



ANNUAL REPORT

2016-2017



LETTER TO THE MINISTER FOR INFRASTRUCTURE, PLANNING AND LOGISTICS

The Hon Nicole Susan Manison MLA
Minister for Infrastructure, Planning and Logistics
GPO Box 3146
Darwin NT 0801

Dear Minister Manison

RE: AUSTRALASIA RAILWAY CORPORATION ANNUAL REPORT

I have pleasure in presenting the 2016/2017 Annual Report of the AustralAsia Railway Corporation.

The report details the activities and operations of the Corporation for the year ending 30 June 2017, in accordance with the provisions of section 32(2) of the AustralAsia Railway Corporation Act.

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



Alastair Shields
Chairman

12 December 2017



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Chairman's Overview



The combined total of 2.1 million tonnes of freight transported in 2016/2017 represents a 25% increase over the previous financial year figure of 1.6 million tonnes. The gradual recovery of commodity prices in the global market saw a reversal of trend for bulk minerals traffic on the central corridor with a return of OM Manganese traffic from the Bootu Creek minesite along with continuing concentrates from the Oz Minerals minesite near Coober Pedy on the corridor. The measure of on-time freight availability continued to achieve target levels with improved serviceability of locomotives and rollingstock.

As the maintenance of the asset is a primary concern for the Corporation, the full Board of the Corporation engaged with the GWA(N) Board members on an ongoing basis throughout the year, to seek the timely replacement of light rail sections and other Prescribed Management Tasks required under the Concession Deed, given the ongoing speed restrictions in some areas of the railway between Tarcoola and Alice Springs. The Corporation intends to progress this matter in the coming year.

Whilst both Boards have reasserted their resolve to continue to explore new opportunities to increase business on the corridor, we look forward to tangible outcomes from the planning workshops facilitated by the Corporation with the new lessee of the Darwin Port in September 2016.

BULK MINERALS

Tonnages have increased from the previous year of 758 thousand tonnes to 1.3 million tonnes in the 2016/2017 financial year, this was due to the start-up of CU River Mining, which began hauling iron ore out of Rankin Dam (from the previously mothballed Cairn Hill mine) on 3 July 2016. GWA(N)'s initial short term contract and haulage are both due to cease in 2 October 2017. The customer is currently reviewing its operating and service models for 2018 to move to a bulk rail haulage solution to achieve higher volumes on an annualised basis. OM Manganese recommenced mine and rail haulage operations in March 2017 under a two year contract and is currently running 3-4 services per week.

A new rail haulage agreement was signed by GWA(N) with OZ Minerals (OZ) in December 2016 for a further 5 years with a change in operating plan due to declining volumes over the term leading to an operating model fully supported by the existing Intermodal services come 2019. In 2017/ 2018 there is a combination of a single stand-alone service supported by Intermodal capacity. OZ Minerals tonnages to Tennant Creek have increased from 60k tonnes in 2015/16 to approx. 76k tonnes p.a. 2016/17 volumes are expected to continue into the next financial year.

GENERAL FREIGHT

Continuation of the twelve trains per week operating service plan between Adelaide and Darwin, captured more than 82 % of all contestable intermodal freight carrying a total 803,308 tonnes comprising containerised general freight, automotive and specialised products. This represents a decrease of 2 % over the previous year driven by a number of economic and customer changes in the market, including a Woolworths road trial of perishable goods (21 loads per week) from Adelaide to Darwin, LeCornu furniture closed in Adelaide, a downturn in the Automotive industry with factory closures and box consolidation as freight forwarders continue to look for cost efficiencies.

Based on this there is not expected to be a change to either the current number or configuration of services; however a full review of Intermodal service efficiencies by GWA(N) is currently taking place as part of a global review process.

GWA(N) was successful in working with Jemena and Qube Energy for the North East Gas Interconnector (NEGI) pipe movements, ex East Arm wharf to Tennant Creek, the project saw wagons moved on all return Intermodal services for a 10 month project time.

With the assistance of respective NT and SA government agencies the Corporation continues to pursue a revue of the decision by the Australian Defence Force to discontinue transportation of Defence materiel on rail in recent years. GWA has worked with the ADF throughout the year to demonstrate its capability to provide the services on rail as required, and remains confident it can comply with any required terms & conditions of carriage

AUSTRALASIA TRADE ROUTE

The long term lease of the Port of Darwin to a private sector operator provides a renewed opportunity to attract the regular international shipping services between Darwin to ports in north and southeast Asia that are required to provide competitive freight import/export opportunities to service resource developments and evolving opportunities in agriculture/ horticulture. Through the advocacy of the Corporation, GWA(N) and DarwinPort, the new private sector operator of the Port of Darwin, have commenced planning the port/rail interface to ensure this potential traffic can be facilitated.

CORRIDOR

The Corporation continues to manage matters impacting the railway corridor including granting of services and access easements to facilitate new projects and protection of landholder entitlements to the use of the land for the purpose of operating the railway both now and into the future.

A submission made to the NT Minister for Lands in response to an application for heritage listing of a further section of the railway corridor at Adelaide River ensured that future growth of railway activities would not be further constrained in this already restricted sector.

