



ANNUAL REPORT 2005-06

AUSTRALASIA

RAILWAY CORPORATION



THE AUSTRALASIA RAILWAY PROVIDES
A TRANSCONTINENTAL TRANSPORT
SYSTEM LINKING THE SOUTH OF
AUSTRALIA WITH THE NORTH.



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

Dear Minister

RE: AUSTRALASIA RAILWAY CORPORATION ANNUAL REPORT

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

The report details the activities and operations of the Corporation for the year ending 30 June 2006, 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
16 November 2006

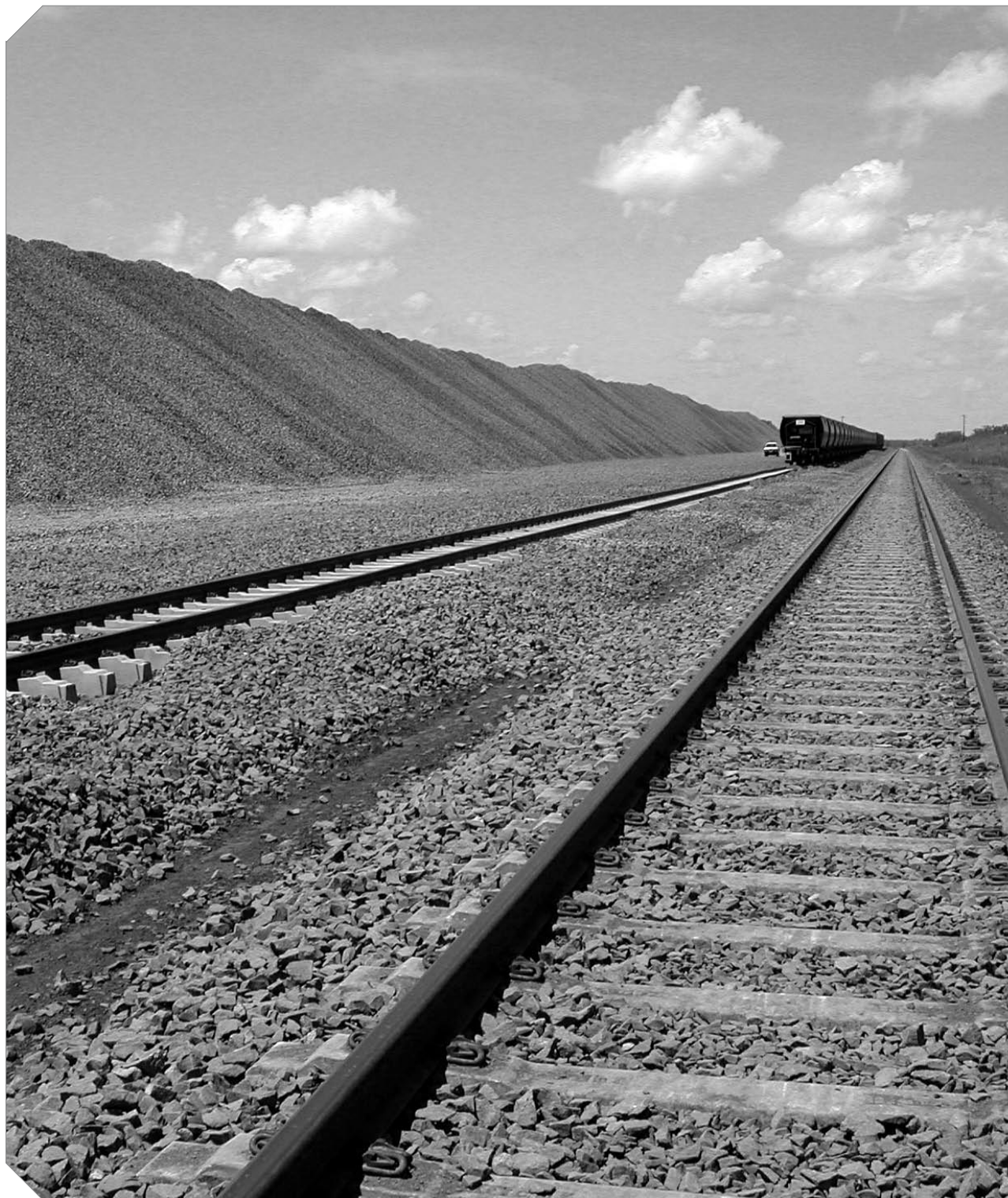
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CHAIRMAN'S OVERVIEW

The past year has seen the AustralAsia Railway continue to cement its position as an important transport and tourism link.

