



**AUSTRALASIA**

**RAILWAY CORPORATION**

**ANNUAL REPORT 2006-07**

© Northern Territory Government

**AustralAsia Railway Corporation**

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Many thanks to Darwin Port Corporation, FreightLink and Territory Resources for their cooperation with photography.

Front Cover: Unloading at the Bulk Loading Facility at the Port of Darwin



The Hon Clare Martin MLA  
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 2007, 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

A handwritten signature in black ink, appearing to read "Paul Tyrrell", is written in a cursive style.

PAUL TYRRELL

30 August 2007



# Table of Contents

Chairman's Overview	1
Role of the AustralAsia Railway Corporation	2
Legislation	3
Board Members	4
Board Members' Report	5
Board Members' Declaration	7
Financial statements	8
Auditors Report	23



## Chairman's Overview

The past year has been one of affirmation for the AustralAsia Railway, with a surge in both bulk and general freight confirming the viability of this project and its contribution to the Northern Territory and South Australian economies.

Net freight carried increased 67% over the year, from 668,081 tonnes in 2005-06 to 1,112,885 in 2006-07. At the same time, the Ghan passenger service continued to attract visitors from all over the world and bring tourists into towns and cities the length of the track from Adelaide to Darwin.



### Bulk Minerals

The bulk minerals traffic over the past 12 months has seen considerable growth.

With the winning of the long term Oxiana contract for movement of mineral concentrates from Wirrida in South Australia for export through the Port of Darwin, business has never been better for both the railway operators and the Port of Darwin.

Utilisation of the Port's bulk loading facility will continue to grow as these minerals tasks ramp up and as others are won.

### General Freight

The continued increases in domestic freight movements on rail is the result of the competitive and reliable services provided by operator FreightLink and further proof that the railway is becoming the preferred method for transport of freight to and from the Territory. In all, around 90 per cent of the domestic freight task has now been captured by rail.

### AustralAsia Trade Route

The Northern Territory and South Australian Governments continue to be committed to the development of the AustralAsia Trade Route. The Global Freight Connect Conference in April gave delegates the unique experience of seeing the route first hand - from the window of a passenger train en route from Alice Springs to Darwin. The conference attracts delegates from around the world.

The Australasia Railway continues to fulfill its role as an impetus for economic growth. Its success this year cements its role in providing competitive freight options, enhancing export opportunities and boosting regional employment and industry.

**Paul Tyrrell**

**Chairman**

## **Role of the AustralAsia Railway Corporation**

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

The Corporation was established in 1997 by the Northern Territory and South Australian Governments to manage the awarding of a Build, Own, Operate and Transfer back (BOOT) concession and to enter into contractual arrangements with the successful consortium (Asia Pacific Transport Company).

The two Governments jointly guarantee the Corporation's obligations which are specified in contractual arrangements covered by the project documents. The respective rights and obligations of the two Governments in respect of the project are regulated by an Inter-Governmental Agreement.

The Corporation negotiated a detailed Concession Deed to deal with risks that have been identified as having the potential to arise during the project. The Deed seeks to mitigate those risks by apportioning appropriate responsibility for them. The Corporation holds security over the completed works in the event that the Concession is terminated.

In transition from project negotiation through construction to the commencement of operations, the Corporation's role has changed substantially. The Corporation continues to ensure delivery of all its obligations under the Concession Deed and ensures other parties deliver on their obligations throughout the Concession Period.

An important responsibility of the Corporation during operations is to ensure the rail infrastructure is being maintained in a fit for purpose state. The Corporation ensures that annual inspections are conducted and maintenance reports are routinely scrutinised to ensure compliance with Concession obligations.

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

## Legislation

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

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

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

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

In the Northern Territory, the legislation includes:

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

In South Australia, the legislation includes:

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

## Board Members

### *Chairman*

**Mr Paul Tyrrell** B.Ec, Dip.CE, FIEAust, CPEng, FCILT

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

Mr Tyrrell is Chief Executive of the Northern Territory Department of the Chief Minister. He is also the Chairman of the Darwin Waterfront Corporation; Chair of the NT Major Projects Group; and Chair of the Chief Executives Coordination Group. 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.

