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 2002, 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

R.H. Allert A.M.  
Chairman  
13 November 2002
Main Photo

Chief Minister, Clare Martin and South Australian Premier, Mike Rann at the track laying Ceremony in Katherine 8 April 2002.

Bottom Right

John Alexopoulos of JA Concrete in Katherine.
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Main Photo

Prime Minister, John Howard at the Sod Turning Ceremony 17 July 2001 in Alice Springs.

Bottom Right

Alice Springs school children at the Sod Turning Ceremony in Alice Springs.
CHAIRMAN’S OVERVIEW

The north south transcontinental railway is fast becoming a reality and with it will come exciting prospects for trade, business and tourism.

The past 12 months have been a period of considerable achievement for the AustralAsia Railway project. On 17 July 2001 we saw the historic turning of the first sod just north of Alice Springs by the Prime Minister, assisted by former South Australian Premier John Olsen and former Northern Territory Chief Minister Denis Burke. The Prime Minister carried out the ceremonial sod-turning with a nickel-plated shovel which had been first used in 1878 by Governor Sir William Jervois when the proposed transcontinental line began in Port Augusta. The shovel was on loan from the National Museum of Australia’s display entitled, fittingly, Conquering Distance.

Since that historic occasion construction has progressed exceptionally well, with tracklaying starting on 8 April 2002. The gap between the construction fronts south of Katherine and north of Tennant Creek becomes narrower week by week, and we draw ever closer to the day in 2004 when we will see the first FreightLink train roll into Darwin.

It has long been said that this project is more than just a railway. The nation’s biggest infrastructure project in decades, will mean that the east, west, south and north of Australia are connected by rail for the first time.

The AustralAsia Railway has brought the private and public sectors together in a project of national significance. The benefits to industry in the Territory and South Australia are already being delivered. During the construction phase, it has created direct employment in the form of some 1215 jobs, and has provided significant opportunities for involvement by Aboriginal people in the Territory. Contracts worth more than $732 million were awarded to South Australian and Territorian businesses up to June 2002.

But it is during the operational phase that the prospects for future opportunities and long-term benefits for the Territory, South Australia and the nation will become apparent. The foundations have been laid in the past year to maximise the benefits that will arise once the railway is operational.

Ultimately, the AustralAsia Railway will create a new trade route between southern and northern Australia and beyond. The railway will allow the Northern Territory and South Australia to create new employment and business opportunities and further develop Darwin’s supply, service and distribution capabilities.

Work is well under way to develop freight business for the AustralAsia Railway.

FreightLink, the rail consortium’s operating arm, has been working on business development strategies to capture a component of the current domestic freight market, and develop niche opportunities in international freight using the AustralAsia Trade Route as an alternative route between Asia and Australia.

This year has also seen groundwork completed to enable Darwin to strengthen its competitive advantage by adding value to imports and exports using the new trade route.

The Northern Territory Government’s work to develop the 1700 hectare East Arm precinct as a base for regional supply, service and distribution includes the development of a 40 hectare business park adjacent to the freight corridor. The business park will provide a direct road/rail transfer capability for domestic distribution. Preliminary earthworks have already begun and planning is under way to ensure the land is used strategically to enhance port and rail related business.

This will have flow-on effects for the economies of the Territory, South Australia and the nation.

In summary, the past year has seen significant progress not only on the construction of the railway itself, but also on the developments that will carry the railway into its future.

For their continued dedication to this project over this past year, I along with my fellow Board Members would like to thank the staff, past and present of the AustralAsia Railway Corporation.

I also thank the Northern Territory, South Australian and Commonwealth Governments for their sustained support leading up to and since the start of construction, and pay tribute to our private sector partners: Asia Pacific Transport, incorporating Halliburton KBR, Barclay Mowlem, the John Holland Group, Macmahon Holdings, the Australian Railroad Group and SANT Holdings.

The dedication and persistence of those involved in this project has paid dividends over the past year, and I thank them all.

RICHARD H ALLERT AM
Chairman
After decades of progress occurring mostly behind the scenes, the AustralAsia Railway is now becoming a visible reality. The past year has seen a series of construction milestones, a high point being the laying of the first piece of track in Katherine on 8 April 2002.

All along the 1420 kilometre route in the Northern Territory, construction progress is evident. At the end of June 2002, more than 903 km of the route had been cleared. About half the required embankments and capping layer had been completed. Thirty of the 97 bridges had been constructed and 250 km of track had been laid from the two construction fronts, south of Katherine and north of Tennant Creek. The sleeper manufacturing plants in these towns had manufactured 495,800 of the required two million sleepers, and some 860,000 tonnes of two million tonnes of ballast had been produced.

Construction has been progressing exceptionally well, and many of the anticipated benefits of the project have eventuated for both the Territory and South Australia.

At 30 June 2002, some $732 million worth of contracts had been awarded: $408.8 million worth to Northern Territory industry and $296.1 million to South Australian industry. More than 1215 jobs had been created, with 745 jobs going to people from the Northern Territory and 163 to South Australians.

The benefits to the Northern Territory and South Australia were maximised under the LIAPP (Local Industry and Aboriginal Participation Plan), which sets a target of 75% local procurement.