Growth in both passenger and freight services continued through 2005-06, with FreightLink now capturing more than 85 per cent of the contestable freight market on the Adelaide to Darwin corridor. Freight delivery reliability is more than 90 per cent, making it one of the best performers in the Australian rail industry.

The commencement of bulk minerals traffic in April 2006, carrying manganese from Bootu Creek near Tennant Creek to the Port of Darwin for export to China, is a step forward for the railway. The significant investment by the Northern Territory Government in bulk handling facilities at East Arm Port has given confidence to exporters to use the railway for a seamless transport link. Potential new bulk minerals exporters include the Oxiana copper deposit in South Australia and iron ore from Francis Creek in the Northern Territory.

Five general freight services per week return from Adelaide to Darwin, with 'NT Direct' services also connecting trains through to Melbourne. In excess of 50,000 tonnes of general freight are now moved each month.

Growth in the passenger market has also been significant, with more than 160,000 passengers travelling this great train journey since commencement of operations, 75,000 of them this financial year. The Ghan is now operating two weekly services return from Adelaide to Darwin.

The South Australian Government continues to leverage the Ghan service to build its tourism industry. SA experienced 6 per cent growth in tourism in the past financial year.

In the Northern Territory, the Government's continued investment in tourism infrastructure including the development of the Darwin Waterfront and Convention Centre project, will see interest in the Ghan journey continue to grow.

The Corporation is aware that during the year FreightLink had announced that it would seek a long term strategic partner to invest in the business, and has since issued a media release on 31 October 2006 proposing an alternative funding approach.

The Corporation continues to support the South Australian and Northern Territory Governments in developing the transport and tourism route and I would like to thank my fellow Board Members and the Corporation staff for their continued efforts.



Paul Tyrrell

Chairman

16 November 2006



ROLE OF THE AUSTRALASIA RAILWAY CORPORATION

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

The AustralAsia Railway Corporation is a statutory body established under the *AustralAsia Railway Corporation Act 1996 (NT)* 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 in respect of 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 utilise 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. The Corporation ensures that annual inspections are 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.

LEGISLATION

The AustralAsia Railway Corporation was established by the *AustralAsia Railway Corporation Act 1996 (NT)* which was assented to on 7 January 1997, and commenced on 25 August 1997. The legislation is supported by the complementary enactment of the *Alice Springs to Darwin Railway Act 1997 (SA)*.

The *AustralAsia Railway Corporation Act 1996 (NT)* has been amended by:

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

The Northern Territory and South Australian Governments have also passed additional supporting legislation that ensures an efficient interface between various pieces of South Australian and Northern Territory legislation and the processes involved in constructing and operating the AustralAsia Railway.

In the Northern Territory, the legislation includes:

- *AustralAsia Railway (Special Provisions) Act 1999;*
- *AustralAsia Railway (Special Provisions) Amendment Act 2000;*
- *AustralAsia Railway (Special Provisions) Amendment Act (No. 2) 2000;*
- *AustralAsia Railway (Third Party Access) Act 1999;*
- *AustralAsia Railway (Special Provisions) Amendment Act 2003;*
- *AustralAsia Railway (Third Party Access) Amendment Act 2003.*

In South Australia, the legislation includes:

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

BOARD MEMBERS

Chairman

Mr Paul Tyrrell

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.

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 Project Administrator of the Darwin Waterfront Project.

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 preconstruction activities for the Railway. Mr Lawson was also involved in the construction of Darwin's 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 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.

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' 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 2006 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.

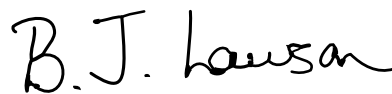
This declaration is made in accordance with a resolution of the Board Members.



PAUL TYRRELL

Chairman

22 September 2006



BRENDAN LAWSON

Chief Executive Officer

22 September 2006

BOARD MEMBERS' REPORT

Members

The following persons held office as Members of AustralAsia Railway Corporation ("the Corporation") for the 2005-06 financial year:

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

Further details on Members are provided at Note 11 to the financial statements and profiles of members at Page 6.