The Corporation entered into a Pipeline Crossing Agreement to facilitate the construction of the Northern Gas Pipeline which is a crucial link connecting the gas resources of the NT with the eastern states market.



Alastair Shields
Chairman

Business Overview

The combined total of 2.1 million tonnes of freight transported in 2015/2016 represents a 25 % increase over the previous financial year figure of 1.6 million tonnes. Business performance categorised as Intermodal, Bulk Products and Passenger Train Access was as follows:

INTERMODAL

The twelve trains per week operating between Adelaide and Darwin transported a total 1.3 million tonnes comprising more than 82 % of all contestable intermodal freight including containerised general freight, automotive and specialised products.

Despite the support of the NT Department of Infrastructure, planning and Logistics there has not yet been any indication of a preparedness to consider a return of Australian Defence Force interstate movements from road to rail.

BULK PRODUCTS

Following a resumption of mining at OM Manganese, GWA recommenced transporting material to the Port of Darwin in March 2017 under a 3 year contract and is running 3-4 services per week.

The return to operations at CU River began the haul of iron ore from Rankin Dam (previously mothballed

Cairn Hill minesite) to the Port Of Adelaide on 3 July 2016. This initial short term contract and haulage are both due to cease on 2 October 2017 and the customer is reviewing its operating and service models for 2018 to move to a bulk rail haulage solution to achieve higher volumes on an annualised basis.

A new rail haulage agreement was signed by GWA(N) with OZ Minerals (OZ) in December 2016 for a further 5 years with a change in operating plan due to declining volumes over the term leading to an operating model fully supported by the existing Intermodal services come 2019. In 2017/ 2018 there is a combination of a single stand-alone service supported by Intermodal capacity. OZ Minerals tonnages to Tennant Creek have increased from 60k tonnes in 2015/16 to approx. 76k tonnes p.a. 2016/17 volumes are expected to continue into the next financial year.

Bulk Liquid tonnes have decreased 8% from 26,700 tonnes in FY15/16 to 24,512 tonnes in FY 16/17



PASSENGER TRAIN ACCESS

Great Southern Rail continues to operate The Ghan passenger service once per week throughout the year. The business relies upon access to a high standard of track condition to provide its premier experiential offerings. The Corporation will be working with Great Southern rail in the coming year to ensure that opportunities to enhance experiences along on the corridor are optimised.



Board Members



ALASTAIR SHIELDS B.Bus (Acctg), LLB, EMPA

Appointed 2 September 2014

Alastair was appointed Chief Executive Officer of the Department of Tourism and Culture in September 2016. Prior to that, Alastair was Chief Executive Officer of the Department of Land Resource Management from March 2015, and he acted as Chief Executive Officer of the Department of Business during 2014. Alastair was born and educated in Darwin and has more than 35 years of public sector experience in the Northern Territory, most of it at the Northern Territory Department of the Attorney-General and Justice and its predecessors. Alastair has been involved in commercial negotiations for major projects in the Northern Territory, such as the AustralAsia Railway, North East Gas Interconnector (NEGI) project, Darwin City Waterfront and the Marine Supply Base. He has qualifications in Law and Accounting and a Masters in Public Administration.



BRENDAN LAWSON Dip.CE, FIEAust, PSM

Appointed CEO 6 October 2004

Brendan Lawson is the Chief Executive Officer of the AustralAsia Railway Corporation. Mr Lawson is a civil engineer with a background in construction of transport infrastructure and has been associated with the AustralAsia Railway Project since 1996. Previous roles with the Northern Territory Government involved managing a range of preconstruction activities for the Railway, project management of Darwin's East Arm Port, Project Administrator of the Darwin Waterfront Development and the Darwin Marine Supply Base.



MR ROB FULLER LL.B

Appointed 1 September 2012

Mr Fuller is Manager, Legal Services in the South Australian Crown Solicitor’s Office. Robert is a solicitor representing the South Australian Government and practices in the areas of public finance, project finance, debt capital markets, derivatives, insurance and general commercial. Past board appointments include the Director of the South Australian statutory body RESI Corporation.



MIKE WILDE

Appointed 28 July 2016

Mike Wilde is the Manager, Moving Freight in the South Australian Department of Planning, Transport and Infrastructure (DPTI). Prior to joining DPTI, Mr Wilde spent over 31 years in the rail freight industry with experience in business development, customer service delivery, and operations planning roles. This includes 15 years in freight activities on the Alice Springs and Darwin corridors, holding senior management positions with FreightLink and as a board member for the Tarcoola to Darwin corridor maintenance joint venture.



ANDREW KIRKMAN

Appointed 14 October 2015

Andrew was appointed as the Chief Executive of the Department of Infrastructure, Planning and Logistics in September 2016, and continues as the Chief Executive of the Darwin Waterfront Corporation.

With more than 18 years’ experience in the Northern Territory Public Sector, Andrew has previously held positions as the Chief Executive of the Department of Transport and as Deputy Chief Executive and Executive Director in the Department of Housing.

In addition to key roles in the AustralAsia Railway Corporation, Department of the Chief Minister and NT Treasury, he has worked in finance and commercial roles in the private sector, locally in the mining industry and overseas on public private partnerships.