In line with ADrail’s commitment to the participation of Aboriginal people in the AustralAsia Railway, contracts have been made with Aboriginal enterprises. Jobs were coordinated by the Land Councils in the Territory. Aboriginal people are equity shareholders in the AustralAsia Railway, their combined holdings of $5 million representing a 2.1% stake.

This year has also seen much work done to overcome engineering challenges; secure heritage, archaeological and sacred sites clearances and enhance the ability of local industry to respond to ADrail’s (the Consortium’s construction arm) requirements.

These outcomes show how much can be achieved when the private and public sectors work together in a project of this scope and significance.

While the construction powers ahead, work has been ongoing in other industry sectors to maximise the benefits of the AustralAsia Railway in its operational phase.

The operators of The Ghan, Great Southern Railways, have committed to extending the passenger service to Darwin, leading to an anticipated increase in passenger numbers from 35,000 to 50,000 per year.

The Territory Government has been working with the private sector in developing trade corridor infrastructure such as consolidation/distribution services, cold storage and automotive industry distribution.

With the completion of the link and the integration of the AustralAsia Railway into Stage Two of East Arm Wharf, an alternative transport system will emerge. Southern Australia will be linked with northern Australia by rail, and with the nations of the Asia Pacific region by rail and sea. The railway will create links between some of the nation’s most exciting developments - Timor Sea oil and gas, the South Australian Steel and Energy project, the Ord River scheme and the Mt Isa/Carpentaria Mineral Province.

I thank the many people who have contributed to the progress we have seen this past year. This includes the Northern Territory, South Australian and Commonwealth Governments, the directors and staff of ADrail and FreightLink, the many sub-contractors working on the project and of course the past and present staff of the AustralAsia Railway Corporation.

Thanks to these people and organisations, the AustralAsia Railway is on target for the first train to roll into Darwin as early as the end of 2003.

PAUL TYRRELL
Chief Executive Officer

AustralAsia Railway Corporation Annual Report
Main Photo

The tracklayer crossing the Katherine River Bridge.

Top and Bottom Left

The Victoria Highway overpass under construction.
Top Right

The Railway Bridge at Adelaide River.

Bottom Right

Chief Minister, Clare Martin, Alice Springs Mayor, Fran Erlich and others at the ceremony to mark the arrival of first rail at Roe Creek, South of Alice Springs, from One Steel in Whyalla, South Australia.
THE PROJECT

The AustralAsia Railway project will provide a new trade corridor across Australia, provide a new era of competitive transport across the continent, and finally link the busy markets of Asia with Australia’s economic heartland.

The project comprises:

- The construction of a new 1420 kilometre stretch of standard gauge line between Alice Springs and Darwin;
- The leasing, at a nominal rental, and maintenance of the existing 830 kilometre Tarcoola to Alice Springs standard gauge line which opened in 1980;
- The integration with the second stage of East Arm Wharf, which includes a railway embankment and intermodal container terminal; and
- The operation of the new transcontinental line for 50 years after completion of construction.

The project is a Build, Own, Operate and Transfer back (BOOT) scheme, with lease arrangements covering 50 years’ operation before the railway is handed back to the Northern Territory and South Australian Governments. This is part of a trend towards privatisation of Australia’s railway system and transfer of commercial risk for major infrastructure projects to the private sector.

The project means that Darwin finally will be linked to the national railway grid. However, this is far more than a railway project.

Once the line is completed, a daily 1.8 kilometre freight train, with 250 double-stacked containers, will travel in each direction between Adelaide and Darwin, providing a competitive but complementary service to existing road freight services. The line will create a new transport corridor across the heart of Australia, providing more competitive freight options and easier access to markets for regions in the Northern Territory and South Australia.

The line will boost regional development, provide a more effective means of transporting high bulk, long distance freight such as mining produce, support defence activities, and create new transport hubs in regional towns such as Port Augusta, Tennant Creek and Katherine.

Operators of The Ghan will initially run one passenger train per week to Darwin. Train operators are looking at tourism packages that will capitalise on this new tourist corridor through some of Australia’s most alluring tourist spots.

Of greater significance, however, is the role of Darwin as Australia’s Asian Gateway, linking busy Asian markets, through the new East Arm Wharf, to the manufacturing and population centres of Australia’s south-east.

This will enhance the competitiveness of exports, in line with the Federal Government’s Supermarket to Asia strategy, the South Australian Government’s Food Plan, and the Northern Territory Government’s emphasis on delivering a modern logistics capability.
Government Contribution to the Project

The key objective of the governments’ support for this project is to provide an up front payment that is sufficient to attract the balance of capital on commercial terms (recognising the broader social and economic benefits which transcend commercial profits). Then have construction and operating risks transferred to the private sector.

In 1995, the Northern Territory Government signed a Memorandum of Understanding with South Australia, a partnership providing the basis for the joint South Australia/Northern Territory approach to making the AustralAsia Railway a reality.

The AustralAsia Railway Corporation was established in 1997 by the South Australian and Northern Territory governments to facilitate the delivery of the project through a BOOT Scheme. Once government support had been affirmed, the Corporation took the project to market.

In 1999, the Asia Pacific Transport Consortium was selected as the preferred tenderer and negotiations began on contractual detail. In October 1999, government funding was finalised, with the Territory providing $165 million, the South Australian Government $150 million, and the Commonwealth $165 million from its Federation Fund.

