050**

2009	Carrying Amount $'000	1 Year or Less $'000	2 to 5 Years $'000	Over 5 Years $'000
Financial Liabilities				
Payables	41	41	-	-
State/Territory Govt Loans	50,000	-	-	50,000
Commonwealth Advances	5,050	-	-	5,050
Total Financial Liabilities	**55,091**	**41**	**-**	**55,050**
Financial Assets				
Receivables	14	14	-	-
Loans to Consortium	50,000	-	-	50,000
Advance to NT Government	5,050	-	-	5,050
Total Financial Assets	**55,064**	**14**	**-**	**55,050**

12. Details of Board Members

Members Remuneration

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

	2010 $'000	2009 $'000
$0	4	4
$10,000 to $30,000	1	1
Total income paid or payable, or otherwise made available to all Members of the Corporation from the Corporation	**30**	**30**

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

Key management personnel remuneration

	2010 $'000	2009 $'000
Short-term employee benefits	24	92
Other long term benefits	-	-
Post-employment benefits	-	-
Termination benefits	-	-
Total Key Personnel Remuneration	**24**	**92**

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 Government.

Full Meetings of Board Members

There were three meetings for the 2009-10 financial period attended by:

Member	Meetings Eligible to Attend	Meetings Attended
Paul Tyrrell, AO	3	2
Brendan Lawson	3	3
Pamela Martin	3	3
Joseph Ullianich	3	3
Peter Caldwell	3	3

Election and Continuation in Office of Board Members

The date of appointment of members:

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

13. Commitments

There are no commitments other than those quantified within the financial statements as at 30 June 2010.

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 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 investments 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.

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 2010.

Number of Employees

The Corporation reimbursed the Northern Territory Government for an average of four part time employees contracted to the Corporation during the financial year (2009 – five 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.

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

BDO

Tel: +61 8 8981 7066
Fax: +61 8 8981 7493
www.bdo.com.au

72 Cavenagh St
Darwin NT 0800
GPO Box 4640 Darwin NT 0801
Australia

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 statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows 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 2010 and of its performance for the year ended on that date; and

(b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations).

BDO

BDO Audit (NT)

C J Sciacca
Audit Partner

Darwin: 22 November 2010

BDO

Tel: +61 8 8981 7066
Fax: +61 8 8981 7493
www.bdo.com.au

72 Cavenagh St
Darwin NT 0800
GPO Box 4640 Darwin NT 0801
Australia

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 2010, 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.

BDO Audit (NT)

C J Sciacca
Audit Partner

Darwin: 22 November 2010

AustralAsia Railway Corporation Annual Report 2009–10