

Directors' Report



The Board of Directors of the Australian Rail Track Corporation Limited ("Australian Rail Track Corporation") has pleasure in submitting the Directors' Report in respect of the year ended 30 June 2003.

DIRECTORS

The names of the directors in office during the year and at the date of this report, unless otherwise noted, are as follows:

B K Murphy	Chairman – Non Executive Director
R T Balderstone	Non Executive Director
A H D Budd	Non Executive Director
R B Maher	Non Executive Director
R I McCutcheon	Non Executive Director
M D F Pop	Non Executive Director
D W Marchant	Executive Director

DIRECTORS' MEETINGS

During the reporting period, the company held eleven meetings of directors. The attendance of the directors at meetings of the Board was:

	Meetings Of The Board of Directors Attendance
B K Murphy	11 (11)
R T Balderstone	10 (11)
A H D Budd	11 (11)
R B Maher	10 (11)
R I McCutcheon	10 (11)
M D F Pop	11 (11)
D W Marchant	11 (11)

The figures in brackets () represent the maximum possible number of meetings each director could attend.

PRINCIPAL ACTIVITIES

The principal activities of the Australian Rail Track Corporation during the year were the provision of rail access and infrastructure management of rail networks either owned or leased by the company.

RESULTS

The profit of the company for the year ended 30 June 2003, after income tax, was \$20,970,627 (2002: \$17,174,889).

DIVIDENDS

A final dividend of \$5,725,000 in relation to the year ended 30 June 2002 was paid during the current year. An interim dividend of \$2,000,000 in relation to the year ended 30 June 2003 was also paid in the current year.

REVIEW OF OPERATIONS

The review of the operations of the Australian Rail Track Corporation is contained in the Managing Director's Report.

SIGNIFICANT EVENTS AFTER BALANCE DATE

The Australian Rail Track Corporation has submitted a proposal to lease certain track in New South Wales. As at the sign off date of this report material progress has been made to secure a lease from the New South Wales government, however final sign off by parties has not yet been achieved.

LIKELY DEVELOPMENTS AND FUTURE RESULTS

Likely developments of the Australian Rail Track Corporation are contained in the Managing Director's Report.

ENVIRONMENTAL REGULATION/PERFORMANCE

The Australian Rail Track Corporation holds a licence from the Environmental Protection Authority under Part 6 of the Environmental Protection Act, 1993 to undertake the activity of a "Railway System". The licence is currently due to expire on 31 January 2004 but will subsequently be renewed. To date, the Australian Rail Track Corporation has complied with the requirements of the licence agreement.

DIRECTORS' BENEFITS

During the twelve months under review, no director has received or become entitled to receive a benefit, other than benefits disclosed in the financial statements of the company;

- by reason of a contract made by the company with the director or with a firm of which the director is a member, or
- with a company in which the director has a substantial financial interest.

INDEMNIFICATION OF OFFICERS

During the reporting period, the Australian Rail Track Corporation had in place insurance cover in respect of liabilities arising from the performance of the directors and officers of the company.

The disclosure of the premium paid under Corporations Act 300(8)(b) is not required as the insurance contract between the Australian Rail Track Corporation and the insurer prohibits the Australian Rail Track Corporation from disclosing such information.

No known liability has arisen under the insurance contract as at the date of this report.

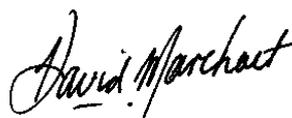
ROUNDING OF AMOUNTS

Amounts in the financial statements have been rounded to the nearest thousand dollars unless specifically stated otherwise under the option available to the company under ASIC Class Order 98/0100. The company is an entity to which the Class Order applies.

Signed in accordance with a resolution of directors.



B K Murphy
Chairman



D W Marchant
Managing Director

Signed at Adelaide, twenty sixth day of September 2003

Statement of Financial Position at 30 June 2003

	Note	2003 \$'000	2002 \$'000
CURRENT ASSETS			
Cash assets	17	56,169	37,956
Receivables	6	10,532	12,896
Inventories	7	3,111	6,708
Other	8	1,946	1,142
Total current assets		71,758	58,702
NON-CURRENT ASSETS			
Property, infrastructure, plant and equipment	9	190,269	191,840
Total non-current assets		190,269	191,840
TOTAL ASSETS		262,027	250,542
CURRENT LIABILITIES			
Payables	10	13,440	14,848
Provisions	11	10,339	16,545
Total current liabilities		23,779	31,393
NON-CURRENT LIABILITIES			
Provisions	12	1,125	997
Total non-current liabilities		1,125	997
TOTAL LIABILITIES		24,904	32,390
NET ASSETS		237,123	218,152
EQUITY			
Contributed equity	13	91,751	91,751
Retained profits	15	68,542	49,571
Reserves	14	76,830	76,830
EQUITY		237,123	218,152

The accompanying notes form an integral part of this Statement of Financial Position.