In January 2000, another $79 million in stand-by funding was provided by the three governments on commercial terms.

In February 2000, the Federal Treasurer approved an access regime for the corridor in accordance with National Competition Policy.

The AustralAsia Railway Corporation coordinated the tender process and negotiations, while the Territory Government had primary responsibility for negotiating with Aboriginal Land Councils and pastoralists regarding acquisition of the corridor environmental and heritage issues, and fencing of the corridor where required.

A draft Environmental Impact Statement was released in 1983 and updated with a new Environmental Management Plan in 1997. In 1997, the project received environmental approval from the Territory Government under the Environmental Assessment Act (NT) and from the Commonwealth Government under the Environmental Protection (Impact of Proposals) Act.

The Territory obtained Sacred Sites avoidance certificates in accordance with the Northern Territory Aboriginal Sacred Sites Act for an area 200 metres either side of the railway centre line and for identified ballast sites outside the corridor. Various reports were commissioned to determine the likely impact of the railway on sites of archeological and historical significance.

The Aboriginal Areas Protection Authority has pegged all Aboriginal sites of significance and a good working relationship between the Authority, ADrail and Aboriginal organisations will ensure close consultation throughout the project.

The railway will not impact on any declared heritage site, however certificates have been obtained where the railway passes close to three declared heritage sites on the route of the old North Australian Railway line.

For more information, see the AustralAsia Railway Corporation Internet site at http://www.aarc.com.au
Main Photo

“Wagiman” - one of the Katherine based locomotives used in the construction of the railway.

Bottom Left

Traditional owners together with Colin Turner from Australian Railroad Group and Sean Lange from the Northern Land Council at the Naming Ceremony in Katherine.
Main Photo

The tracklayer at work - laying 7 sleepers per minute.

Bottom Right

Tennant Creek sleeper factory employees at the controls for the first time.
CONSTRUCTION HIGHLIGHTS

Construction of the AustralAsia Railway has progressed exceptionally well during 2001-02, and the project is on target for completion in 2004.

2001

July 2001 saw the historic turning of the first sod by Prime Minister John Howard at Alice Springs to mark the official start of construction. In fact, considerable work was already underway to enable construction to begin in earnest, including building the sleeper factories at Katherine and Tennant Creek and establishing camps for construction workers. Preliminary earthworks had also begun.

By September, more than 200 people were employed on the project. Clearing had been completed to 90 kilometres south of Tennant Creek and to 70 kilometres south of Katherine. Earthworks had been completed to 50 kilometres south of Tennant and to 20 kilometres south of Katherine. The first mobile construction camp at the Bend near Katherine became operational.

The same month, work began on the Darwin Port Corporation contract for construction of Stage Two of East Arm Wharf.

November saw the first concrete sleeper poured at the Katherine sleeper factory, and the first visible construction work done in Darwin with investigation drilling carried out at minor bridge sites off Wishart Road. In Alice Springs, the first 2000 tonnes of a required 145,000 tonnes of steel rail had arrived at Roe Creek from Whyalla. The railway construction project had now created 500 direct jobs. Meanwhile, dredging began at East Arm Wharf as part of the construction of the railway embankment.

2002

January 2002 saw the first sleeper produced at the Tennant Creek sleeper factory. By February, work was well under way in and around Darwin. Some $325 million in contracts had been awarded to Northern Territory businesses along with another $276 million in contracts to South Australian companies. The Katherine sleeper factory had reached full capacity, producing 1600 sleepers daily.

The first track was laid in April in a special ceremony near Katherine. By this time, work was evident along 1100 kilometres of the 1420 kilometre route.

By the end of June, the track was complete to 115 kilometres south of Katherine and to 135 kilometres north of Tennant Creek. Almost one third of the required 97 bridges had been constructed. Of the two million sleepers needed, 495,800 had been produced. More than 1215 direct jobs had been created, and $732 million worth of contracts had been awarded.

Works achieved to 30th of June 2002

- 250 km of track laid
- 903 km of corridor cleared
- 495,800 sleepers produced
- 30 bridges completed
- 525 km of earthworks completed, and
- 860,000 tonnes of ballast produced.
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 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 has negotiated a detailed Concession Deed which seeks to deal with all risks identified as having the potential to arise during the project and balance those risks by apportioning appropriate responsibility for them.

The Corporation has a range of security over the completed works for the values exercisable in the event that the concession is terminated.

The Corporation is based in Darwin. Chairman Richard H Allert AM is a prominent South Australian businessman. The Chief Executive Officer is Paul Tyrrell, Chief Executive of the Northern Territory Department of the Chief Minister.

In the transition from the negotiation to the construction period, the Corporation’s role changes substantially. Two critical functions are:

• to receive and invest government financial contributions and provide progress payments against certified completion of construction;
• to manage the Corporation’s contractual obligations under the project documents. Construction works are divided into Government Works and Company Works. The Government Works Program covers elements with long life low depreciation, such as embankments and bridges.