Andrew holds tertiary qualifications in business and is a Certified Practising Accountant..

Board Members' Report

The Board Members present their report on the accounts for the financial year ended 30 June 2017.

Members

The following persons held office as Members of the AustralAsia Railway Corporation (“the Corporation”) Board during the year and up to date of this report:

- Alastair Shields (Appointed 2 September 2014)
- Brendan Lawson (Appointed Chief Executive Officer 6 October 2004)
- Robert Fuller (Appointed 1 September 2012)
- Andrew Kirkman (Appointed 14 October 2015)
- Mike Wilde (Appointed 28 July 2016)

Further details on Members are provided at Note 13 to the financial statements and member profiles at page 8 and 9 of the Annual Report.

Principal Activities

The functions of the Corporation are specified in the *AustralAsia Railway Corporation Act 1996 (NT)*.

The Corporation was created to facilitate the completion of the AustralAsia Railway on behalf of the Northern Territory and South Australian Governments and subsequent to completion, to monitor operations of the railway throughout the fifty year concession period to ensure obligations and responsibilities of the Concession Holder and Governments under the Concession Deed are met.

Ministerial Directions

No ministerial directions were received by the Corporation under Sections 18 or 19 of the *AustralAsia Railway Corporation Act (NT)* for the financial year ended 30 June 2017.

Review of Operations and Significant Changes during the Financial Year

The Corporation’s role is to monitor operations to ensure responsibilities under the Concession Deed and the statutory obligations pursuant to the *AustralAsia Railway Corporation Act (NT)* are met. The Concession Deed covers the rights, responsibilities and obligations of the Concession Holder and Governments throughout the fifty year concession period from 2004.

Significant responsibilities of the Corporation include ensuring that the rail infrastructure, including the \$427.5 million (valued at cost) of Corporation owned infrastructure, is maintained in a ‘fit for purpose’ state by the Concession Holder throughout the Concession Period and that secure title over the rail corridor is held throughout this time.

The Corporation also provides advice and assistance to the Northern Territory and South Australian Governments on AustralAsia Railway matters.

This financial year has been the sixth full financial year of operations since the concession was sold to GWA (North) Pty Ltd. The year has continued to focus on establishing stronger relationships and reporting regimes with the Concession Holder to ensure that both GWA (North) Pty Ltd and the Corporation meet their responsibilities in accordance with the Concession Deed.

Activities during the year resulted in the Corporation recording an operating deficit of \$3.48 million (2016: Deficit \$3.44 million). This operating deficit resulted from depreciation charges of \$3.5 million to the accounts, reflecting use of the Corporation's \$427.5 million (valued at cost) rail infrastructure assets. Operating deficits do not affect the operations of the Corporation, with Governments providing the necessary resources to ensure the going concern of the entity.

Matters Subsequent to the End of the Financial Year

At the date of this report there is no matter or circumstance which has arisen since 30 June 2017 that has significantly affected or may significantly affect:

- a. the operations in the financial year subsequent to 30 June 2017, of the Corporation; or
- b. the results of those operations; or
- c. the state of affairs in financial year subsequent to 30 June 2017, 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 2017-18 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 Audit (NT) continued as auditor in accordance with Section 27 of the *AustralAsia Railway Corporation Act* and Section 327 of the *Corporations Act 2001*.

Auditor's Independence Declaration

A copy of the auditor's independence declaration, as required under Section 307C of the *Corporations Act 2001*, is set out on page 12.

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



ALASTAIR SHIELDS

Chairman

12 December 2017



BRENDAN LAWSON

Chief Executive Officer

12 December 2017

Declaration of Independence By BDO Audit (NT) to the Board Members of AustralAsia Railway Corporation

As lead auditor AustralAsia Railway Corporation for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.



Casmel Taziwa
Audit Partner
BOO Audit (NT)

Darwin: 18 December 2017

BDO Audit (NT) ABN 45 826 259 206 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit (NT) and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation other than for the acts or omissions of financial services licensees.

Board Members' Declaration

The Board Members declare that:

1. The financial statements and accompanying notes;
 - a) are in accordance with the *Corporations Act 2001* and comply with Australian Accounting Standards (including Australian Accounting Interpretations); and
 - b) give a true and fair view of the Corporation's financial position as at 30 June 2017 and of its performance for the period ended on that date.
2. In the opinion of the Board Members, there are reasonable grounds to believe that the Corporation will be able to pay its debts as and when they become due and payable.

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



ALASTAIR SHIELDS
Chairman
Officer

12 December 2017



BRENDAN LAWSON
Chief Executive

12 December 2017

Financial Statements 16/17



Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2017

	Note	2017 \$'000	2016 \$'000
Income			
Income from Ordinary Activities		302	302
Other Income		29	32
Total Income	3	331	334
Expenses			
Employee Expenses		145	134
Depreciation and Amortisation		3,548	3,548
Other Expenses	4	120	97
Total Expenses		3,813	3,779
Deficit for the Year		(3,482)	(3,445)
Other Comprehensive Income			
Other Comprehensive Income for the Year		-	-
Total Other Comprehensive Income		-	-
Total Comprehensive Deficit for the Year		(3,482)	(3,445)

The Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the notes to the financial statements.

