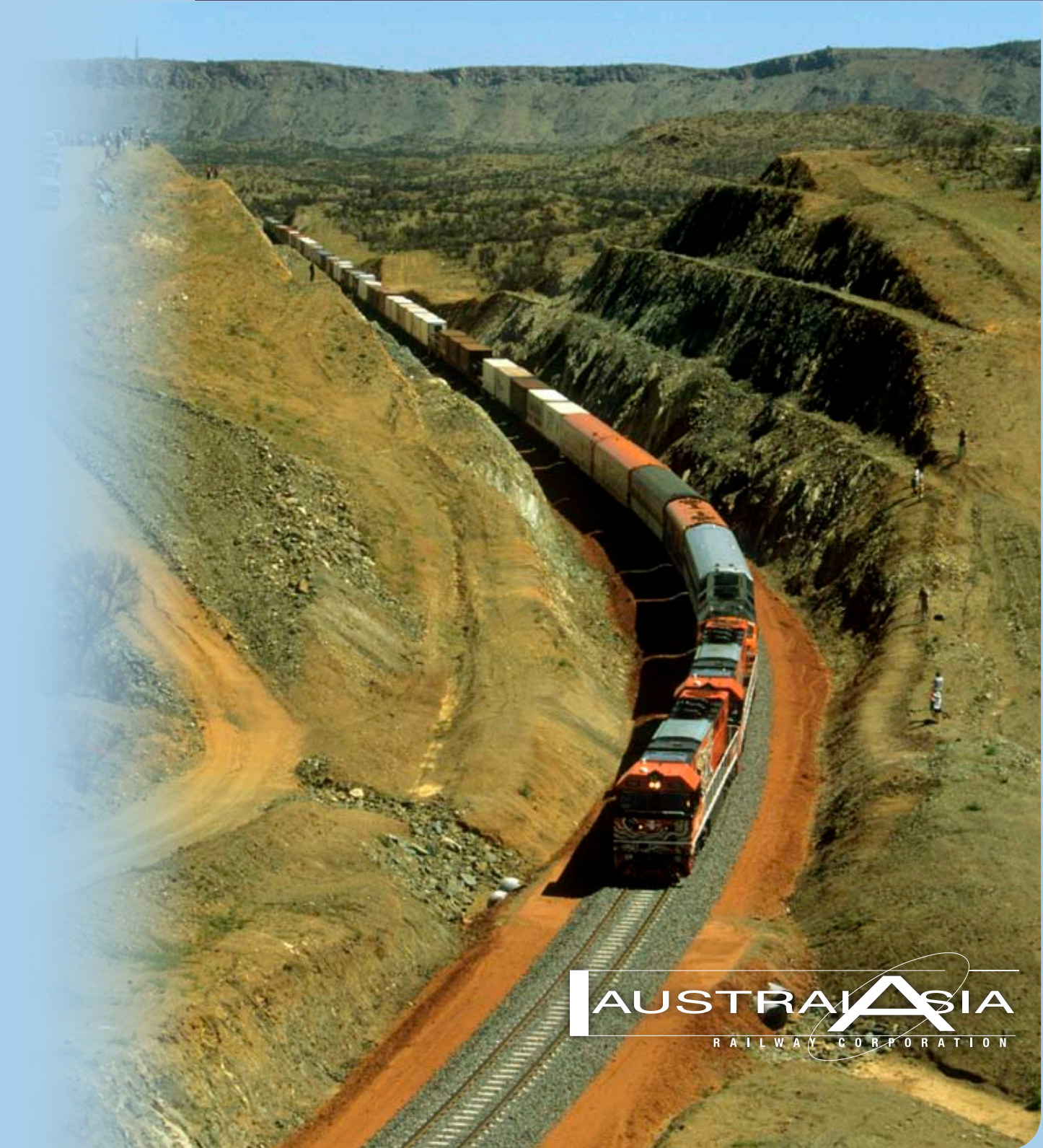


AUSTRALASIA
RAILWAY CORPORATION

ANNUAL REPORT 2008 - 2009



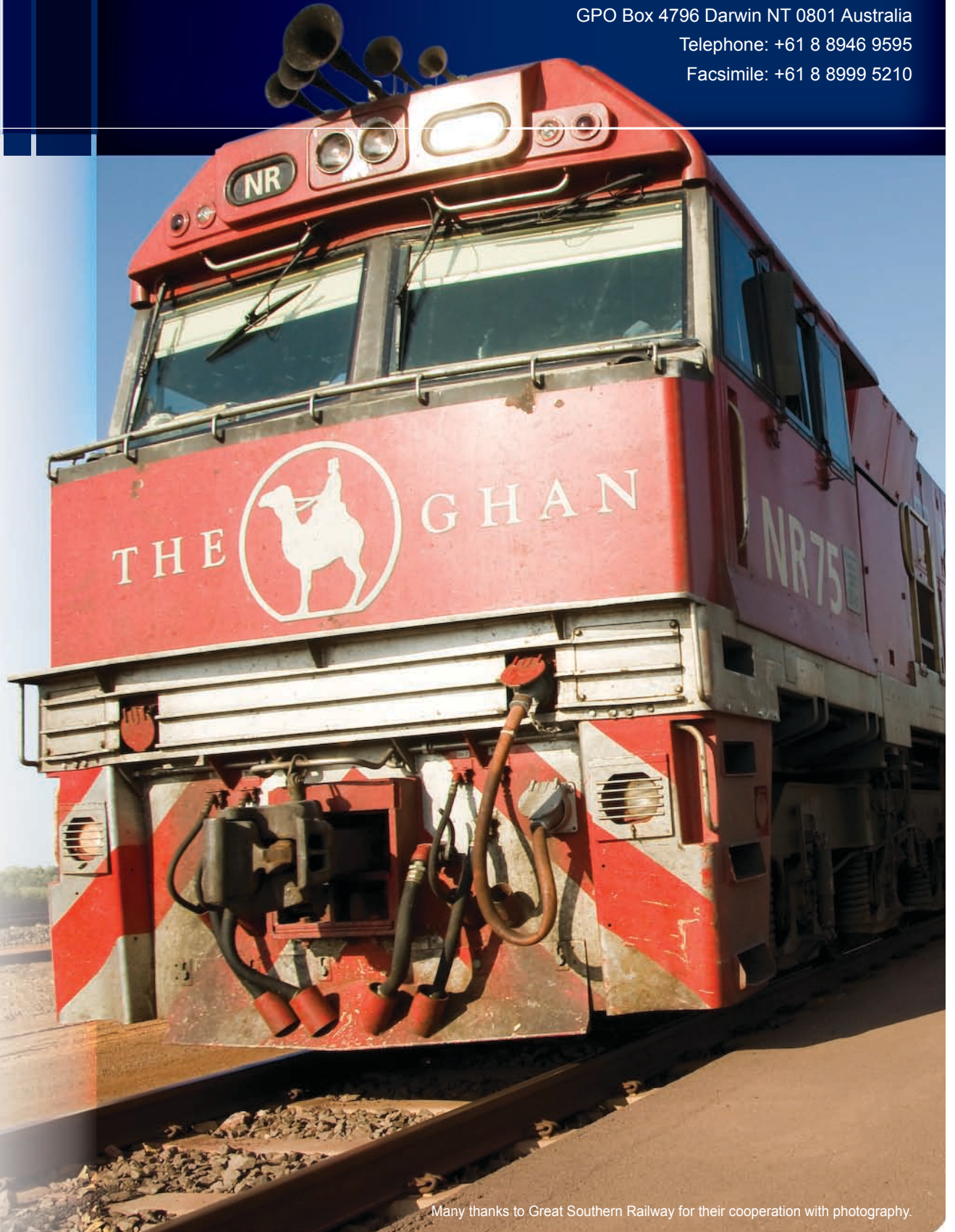
AustralAsia Railway Corporation

Level 5 Hospitality
7 Kitchener Drive Darwin NT 0800 Australia

GPO Box 4796 Darwin NT 0801 Australia

Telephone: +61 8 8946 9595

Facsimile: +61 8 8999 5210



Many thanks to Great Southern Railway for their cooperation with photography.



The Hon Paul Henderson MLA
Chief Minister
GPO Box 3146
Darwin NT 0801

Dear Chief Minister

RE: AUSTRALASIA RAILWAY CORPORATION ANNUAL REPORT

I have pleasure in presenting the 2008/2009 Annual Report of the AustralAsia Railway Corporation.

The report details the activities and operations of the Corporation for the year ending 30 June 2009, in accordance with the provisions of Section 32(2) of the *AustralAsia Railway Corporation Act 1996*.