Other functions of the AustralAsia Railway Corporation during construction include:

• ensuring compliance with the design brief in conjunction with the Asia Pacific Transport Company and engaging the services of an auditor and independent certifier;
• monitoring and reporting on the progress of the project;
• protecting the interests of the three governments and ensuring the consortium is meeting its obligations under the project documents, including those covering operations and maintenance of the existing Tarcoola to Alice Springs railway;
• facilitating the resolution of any issues between the Asia Pacific Transport Company and government agencies to ensure unobstructed construction and ensuring the Northern Territory Government carries out its obligations regarding environmental monitoring and fencing;
• participating in a range of committees stipulated in contractual documents, covering matters such as design, community issues, environmental monitoring, Aboriginal issues, industry participation and port development.
• monitoring the obligations of the consortium under the Local Industry and Aboriginal Participation Plan, under which the Asia Pacific Transport Company has committed to spend at least 75% of construction expenditure on South Australian and Territory goods, services and labour;
• contract and lease administration.
Main Photo

ADrail employees in the Katherine rail welding yard.

Bottom Left

A freight train with double stacked containers similar to that which will be in use on the new railway.
Top Right
Live cattle awaiting departure from East Arm Wharf.

Bottom Right
Freight trains, which can stretch up to 1.6km in length and carry up to 250 double stacked containers, will operate between Adelaide and Darwin.
Contractual Structure

The project is one of the most complex infrastructure projects undertaken in Australia, with over 300 documents and dozens of separate signatories. The project documents fall into six main groups:

- **The government project documents:** which comprise all documents to which the Corporation and governments are parties. They include the Concession Deed and each of the various lease documents for the corridor. The Government Works Agreement and $50 million Loan Agreement are the project documents that facilitate the government financial contributions to the project.

- **The equity and joint venture documents:** These documents regulate the equity investment in the project. The consortium members have formed an unincorporated joint venture in accordance with the terms of the Unincorporated Joint Venture Agreement and their equity contributions are made in accordance with the Equity Subscription Agreement.

- **Design and construction documents:** These are contractual arrangements that provide for the construction of the railway by the Design and Construction joint venturers for the company and the Government Works Contractor.
ORGANISATIONAL STRUCTURE

AustralAsia Railway Corporation

Chairman
Richard H Allert AM

Chief Executive Officer
Paul Tyrrell

Board Members
Jim Hallion
Otto Alder
John Crosby OAM

Northern Territory Government

South Australian Government

Asia Pacific Transport

General Manager
Franco Moretti

Equity Partners
Halliburton KBR
Barclay Mowlem
Macmahon Holdings
John Holland Group
Australian Railroad Group
S.A.N.T. Holdings

ADrail
Design and Construction Contractor

Project Director - Al Volpe
Halliburton KBR
Barclay Mowlem
John Holland Group
Macmahon Holdings

FreightLink
Operator

General Manager - Franco Moretti
Australian Railroad Group
S.A.N.T. Holdings
Main Photo

Joining 375m long rail sections using the aluminothermic welding process.

Bottom Left

Senator Ron Boswell, Chief Minister, Clare Martin, South Australian Premier, Mike Rann and Randy Harl, President and CEO of KBR (one of the major sponsors for the project).
Main Photo

East Arm Wharf.

Bottom Right

Railway access embankment under construction.
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 - Darwin Railway Act 1997 (SA).

The AustralAsia Railway Corporation Act has been amended by:

- AustralAsia Railway Amendment Act 1998
- AustralAsia Railway Amendment Act 2000
- AustralAsia Railway Amendment Act No. 2 2000

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 (Special Provisions) Act 2002;

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

AustralAsia Railway Corporation Board Members as at 30 June 2002

Chairman
Mr Richard H Allert AM
Appointed 4 September 1997
DUniv, FICA
Richard Allert is Chairman of AXA Asia Pacific Holdings Limited, Southcorp Limited and Voyages Hotels & Resorts Pty Ltd.
Mr Allert is also a Director of Coles Myer Limited, the Australia Business Arts Foundation Ltd and other companies.

Member and Chief Executive Officer
Mr Paul Tyrrell
Appointed 4 September 1997
B.Ec, Dip.CE, FIEAust, CPEng, FCIT
Paul 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.
Paul has been involved in the development of most major infrastructure projects in the Territory in recent times. Paul is also Chairman of the Territory Government’s Timor Sea Gas Task Force.

Member
Mr John Crosby OAM
Appointed 4 December 1997
John Crosby is the Managing Director of Brencorp Properties Pty Ltd and a Consultant to various management boards of the Lensworth Group (a wholly owned subsidiary of the Fosters Group).
Mr Crosby is a former Director of the South Australian Urban Planning Authority and SA Water Corporation and past Chairman of the Australian Finance Conference (SA Division).

Member
Mr Otto Alder
Appointed 21 July 1998
Otto Alder is the Remuneration Tribunal for the Northern Territory. He acted as Auditor-General for the Northern Territory for part of the 2001/02 financial year.
Prior to retirement in 1994, Mr Alder served in various executive capacities for the Northern Territory Government during his 20 years of service, the last role being the head of the Department of Industries and Development.