### *Chief Executive Officer*

**Brendan Lawson** Dip.CE, CPEng

Appointed CEO 6 October 2004

Brendan Lawson is the Chief Executive Officer of the AustralAsia Railway Corporation and Project Administrator of the Darwin Waterfront Project. Mr Lawson is a civil engineer with a background in construction of transport infrastructure and has been associated with the AustralAsia Railway Project since 1996. His previous position with the Northern Territory Department of Transport and Works involved managing a range of preconstruction activities for the Railway. Mr Lawson was also involved in the construction of Darwin's East Arm Port.

### *Members*

**Ms Pamela Martin** LL.B.

Appointed 28 June 2004

Ms Martin is Director, Commercial Advice in the South Australian Department of the Premier and Cabinet. Ms Martin is a solicitor specialising in commercial matters. She is a member of the Land Management Corporation, the South Australian Film Corporation, the Adelaide University Council and the Adelaide to Outback GP Training Program Board.

**Mr Joseph Ullianich** B.Ec, CPA

Appointed 28 June 2004

Mr Ullianich is Director, Financial Services in the South Australian Department for Families and Communities. From October 1997 until his appointment to the AARC Board, Mr Ullianich had been a member of the South Australian Rail Taskforce as the Treasury representative. Senior past appointments included Director, Finance and Investment, Department of Treasury and Finance. Past Board appointments included South Australian Asset Management Corporation and Southern Group Insurance Corporation.

**Mr Peter Caldwell** BA Hons(Econ), GMAICD

Appointed 28 June 2004

Mr Caldwell is Deputy Under Treasurer, Northern Territory Treasury. In addition to NT Treasury, he has worked in the Department of Industries and Development; the Department of Mines and Energy; with the Asian Development Bank; with the Department of the Northern Territory; the University of Ghana; and the Commonwealth Government Departments of Trade, Territories and Treasury.

## **Board Members' Report**

The Board Members present their report on the accounts for the period ended 30 June 2007.

### ***Members***

The following persons held office as Members of AustralAsia Railway Corporation ("the Corporation") for the 2006-07 financial year:

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

Further details on Members are provided at Note 11 to the financial statements and profiles of members at Page 4.

### ***Principal Activities***

The functions of the Corporation are specified in *the AustralAsia Railway Corporation Act 1996 (NT)*. In summary, the Corporation was created to facilitate the completion of the AustralAsia Railway on behalf of the Northern Territory and South Australian Governments and subsequent to completion, monitor operations of the railway throughout the fifty year concession period to ensure obligations and responsibilities of the Consortium and Governments under the Concession Deed are met.

### ***Ministerial Directions***

No written ministerial directions were received by the Corporation under Section 19 of the *AustralAsia Railway Corporation Act (NT)* for the period ending 30 June 2007.

### ***Review of Operations and Significant Changes during the Financial Year***

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

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

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

Activities during the year resulted in the Corporation recording an operating deficit of \$3.6 million. This operating deficit largely resulted from depreciation charges of \$3.5 million to the accounts, reflecting use of the Corporation's \$427.5 million (valued at cost) in rail infrastructure assets. Operating deficits will not affect the operations of the Corporation, with Governments providing the necessary resources to ensure the going concern of the entity.

### ***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 2007 that has significantly affected or may significantly affect:

- (a) the operations, in financial periods subsequent to 30 June 2007, of the Corporation, or
- (b) the results of those operations, or
- (c) the state of affairs, in financial periods subsequent to 30 June 2007, 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 2007-08 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 Kendalls (NT) was re-appointed as auditor in accordance with section 27 of the *AustralAsia Railway Corporation Act* and section 327 of the *Corporations Act 2001*.