There is no additional information attached to the report that is required to be presented under Section 32(1) of the Act, as there were no directions, objections, confirmations or reasons given under Section 19 of the Act during the period to which the report relates.

Yours faithfully

PAUL TYRRELL, AO
11 December 2009

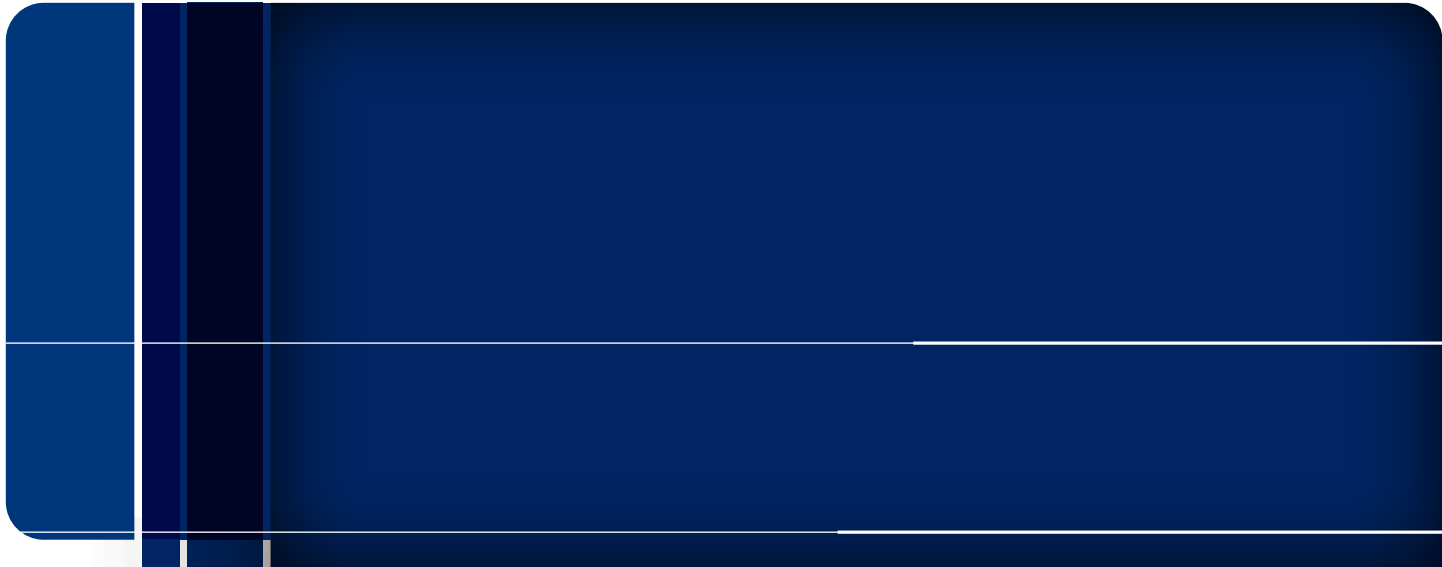


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CHAIRMAN'S OVERVIEW



The past year has been one of consolidation for the AustralAsia Railway with the continuing growth of mineral traffic from projects along the railway, to the Port of Darwin, in addition to the growth of general freight services, providing benefits to the Northern Territory and South Australian economies.

The Ghan's Platinum passenger service introduced in September 2008 has responded to market demands, providing another level of service to meet the needs of travellers looking for that next level of comfort to travel in style through the heart of Australia.

BULK MINERALS

The bulk minerals traffic continues to go from strength to strength with three contracts now in place, including copper concentrates from Prominent Hill in South Australia. Negotiations are continuing for a number of potential projects along the corridor.

The Northern Territory Government has budgeted for a further \$60 million in port bulk handling infrastructure to cater for the storage and handling of bulk minerals exports transported on the railway. Construction of a number of passing loops will be required should the bulk minerals traffic continue to grow and additional stabling roads at the Berrimah yards are being planned to better manage the current traffic through the yards.

GENERAL FREIGHT

The progressive growth in domestic freight movements reflects the competitiveness and the reliability which have resulted in Freightlink services becoming the preferred mode for freight transport between South Australia and the Northern Territory. The removal of significant numbers of heavy vehicles from the road network continues to have significant social benefits to the wider communities of these regions.