Member
Mr Jim Hallion
Appointed 6 October 1998
BE(Hons), MAICD, ASIA, MIE(Aust)
Jim Hallion is Chief Executive of the South Australian Department of Primary Industry and Resources.
Prior to this position, Mr Hallion was the Chief Executive of the Department of Industry and Trade and head of the South Australian Adelaide-Darwin Rail Task Force. Before joining the Department of Industry and Trade in 1994, Mr Hallion was Director of Corporate Services with the Australian National Railways Commission.
Main Photo: AustralAsia Railway Corporation Board at Tracklaying Ceremony in Katherine.
(left to right)
Mr Brendan Lawson (Deputy CEO - not a board member), Mr Otto Alder, Mr Paul Tyrrell, Mr Richard H Allert AM, Mr John Crosby OAM.

Top Left
Mr Jim Hallion (unable to attend Tracklaying Ceremony).
Main Photo and Bottom Right

Elizabeth River Railway Bridge under construction.
The Board Members present their report on the accounts for the period ended 30 June 2002.

Members

The following persons held office as members of AustralAsia Railway Corporation ("the Corporation") for the 2001-02 financial year:

- Richard H Allert AM  (Chairman)
- Paul Tyrrell  (Chief Executive Officer)
- John Crosby OAM
- Otto Alder
- Jim Hallion

Further details on Members are provided at Note 12 to the financial statements.

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 Adelaide to Darwin rail link on behalf of the Northern Territory and South Australian Governments.

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.

In accordance with agreements set out under the contractual documentation, the Corporation was entitled to project grants and loans totalling $110 million for the year ended 30 June 2002 (2001 $370m) from the Commonwealth of Australia and the Governments of the Northern Territory and South Australia. Payments towards capital works and loans are required to be made by the Corporation to the Consortium, in accordance with contractual arrangements. At 30 June 2002 these payments totalled $291 million for the year (2001 $143m).

Capital works performed by the Consortium to the end of June 2002 resulted in over 220km of track being laid, 870km of corridor cleared, 500km of earthworks completed, 30 bridges completed, approximately half a million sleepers produced and 860,000 tonnes of ballast produced.

Activities during the year resulted in the Corporation recording an operating surplus after tax of $106 million. The significant surplus is a result of the receipt of funds provided by Governments during the year for the construction of Government Works assets.

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 2002.

Rounding of Amounts to Nearest Thousand Dollars

Amounts have been rounded off in the Members’ Report and financial statements to the nearest thousand dollars, unless otherwise indicated.
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 2002 that has significantly affected or may significantly affect:

(a) the operations, in financial periods subsequent to 30 June 2002, of the Corporation, or
(b) the results of those operations, or
(c) the state of affairs, in financial periods subsequent to 30 June 2002, of the Corporation.

Likely Developments and Expected Results of Operations

In accordance with contractual agreements resulting from operations during the 2000-01 financial year, the Corporation expects to continue to receive project grants and make payments towards capital works during the 2002-03 financial year, and perform any other services necessary to facilitate the completion of the Adelaide to Darwin rail link on behalf of the Northern Territory and South Australian Governments.

Auditor

The independent audit firm of BDO was 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.

RICHARD H ALLERT AM
Chairman
7 August 2002

PAUL C W TYRRELL
Board Member
7 August 2002
Main Photo

Tracklaying across the Katherine River Bridge.

Top Left

Elizabeth River Bridge.

Bottom Left

Earthworks near Crater Lake Road.
By 2004 the development of the Central Trade Corridor will be complete.

Passengers disembarking from The Ghan on arrival in Alice Springs.
BOARD MEMBERS’ DECLARATION

The Board Members declare that:

1. the financial statements and notes, as set out on pages 31 to 43:
   a) comply with Accounting Standards and the Corporations Act 2001; and
   b) give a true and fair view of the Corporation’s financial position as at 30 June 2002 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.

RICHARD H ALLERT AM  
Chairman  
7 August 2002

PAUL C W TYRRELL  
Board Member  
7 August 2002
A total of 2979 km of track will form the Adelaide to Darwin Rail link.
## Statement of Financial Position

as at 30 June 2002

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### Current Assets

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<th>30 June 2001</th>
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<td>Cash Investments</td>
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<td>151,191</td>
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<td>Receivables</td>
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<td><strong>Total Current Assets</strong></td>
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### Non Current Assets

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<td>Receivables</td>
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<td>Capital Works</td>
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<td>122,789</td>
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<td>Property, Plant and Equipment</td>
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<td><strong>Total Non Current Assets</strong></td>
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<td><strong>173,031</strong></td>
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<td><strong>TOTAL ASSETS</strong></td>
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### Current Liabilities

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<td>Payables</td>
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### Non Current Liabilities

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<th>30 June 2001</th>
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<td>Provisions</td>
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<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
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<td><strong>32,029</strong></td>
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<thead>
<tr>
<th></th>
<th>30 June 2002</th>
<th>30 June 2001</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NET ASSETS</strong></td>
<td><strong>428,453</strong></td>
<td><strong>321,997</strong></td>
</tr>
<tr>
<td><strong>ACCUMULATED FUNDS</strong></td>
<td><strong>428,453</strong></td>
<td><strong>321,997</strong></td>
</tr>
<tr>
<td><strong>Contingent Liabilities</strong></td>
<td><strong>18</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Commitments</strong></td>
<td><strong>19</strong></td>
<td></td>
</tr>
</tbody>
</table>

*The Statement of Financial Position should be read in conjunction with the notes to and forming part of the financial statements.*
Statement of Financial Performance  
For Financial Year ended 30 June 2002