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



**PAUL TYRRELL**  
Chairman  
30 August 2007



**BRENDAN LAWSON**  
Chief Executive Officer  
30 August 2007

## Board Members' Declaration

The Board Members declare that:

1. the financial statements and notes:
  - (a) are in accordance with the *Corporations Act 2001* and comply with Accounting Standards and Corporations Regulations; and
  - (b) give a true and fair view of the Corporation's financial position as at 30 June 2007 and of its performance for the year ended on that date;
2. in the opinion of the Board Members, there are reasonable grounds to believe that the Corporation will be able to pay its debts as and when they become due and payable.

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



**PAUL TYRRELL**  
Chairman  
30 August 2007



**BRENDAN LAWSON**  
Chief Executive Officer  
30 August 2007

# Financial Statements

## *Balance Sheet as at 30 June 2007*

	Note	2007 \$000	2006 \$000
<b>Current Assets</b>			
Cash and Cash equivalents	2	135	221
Receivables	3	12	5
Other Current Assets	4	0	1
<b>Total Current Assets</b>		<b>147</b>	<b>227</b>
<b>Non Current Assets</b>			
Property, Plant and Equipment	5	415,379	418,926
<b>Total Assets</b>		<b>415,526</b>	<b>419,153</b>
<b>Current Liabilities</b>			
Payables	6	4	33
<b>Non Current Liabilities</b>			
Net Loans	7	0	0
Net Advances	8	0	0
<b>Total Liabilities</b>		<b>4</b>	<b>33</b>
<b>NET ASSETS</b>		<b>415,522</b>	<b>419,120</b>
<b>EQUITY</b>			
<b>Accumulated funds</b>	13	<b>415,522</b>	<b>419,120</b>
<b>Contingent Assets and Liabilities</b>	17		
<b>Commitments</b>	18		

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

***Income Statement  
For Financial Year ended 30 June 2007***

	Note	2007 \$000	2006 \$000
<b>Revenue</b>			
Income from Ordinary Activities	9	114	212
<b>TOTAL REVENUE</b>		<b>114</b>	<b>212</b>
<b>Operating Expense</b>			
Expenses	10	3,712	3,718
<b>TOTAL EXPENSE</b>		<b>3,712</b>	<b>3,718</b>
<b>OPERATING SURPLUS/(DEFICIT) BEFORE AND AFTER TAX</b>	13,15	<b>(3,598)</b>	<b>(3,506)</b>

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

***Statement of Changes in Equity  
for Financial Year ended 30 June 2007***

	Note	Accumulated Funds \$000	Total \$000
<b>Balance at 30 June 2005</b>	13	<b>422,626</b>	<b>422,626</b>
Surplus/(Deficit) for the year		(3,506)	(3,506)
<b>Balance at 30 June 2006</b>	13	<b>419,120</b>	<b>419,120</b>
Surplus/(Deficit) for the year		(3,598)	(3,598)
<b>Balance at 30 June 2007</b>	13	<b>415,522</b>	<b>415,522</b>

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

**Cash Flow Statement  
for Financial Year ended 30 June 2007**

	Note	2007 \$000	2006 \$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Government Grants and Contributions	16	100	200
Recovery of Operating Expenses		0	0
Interest		14	12
<b>Payments</b>			
Payments for Goods and Services		(199)	(146)
<b>Net Cash Provided By/(Used In) Operating Activities</b>	15	<b>(86)</b>	<b>66</b>
<b>NET INCREASE (DECREASE) IN CASH HELD</b>		<b>(86)</b>	<b>66</b>
Cash and Cash Equivalents at Beginning of Reporting Period		221	155
<b>CASH AND CASH EQUIVALENTS AT END OF REPORTING PERIOD</b>	2	<b>135</b>	<b>221</b>

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

## ***Notes To and Forming Part of the Financial Statements*** ***30 June 2007***

### **NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

The financial report is a general purpose financial report which has been prepared on an accruals basis and is based on historical cost. The report is in accordance with the requirements of the *AustralAsia Railway Corporation Act 1996*, applicable Australian Accounting Standards and other mandatory professional reporting requirements, including Urgent Issues Group Consensus Views.