AUSTRALASIA TRADE ROUTE

The AustralAsia Railway provides a stimulus to the development of the AustralAsia Trade Route. Connecting with the developing Port of Darwin which has seen the establishment of direct international shipping services in the region the Australasia Railway provides competitive freight import/export opportunities to service resource developments.

RECEIVERSHIP OF CONSORTIUM

In November 2008, the Concession Holder of the railway, FreightLink Pty Ltd, was placed in receivership by its secured creditors. Following an unsuccessful sale process, FreightLink entered into a Deed of Company Arrangement in May 2009 for a period of up to four years. During this period, the business will continue to operate as usual and efforts to achieve a sale of the business as a going concern will continue.

The Corporation anticipates that its operating activities and financial position are unlikely to be materially affected as a result of the proposed sale or the administration/receivership arrangements.



Paul Tyrrell, AO
Chairman

ROLE OF THE AUSTRALASIA RAILWAY CORPORATION

The AustralAsia Railway Corporation (“the 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 set up in 1997 by the Northern Territory and South Australian Governments to manage the awarding of a Build, Own, Operate and Transfer back (BOOT) concession for the AustralAsia Railway and to enter into contractual arrangements with the successful consortium (Asia Pacific Transport Pty Ltd).

The Corporation’s obligations under the project documents are guaranteed by the two Governments. The rights and obligations of the two Governments are set out in the Inter-Governmental Agreement.

Asia Pacific and the Corporation are parties to a Concession Deed covering rights and obligations including project risks. The Deed seeks to mitigate those risks by apportioning appropriate responsibility for them. The Corporation holds security over the works in the event that the Concession is terminated.

With the completion of construction and commencement of operations in 2003-04 the Corporation’s role changed substantially. The Corporation focuses on ensuring delivery of all its obligations under the Concession Deed and that other parties deliver on their obligations throughout the Concession Period.

An important responsibility of the Corporation is to ensure the rail infrastructure is 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 also provides advice to the Northern Territory and South Australian Governments on matters impacting the railway as required.

BUSINESS OVERVIEW

Despite a contracting world economy, freight tonnages continued to grow on the AustralAsia Railway in the 2009 Financial Year, resulting in an increase in operating profit of 17% over the previous year. Business can be categorised as Intermodal, Bulk Products and Passenger Train Access where performance in each category was as follows:

INTERMODAL

More than 90% of intermodal freight between Adelaide and Darwin is transported by rail.

12 trains per week operating between Adelaide and Darwin carried nearly 800,000 tonnes of intermodal freight comprising containerised general freight, automotive, specialised products and military movements. This was consistent with the previous year figures and in stark contrast with reductions in freight transported on the east-west national rail network, which contracted by 15% during the period.

BULK PRODUCTS

24 trains per week between Darwin and rail loading sidings servicing mines along the corridor carried 2,218,000 tonnes of bulk minerals comprising manganese ore, iron ore and copper/gold concentrates. This business is in an establishment and growth phase and prospects of further growth are likely to materialise as the world demand for minerals expands on the back of an improving economic outlook.

Since the commencement of the OZ Minerals business and the continuing growth of OM Manganese and Territory Resources there is increasing confidence in the prospect of further bulk minerals projects proceeding. In addition to bulk minerals some 71,000 tonnes of bulk liquids comprising piggy-back road tanker rail tank cars were carried in the 2009 Financial Year.

PASSENGER TRAIN ACCESS

The Ghan Passenger Service maintained its attraction to tourists with some 57,156 passengers travelling on various sectors during the 2009 Financial Year bringing the total to 364,300 since commencement in 2004. The 80th anniversary promotion of the Ghan and the \$14 million investment in rolling stock for the Platinum Class service, which commenced in September 2008 and provides a premium level of service option for discerning travellers, has assisted in cushioning the effects of the global economic crisis.

BOARD MEMBERS



CHAIRMAN

Mr Paul Tyrrell, AO

B.Ec, Dip.CE, FIEAust

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

Paul Tyrrell is Chairman of the Darwin Waterfront Corporation. Senior past appointments have included Chief Executive (CE) of the Northern Territory Department of the Chief Minister, Chair of the NT Major Projects Group, Chair of the Chief Executives Coordination Group, Secretary, NT Department of Lands and Housing, Secretary, NT Department of Transport and Works, CE of the Darwin Port Corporation and Chair of the Gas Task Force at the time the Inpex project was secured for Darwin.