<table>
<thead>
<tr>
<th>Note</th>
<th>2002</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$000</td>
<td>$000</td>
</tr>
<tr>
<td>Revenue</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income from Operating Activities</td>
<td>10</td>
<td>116,232</td>
</tr>
<tr>
<td>TOTAL REVENUE</td>
<td></td>
<td>116,232</td>
</tr>
<tr>
<td>Operating Expense</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expenses</td>
<td>11</td>
<td>9,776</td>
</tr>
<tr>
<td>TOTAL EXPENSE</td>
<td></td>
<td>9,776</td>
</tr>
<tr>
<td>OPERATING SURPLUS/(DEFICIT) BEFORE AND AFTER TAX</td>
<td>16</td>
<td>106,456</td>
</tr>
</tbody>
</table>

The Statement of Financial Performance should be read in conjunction with the notes to and forming part of the financial statements.
Statement of Cashflows  
for Financial Year ended 30 June 2002

<table>
<thead>
<tr>
<th>Note</th>
<th>2002 $000</th>
<th>2001 $000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CASH FLOWS FROM OPERATING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receipts</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Government Grants and Contributions</td>
<td>17</td>
<td>137,776</td>
</tr>
<tr>
<td>Interest</td>
<td></td>
<td>3,456</td>
</tr>
<tr>
<td><strong>Total Receipts from Operating Activities</strong></td>
<td></td>
<td>141,232</td>
</tr>
<tr>
<td>Payments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payments for Goods and Services</td>
<td>(3,121)</td>
<td>(9,344)</td>
</tr>
<tr>
<td><strong>Net Cashflows from Operating Activities</strong></td>
<td></td>
<td>138,111</td>
</tr>
<tr>
<td><strong>CASHFLOWS FROM INVESTMENTS IN NON-FINANCIAL ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital Works Expenditure</td>
<td>(284,296)</td>
<td>(100,213)</td>
</tr>
<tr>
<td><strong>CASHFLOWS FROM INVESTMENTS IN FINANCIAL ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash Investments</td>
<td>150,763</td>
<td>(151,191)</td>
</tr>
<tr>
<td><strong>CASHFLOWS FROM FINANCING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Government Loans Received</td>
<td>0</td>
<td>50,000</td>
</tr>
<tr>
<td>Loans Provided to Consortium</td>
<td>(6,570)</td>
<td>(43,430)</td>
</tr>
<tr>
<td><strong>Net Cashflows from Financing Activities</strong></td>
<td></td>
<td>6,570</td>
</tr>
<tr>
<td><strong>NET DECREASE IN CASH HELD</strong></td>
<td>(1,992)</td>
<td>1,222</td>
</tr>
<tr>
<td>Cash at beginning of reporting period</td>
<td>2,518</td>
<td>1,296</td>
</tr>
<tr>
<td><strong>CASH HELD AT END OF REPORTING PERIOD</strong></td>
<td>2</td>
<td>526</td>
</tr>
</tbody>
</table>

*The Statement of Cash Flows should be read in conjunction with the notes to and forming part of the financial statements.*
Notes To and Forming Part of the Financial Statements
30 June 2002

NOTE 1
STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies which have been adopted in the preparation of the financial statements are:

a) Basis of accounting:
   This financial report is a general purpose financial report which has been prepared on an historical cost basis. The report is in accordance with the requirements of the AustralAsia Railway Corporations 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.

b) Going Concern Assumption:
   The ongoing operations of the Corporation is reliant on the continued funding by the Northern Territory and South Australian Governments.

c) 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.

d) Capital Works, Property, Plant and Equipment and Depreciation:
   • Capital Works are recorded at the cost of acquisition, being the purchase consideration determined at the date of acquisition plus costs incidental to the acquisition;
   • Property, 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 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:
   • Leasehold Improvements 5 years
   • Office Furniture & Equipment 3 years

e) 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.
Notes To and Forming Part of the Financial Statements
30 June 2002

f) 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.

g) 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 an expense as incurred.

h) Receivables:
Receivables are recorded at amounts due less any provision for doubtful debts.

i) 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.

j) Revenue Recognition:
• Grant Income is recognised as it accrues; and
• Interest income is recognised as it accrues.

k) 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.

l) 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.

m) Employee/Member Benefits:
• Superannuation: Superannuation Guarantee Levy is paid in respect to 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.

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

o) Change in Accounting Policies:
There have been no changes in accounting policies in the current financial year.
### NOTE 2 CASH

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Account</td>
<td>525</td>
<td>2,517</td>
</tr>
<tr>
<td>Cash on Hand</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total Cash</strong></td>
<td>526</td>
<td>2,518</td>
</tr>
</tbody>
</table>

### NOTE 3 CASH INVESTMENTS

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Invested</td>
<td>428</td>
<td>151,191</td>
</tr>
</tbody>
</table>

No adjustment has been made to the carrying value to reflect net realisable value as it is considered the full carrying amount will be recovered.