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

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

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

#### **Basis of Preparation**

AustralAsia Railway Corporation has prepared its financial statements in accordance with the Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act.

##### **a) Going Concern Assumption:**

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

##### **b) Cash and Cash Equivalents:**

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

##### **c) Railway Infrastructure, Other Property, Plant and Equipment and Depreciation:**

- Railway Infrastructure is recorded at the cost of acquisition, being the purchase consideration determined at the date of acquisition plus costs incidental to the acquisition;
- Plant and equipment acquired are recorded at the cost of acquisition, being the purchase consideration determined at the date of acquisition plus costs incidental to the acquisition; and
- Depreciation/amortisation is provided on property, plant and equipment (refer Note 5). Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life. The following are estimated useful lives used in the calculation of depreciation/amortisation:

### **Railway Infrastructure**

Culverts and Bridges	50 years
Yards and Freight Handling Facilities	50 years
Signalling	15 years

#### **d) Borrowings:**

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

#### **e) Goods and Services Tax:**

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

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

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

#### **f) Leased Assets:**

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

#### **g) Receivables:**

Receivables are recorded at original invoice amounts due less any allowance for uncollectible amounts.

#### **h) Fair Value of Non Current Assets:**

Due to the special circumstances of the project, the Board is satisfied that the assets are carried at their fair value.

#### **i) Revenue Recognition:**

Grant income and interest income is recognised as they accrue. All revenue is stated net of the amount of goods and services tax (GST).

#### **j) Creditors:**

Liabilities are recognised for amounts to be paid in the future for goods or services received prior to Balance Date, whether or not billed to the Corporation. Trade creditors are normally settled within 30 days.

#### **k) Financial Assets and Liabilities:**

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

**l) Employee/Member Benefits:**

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

**m) Taxation:**

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

**n) Change in Accounting Policies:**

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

**o) Rounding of Amounts to Nearest Thousand Dollars**

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

**p) Impairment of Assets**

At each reporting date the Corporation assesses whether there is any indication that individual assets are impaired. Where impairment indicators exist, recoverable amount is determined and impairment losses are recognised in the income statement where the asset's carrying value exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

	2007	2006
	\$000	\$000

**NOTE 2: CASH AND CASH EQUIVALENTS**

Operating Account	134	220
Cash on Hand	1	1
<b>Total Cash</b>	<b>135</b>	<b>221</b>

**NOTE 3: RECEIVABLES**

**Current**

Goods and Services Tax Refunds Receivable	12	5
Other Receivables	0	0

<b>Total Receivables</b>	<b>12</b>	<b>5</b>
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Consisting of:

Government Agencies	12	5
External Bodies	0	0

<b>Total Receivables</b>	<b>12</b>	<b>5</b>
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**NOTE 4: OTHER CURRENT ASSETS**

Prepayments	0	1
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<b>Total Other Current Assets</b>	<b>0</b>	<b>1</b>
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2007      2006  
\$000      \$000

**NOTE 5(a): PROPERTY, PLANT AND EQUIPMENT**

**Infrastructure Assets:**

<b>Earthworks and Capping Layer</b>	<u>270,917</u>	<u>270,917</u>
At Cost	<u>270,917</u>	<u>270,917</u>
 <b>Culverts and Bridges</b>	 127,662	 127,662
At Cost	(8,724)	(6,170)
Less Accumulated Depreciation	<u>118,938</u>	<u>121,492</u>
 <b>Freight Handling and Signalling</b>	 28,920	 28,920
At Cost	(3,397)	(2,403)
Less Accumulated Depreciation	<u>25,523</u>	<u>26,517</u>

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<b>Total Property, Plant and Equipment (refer Note 1)</b>	<b>415,378</b>	<b>418,926</b>
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*Railway Infrastructure represents the Corporation's share of the \$1.1 billion total of the new rail infrastructure located between Alice Springs and Darwin.*