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. 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. In his capacity as a Project Manager within the Department of Planning and Infrastructure, Mr Lawson has recently been assigned to a role in the expansion of Darwin's East Arm Port which includes increasing the handling capacity of bulk minerals exports. Mr Lawson was also involved in the construction of the Darwin Waterfront Development as the Project Administrator and Darwin's East Arm Port.

BOARD MEMBERS



Ms Pamela Martin

LL.B.

Appointed 28 June 2004

Ms Martin is Commercial Counsel 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 Adelaide University Council and the Adelaide to Outback GP Training Program Board and is the Chair of the Council of Walford Anglican School for Girls. Past Board appointments include the Land Management Corporation, the South Australian Film Corporation and the South Australian Affordable Housing Trust.



Mr Joseph Ullianich

B.Ec, CPA

Appointed 28 June 2004

Mr Ullianich is Executive 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), PSM, FAICD

Appointed 28 June 2004

Mr Caldwell is Deputy Under Treasurer, Northern Territory Treasury and Associate Utilities Commissioner of the Northern Territory. He previously worked in the Northern Territory Departments of Industries and Development; and Mines and Energy; the Asian Development Bank; the Commonwealth Departments of Trade, Territories and Treasury; and the University of Ghana. He is also a Director of NT Gas Pty Limited and NT Gas Distribution Pty Limited and an alternate member of the Territory Insurance Office Board.

BOARD MEMBERS' REPORT

The Board Members present their report on the accounts for the period ended 30 June 2009.

MEMBERS

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

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

Further details on Members are provided at Note 12 to the financial statements and profiles of Members at Pages 10 and 11.

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, 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 18 or 19 of the *AustralAsia Railway Corporation Act (NT)* for the period ended 30 June 2009.

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 Consortium 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 Consortium 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.

Activities during the year resulted in the Corporation recording an operating deficit of \$3.5 million. This operating deficit largely resulted from depreciation charges of \$3.5 million to the

accounts, reflecting use of the Corporation's \$427.5 million (valued at cost) in rail infrastructure assets. Operating deficits will not affect the operations of the Corporation, with Governments providing the necessary resources to ensure the going concern of the entity.

Following an unsuccessful sale process, FreightLink entered into a Deed of Company Arrangement in May 2009 for a period of up to four years. During this period, the business will continue to operate as usual and efforts to achieve a sale of the business as a going concern will continue.

The Corporation anticipates that its operating activities and financial position are unlikely to be materially affected as a result of the proposed sale or the administration/receivership arrangements.

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 2009 that has significantly affected or may significantly affect:

- (a) the operations, in financial periods subsequent to 30 June 2009, of the Corporation, or
- (b) the results of those operations, or
- (c) the state of affairs, in financial periods subsequent to 30 June 2009, 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 2009-10 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 (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*.

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 40.

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



PAUL TYRRELL, AO
Chairman
11 November 2009

BRENDAN LAWSON
Chief Executive Officer
11 November 2009

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 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 2009 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, AO
Chairman
11 November 2009



BRENDAN LAWSON
Chief Executive Officer
11 November 2009

FINANCIAL STATEMENTS

FINANCIAL STATEMENTS

INCOME STATEMENT for the financial year ended 30 June 2009

	Note	2009 \$000	2008 \$000
Income			
Income from Ordinary Activities		200	200
Other		8	9
TOTAL INCOME	3	208	209
Expenses			
Employee Expenses		106	104
Depreciation and Amortisation		3,548	3,548
Other Expenses	4	90	112
TOTAL EXPENSES		3,744	3,764
SURPLUS/(DEFICIT) FOR THE YEAR		(3,536)	(3,555)

The Income Statement should be read in conjunction with the notes to the financial statements.

FINANCIAL STATEMENTS

BALANCE SHEET as at 30 June 2009

	Note	2009 \$000	2008 \$000
Current Assets			
Cash and Cash Equivalents	5	175	165
Trade and Other Receivables	6	14	16
Total Current Assets		189	181
Non Current Assets			
Property, Plant and Equipment	7	408,283	411,831
Total Assets		408,472	412,012
Current Liabilities			
Trade and Other Payables	8	41	45
Non Current Liabilities			
Net Loans	9	0	0
Net Advances	9	0	0
Total Liabilities		41	45
NET ASSETS		408,431	411,967
EQUITY			
Accumulated funds		408,431	411,967

The Balance Sheet should be read in conjunction with the notes to the financial statements.