### NOTE 4 RECEIVABLES

#### Current

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods and Services Tax Refunds to be received</td>
<td>2,502</td>
<td>2,260</td>
</tr>
<tr>
<td>South Australian Government Project Grants</td>
<td>25,000</td>
<td>25,000</td>
</tr>
<tr>
<td>Other Receivables</td>
<td>9</td>
<td>26</td>
</tr>
<tr>
<td><strong>Total Current Receivables</strong></td>
<td>27,511</td>
<td>27,286</td>
</tr>
</tbody>
</table>

#### Non Current

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>South Australian Government Project Grants</td>
<td>25,000</td>
<td>50,000</td>
</tr>
<tr>
<td><strong>Total Receivables</strong></td>
<td>52,511</td>
<td>77,286</td>
</tr>
</tbody>
</table>
NOTE 5 CAPITAL WORKS

Progress Claims (refer Note 1) 409,500 122,789
Total Capital Works 409,500 122,789

NOTE 6 MOVEMENTS IN OTHER PROPERTY, PLANT AND EQUIPMENT

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$000</td>
<td>$000</td>
</tr>
<tr>
<td><strong>Leasehold Improvements</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Opening Balance</td>
<td>219</td>
<td>219</td>
</tr>
<tr>
<td>Less Current Year Amortisation</td>
<td>(44)</td>
<td>(0)</td>
</tr>
<tr>
<td>Written Down Value</td>
<td>175</td>
<td>219</td>
</tr>
<tr>
<td><strong>Furniture and Fittings</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Opening Balance</td>
<td>23</td>
<td>23</td>
</tr>
<tr>
<td>Additions</td>
<td>10</td>
<td>0</td>
</tr>
<tr>
<td>Less Current Year Depreciation</td>
<td>(11)</td>
<td>(0)</td>
</tr>
<tr>
<td>Written Down Value</td>
<td>22</td>
<td>23</td>
</tr>
<tr>
<td><strong>Total Property, Plant and Equipment</strong></td>
<td>197</td>
<td>242</td>
</tr>
</tbody>
</table>

NOTE 7 PAYABLES

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$000</td>
<td>$000</td>
</tr>
<tr>
<td><strong>Current</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade Creditors</td>
<td>27,709</td>
<td>25,459</td>
</tr>
<tr>
<td><strong>Total Creditors</strong></td>
<td>27,709</td>
<td>25,459</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consisting of:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Northern Territory Government Agencies</td>
<td>66</td>
<td>93</td>
</tr>
<tr>
<td>External Bodies</td>
<td>27,641</td>
<td>25,366</td>
</tr>
<tr>
<td><strong>Total Creditors</strong></td>
<td>27,709</td>
<td>25,459</td>
</tr>
</tbody>
</table>
NOTE 8 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 Governments is conditional upon receipt of loan repayments from the Consortium. Therefore, the loan liability has been netted off against the loan asset. As at 30 June 2002, the full amount of $50 million had been drawn down by the Consortium. Loans to the Consortium are secured over the assets of the Consortium.

NOTE 9 PROVISIONS

The Consortium is eligible to receive a $7 million incentive payment if it complies with agreed specific performance criteria set out within the Local Industry and Aboriginal Participation Plan (LIAPP) during the construction of the railway. The earliest date for this amount to become payable is 1 July 2003. This payment was recorded as a contingent liability in 2001 due to the uncertainty relating to the payment at that time. The Corporation has provided for the payment as over 50% of contracts have now been committed in accordance with LIAPP at 30 June 2002.

NOTE 10 REVENUE

Income from operating activities

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government Contributions</td>
<td>2,776</td>
</tr>
<tr>
<td>Government Project Grants</td>
<td>110,000</td>
</tr>
<tr>
<td>Interest Revenue</td>
<td>3,456</td>
</tr>
<tr>
<td>Total Revenue</td>
<td>116,232</td>
</tr>
</tbody>
</table>

NOTE 11 EXPENSES

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auditor’s Remuneration - Audit Services</td>
<td>12</td>
</tr>
<tr>
<td>Provision for LIAPP Incentive (refer Note 9)</td>
<td>7,000</td>
</tr>
<tr>
<td>Other Operating Expenditure Classified by Nature</td>
<td></td>
</tr>
<tr>
<td>Amortisation</td>
<td>44</td>
</tr>
<tr>
<td>Depreciation</td>
<td>11</td>
</tr>
<tr>
<td>Employee Expenses</td>
<td>146</td>
</tr>
<tr>
<td>Other</td>
<td>2,563</td>
</tr>
<tr>
<td>Total Expenses</td>
<td>9,776</td>
</tr>
</tbody>
</table>
NOTE 12 DETAILS OF BOARD MEMBERS

<table>
<thead>
<tr>
<th>Members Remuneration</th>
<th>2002</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 - $9,999</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>$10,000 - $19,999</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$20,000 - $29,999</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$30,000 - $39,999</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>$40,000 - $49,999</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$50,000 - $59,999</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$60,000 - $69,999</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$70,000 - $79,999</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>146</strong></td>
<td><strong>145</strong></td>
</tr>
</tbody>
</table>

Full Meetings of Board Members

There were 9 meetings for the 2001-02 financial year.