**NOTE 5(b): PROPERTY, PLANT AND EQUIPMENT (Reconciliation)**

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

	Earthworks and Capping Layer	Culverts and Bridges	Freight Handling and Signalling	Total
Balance at 1 July 2006	270,917	121,491	26,518	418,926
Depreciation and Amortisation	0	(2,553)	(995)	(3,548)
Disposals	0	0	(0)	(0)
<b>Balance at 30 June 2007</b>	<b>270,917</b>	<b>118,938</b>	<b>25,523</b>	<b>415,378</b>

	2007 \$000	2006 \$000
<b>NOTE 6: PAYABLES</b>		
<b>Current</b>		
Trade Creditors	4	33
<b>Total Creditors</b>	<b>4</b>	<b>33</b>
Consisting of:		
Northern Territory Government Agencies	4	30
External Bodies	0	3
<b>Total Creditors</b>	<b>4</b>	<b>33</b>

**NOTE 7: NET LOANS**

Loan from Northern Territory Government	25,000	25,000
Loan from South Australian Government	25,000	25,000
<b>Total Loans from Governments</b>	<b>50,000</b>	<b>50,000</b>
Loans to the Consortium	(50,000)	(50,000)
<b>Net Loans</b>	<b>0</b>	<b>0</b>

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

**NOTE 8: NET ADVANCES**

Advance from Commonwealth	5,050	5,050
Advance to Northern Territory Government	(5,050)	(5,050)
<b>Net Advances</b>	<b>0</b>	<b>0</b>

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

	2007	2006
	\$000	\$000
<b>NOTE 9: REVENUE</b>		
<b>Income from Ordinary Activities</b>		
Government Contributions	100	200
Interest Revenue	14	12
Other Revenue	0	0
<b>Total Revenue</b>	<b>114</b>	<b>212</b>

**NOTE 10: EXPENSES**

Auditors' Remuneration - Audit Services	7	7
Other Operating Expenditure Classified by Nature		
Depreciation	3,548	3,548
Employee Expenses	101	98
Other	56	65
<b>Total Expenses</b>	<b>3,711</b>	<b>3,718</b>

**NOTE 11: DETAILS OF BOARD MEMBERS**

Members' Remuneration	2007	2006
	Members	Members
The number of Members of the Corporation whose income from the Corporation falls within the following bands:		
\$0 - \$9,999	5	5
Total income paid or payable, or otherwise made available to all Members of the Corporation from the Corporation, including superannuation guarantee levy.	0	0

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

## NOTE 11 DETAILS OF BOARD MEMBERS (continued)

	2007 \$000	2006 \$000
<b>Key management personnel remuneration</b>		
<i>The key management personnel remuneration is as follows:</i>		
Short-term employee benefits	79	90
Other long term benefits	0	0
Post-employment benefits	0	0
Termination benefits	0	0
<b>Total Key Personnel Remuneration</b>	<b>79</b>	<b>90</b>

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

### Full Meetings of Board Members

There were 4 meetings for the 2006-07 financial year.

Numbers of meetings attended by:

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

### Election and Continuation in Office of Board Members

The date of appointment of members:

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

## **NOTE 12: FINANCIAL INSTRUMENTS**

### **Interest Rate Risk**

The Corporation does not have an exposure to interest rate risk for financial assets and financial liabilities. Loans and Advances as detailed in Note 7 and Note 8 do attract interest, however, no interest is payable until an equivalent amount of interest is received from the Consortium or the Northern Territory Government.