FINANCIAL STATEMENTS

STATEMENT OF CHANGES IN EQUITY for the financial year ended 30 June 2009

	2009 \$000	2008 \$000
Accumulated Funds		
Balance at 1 July	411,967	415,522
Surplus/(Deficit) for the year	(3,536)	(3,555)
Balance at 30 June	408,431	411,967

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

FINANCIAL STATEMENTS

CASH FLOW STATEMENT for the financial year ended 30 June 2009

	Note	2009 \$000	2008 \$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Grants and Contributions		200	200
Payment for Goods and Services		(198)	(179)
Interest Received		8	9
Net Cash Provided By/(Used In) Operating Activities	10	10	30
NET INCREASE (DECREASE) IN CASH HELD			
		10	30
Cash and Cash Equivalents at Beginning of Reporting Period		165	135
CASH AND CASH EQUIVALENTS AT END OF REPORTING PERIOD	5	175	165

19

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 30 June 2009

NOTE 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 4796
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 Consortium and Governments under the Concession Deed are met.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report which has been prepared in accordance with the *AustralAsia Railway Corporation Act 1996 (NT)*, *Corporations Act 2001* and applicable Australian Accounting Standards (including Australian Accounting Interpretations), and complies with other requirements of the law. The financial statements were authorised for issue by the Board Members on 15 November 2009.

a) Basis of Preparation

The financial report has been prepared on an accruals basis using historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets.

All amounts are presented in Australian dollars and have been rounded to the nearest thousand dollars, in accordance with class order 98/100, unless otherwise indicated.

b) Judgements and Assumptions

The Corporation has made no judgements or assumptions which would cause a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

c) Accounting Standards Issued But Not Yet Effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2009 reporting periods. The Board’s assessment of the impact of these new standards and interpretations is set out below.

AASB 101 Presentation of Financial Statements (revised September 2007), AASB 2007-8 Amendments to Australian Accounting Standards Arising from AASB 101, AASB 2007-10 Further Amendments to Australian Accounting Standards arising from AASB 101. Effective for annual reporting period beginning on or after 1 January 2009.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 30 June 2009

The main changes from the previous version of AASB 101 require an entity to: (a) present non-owner changes in equity separately from owner changes in equity. The former cannot be presented in the statement of changes in equity; (b) display components of other comprehensive income in the statement of comprehensive income.

d) Going Concern Assumption

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

e) Goods and Service Tax

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

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

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

f) Revenue

Revenue is measured at the fair value of the consideration received or receivable exclusive of the amount of Goods and Services Tax (GST). Corporation revenue from ordinary activities comprises grants

received from the Northern Territory and South Australian Governments.

g) Government Grants

Government grants that are non-reciprocal in nature are recognised as revenue in the financial year in which they are receivable.

h) Income Tax

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

i) Cash and Cash Equivalents

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

j) Financial Instruments

Recognition and Initial Measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the Corporation becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 30 June 2009

the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed is recognised in profit or loss.

Classification and Subsequent Measurement

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

Other Financial Liabilities:

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method. Other financial liabilities comprise loan balances from the Northern Territory Government, South Australia Government and the Commonwealth Government.

Impairment of Financial Assets

Financial assets are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. A financial asset or group of financial assets is impaired and impairment losses are incurred if there is objective evidence of impairment, resulting from one or more loss events that occurred after initial recognition that indicates that it is probable that the entity will be unable to collect all amounts due. The

carrying amount of a financial asset identified as impaired is reduced to its estimated recoverable amount.

k) Trade and Other Receivables

Trade receivable and other receivables are recognised at fair value less any allowance for impairment losses. The allowance for impairment losses represents the amount of receivables the Corporation estimates are likely to be uncollectible and are considered doubtful.

Accounts receivable are generally settled within 30 days.

l) 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.