Statement of Financial Position

As at 30 June 2017

	Note	2017 \$'000	2016 \$'000
Current Assets			
Cash and Cash Equivalents	5	507	439
Trade and Other Receivables	6	1	1
Total Current Assets		508	440
Non Current Assets			
Property, Plant and Equipment	7	379,903	383,451
Total Non-Current Assets		379,903	383,451
TOTAL ASSETS		380,411	383,891
Current Liabilities			
Trade and Other Payables	8	30	28
Total Current Liabilities		30	28
Non-Current Liabilities			
Net Loans		-	-
Net Advances		-	-
Total Non-Current Liabilities	9	-	-
TOTAL LIABILITIES		30	28
NET ASSETS		380,381	383,863
Equity			
Accumulated Funds		380,381	383,863
TOTAL EQUITY		380,381	383,863

The Statement of Financial Position should be read in conjunction with the notes to the financial statements.

Statement of Changes in Equity

For the year ended 30 June 2017

	Note	2017 \$'000	2016 \$'000
Accumulated Funds			
Balance at 1 July		383,863	387,308
Deficit for the Period		(3,482)	(3,445)
Other Comprehensive Income for the year		-	-
Total Comprehensive Deficit for the year		(3,482)	(3,445)
BALANCE AT 30 JUNE		380,381	383,863

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

Statement of Cash Flows

For the year ended 30 June 2017

	Note	2017 \$'000	2016 \$'000
Cash Flows from Operating Activities			
Grants and Subsidies Received		302	302
Net Payments for Goods and Services		(263)	(235)
Interest Received		7	7
Other Income		22	25
Net Cash Provided by Operating Activities	10	68	99
Net Increase in Cash and Cash Equivalents		68	99
Cash and Cash Equivalents at the Beginning of the Financial Year		439	340
Cash and Cash Equivalents at the End of the Financial Year	5	507	439

The Statement of Cash Flows should be read in conjunction with the notes to the financial statements.

Notes to the Financial Statements for the year ended 30 June 2017

1. General Information

The AustralAsia Railway Corporation (“the Corporation”) is a statutory authority, incorporated in Australia and operating within Darwin, Northern Territory, Australia.

Principal place of business:

Level 5 Hospitality
7 Kitchener Drive, Darwin NT 0800

Postal address:

GPO Box 1449, Darwin NT 0801

The Corporation was established to facilitate the completion of the AustralAsia Railway on behalf of the Northern Territory and South Australian Governments and subsequent to completion, to monitor operations of the railway throughout the fifty year concession period (which commenced in 2004) to ensure obligations and responsibilities of the Concession Holder and Governments under the Concession Deed are met.

2. Significant Accounting Policies

Statement of Compliance

The financial statements are general purpose financial statements and have been prepared to fulfil the Corporation’s reporting requirements under the *AustralAsia Railway Corporation Act 1996 (NT)* and the *Corporations Act 2001*. The accounting policies used in the preparation of these financial statements are consistent with those of previous years unless stated otherwise, and in the opinion of the Board Members are appropriate to meet the needs of the AustralAsia Railway Corporation.

The general purpose financial statements have been prepared in accordance with the Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the requirements of the *AustralAsia Railway Corporation Act 1996 (NT)* and the *Corporations Act 2001*.

The financial statements comprise AustralAsia Railway Corporation financial statements as an individual reporting entity. For the purposes of preparing the financial statements, the Corporation is a not-for-profit entity.

These financial statements are presented in Australian dollars, which is the Corporation’s functional and presentation currency.

The financial statements were authorised for issue by the Board Members on 12 December 2017.

a) Basis of Preparation

The general purpose financial statements have been prepared on an accrual basis using historical cost, except for the revaluation of certain non-current assets and financial instruments that are measured at re-valued amounts or fair values, as explained in the accounting policies below.

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

The Corporation is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors’ Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to ‘rounding off’. All amounts are presented in Australian dollars and have been rounded off in accordance with that ASIC Corporations Instrument to the nearest thousand

dollars, or in certain cases, the nearest dollar. Figures in the financial statements and notes may not equate due to rounding.

b) Critical Accounting Estimates and Judgements

The Board Members evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data.

Key Estimates – Impairment

The Corporation assesses impairment at each reporting date by evaluating conditions specific to the Corporation that may lead to impairment of assets. Where an impairment indicator exists during the year, the recoverable amount of the asset is assessed by management and impairment losses are recognised in profit and loss where an asset's carrying value exceeds its recoverable amount. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates. Where it is not possible to estimate recoverable amount for an individual asset, recoverable amount is determined for the cash generating unit to which the asset belongs.

c) New and Revised Accounting Standards

The effects of all relevant new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are effective for the current annual reporting period have been evaluated.

The following new and revised accounting standards and interpretations were effective for the first time in 2016-17:

AASB 124 Related Party Disclosures

This standard applies to not-for-profit sector for the first time in 2016-17. The accounting standard requires disclosures about the remuneration of key management personnel, transactions with related parties, and relationships between parent and controlled entities. For any such transactions, disclosures will include the nature of the related party relationship, as well as information about those transactions' terms/conditions and amounts, any guarantees given/received, outstanding receivables/payables,

commitments, and any receivables where collection has been assessed as being doubtful.

