

ANNUAL REPORT 2004 - 2005





The Hon Clare Martin
Minister for the AustralAsia Railway
GPO Box 3146
Darwin NT 0801

Paul Tyrrell
Chairman

Dear Minister

RE: AUSTRALASIA RAILWAY CORPORATION ANNUAL REPORT

I have pleasure in presenting this Annual Report of the AustralAsia Railway Corporation.

The report details the activities and operations of the Corporation for the year ending 30 June 2005, 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

Chairman
17 October 2005

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CHAIRMAN'S OVERVIEW



The AustralAsia Railway Corporation was established by the Northern Territory and South Australian Governments in August 1997 to manage the awarding of a concession and to enter into contractual arrangements with a consortium to construct, own and operate the Alice Springs to Darwin Railway. Seven years later, the long-held vision of linking Darwin to Australia's mainland capitals by a national standard gauge network was realised.

After completion of works five months ahead of the contractual completion date, the first commercial freight service left Adelaide on 15 January and arrived at the Port of Darwin on 17 January 2004. This was followed by the inaugural arrival of the Ghan passenger services into Darwin on 3 February 2004.

Since those first services, almost a million tonnes of freight and more than a hundred thousand passengers have been moved on the new railway. The Ghan service is regarded as a world class train journey and the demand for services now provides for two weekly services to Darwin during the Dry Season.

The primary task of the Corporation during operations of the railway is to ensure the compliance with obligations under the Concession Deed, including the inspection of rail infrastructure to determine it is being maintained in a fit for purpose state.

The railway has proven to be competitive, winning the bulk of domestic freight from alternative transport modes in the first 18 months of operation. Prospects to further consolidate and build on this achievement remain extremely positive with arrangements now underway to move bulk mining material from new projects along the rail corridor.

During the year, the operator of the railway introduced a revised business plan, reflecting what is considered a robust and achievable projection of operations based on the first 18 months of operating experience.

Considerable opportunities also exist in International Trade. The operators of the railway have been working closely with the Northern Territory and South Australian Governments to meet and develop relationships with potential key freight forwarders, shipping lines and major business in the Asian region. This work has resulted in several shipments to the Port of Darwin and subsequent movement of international freight on the rail corridor to South Australia.

Building on the successes of the first 18 months of operations, I look forward to the next 12 months of development on this major trade route.

A handwritten signature in black ink, appearing to read 'Paul Tyrrell'. The signature is fluid and cursive.

Paul Tyrrell, Chairman



ROLE OF AUSTRALASIA RAILWAY CORPORATION

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

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

The Corporation negotiated a detailed Concession Deed to deal with risks which 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 develop and maintain the Contract Management System to ensure contract information is readily available to the Corporation to deliver all its obligations and ensure 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. Regular inspections are required to be conducted and maintenance reports are routinely scrutinised to ensure compliance with Concession obligations.

The Corporation continues to provide advice to the Northern Territory and South Australian Governments on railway matters as and when required. For example, the planning and design of the new railway infrastructure to provide for bulk minerals transport to the Port of Darwin has involved the Corporation in ensuring compliance with the standards adopted throughout the new railway and the environmental regimes which apply to its operation.

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* 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.*

AUSTRALASIA RAILWAY CORPORATION BOARD MEMBERS 2004/05



Chairman

Mr Paul Tyrrell

Appointed Chairman 28 June 2004

Initial appointment to Board 4 September 1997

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

Mr Tyrrell is Chief Executive of the Northern Territory Department of the Chief Minister and Head of the Northern Territory Railway Unit.

Senior past appointments have included Secretary, NT Department of Lands and Housing; Secretary, NT Department of Transport and Works; and Chief Executive Officer of the Darwin Port Corporation. He chairs the NT Government's Major Projects Group.



Chief Executive Officer

Brendan Lawson

Appointed CEO 6 October 2004

Brendan Lawson is the Chief Executive Officer of the AustralAsia Railway Corporation and Administrator of the Darwin City Waterfront Project Office.

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 the management of a range of pre-construction activities for the Railway.

Mr Lawson was also involved in the construction of the new East Arm Port.



Member

Ms Pamela Martin

Appointed 28 June 2004

LL.B.

Ms Martin is Director, 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 Land Management Corporation, the South Australian Film Corporation, the Adelaide University Council and the Adelaide to Outback GP Training Program Board.



Member

Mr Joseph Ullianich

Appointed 28 June 2004

B.Ec, CPA

Mr Ullianich is Director, Financial Services in the South Australian Department of Family and Community Services.

From October 1997 until now, Mr Ullianich has been a member of the South Australian Rail Taskforce as the Treasury representative. He is Director of the South Australian Asset Management Corporation and Southern Group Insurance Corporation.