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 1996 (NT)* for the period ending 30 June 2006.

Review of Operations and Significant Changes during the Financial Year

With completion of construction and commencement of rail operations in January 2004 the Corporation's role shifted from facilitating completion of the rail link to monitoring operations to ensure responsibilities under the Concession Deed and the statutory obligations pursuant to the *AustralAsia Railway Corporation Act 1996 (NT)* are met. The Concession Deed covers the rights, responsibilities and obligations of the Consortium and Governments throughout the fifty year concession period.

Significant responsibilities of the Corporation include ensuring that the rail infrastructure, incorporating 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 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 \$3.5 million. This operating deficit largely resulted from depreciation charges of \$3.5 million to the accounts, reflecting use of the Corporation's \$427.5 million (valued at cost) in rail infrastructure assets. Operating deficits will not affect the operations of the Corporation, with Governments providing the necessary resources to ensure the going concern of the entity.

BOARD MEMBERS' REPORT

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 2006 that has significantly affected or may significantly affect:

- a. the operations, in financial periods subsequent to 30 June 2006, of the Corporation, or
- b. the results of those operations, or
- c. the state of affairs, in financial periods subsequent to 30 June 2006, 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 2006-07 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 1996 (NT)* and section 327 of the *Corporations Act 2001*.


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



PAUL TYRRELL

Chairman

22 September 2006



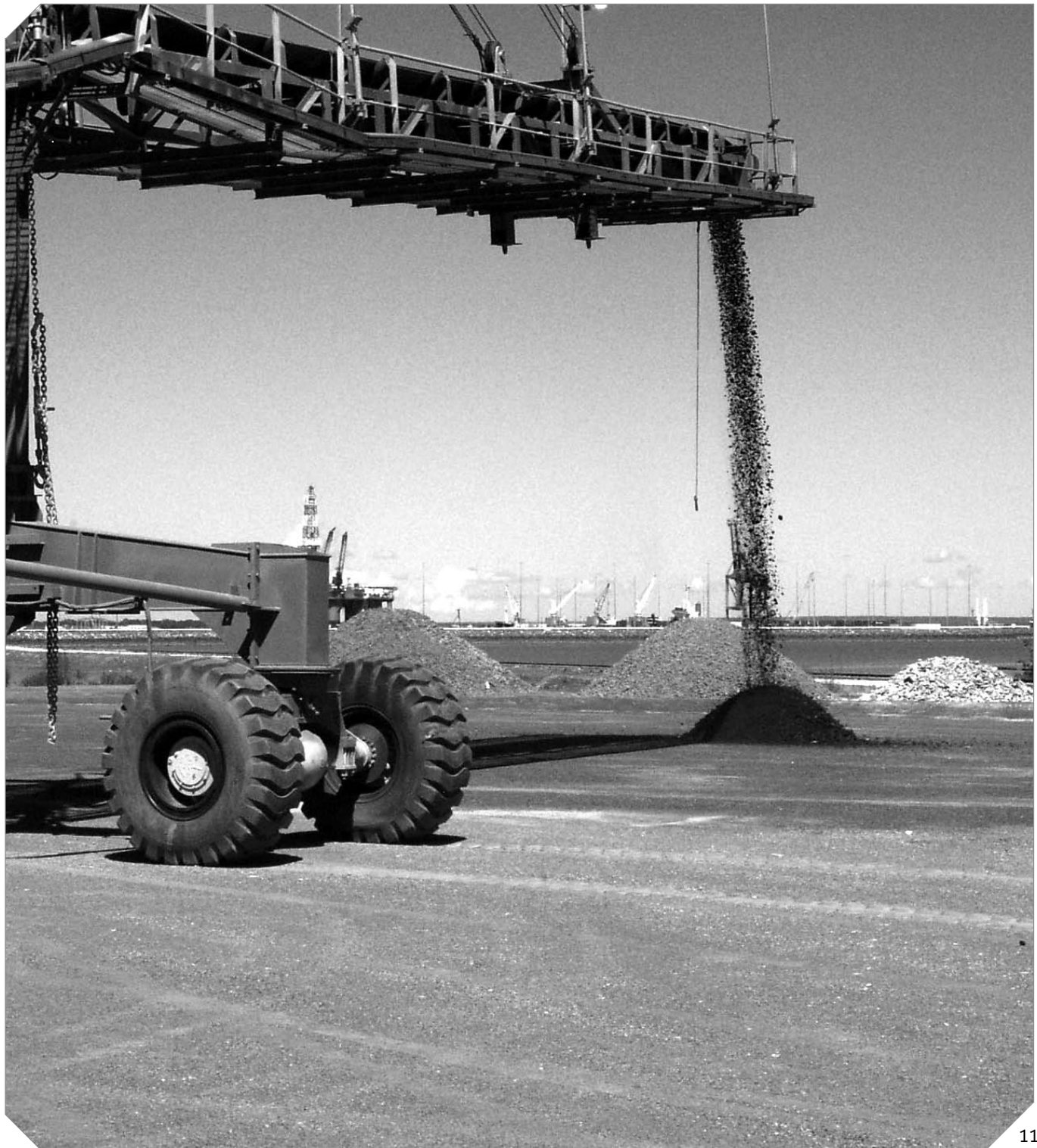
BRENDAN LAWSON

Chief Executive Officer

22 September 2006



FINANCIAL STATEMENTS





Balance Sheet as at 30 June 2006

	<i>Note</i>	<i>2006 \$'000</i>	<i>2005 \$'000</i>
<i>Current Assets</i>			
Cash and Cash equivalents	2	221	155
Receivables	3	5	19
Other Current Assets	4	1	1
Total Current Assets		227	175
<i>Non Current Assets</i>			
Property, Plant and Equipment	5	418,926	422,474
Total Assets		419,153	422,649
<i>Current Liabilities</i>			
Payables	6	33	23
<i>Non Current Liabilities</i>			
Net Loans	7	0	0
Net Advances	8	0	0
Total Liabilities		33	23
NET ASSETS		419,120	422,626
<i>EQUITY</i>			
Accumulated funds	13	419,120	422,626
<i>Contingent Assets and Liabilities</i>	17		
<i>Commitments</i>	18		

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

FINANCIAL STATEMENTS

Income Statement for Financial Year ended 30 June 2006

	Note	2006 \$000	2005 \$000
<i>Revenue</i>			
Income from Ordinary Activities	9	212	17
TOTAL REVENUE		212	17
<i>Operating Expense</i>			
Expenses	10	3,718	3,791
TOTAL EXPENSE		3,718	3,791
OPERATING SURPLUS/(DEFICIT) BEFORE AND AFTER TAX	13,15	(3,506)	(3,774)

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

Statement of Changes in Equity for Financial Year ended 30 June 2006

	Note	Accumulated Funds \$000	Total \$000
<i>Balance at 1 July 2004</i>	13	426,400	426,400
Surplus/(Deficit) for the year		(3,774)	(3,774)
<i>Balance at 30 June 2005</i>	13	422,626	422,626
Surplus/(Deficit) for the year		(3,506)	(3,506)
Balance at 30 June 2006	13	419,120	419,120