Several other amending standards and AASB interpretations have been issued that apply to the current reporting periods, but are considered to have no impact on public sector reporting.

d) Accounting Standards Issued But Not Yet Effective

At the date of authorisation of the financial statements, the following standards and interpretations were in issue but are not yet effective and are expected to have a potential impact on future reporting periods:

AASB 1058 Income for not-for-profit entities and AASB 15 Revenue from contracts with customers

AASB 1058 Income for Not-for-Profit Entities and AASB 15 Revenue with Contracts with Customers are effective for annual reporting periods beginning on or after 1 January 2019 and will be reported in these financial statements for the first time in 2019-20.

Under the new AASB 1058 Income for Not-for-Profit Entities, revenue from grants and donations will be recognised when any associated performance obligation to provide goods or services is satisfied, and not immediately upon receipt as currently occurs. Consequently, more liabilities will be recognised in the balance sheet after adoption of this standard.

AASB 1058 clarifies and simplifies income-recognition requirements that apply to not-for-profit entities in conjunction with AASB 15 Revenue from Contracts with Customers.

While the full impacts are yet to be determined, potential impacts identified include:

- Grants received to construct or acquire a non-financial asset will be recognised as a liability, and subsequently recognised as revenue as the performance obligations under the grant are satisfied. At present, such grants are recognised as revenue on receipt.
- Grants with an enforceable agreement and sufficiently specific performance obligations will be recognised as revenue progressively as

the associated performance obligations are satisfied. At present, such grants are recognised as revenue on receipt.

- Grants that have an enforceable agreement but no specific performance obligations but have restrictions on the timing of expenditure will also continue to be recognised on receipt as time restriction on the use of funds is not sufficiently specific to create a performance obligation.
- Grants that are not enforceable and/or not sufficiently specific will not qualify for deferral, and continue to be recognised as revenue as soon as they are controlled.

AASB 2016-4 Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities

This Standard amends AASB 136 Impairment of Assets (July 2004) and AASB 136 Impairment of Assets (August 2015) to remove references to depreciated replacement cost as a measure of value in use for not-for-profit entities and clarify that the recoverable amount of primarily non-cash-generating assets of not-for-profit entities, which are typically specialised in nature and held for continuing use of their service capacity, is expected to be materially the same as fair value determined under AASB 13 Fair Value Measurement with the consequence that:

- AASB 136 does not apply to such assets that are regularly revalued to fair value under the revaluation model in AASB 116 Property, Plant and Equipment and AASB 138 Intangible Assets; and
- AASB 136 applies to such assets accounted for under the cost model in AASB 116 and AASB 138.

This Standard applies to annual periods beginning on or after 1 January 2017.

Several other amending standards and AASB interpretations have been issued that apply to future reporting periods, but are considered to have limited impact on future financial reporting.

e) Going Concern Basis

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

f) Goods and Services Tax

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

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

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

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified within operating cash flows.

g) Revenue Recognition

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

h) Government Grants

Grants that are non reciprocal in nature are recognised at their fair value where there is reasonable assurance that the grant will be received and the entity will comply with all the attached conditions.

i) Income Tax

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

j) Cash and Cash Equivalents

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

k) Financial Instruments

Investments and other financial assets are initially measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted. The fair values of quoted investments are based on current bid prices. For unlisted investments, the corporation establishes fair value by using valuation techniques. These included the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Corporation has transferred substantially all the risks and rewards of ownership.

Available-for-Sale Financial Assets

Available-for-sale financial assets are non-derivative financial assets, principally equity securities that are either designated as available-for-sale or not classified as any other category. After initial recognition, fair value movements are recognised in other comprehensive income through the available-for-sale reserve in equity.

Cumulative gain or loss previously reported in the available-for-sale reserve is recognised in profit or loss when the asset is derecognised or impaired.

Loans and Receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured

at amortised cost using the effective interest method, less any impairment losses.

Impairment of Financial Assets

The Corporation assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for financial assets carried at cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for similar financial assets.

Available-for-sale financial assets are considered impaired when there has been a significant or prolonged decline in value below initial cost. Subsequent increments in value are recognised in other comprehensive income through the available-for-sale reserve.

Derecognition of Financial Assets

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Non-Derivative Financial Liabilities

The Corporation initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date at which the Corporation becomes a party to the contractual provisions of the instrument.

The Corporation derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

The Corporation classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method.

Other financial liabilities comprise loans and borrowings, debt securities issued, bank overdrafts and trade and other payables. Bank overdrafts that are repayable on demand and form an integral part of the Corporation's cash management are included as a component of cash and cash equivalents for the statement of cash flows.

l) Trade and Other Receivables

Trade and other receivables are recognised at fair value less any allowance for impairment losses. Collectability of receivables is assessed on an ongoing basis. Debts which are known to be uncollectible are written off. The allowance for impairment losses represents the amount of receivables the Corporation estimates are likely to be uncollectible and are considered doubtful.