Statement of Financial Performance for the year ended 30 June 2003

	Note	2003 \$'000	2002 \$'000
Revenue from ordinary activities	4	98,956	94,169
Employee expenses		9,616	8,735
Depreciation	9	10,142	10,344
Infrastructure maintenance		36,448	35,653
Operating lease expenses		2,850	3,397
Project and development costs		4,606	4,929
Insurance		5,633	2,854
Incident costs		3,450	6,047
Other expenses		5,240	5,035
Profit from ordinary activities before income tax		20,971	17,175
Income tax attributable to operating profit	5	-	-
NET PROFIT		20,971	17,175
Total changes in equity other than those resulting from transactions with owners as owners	15	20,971	17,175

The accompanying notes form an integral part of this Statement of Financial Performance.

Statement of Cash Flows for the year ended 30 June 2003

	Note	2003 \$'000	2002 \$'000
Cash flows from operating activities			
Receipts from customers		113,127	101,184
Payments to suppliers and employees		(79,396)	(86,485)
GST paid		(3,669)	(1,427)
Interest received		2,155	1,606
Insurance claims and settlements received		409	92
Net cash provided by operating activities	17(b)	32,626	14,970
Cash flows from investing activities			
Payments for property, plant and equipment		(11,489)	(17,488)
Receipts for plant & equipment from the Foundation (a)		4,800	14,100
Net cash used in investing activities		(6,689)	(3,388)
Cash flows from financing activities			
Payment of dividends		(7,725)	(4,750)
Net cash used in financing activities		(7,725)	(4,750)
Net increase in cash held		18,213	6,832
Cash at the beginning of the financial year		37,956	31,124
Cash at the end of the financial year	17(a)	56,169	37,956

(a) The Australian Railway Infrastructure Foundation ("the Foundation") was established by the Commonwealth to finance capital projects approved by the Commonwealth Minister for Transport and Regional Services. During the year ended 30 June 2003, the Foundation reimbursed ARTC for funds ARTC expended on approved projects on behalf of the Foundation.

The accompanying notes form an integral part of this Statement of Cash Flows.

Notes to the Financial Statements

Note 1: Company Overview

The Australian Rail Track Corporation Limited was incorporated on 25 February 1998 as part of the corporatisation of the former "Track Access" business unit of the Commonwealth owned Australian National Railways Commission.

The company operates as a rail access provider and a rail infrastructure manager. Its main activities for the year to 30 June 2003 included: (a) provision of access to train operators over the rail network either owned or leased by the company; (b) management of the interstate rail infrastructure and related assets owned by ARTC; and (c) management, through a lease, of the interstate track and related assets located in Victoria.

The company's main responsibilities include the provision of equitable access arrangements to the rail network it manages, the provision of train pathway planning services for the network, the provision of a train control function for all trains operating on the network, and the management of a capital investment and infrastructure maintenance program.

Note 2: Statement of Significant Accounting Policies

BASIS OF ACCOUNTING

The financial statements have been prepared as a general purpose financial report in accordance with Australian Accounting Standards, the Corporations Act (2001) and Urgent Issues Group Consensus Views. The financial statements have been prepared on an accrual basis and do not take account of changes in either the general purchasing power of the dollar or in the prices of specific assets, except for certain assets, which are recorded at valuation.

CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous year except for the accounting policy with respect to the provision for dividends.

Provision for dividends

The company has adopted the new Accounting Standard AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets" which has resulted in a change in the accounting for the dividends provision. Previously, the company recognised a provision for dividend based on the amount that was proposed or declared after the reporting date. In accordance with the requirements of the new Standard, a provision for dividends will only be recognised at the reporting date where the dividends have been declared, determined or publicly recommended prior to the reporting date. The effect of the revised policy has been to increase retained profits and decrease provisions at the beginning of the year by \$5,725,000 (refer to note 15). In accordance with the new Standard, no provision for dividend has been recognised for the year ended 30 June 2003.

FINANCIAL INSTRUMENTS INCLUDED IN ASSETS

Cash, money market deposits, and commercial bills held by the company are recorded at nominal value. The carrying amount of financial assets approximates fair value.

All trade debtors are recorded at the amount due, based on a pricing regime agreed with train operators. The amounts are reviewed on an ongoing basis and a provision for doubtful debts is created based on specific debts and if the debt is considered likely not to be collectable.

Trade debtors are generally non-interest bearing and on 30 day terms.

INVENTORY

Inventories are valued at lower of cost and net realisable value. Cost is assigned on a first-in first-out basis.