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

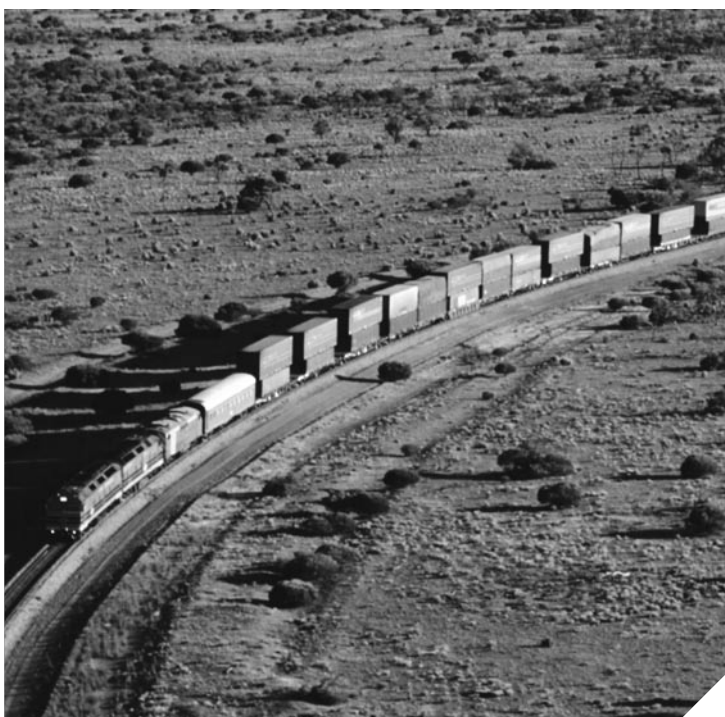


Statement of Cash Flows for Financial Year ended 30 June 2006

	<i>Note</i>	<i>2006</i> <i>\$000</i>	<i>2005</i> <i>\$000</i>
<i>CASH FLOWS FROM OPERATING ACTIVITIES</i>			
<i>Receipts</i>			
Government Grants and Contributions	16	200	0
Recovery of Operating Expenses		0	186
Interest		12	11
<i>Payments</i>			
Payments for Goods and Services		(146)	(418)
<i>Net Cash Provided By/(Used In) Operating Activities</i>	15	66	(221)
<i>NET INCREASE (DECREASE) IN CASH HELD</i>			
Cash and Cash Equivalents at Beginning of Reporting Period		155	376
<i>CASH AND CASH EQUIVALENTS AT END OF REPORTING PERIOD</i>	2	221	155

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

NOTES TO
AND FORMING
PART OF THE
FINANCIAL
STATEMENTS
30 JUNE 2006





Notes To and Forming Part of the Financial Statements
30 June 2006

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 (NT)*, applicable Australian Accounting Standards and other mandatory professional reporting requirements, including Urgent Issues Group Consensus Views.

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

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

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

Basis of Preparation

First time adoption of Australian equivalents to International Financial Reporting Standards

AustralAsia Railway Corporation has prepared its financial statements in accordance with the Australian equivalents to International Financial Reporting Standards (AIFRS) from 1 January 2005.

In accordance with the requirements of AASB 1: First time adoption of Australian Equivalents to International Financial Reporting Standards, adjustments to the

entity's accounts resulting from the introduction have been applied retrospectively to 2004 comparative figures excluding cases where optional exemptions available under AASB 1 have been applied. These accounts are the first financial statements of AustralAsia Railway Corporation to be prepared in accordance with AIFRS.

Due to the application of Australian specific provisions contained only within the AIFRS, this financial report is not necessarily compliant with International Accounting Standards.

a. Going Concern Assumption:

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

b. Cash and Cash Equivalents:

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

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

- Railway Infrastructure is recorded at the cost of acquisition, being the purchase consideration determined at the date of acquisition plus costs incidental to the acquisition;
- Plant and equipment acquired are recorded at the cost of acquisition, being the purchase consideration determined at the date of acquisition plus costs incidental to the acquisition; and

- Depreciation/amortisation is provided on property, plant and equipment (refer Note 5). Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life. The following are estimated useful lives used in the calculation of depreciation/amortisation:

• Railway Infrastructure	
Culverts and Bridges	50 years
Yards and Freight Handling Facilities	50 years
Signalling	15 years

d. Borrowings:

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

e. Goods and Service Tax:

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

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

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

f. Leased Assets:

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

g. Receivables:

Receivables are recorded at 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:

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

m. Taxation:

The *Income Tax Assessment Act 1936 (Commonwealth)* 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. Rounding of Amounts to Nearest Thousand Dollars

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



<i>NOTE 2 CASH AND CASH EQUIVALENTS</i>	<i>2006</i> \$000	<i>2005</i> \$000
Operating Account	220	154
Cash on Hand	1	1
<i>Total Cash</i>	221	155

<i>NOTE 3 RECEIVABLES</i>		
<i>Current</i>		
Goods and Services Tax Refunds Receivable	5	4
Other Receivables	0	15
<i>Total Receivables</i>	5	19
 Consisting of:		
Government Agencies	5	0
External Bodies	0	19
<i>Total Receivables</i>	5	19

<i>NOTE 4 OTHER CURRENT ASSETS</i>		
Prepayments	1	1
<i>Total Other Current Assets</i>	1	1