Trade receivables are generally settled within 30 days.

m) Property, Plant and Equipment

The property, plant and equipment of the Corporation comprises of railway infrastructure. Railway infrastructure represents the Corporation's share of the \$1.1 billion total of new rail infrastructure located between Alice Springs and Darwin completed in 2004.

The Corporation values land, buildings and infrastructure assets in accordance with the Australian Accounting Standard AASB 116 *Property, Plant & Equipment* and annually reviews the carrying balances of its assets in accordance with Accounting Standards to ensure any impairment loss is appropriately recorded.

Railway infrastructure is recorded at the cost of acquisition, being the purchase consideration determined at the date of acquisition plus costs incidental to the acquisition.

Plant and equipment acquired are recorded at the cost of acquisition, being the purchase consideration determined at the date of acquisition plus costs incidental to the acquisition.

Depreciation is provided on property, plant and equipment (excluding Earthworks and Capping Layer). Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life.

The following useful lives are used in the calculation of depreciation:

<i>Railway Infrastructure</i>	
Culverts and Bridges	50 years
Yards and Freight Handling Facilities	50 years
Signalling	15 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, with the effect of any changes recognised on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Corporation. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

n) Borrowings

Loans are initially recognised at the fair value of the consideration received less directly attributable transaction costs. Interest expense is recognised on an accrual basis (refer Note 9). No interest was payable on loans for either financial period.

o) Trade and Other Payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Corporation. These amounts are unsecured and are usually settled within normal trading terms of 30 days.

p) Employee/Member Benefits

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

q) Comparative Amounts

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

r) Commitments

Disclosures in relation to capital and other commitments are shown at note 14 and are consistent with the requirements contained in AASB 101. Commitments are those contracted as at 30 June 2017 where the amount of the future commitment can be reliably measured.

s) Services Received Free of Charge

During the 2017 financial year the Corporation received advisory services from officers of the Northern Territory and South Australian Governments at no charge. These amounts are not readily determined and are considered immaterial.

3. Income	2017 \$'000	2016 \$'000
<i>Income from Ordinary Activities</i>		
<i>Operating Grants and Other Contributions</i>		
Northern Territory Government	152	152
South Australian Government	150	150
<i>Other Income</i>		
Interest on Cash Balances	7	7
Other Income	22	25
Total Income	331	334

4. Other Expenses

Audit Fees (auditors received no other benefits)*	9	9
Other Operational Costs	111	88
Total Other Expenses	120	97

*Audit fees payable for services provided for the 2016-17 financial statement audit is \$9,400

5. Cash and Cash Equivalents

Cash at Bank	507	439
Total Cash and Cash Equivalents	507	439

6. Trade and Other Receivables

Current

Other	-	-
Goods and Services Tax Recoverable	1	1
Total Trade and Other Receivables	1	1

Consisting of:

Government Agencies	1	1
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Receivables are all current and are neither due nor impaired. The Corporation does not hold any financial assets whose terms have been renegotiated, but would otherwise be past due or impaired. No collateral is held as security for any of the trade or other receivables balances.

7. Property, Plant and Equipment

	2017 \$'000	2016 \$'000
Infrastructure Assets		
Earthworks and Capping Layer		
At Cost	270,917	270,917
Total Earthworks and Capping Layer	270,917	270,917
Culverts and Bridges		
At Cost	127,662	127,662
Less: Accumulated Depreciation	(34,256)	(31,702)
Total Culverts and Bridges	93,406	95,960
Freight Handling and Signalling		
At Cost	28,920	28,920
Less: Accumulated Depreciation	(13,340)	(12,346)
Total Freight Handling and Signalling	15,580	16,574
Total Property, Plant and Equipment	379,903	383,451

Reconciliations

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

	2017 \$'000	2016 \$'000
Earthworks and Capping Layer		
Carrying Amount at Beginning of Year	270,917	270,917
Carrying Amount at End of Year	270,917	270,917
Culverts and Bridges		
Carrying Amount at Beginning of Year	95,960	98,513
Depreciation	(2,554)	(2,553)
Carrying Amount at End of Year	93,406	95,960
Freight Handling and Signalling		
Carrying Amount at Beginning of Year	16,574	17,568
Depreciation	(994)	(994)
Carrying Amount at End of Year	15,580	16,574
Total Property, Plant and Equipment	379,903	383,451

8. Trade and Other Payables

Current

Trade Payables	30	28
Total Trade and Other Payables	30	28

Consisting of:

Government Agencies	10	15
External Bodies	20	13

9. Other Financial Liabilities

	2017 \$'000	2016 \$'000
Net Loans		
Loan from Northern Territory Government	25,000	25,000
Loan from South Australia Government	25,000	25,000
Total Loans from Governments	50,000	50,000
Loans to the Concession Holder	(50,000)	(50,000)
Net Loans	-	-

The Corporation received loans from the Northern Territory and South Australian Governments totalling \$50 million for the purpose of on lending to the Concession Holder. With the sale of the concession to GWA (North) Pty Ltd in late 2010, GWA (North) Pty Ltd has accepted responsibility to repay these loans on the same terms as applied to the Consortium (the original Concession Holder). Repayment of loans to Government is conditional upon receipt of loan repayments from the Concession Holder.