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 30 June 2009

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. 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:

Railway Infrastructure

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

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

m) 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 the loans for either financial period.

n) 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.

o) 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.

p) Comparative Amounts

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

q) Commitments

Disclosures in relation to capital and other commitments are shown at Note 13 and are consistent with the requirements contained in AASB 101. Commitments are those contracted as at 30 June 2009 where the amount of the future commitment can be reliably measured.

r) Services Received Free of Charge

During the 2008 and 2009 financial years the Corporation received advisory services from officers of the Northern Territory and South Australian Governments at no charge. These amounts are not readily determined and considered immaterial.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 30 June 2009

	2009 \$000	2008 \$000
NOTE 3 REVENUE		
Income from Ordinary Activities		
Operating Grants and Other Contributions		
Northern Territory Government	100	100
South Australian Government	100	100
Other		
Interest on Cash Balances	8	9
Total Revenue	208	209
NOTE 4 OTHER EXPENSES		
Auditors' Remuneration – Audit Services	7	7
Other Operational Costs	83	105
Total Other Expenses	90	112
NOTE 5 CASH AND CASH EQUIVALENTS		
Cash at Bank	175	164
Cash on Hand	0	1
Total Cash and Cash Equivalents	175	165
NOTE 6 TRADE AND OTHER RECEIVABLES		
Current		
Trade Receivables	0	0
Other	14	9
Goods and Services Tax Refunds Receivable	0	7
Total Trade and Other Receivables	14	16

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 30 June 2009

	2009 \$000	2008 \$000
Consisting of:		
Government Agencies	14	16
External Bodies	0	0
Total Receivables	14	16
NOTE 7 PROPERTY, PLANT AND EQUIPMENT		
Infrastructure Assets:		
Earthworks and Capping Layer		
At Cost	270,917	270,917
	270,917	270,917
Culverts and Bridges		
At Cost	127,662	127,662
Less Accumulated Depreciation	(13,830)	(11,277)
	113,832	116,385
Freight Handling and Signalling		
At Cost	28,920	28,920
Less Accumulated Depreciation	(5,386)	(4,391)
	23,534	24,529
Total Property, Plant and Equipment	408,283	411,831

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 30 June 2009

RECONCILIATIONS

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

	2009 \$000	2008 \$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	116,385	118,938
Depreciation	(2,553)	(2,553)
Carrying Amount at End of Year	113,832	116,385
Freight Handling and Signalling		
Carrying Amount at Beginning of Year	24,529	25,524
Depreciation	(995)	(995)
Carrying Amount at End of Year	23,534	24,529
Total Property, Plant and Equipment	408,283	411,831
NOTE 8 TRADE AND OTHER PAYABLES		
Current		
Trade Payables	41	45
Total Trade and Other Payables	41	45

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 30 June 2009

	2009 \$000	2008 \$000
Consisting of:		
Northern Territory Government Agencies	0	7
External Bodies	41	38
Total Trade and Other Payables	45	38

NOTE 9 OTHER FINANCIAL LIABILITIES

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

The Corporation received loans from the Northern Territory and South Australian Governments totalling \$50 million for the purpose of on lending to the Consortium. Repayment of loans to Governments is conditional upon receipt of loan repayments from the Consortium. Therefore, the loan liability has been netted off against the loan asset. The full amount of \$50 million has been drawn down by the Consortium and is not repayable until the completion of the 50 year concession period. The loan is triggered only after significant cumulative profits are earned by the Consortium and these are not anticipated in the short to medium term. The loan to the Consortium is secured over the assets of the Consortium and repayment is guaranteed by individual members of the Consortium.

NET ADVANCES

Advance from Commonwealth	5,050	5,050
Advance to Northern Territory Government	(5,050)	(5,050)
Net Advances	0	0

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 30 June 2009

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.

	2009 \$000	2008 \$000
NOTE 10 NOTES TO THE CASH FLOW STATEMENT		
Reconciliation of Operating Surplus/(Deficit) to Net Cash Flows from Operations		
Operating Surplus/(Deficit)	(3,536)	(3,555)
Changes Not Requiring Funds		
Depreciation	3,548	3,548
Changes in Assets and Liabilities		
(Increase)/Decrease in Receivables	2	(4)
(Decrease)/Increase in Payables	(4)	41
Net Cash from Operating Activities	10	30

NOTE 11 FINANCIAL INSTRUMENTS

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 30 June 2009

	2009 \$000	2008 \$000
(b) Categories of Financial Instruments		
Financial Assets		
Cash and Cash Equivalents	175	165
Receivables	14	16
Loans Receivable	55,050	55,050
Total Financial Assets	55,239	55,231
Financial Liabilities		
Payables	41	45
Loans Payable	55,050	55,050
Total Financial Liabilities	55,091	55,095

(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 a minimum of four 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 30 June 2009

	2009 \$000	2008 \$000
Variable Rate Instrument		
Financial Assets	175	165
Financial Liabilities	0	0

(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.