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 30 JUNE 2006

<i>NOTE 5 (a) PROPERTY, PLANT AND EQUIPMENT</i>	2006 \$000	2005 \$000
<i>Infrastructure Assets:</i>		
Earthworks and Capping Layer		
At Cost	270,917	270,917
	270,917	270,917
Culverts and Bridges		
At Cost	127,662	127,662
Less Accumulated Depreciation	(6,170)	(3,617)
	121,492	124,045
Freight Handling and Signalling		
At Cost	28,920	28,920
Less Accumulated Depreciation	(2,403)	(1,409)
	26,517	27,512
Total Property, Plant and Equipment (refer Note 1)	418,926	422,474

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 5 (b) PROPERTY, PLANT AND EQUIPMENT (Reconciliation)

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

	<i>Earthworks and Capping Layer</i>	<i>Culverts and Bridges</i>	<i>Freight Handling and Signalling</i>	<i>Total</i>
Balance at 1 July 2005	270,917	124,045	27,512	422,474
Depreciation and Amortisation	o	(2,553)	(995)	(3,548)
Disposals	o	o	(o)	(o)
Balance at 30 June 2006	270,917	121,492	26,517	418,926



NOTE 6 PAYABLES	2006 \$'000	2005 \$'000
<i>Current</i>		
Trade Creditors	33	23
Total Creditors	33	23
Consisting of:		
Northern Territory Government Agencies	30	20
External Bodies	3	3
Total Creditors	33	23

NOTE 7 NET LOANS		
Loan from Northern Territory Government	25,000	25,000
Loan from South Australia Government	25,000	25,000
Total Loans from Governments	50,000	50,000
Loans to the Consortium	(50,000)	(50,000)
Net Loans	0	0

The Corporation received loans from the Northern Territory and South Australian Governments totalling \$50 million for the purpose of on lending to the Consortium. Repayment of loans to Governments is conditional upon receipt of loan repayments from the Consortium. Therefore, the loan liability has been netted off against the loan asset. The full amount of \$50 million has been drawn down by the Consortium. Loans to the Consortium are secured over the assets of the Consortium and repayment is guaranteed by individual members of the Consortium.

NOTE 8 NET ADVANCES		
Advance from Commonwealth	5,050	5,050
Advance to Northern Territory Government	(5,050)	(5,050)
Net Advances	0	0

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

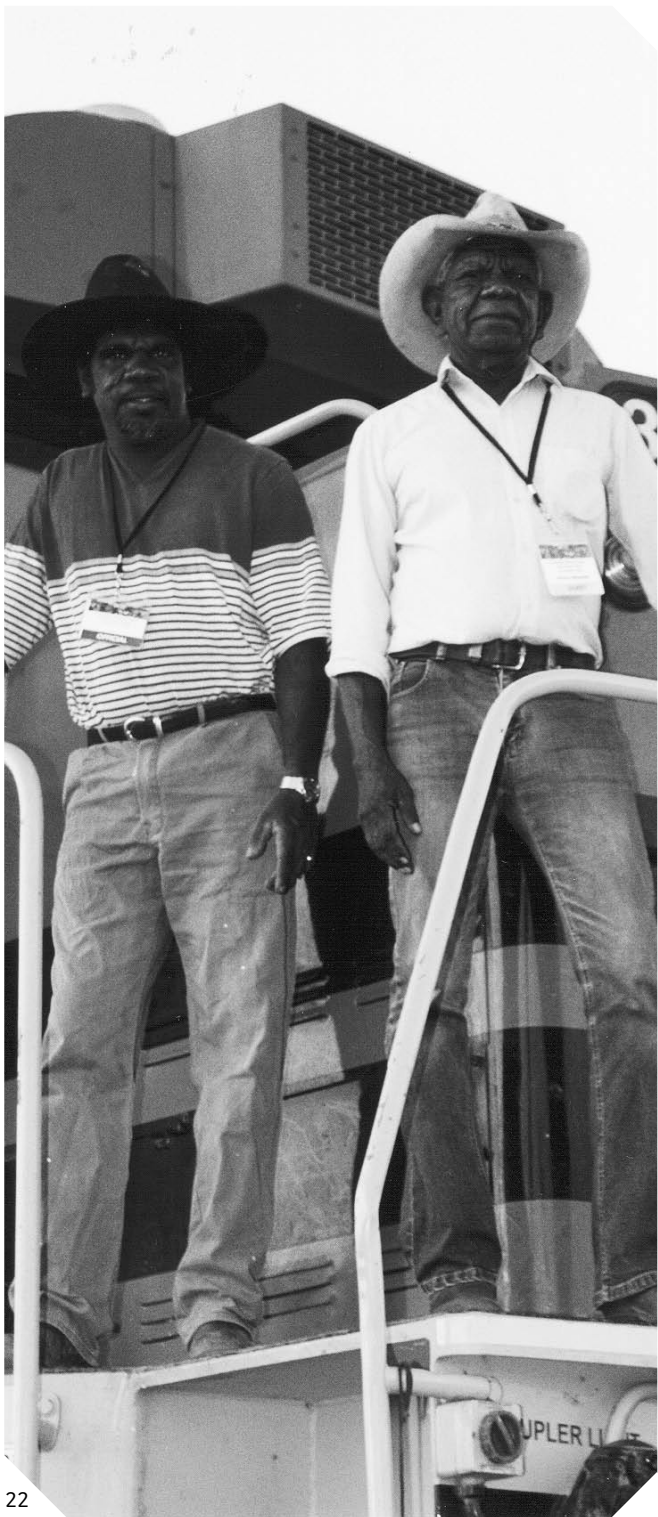
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 30 JUNE 2006