Therefore, the loan liability of \$50 million has been netted off against the loan asset of \$50 million in the statement of financial position. The full amount of \$50 million was drawn down by the original Concession Holder and is not repayable until the completion of the 50 year concession period. Interest on the loan is triggered only after significant cumulative profits are earned by the Concession Holder and these are not anticipated in the short to medium term. Interest on the loan to the Concession Holder is secured over the assets of the Concession Holder.

10. Notes to the Statement of Cash Flows

Reconciliation of operating deficit for the period to net cash flows from operating activities:

	2017 \$'000	2016 \$'000
Operating Deficit	(3,482)	(3,445)
<u>Non-Cash Items</u>		
Depreciation and Amortisation	3,548	3,548
<u>Changes in Assets and Liabilities</u>		
Increase (Decrease) in Payables	2	(4)
Net Cash from Operating Activities	68	99

11. Financial Risk Management

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

a) Capital Risk Management

The Corporation manages its capital to ensure that it will be able to continue as a going concern. Financial instruments held by the Corporation include cash, receivables, payables and other financial liabilities. The fair values of the financial assets and liabilities approximate the carrying values.

There have been no substantive changes in the Corporation's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

b) Categories of Financial Instruments

2016-17 Categorisation of Financial Instruments

Fair Value through Profit and Loss	Designated at Fair Value	Financial Assets – Loans & Receivables	Total
	\$'000	\$'000	\$'000
Cash and Cash Equivalents	-	507	507
Receivables ¹	-	1	1
Loans Receivable	50,000	-	50,000
Total Financial Assets	50,000	508	50,508
Payables	30	-	30
Loans Payable	50,000	-	50,000
Total Financial Liabilities	50,030	-	50,030

1. Total amounts disclosed here exclude statutory amounts

2015-16 Categorisation of Financial Instruments

Fair Value through Profit and Loss	Designated at Fair Value	Financial Assets – Loans & Receivables	Total
	\$'000	\$'000	\$'000
Cash and Cash Equivalents	-	439	439
Loans Receivable	50,000	-	50,000
Total Financial Assets	50,000	439	50,439
Payables	28	-	28
Loans Payable	50,000	-	50,000
Total Financial Liabilities	50,028	-	50,028

c) Financial Risk Management Objectives

The Board has overall responsibility for the determination of risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the management team. The Corporation's risk management policies and objectives are therefore designed to minimise the potential impacts of these risks on the results of the Corporation where such impacts may be material. The Board receives an appropriate number of reports per annum from the Chief Executive Officer through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

d) Interest Rate Risk

Interest rate risk is the risk of financial loss and/or increased costs due to adverse movements in the values of financial assets and liabilities as a result of changes in interest rates.

The Corporation has minimal exposure to interest rate risk with the exception of cash at bank. The exposure to interest rate risk on financial assets and financial liabilities is set out in the following table.

	2017 \$'000	2016 \$'000
Variable Rate Instrument		
Financial Assets	507	439

e) Credit Risk

Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the Corporation incurring a financial loss. Credit risk arises from cash assets and deposits with financial institutions, as well as credit exposures to the Corporation's outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of "A" are accepted.

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period is equivalent to the carrying value and classification of those financial assets (net of any provisions) as presented in the statement of financial position.

There is no collateral held by the Corporation securing trade and other receivables.

Trade and other receivables that are neither past due or impaired are considered to be of high credit quality. Aggregates of such amounts are as detailed at Note 6.

f) Liquidity Risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation manages liquidity risk

by continuously monitoring forecast and actual cash flows and is funded by the Northern Territory and South Australian Government as required.

g) Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The primary market risk that the Corporation is exposed to is interest rate risk.

h) Net Fair Value

The carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their respective net fair values apart from the following provided below;

	2017		2016	
	Total Carrying Amount \$000	Net Fair Value Level 3 \$000	Total Carrying Amount \$000	Net Fair Value Level 3 \$000
Financial Assets and Liabilities				
Loans Receivable	50,000	27,715	50,000	27,507
Borrowings and Advances	(50,000)	(27,715)	(50,000)	(27,507)
Total Financial Assets and Liabilities	-	-	-	-

The fair value of the loan receivable and borrowings is estimated by discounting the remaining contractual maturity at the current Commonwealth Bond rate. Refer to Note 9 for the further information on right of set-off.

i) Maturity Analysis

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

2017	Carrying Amount \$'000	1 Year or Less \$'000	2 to 5 Years \$'000	Over 5 Years \$'000
Financial Assets				
Receivables	1	1	-	-
Loans to Concession Holder	50,000	-	-	50,000
Total Financial Assets	50,001	1	-	50,000

Financial Liabilities

Payables	30	30	-	-
State/Territory Govt Loans	50,000	-	-	50,000
Total Financial Liabilities	50,030	30	-	50,000

2016	Carrying Amount \$'000	1 Year or Less \$'000	2 to 5 Years \$'000	Over 5 Years \$'000
Financial Assets				
Loans to Concession Holder	50,000	-	-	50,000
Total Financial Assets	50,000	-	-	50,000

Financial Liabilities

Payables	28	28	-	-
State/Territory Govt Loans	50,000	-	-	50,000
Total Financial Liabilities	50,028	28	-	50,000

12. Related Parties

The AustralAsia Railway Corporation is a statutory authority and operates within Darwin. Related parties of the Corporation include:

- the Portfolio Minister and key management personnel (KMP) because they have authority and responsibility for planning, directing and controlling the activities of the Corporation directly;
- spouses, children and dependants who are close family members of the Portfolio Minister or KMP;
- all public sector entities that are controlled and consolidated into the whole of government financial statements; and
- any entities controlled or jointly controlled by KMP's or the Portfolio Minister or controlled or jointly controlled by their close family members.