Member

Mr Peter Caldwell

Appointed 28 June 2004

BA Hons(Econ), GMAICD

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 2005

Members

The following persons held office as members of AustralAsia Railway Corporation ("the Corporation") for the 2004-05 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 12 to the financial statements and profiles of members on pages 8-9.

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, for the period ending 30 June 2005.

Review of Operations and Significant Changes during the Financial Year

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

Tracklaying of the AustralAsia Railway was completed in September 2003, linking Adelaide and Darwin by rail for the first time in history.

Rail operations commenced one month later, with the first Freightlink train arriving at Darwin's East Arm Port on 17 January 2004.

Completion of construction and commencement of rail operations has signified a change in the role of the Corporation. From a role of facilitating completion of the 1,420km rail link, the Corporation's role has shifted to monitoring operations to ensure responsibilities under the Concession Deed 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 of Corporation owned infrastructure) is maintained in a 'fit for purpose' state by the Consortium throughout the Concession and that secure title over the rail corridor is held throughout this time.

The Corporation will continue its role in providing 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 \$3.8 million. This operating deficit largely resulted from depreciation charges to the accounts, reflecting use of the Corporation's \$427.5 million 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 2005 that has significantly affected or may significantly affect:

- (a) the operations, in financial periods subsequent to 30 June 2005, of the Corporation, or
- (b) the results of those operations, or
- (c) the state of affairs, in financial periods subsequent to 30 June 2005, 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 2005-06 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 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

23 September 2005



BRENDAN LAWSON

Chief Executive

23 September 2005

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 2005 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

23 September 2005



BRENDAN LAWSON

Chief Executive

23 September 2005

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2005

	Note	2005 \$000	2004 \$000
Current Assets			
Cash at Bank	2	155	376
Cash Investments	3	0	0
Receivables	4	19	72
Prepayments	5	1	1
Total Current Assets		175	449
Non Current Assets			
Property, Plant and Equipment	6	422,474	426,022
Total Non Current Assets		422,474	426,022
TOTAL ASSETS		422,649	426,471

	Note	2005 \$000	2004 \$000
Current Liabilities			
Payables	7	23	71
Non Current Liabilities			
Net Loans	8	0	0
Net Advances	9	0	0
TOTAL LIABILITIES		23	71
NET ASSETS		422,626	426,400
ACCUMULATED FUNDS	14	422,626	426,400
Contingent Liabilities			
	18		
Commitments			
	19		

The Statement of Financial Position should be read in conjunction with the notes 1 to 22 forming part of the Financial Statements.

STATEMENT OF FINANCIAL PERFORMANCE

FOR FINANCIAL YEAR ENDED 30 JUNE 2005

	Note	2005 \$000	2004 \$000
Revenue			
Income from Operating Activities	10	17	1,503
TOTAL REVENUE		17	1,503
Operating Expense			
Expenses	11	3,791	3,822
TOTAL EXPENSE		3,791	3,822
OPERATING SURPLUS/(DEFICIT) BEFORE AND AFTER TAX	14,16	(3,774)	(2,319)

The Statement of Financial Performance should be read in conjunction with the notes 1 to 22 forming part of the Financial Statements.

STATEMENT OF CASHFLOWS

FOR FINANCIAL YEAR ENDED 30 JUNE 2005

	Note	2005 \$000	2004 \$000
CASHFLOWS FROM OPERATING ACTIVITIES			
Receipts			
Government Grants and Contributions	17	0	8,417
Recovery of Operating Expenses		186	0
Interest		11	48
Total Receipts from Operating Activities		197	8,465
Payments			
Payments for Goods and Services		(418)	(9,208)
Net Cashflows from Operating Activities	16	(221)	(743)
CASHFLOWS FROM INVESTMENTS IN FINANCIAL ASSETS			
Cash Investments		0	449
NET INCREASE (DECREASE) IN CASH HELD		(221)	(294)
Cash at beginning of reporting period		376	670
CASH HELD AT END OF REPORTING PERIOD	2	155	376

The Statement of Cashflows should be read in conjunction with the notes 1 to 22 forming part of the Financial Statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

30 JUNE 2005

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 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.

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:

For the purpose of the statement of cash flows, cash includes 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 6). Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life. The following are estimated useful lives used in the calculation of depreciation/amortisation:

• Railway Infrastructure	
– Culverts and Bridges	50 years
– Yards and Freight Handling Facilities	50 years
– Signalling	15 years
• Leasehold Improvements	5 years
• Office Furniture & Equipment	3 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 8). No interest was payable on the loans for either financial period.

e) **Goods and Services 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 amounts due less any provision for doubtful debts.