### **Net Fair Value of Financial Assets and Liabilities**

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

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

	2007	2006
	\$000	\$000

## **NOTE 13: ACCUMULATED FUNDS**

Accumulated Funds at the Beginning of the Financial Year	419,120	422,626
Operating Surplus/(Deficit) and Extraordinary Items After Income Tax and Government Contributions	(3,598)	(3,506)
<b>Accumulated Funds</b>	<b>415,522</b>	<b>419,120</b>

## **NOTE 14: SERVICES RECEIVED FREE OF CHARGE**

During the 2004-05, 2005-06 and 2006-07 financial years, the Corporation received advisory services from officers of the Northern Territory and South Australian Governments at no charge. These amounts are not readily determined and considered immaterial.

	2007	2006
	\$000	\$000

**NOTE 15: CASH FLOW STATEMENT**

**Reconciliation of Operating Surplus/(Deficit) After Tax to Net Cash Flows from Operations**

<b>Operating Surplus/(Deficit) After Tax</b>	<b>(3,598)</b>	<b>(3,506)</b>
Changes Not Requiring Funds		
Depreciation / Amortisation	3,548	3,548
Assets Written Down	0	0
Changes in Assets and Liabilities		
Increase in Receivables	(7)	14
Decrease in Prepayments	0	0
Net Decrease in Creditors/Provisions Relating to Operations	(28)	10
<b>Net Cash Provided By/(Used In) Operations</b>	<b>(85)</b>	<b>66</b>

**NOTE 16: GOVERNMENT GRANTS AND CONTRIBUTIONS RECEIVED FOR PERIOD**

Northern Territory Government Operating Contributions	50	100
South Australian Government Operating Contributions	50	100
<b>Total Government Operating Contributions</b>	<b>100</b>	<b>200</b>

**NOTE 17: CONTINGENT LIABILITIES**

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

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

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

While the monetary value of certain components of the Early Termination Amount are set out in the project documents, the overall amount of the payment will depend on circumstances known only at the time of the payment of the Early Termination Amount. Apart from the component representing compensation for contractual and debt financing break costs, the Early Termination Amount is designed to be a proxy for the market value of the railway business. In return for making the Early Termination Amount payment, ownership of the railway infrastructure will return to the Corporation.

There is an extensive risk management regime in place for all events that would give rise to an Early Termination Amount payment. In particular, the Corporation has specified periods to cure the event that would give rise to the termination. For all of these events, the cure is within the control of either the Corporation and/or the NT/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 18 COMMITMENTS***

The Corporation has made all payments required under the project documents, hence, there were no further commitments at 30 June 2007 (2006 Nil).

## ***NOTE 19 SEGMENTS***

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

## ***NOTE 20 OTHER STATUTORY INFORMATION***

### **Distributions**

No dividends or distributions were made during the financial year ending 30 June 2007.

### **Domicile of Company**

Darwin, NT, Australia

### **Number of Employees**

The Corporation reimbursed the NT Government for an average of 4 part time employees contracted to the Corporation during the financial year (2006 4 employees).

### **Corporation Details**

Principal Place of Business: Tourism House, 43 Mitchell Street  
DARWIN NT 0801

Postal Address: GPO Box 4796  
DARWIN NT 0801

### **Indemnifying Officers**

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



BDO Kendalls

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## INDEPENDENT AUDITOR'S REPORT

To the member of AustralAsia Railway Corporation

### Report on the Financial Report

We have audited the accompanying financial report of AustralAsia Railway Corporation, which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

#### *Directors' Responsibility for the Financial Report*

The directors of the Corporation are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the *AustralAsia Railway Corporation Act 1996*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

#### *Independence*

In conducting our audit, we have complied with the independence requirements of Australian professional ethical pronouncements.



*Auditor's Opinion*

In our opinion the financial report of AustralAsia Railway Corporation is in accordance with the *AustralAsia Railway Corporation Act 1996*, including:

- (a) giving a true and fair view of the company's financial position as at 30 June 2007 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards.

**BDO Kendalls (NT)**

A handwritten signature in black ink, appearing to be 'C J Sciacca', written over a horizontal line.

**C J Sciacca**  
Partner

Darwin: 31 August 2007



# AUSTRALASIA

RAILWAY CORPORATION

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