Key Management Personnel (KMP)

Key management personnel of the AustralAsia Railway Corporation are those persons having authority and responsibility for planning, directing and controlling the activities of the Corporation. These include the Minister for Infrastructure, Planning and Logistics, the Chief Executive Officer and the 4 members of the Board Directors of the AustralAsia Railway Corporation as listed on page 10.

Remuneration of Key Management Personnel

The details below excludes the salaries and other benefits of Minister for Infrastructure, Planning and Logistics as the Minister's remunerations and allowances are payable by the Department of the Legislative Assembly and consequently disclosed within the Treasurer's Annual Financial Statements.

The aggregate compensation of key management personnel of the Corporation is set out below:

	2016-17
	\$000
Short-term benefits	109
Post-Employment Benefits	23
Total	132

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

Related party transactions

Significant transactions with government related entities includes funding received from the Northern Territory Government and South Australian Government in the form of grant funding. The Corporation also transacts with other government entities, however these are not individually significant.

The following table provides quantitative information about related party transactions entered into during the year with all other Northern Territory Government controlled entities.

Related Party	Revenue from related parties year \$'000	Payments to related parties year \$'000	Amounts owed by related parties year \$'000	Amounts owed to related parties year \$'000
All NT Government departments	161	61	1	-

Outside of normal citizen type transactions with the Territory, there were no related party transactions that involved key management personnel and their close family members. No provision has been required, nor any expense recognised, for impairment of receivables from related parties.

All other transactions that have occurred with KMP and their related parties have been minor or domestic in nature. In this context, transactions are only disclosed when they are considered material in influencing the financial statements.

13. Details of Board Members

Members Remuneration

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

	2017 \$'000	2016 \$'000
\$0	5	5
\$1 to \$79,999	-	-
Total Income Paid or Payable, or Otherwise Made Available to all Members of the Corporation From the Corporation	-	-

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

Meetings of Board Members

There were 4 scheduled meetings and 1 out of session meeting for the 2016-17 financial period attended by:

Member	Scheduled Meetings	Out of Session Meeting	Eligible to Attend	Meetings Attended
Alastair Shields	4	1	5	5
Brendan Lawson	4	1	5	5
Robert Fuller	4	1	5	4
Andrew Kirkman	4	1	5	5
Mike Wilde	4	1	5	5

Election and Continuation in Office of Board Members

The date of appointment of members:

Member	Initial Date of Appointment
Alastair Shields	2 September 2014
Brendan Lawson	6 October 2004
Robert Fuller	1 September 2012
Andrew Kirkman	14 October 2015
Mike Wilde	28 July 2016

14. Commitments

There are no commitments other than those quantified within the financial statements as at 30 June 2017.

15. 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 Concession Holder and other parties to the project documents.

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

The project documents provide for the early termination of the concession arrangement by the Concession Holder in certain circumstances that would give rise to the payment of an Early Termination Amount. The Early Termination Amount will be calculated by reference to the market value of the Project as at the date of termination. 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 Concession Holder for any losses it suffers as a result of the event that the Corporation/ Governments are seeking to cure.

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

16. Supplementary Information

Distributions

No dividends or distributions were paid or proposed during the financial period ended 30 June 2017.

Number of Employees

The Corporation reimbursed the Northern Territory Government for an average of 3 part time employees contracted to the Corporation during the financial year (2016 – 3 part time employees).

Indemnifying Officers

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

Segments

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

17. Events Subsequent to Balance Date

No events have arisen between the end of the financial year and the date of this report that require adjustment to, or disclosure in these financial statements, other than those disclosed herein.

Independent Auditor's Report



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INDEPENDENT AUDITOR'S REPORT

To the members of AustralAsia Railway Corporation

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of AustralAsia Railway Corporation (the Company), which comprises the statement of financial position as at 30 June 2017, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies, and the Board Members' declaration.

In our opinion the accompanying financial report of AustralAsia Railway Corporation, is in accordance with the *Corporations Act 2001* and the *AustralAsia Railway Corporation Act 1996 (NT)*, including:

- (i) Giving a true and fair view of the Company's financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Company in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board Members for the Financial Report

The Board Members of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Board Members determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Board Members are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board Members either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf

This description forms part of our auditor's report.

BDO Audit (NT)

C Taziwa
Partner

Darwin: 18 December 2017

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Legislation

The AustralAsia Railway Corporation was established by the AustralAsia Railway Corporation Act (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 (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
- AustralAsia Railway (Special Provisions) Amendment Act 2004

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





ANNUAL REPORT 2016-2017