NOTE 9 REVENUE

	2006 \$000	2005 \$000
<i>Income from Ordinary Activities</i>		
Government Contributions	200	0
Interest Revenue	12	11
Other Revenue	0	6
Total Revenue	212	17

NOTE 10 EXPENSES

Auditors' Remuneration – Audit Services	7	9
Other Operating Expenditure Classified by Nature		
Depreciation	3,548	3,548
Employee Expenses	98	134
First Train Celebrations	0	9
Other	65	91
Total Expenses	3,718	3,791



NOTE 11 DETAILS OF BOARD MEMBERS

Members Remuneration

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

\$0 - \$9,999

	2006 Members	2005 Members
--	-----------------	-----------------

\$0 - \$9,999	5	5
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Total income paid or payable, or otherwise made available to all Members of the Corporation from the Corporation, including superannuation guarantee levy.

	0	0
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All current Board Members are Northern Territory or South Australian public servants and remunerated by their respective jurisdictions.

Key management personnel remuneration

	2006 \$000	2005 \$000
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The key management personnel remuneration is as follows:

Short-term employee benefits

Short-term employee benefits	90	85
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Other long term benefits

Other long term benefits	0	0
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Post-employment benefits

Post-employment benefits	0	0
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Termination benefits

Termination benefits	0	0
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Total Key Personnel Remuneration

<i>Total Key Personnel Remuneration</i>	90	85
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Short-term benefits as stated above incorporate the part-time services of the Chief Executive Officer and Chief Financial Officer. These benefits are paid on a reimbursement basis as the Corporation's personnel are employed full-time by the Northern Territory Public Service.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 30 JUNE 2006

NOTE 11 DETAILS OF BOARD MEMBERS – continued

Full Meetings of Board Members

There were 4 meetings for the 2005-06 financial year.
Numbers of meetings attended by:

<i>Member</i>	<i>Number of Meetings Eligible to Attend</i>	<i>Number of Meetings Attended</i>
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:

<i>Member</i>	<i>Initial Date of Appointment</i>
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 12 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 7 and Note 8 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.

NOTE 13 ACCUMULATED FUNDS

	2006 \$000	2006 \$000
Accumulated Funds at the Beginning of the Financial Year	422,626	426,400
Operating Surplus/(Deficit) and Extraordinary Items After Income Tax and Government Contributions	(3,506)	(3,774)
Accumulated Funds	419,120	422,626

NOTE 14 SERVICES RECEIVED FREE OF CHARGE

During the 2004-05 and 2005-06 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 2006

NOTE 15 STATEMENT OF CASHFLOWS

	2006 \$000	2005 \$000
<i>Reconciliation of Operating Surplus/(Deficit) After Tax to Net Cash Flows from Operations</i>		
<i>Operating Surplus/(Deficit) After Tax</i>	(3,506)	(3,774)
<i>Changes Not Requiring Funds</i>		
Depreciation / Amortisation	3,548	3,548
Assets Written Down	0	0
<i>Changes in Assets and Liabilities</i>		
Decrease in Receivables	14	52
Decrease in Prepayments	0	(1)
Net Decrease in Creditors/Provisions Relating to Operations	10	(46)
<i>Net Cash Provided By/(Used In) Operations</i>	66	(221)

NOTE 16 GOVERNMENT GRANTS AND CONTRIBUTIONS RECEIVED FOR PERIOD

Northern Territory Government Operating Contributions	100	0
South Australian Government Operating Contributions	100	0
Total Government Operating Contributions	200	0

NOTE 17 CONTINGENT LIABILITIES

Guarantees and indemnities provided under contracts to which the Corporation is a party are ultimately underwritten by the Governments of the Northern Territory and/or South Australia. The Corporation has provided a number of indemnities under the project documents according to a risk allocation structure agreed with the Consortium and other parties to the project documents.