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.

k) **Financial Assets and Liabilities:**

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

l) **Employee/Member Benefits:**

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

30 JUNE 2005

m) Taxation:

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

n) Change in Accounting Policies:

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

o) Round 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.

	2005	2004
	\$000	\$000
NOTE 2 CASH		
Operating Account	154	375
Cash on Hand	1	1
Total Cash	155	376

NOTE 3 CASH INVESTMENTS

Cash Invested	0	0
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NOTE 4 RECEIVABLES

Current

Goods and Services Tax Refunds to be Received	4	0
Other Receivables	15	72
Total Receivables	19	72

Consisting of:

Government Agencies	0	34
External Bodies	19	38
Total Receivables	19	72

	2005	2004
	\$000	\$000
NOTE 5 PREPAYMENTS		
Office Equipment Lease	0	1
Other Prepayments	1	0
Total Prepayments	1	1

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

30 JUNE 2005

	2005 \$000	2004 \$000
NOTE 6 (a) PROPERTY, PLANT AND EQUIPMENT		
Infrastructure Assets:		
Earthworks and Capping Layer	270,918	270,918
At Cost	270,918	270,918
Culverts and Bridges		
At Cost	127,662	127,662
Less Accumulated Depreciation	(3,617)	(1,064)
	124,045	126,598
Freight Handling and Signalling		
At Cost	28,920	28,920
Less Accumulated Depreciation	(1,409)	(414)
	27,511	28,506
Leasehold Improvements		
At Cost	0	219
Less Accumulated Depreciation	(0)	(219)
	0	0
Furniture and Fittings		
At Cost	0	33
Less Accumulated Depreciation	(0)	(33)
	0	0
Total Property, Plant and Equipment (refer Note 1)	422,474	426,022

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

NOTE 6 (b) PROPERTY, PLANT AND EQUIPMENT (Reconciliation)

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

	Infrastructure Assets 2005 \$000	Infrastructure Assets 2004 \$000	Leasehold Improvements 2005 \$000	Furniture and Fittings 2005 \$000	Property, Plant and Equipment 2005 \$000
Opening Balance	426,022	427,500	131	11	427,642
Depreciation and Amortisation	(3,548)	(1,478)	(44)	(11)	(1,533)
Disposals	(0)	(0)	(87)	(0)	(87)
Balance at 30 June	422,474	426,022	0	0	426,022

	2005	2004
	\$000	\$000
NOTE 7 PAYABLES		
Current		
Trade Creditors	23	71
Total Creditors	23	71
Consisting of:		
Northern Territory Government Agencies	20	64
External Bodies	3	7
Total Creditors	23	71

NOTE 8 NET LOANS

Loan from Northern Territory Government	25,000	25,000
Loan from South Australian Government	25,000	25,000
	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 had been drawn down by the Consortium prior to the 2003-04 financial year. Loans to the Consortium are secured over the assets of the Consortium and repayment is guaranteed by individual members of the Consortium.

	2005	2004
	\$000	\$000
NOTE 9 NET ADVANCES		
Advance from Commonwealth Government	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.

	2005	2004
	\$000	\$000
NOTE 10 REVENUE		
Income from operating activities		
Government Contributions	0	1,417
Interest Revenue	11	44
Other Revenue	6	42
Total Revenue	17	1,503

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

30 JUNE 2005

NOTE 11 EXPENSES

Auditors' Remuneration – Audit Services	9	9
<hr/>		
Other Operating Expenditure Classified by Nature		
Amortisation	0	44
Depreciation	3,548	1,489
Assets Written Down	0	87
Employee Expenses	134	622
Board Members Expenses	0	136
First Train Celebrations	9	474
Other	91	961
Total Expenses	3,791	3,822

NOTE 12 DETAILS OF BOARD MEMBERS

Members Remuneration	2005	2004
	Members	Members
The number of Members of the Corporation whose income from the Corporation falls within the following bands:		
\$0 – \$9,999	5	5
\$10,000 – \$19,999		
\$20,000 – \$29,999		2
\$30,000 – \$39,999		
\$40,000 – \$49,999		
\$50,000 – \$59,999		
\$60,000 – \$69,999		
\$70,000 – \$79,999		
\$80,000 – \$89,999		1
	\$000	\$000
Total income paid or payable, or otherwise made available to all Members of the Corporation from the Corporation, including superannuation guarantee levy.	0	136

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

Full Meetings of Board Members

There were 4 meetings in the 2004-05 financial year. Numbers of meetings attended by:

Member	Number of Meetings eligible to attend	Number of Meetings Attended
Paul Tyrrell	4	4
Brendan Lawson	4	4
Pamela Martin	4	4
Joseph Ullianich	4	4
Peter Caldwell	4	4

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

NOTE 13 FINANCIAL INSTRUMENTS

Interest rate risk

The Corporation does not have an exposure to interest rate risk for financial assets and financial liabilities. Loans and Advances as detailed in Note 8 and Note 9 do attract interest, however, no interest is payable until an equivalent amount of interest is received from the Consortium or the Northern Territory Government.