<table>
<thead>
<tr>
<th>Member</th>
<th>Number of Meetings eligible to attend</th>
<th>Number of Meetings attended</th>
</tr>
</thead>
<tbody>
<tr>
<td>Richard H Allert</td>
<td>9</td>
<td>9</td>
</tr>
<tr>
<td>Paul Tyrrell</td>
<td>9</td>
<td>7</td>
</tr>
<tr>
<td>John Crosby</td>
<td>9</td>
<td>9</td>
</tr>
<tr>
<td>Otto Alder</td>
<td>9</td>
<td>8</td>
</tr>
<tr>
<td>Jim Hallion</td>
<td>9</td>
<td>9</td>
</tr>
</tbody>
</table>

Retirement, Election and Continuation in Office of Board Members

The date of appointment of members:

<table>
<thead>
<tr>
<th>Member</th>
<th>Date of Appointment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Richard H Allert</td>
<td>4 September 1997</td>
</tr>
<tr>
<td>Paul Tyrrell</td>
<td>4 September 1997</td>
</tr>
<tr>
<td>John Crosby</td>
<td>4 December 1997</td>
</tr>
<tr>
<td>Otto Alder</td>
<td>21 July 1998</td>
</tr>
<tr>
<td>Jim Hallion</td>
<td>6 October 1998</td>
</tr>
</tbody>
</table>
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 as detailed in Note 8 do attract interest, however, no interest is payable until an equivalent amount of interest is received from the Consortium.

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.

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>$000</td>
<td>$000</td>
<td></td>
</tr>
</tbody>
</table>

NOTE 14 ACCUMULATED FUNDS

Accumulated funds at the beginning of the financial year 321,997 169
Operating surplus/(deficit) and extraordinary items after income tax and government contributions 106,456 321,828
Accumulated Funds 428,453 321,997

NOTE 15 SERVICES RECEIVED FREE OF CHARGE

During the 2001 and 2002 financial years, the Corporation received advisory services from officers of the Northern Territory and South Australian Governments at no charge.
NOTE 16 STATEMENT OF CASHFLOWS

Reconciliation of operating surplus/(deficit) after tax to net cash flows from operations

<table>
<thead>
<tr>
<th>Description</th>
<th>2002</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating surplus/(deficit) after tax</td>
<td>106,456</td>
<td>321,828</td>
</tr>
<tr>
<td>Charges not requiring funds</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>54</td>
<td>0</td>
</tr>
<tr>
<td>Provision for LIAPP</td>
<td>7,000</td>
<td>0</td>
</tr>
<tr>
<td>Charges in Assets and Liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Decrease in Receivables</td>
<td>24,775</td>
<td>(77,286)</td>
</tr>
<tr>
<td>Decrease in Creditors Relating to Operations</td>
<td>(174)</td>
<td>1,514</td>
</tr>
<tr>
<td>Net Cashflows from Operations</td>
<td>138,111</td>
<td>246,056</td>
</tr>
</tbody>
</table>

NOTE 17 GOVERNMENT GRANTS AND CONTRIBUTIONS RECEIVED FOR PERIOD

<table>
<thead>
<tr>
<th>Description</th>
<th>2002</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Northern Territory Government Project Grants</td>
<td>0</td>
<td>140,000</td>
</tr>
<tr>
<td>South Australia Government Project Grants</td>
<td>25,000</td>
<td>50,000</td>
</tr>
<tr>
<td>Commonwealth Government Project Grants</td>
<td>110,000</td>
<td>55,000</td>
</tr>
<tr>
<td>Total Project Grants</td>
<td>135,000</td>
<td>245,000</td>
</tr>
<tr>
<td>Northern Territory Government Operating Contributions</td>
<td>1,441</td>
<td>4,407</td>
</tr>
<tr>
<td>South Australia Government Operating Contributions</td>
<td>1,335</td>
<td>4,407</td>
</tr>
<tr>
<td>Total Operating Contributions</td>
<td>2,776</td>
<td>8,814</td>
</tr>
<tr>
<td>Total Government Contributions</td>
<td>137,776</td>
<td>253,814</td>
</tr>
</tbody>
</table>
NOTE 18 CONTINGENT LIABILITIES

Guarantees and indemnities provided under contracts to which the Corporation is a party are subsequently 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, but expected to be immaterial.

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.
NOTE 19 COMMITMENTS

The Corporation is committed, subject to certain works being completed by the Consortium, to make payments under the project documents, as part of the agreed level of Government contributions and loans to the project. Obligations of the Corporation are guaranteed by the Northern Territory and South Australian Governments.

The balance of payment commitments resulting from these obligations was $43 million at 30 June 2002 (2001 $334.5m). It is anticipated that these commitments will be fully met by 31 July 2003.

NOTE 20 SEGMENTS

The Corporation operates solely to facilitate the completion of the Adelaide to Darwin rail link.

NOTE 21 OTHER STATUTORY INFORMATION

Distributions
No dividends or distributions were made during the financial year ending 30 June 2002.

Domicile of Company
Darwin, NT, Australia

Number of Employees
The Corporation reimbursed the NT Government for 10 employees contracted to the Corporation during 2002 (2001 10).

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.

Details of Board Member’s experience and qualifications are detailed on page 22 of the Annual Report
INDEPENDENT AUDIT REPORT TO THE MEMBERS OF
AUSTRALASIA RAILWAY CORPORATION

Scope

We have audited the financial statements of AustralAsia Railway Corporation for the financial year ended 30 June 2002 as set out on pages 29 to 43. The Corporation's Board members are responsible for 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 2002 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 & Advisers

R G Retter
Partner

Darwin: 12 August 2002