Principally, the Corporation has granted indemnities to ensure that title to the railway corridor is secure for the construction and operation of the railway infrastructure. These indemnities cover risks related to native title, claims under the *Aboriginal Land Rights (Northern Territory) Act 1976 (Commonwealth)* undisclosed interests on the corridor, environmental contamination, heritage and sacred sites, and environmental assessment processes. For all of these risks, the Corporation has undertaken extensive work to secure appropriate title and to minimise the likelihood of any problems arising. The contingent liabilities arising from these indemnities are unquantifiable, though there is a low probability that they will arise.

The project documents provide for the early termination of the concession arrangement by the Consortium in certain circumstances that would give rise to the payment of an Early Termination Amount. The Early Termination Amount comprises several components, including all debt and debt break costs for the Project, certain agreed break costs for third party contractors and payments to equity to reflect the value of their investment in the Project.

While the monetary value of certain components of the Early Termination Amount are set out in the project documents, the overall amount of the payment will depend on circumstances known only at the time of

the payment of the Early Termination Amount. Apart from the component representing compensation for contractual and debt financing break costs, the Early Termination Amount is designed to be a proxy for the market value of the railway business. In return for making the Early Termination Amount payment, ownership of the railway infrastructure will return to the Corporation.

There is an extensive risk management regime in place for all events that would give rise to an Early Termination Amount payment. In particular, the Corporation has specified periods to cure the event that would give rise to the termination. For all of these events, the cure is within the control of either the Corporation and/or the NT/SA Governments. During the cure period, the Corporation provides an indemnity to the Consortium for any losses it suffers as a result of the event that the Corporation/Governments are seeking to cure.

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

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 2006

NOTE 18 COMMITMENTS

The Corporation has made all payments required under the project documents, hence, there were no further commitments at 30 June 2006 (2005 Nil).

NOTE 19 SEGMENTS

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

NOTE 20 OTHER STATUTORY INFORMATION

Distributions

No dividends or distributions were made during the financial year ending 30 June 2006.

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 (2005 4 employees).

Corporation Details

Principal Place of Business: Tourism House, 43 Mitchell Street

DARWIN NT 0801

Postal Address:

GPO Box 4796

DARWIN NT 0801

Indemnifying Officers

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

INDEPENDENT AUDIT REPORT



Chartered Accountants
& Advisers

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AUSTRALASIA RAILWAY CORPORATION

Scope

The Financial Report and Directors' Responsibility

The financial report comprises the income statement, balance sheet, cash flow statement, statement of changes in equity, accompanying notes 1 to 20 to the financial statements, and the directors' declaration for AustralAsia Railway Corporation ("the Corporation"), for the year ended 30 June 2006.

The Corporation's Board members are responsible for the preparation and true and fair presentation of the financial report in accordance with the AustralAsia Railway Corporation Act 1996. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit Approach

We have conducted an independent audit in order to express an opinion to the Corporation's Board. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Australian Accounting Standards and other mandatory professional reporting requirements in Australia, a view which is consistent with our understanding of the Corporation's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.



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INDEPENDENT AUDIT REPORT



Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.

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 2006 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

A handwritten signature in black ink, appearing to read 'CJ Sciacca', is written over a faint, illegible stamp.

CJ Sciacca
Partner

Darwin, ¹⁰September 2006



The logo for Australasia Railway Corporation is centered on a white horizontal band. The word "AUSTRALASIA" is written in a bold, green, sans-serif font. The letter "A" is stylized with a yellow outline and a red swoosh that loops around it. Below "AUSTRALASIA", the words "RAILWAY CORPORATION" are written in a smaller, white, sans-serif font on a black rectangular background.

AUSTRALASIA
RAILWAY CORPORATION

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