Net fair value of financial assets and liabilities

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

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

	2005	2004
	\$000	\$000

NOTE 14 ACCUMULATED FUNDS

Accumulated funds at the beginning of the financial year	426,400	428,719
Operating surplus/(deficit) and extraordinary items after income tax and government contributions	(3,774)	(2,319)
Accumulated Funds	422,626	426,400

NOTE 15 SERVICES RECEIVED FREE OF CHARGE

During the 2003-04 and 2004-05 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

30 JUNE 2005

	2005 \$000	2004 \$000
NOTE 16 STATEMENT OF CASHFLOWS		
Reconciliation of operating surplus/(deficit) after tax to net cash flows from operations		
Operating surplus/(deficit) after tax	(3,774)	(2,319)
Charges not requiring funds		
Depreciation / Amortisation	3,548	1,533
Assets Written Down	0	87
Changes in Assets and Liabilities		
Decrease in Receivables	52	7,632
Decrease in Prepayments	(1)	10
Net increase in Creditors/ Provisions Relating to Operations	(46)	(7,686)
Net Cashflows from Operations	(221)	(743)

	2005 \$000	2004 \$000
NOTE 17 GOVERNMENT GRANTS AND CONTRIBUTIONS RECEIVED FOR PERIOD		
Northern Territory Government Project Grants	0	0
South Australian Government Project Grants	0	7,000
Commonwealth Government Project Grants	0	0
Total Project Grants	0	7,000
Northern Territory Government Operating Contributions	0	600
South Australian Government Operating Contributions	0	600
Northern Territory First Train Contributions	0	217
Total Operating Contributions	0	1,417
Total Government Contributions	0	8,417

NOTE 18 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 and 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 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

30 JUNE 2005

NOTE 19 COMMITMENTS

The Corporation has made all payments required under the project documents, hence there were no further commitments at 30 June 2005 (2004 – nil).

NOTE 20 SEGMENTS

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

NOTE 21 DISCLOSING THE IMPACT OF ADOPTING AASB TO IASB PRONOUNCEMENTS

AASB 1047 requires entities to disclose within their general purpose Financial Statements the impact of adopting the AASB equivalents to International Financial Reporting Standards.

At this point the Corporation's management has established an implementation process that continually assess the impact of the transition to Australian equivalence to International Financial Reporting Standards (AIFRS) and to achieve compliance with AIFRS reporting for the financial year commencing 1 July 2005.

The Corporation is expected to be in a position to fully comply with the requirements of AIFRS for the 30 June 2006 financial year.

There are no significant changes in accounting policies expected as a result of adopting AIFRS.

NOTE 22 OTHER STATUTORY INFORMATION

Distributions

No dividends or distributions were made during the financial year ending 30 June 2005.

Domicile of Company

Darwin, NT, Australia

Number of Employees

The Corporation reimbursed the NT Government for an average of 4 part time employees contracted to the Corporation during the financial year (2004 – 7 employees).

Corporation Details

Principal Place of Business:

Tourism House, 43 Mitchell Street
DARWIN NT 0801

Postal Address:

GPO Box 4796
DARWIN NT 0801

Indemnifying Officer

No indemnities have been given or agreed to be given or insurance premiums paid or agreed to be paid 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.



Chartered Accountants
& Advisers

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF AUSTRALASIA RAILWAY CORPORATION

Scope

The financial report comprises the statement of financial position, statement of financial performance, statement of cashflows, accompanying notes 1 to 22 to the financial statements, and the directors' declaration for AustralAsia Railway Corporation for the financial year ended 30 June 2005. The Corporation's Board members are responsible for the preparation and true and fair presentation in the financial statements. We have conducted an independent audit of these financial statements in order to express an opinion on them to the members of the Corporation.

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

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

Audit Opinion

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

- a) the Corporations Act, including:
 - (i) giving a true and fair view of the Corporation's financial position as at 30 June 2005 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations; and
- b) other mandatory professional reporting requirements.

BDO

Chartered Accountants


C J Sciacca
Partner

Darwin: 10 October 2005

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BDO is a national association of
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Northern Territory Government



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