There is no particular concentration of credit risk with respect to current receivables as the Corporation has a number of diverse customers.

(f) Liquidity Risk

Liquidity risk is the risk that the entity 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 fully funded by the Northern Territory and South Australian Governments 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. Where such differences exist, these are not material.

(i) Maturity Analysis

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 30 June 2009

Maturity Analysis - 2009	Carrying Amount \$000	1 Year or less \$000	2-5 Years \$000	Over 5 Years \$000
Financial Liabilities				
Payables	41	41	0	0
State/Territory Govts Loans	50,000	0	0	50,000
Commonwealth Advances	5,050	0	0	5,050
Total Financial Liabilities	55,091	41	0	55,050
Financial Assets				
Receivables	14	14	0	0
Loans to Consortium	50,000	0	0	50,000
Advance to NT Government	5,050	0	0	5,050
Total Financial Assets	55,064	14	0	55,050

Maturity Analysis - 2008	Carrying Amount \$000	1 Year or less \$000	2-5 Years \$000	Over 5 Years \$000
Financial Liabilities				
Payables	45	45	0	0
State/Territory Govts Loans	50,000	0	0	50,000
Commonwealth Advances	5,050	0	0	5,050
Total Financial Liabilities	55,095	45	0	55,050
Financial Assets				
Receivables	16	16	0	0
Loans to Consortium	50,000	0	0	50,000
Advance to NT Government	5,050	0	0	5,050
Total Financial Assets	55,066	16	0	55,050

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 30 June 2009

NOTE 12 DETAILS OF BOARD MEMBERS

Members' Remuneration

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

	2009 Members	2008 Members
\$0 - \$9,999	4	4
\$10,000 - \$30,000	1	1
Total income paid or payable, or otherwise made available to all Members of the Corporation from the Corporation.	30	13

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

	2009 \$000	2008 \$000
Key management personnel remuneration		
<i>The key management personnel remuneration is as follows:</i>		
Short-Term Employee Benefits	92	79
Other Long Term Benefits	0	0
Post-Employment Benefits	0	0
Termination Benefits	0	0
Total Key Personnel Remuneration	92	79

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 Government.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 30 June 2009

Full Meetings of Board Members

There were 3 meetings for the 2008-09 financial year.

Numbers of meetings attended by:

Member	Number of Meetings Eligible to Attend	Number of Meetings Attended
Paul Tyrrell, AO	3	2
Brendan Lawson (or Delegate)	3	3
Pamela Martin	3	3
Joseph Ullianich	3	2
Peter Caldwell	3	3

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Election and Continuation in Office of Board Members

The date of appointment of members:

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

NOTE 13 COMMITMENTS

There are no commitments other than those quantified within the financial statements as at 30 June 2009.

NOTE 14 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 30 June 2009

NOTE 14 CONTINGENT LIABILITIES (continued)

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 30 June 2009

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 15 SUPPLEMENTARY INFORMATION

Distributions

No dividends or distributions were made during the financial year ended 30 June 2009.

Number of Employees

The Corporation reimbursed the NT Government for an average of 5 part time employees contracted to the Corporation during the financial year (2008 - 5 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 company.

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 16 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.

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

INDEPENDENT AUDITOR'S REPORT

To the members 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 2009, 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 (including the Australian Accounting Interpretations) and the *AustralAsia Railway Corporations Act 1996 (NT)*. 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 Corporations Act 1996 (NT)*, including:

- (a) giving a true and fair view of the corporation's financial position as at 30 June 2009 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations).

BDO Audit (NT)

A handwritten signature in black ink, appearing to be 'C J Sciacca', written over a light blue grid background.

C J Sciacca
Audit Partner

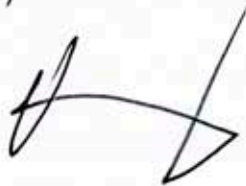
Darwin: 11 December 2009

**DECLARATION OF INDEPENDENCE BY C J SCIACCA
TO THE DIRECTORS OF AUSTRALASIA RAILWAY CORPORATION**

As lead auditor of AustralAsia Railway Corporation for the year ended 30 June 2009, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

BDO Audit (NT)



C J Sciacca
Audit Partner

Darwin: 11 December 2009



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