Notes to the Financial Statements

Note 2: Statement of Significant Accounting Policies (continued)

RAIL INFRASTRUCTURE ASSETS

The rail infrastructure assets vested in the Australian Rail Track Corporation at 1 July 1998 covered all interstate mainline track and associated land, trackside and related assets under Commonwealth jurisdiction, and includes rail, sleepers, ballast, designated crossing loops, turnouts, signals and communications equipment, bridges, culverts, tunnels, and specified rolling stock.

VALUATION OF ASSETS

The company's assets were re-valued as at 30 June 2000, and follow the first valuation in June 1998. The company's assets were valued at their fair value, as determined by financial advisers and thereafter adopted by the Board. The fair value was calculated by discounting estimated future net cash flows using the estimated long term weighted average cost of capital. The same methodology, using the discounted cash flows, was used in the initial valuation.

With the possibility of a lease for nominated track in NSW being finalised during 2003/2004 it was agreed by the Board not to undertake the independent revaluation in the current year, but when the outcome of the lease proposal is known, and in any case by no later than 30 June 2004.

CAPITAL WORK IN PROGRESS

Work in progress comprises expenditure on incomplete capital works.

CAPITALISATION

Expenditure on the acquisition of new infrastructure assets is capitalised when these new assets increase the net present value of future cash flows.

Infrastructure assets in the course of construction are classified as capital works in progress. Capital works in progress are recorded at cost, and are not depreciated until they have been completed and the assets are ready for economic use.

DEPRECIATION

All infrastructure assets are depreciated on a straight line basis over the estimated economic useful life of the assets as follows:

	Maximum Economic Useful Life*
Bridges	40 years
Culverts	100 years
Signals & Communications	10 years
Tunnels	50 years
Turnouts	12 years
IT & Other Equipment	4 years
Ballast	60 years
Rail	109 years
Sleepers	50 years
Motor Vehicles	5 years
Buildings	5 years

Leasehold improvements are depreciated over the shorter of the remaining term of the lease or the useful life of the asset.

*Depending on the age and location of particular assets, the economic life may vary.

ASSESSMENT OF RECOVERABLE AMOUNTS

The value of the business will be reviewed on a periodic basis to determine whether the carrying amount of non-current assets requires adjustment to their recoverable amount. Recoverable amount is determined using future net cash flows discounted to present values.

Capital gains tax has not been taken into account in determining the carrying amounts of these assets as they are integral to the company's operations and it has no intention to sell these assets.

MAJOR PERIODIC MAINTENANCE

Maintenance of infrastructure assets is classified as major periodic maintenance if it is part of a systematic planned programme of works, occurs on a cyclical basis and is significant in monetary values. Major periodic maintenance may include major corrective works, component replacement programmes, and similar activities.

LEASED ASSETS

Operating lease assets are not capitalised. Rental payments are charged against operating profit in the period in which they are incurred.

There are no finance leases in existence.

FINANCIAL INSTRUMENTS INCLUDED IN LIABILITIES

Trade creditors and other amounts are carried at cost. The carrying amount of financial liabilities approximates fair value. Trade creditors are generally non-interest bearing and settled on 30 day terms.

EMPLOYEE BENEFITS

Provision has been made in the financial statements for benefits accruing to employees in relation to annual leave and long service leave.

Applicable on-costs, including payroll tax, workers compensation and superannuation, are included in the determination of provisions. Annual leave and long service leave are measured at their nominal amounts. Long service leave is accrued from the time of employment.

PROVISIONS

Provisions are recognised when the company has a legal, equitable or constructive obligation to make future sacrifice of economic benefits to other entities as a result of past transactions or other past events. Included in the amounts of other provisions are liabilities to make payments for track restoration, for liabilities relating to incidents causing damage to the rail infrastructure and for survey and subdivision of defined railway land. (refer to notes 11 and 12 for more details as per new accounting standard 1044)

FINANCIAL INSTRUMENTS INCLUDED IN EQUITY

Ordinary share capital bears no special terms or conditions affecting income or capital entitlements of the shareholders.

REVENUE RECOGNITION

Access revenue recorded in the Statement of Financial Performance comprises amounts received and receivable by the company granting operators access to the rail network during the year.

Interest revenue is recorded on an effective yield basis.

Notes to the Financial Statements

Note 2: Statement of Significant Accounting Policies (continued)

RECOVERIES AND EXPENSES ASSOCIATED WITH RAIL ACCESS RELATED INCIDENTS

Income attributable to insurance recoveries arising from rail access related incidents is not recognised until certain. Costs of rectification are recognised when incurred.

Where ARTC has suffered damage to its rail network due to other parties, the recourses of commercial negotiation and, if not successful, legal proceedings are initiated, as appropriate.

Contingent liabilities and assets are reviewed throughout the year and finalised at balance date for inclusion in the accounts. Inclusion of the liabilities or assets occurs where ARTC is reasonably certain of costs or recoveries.

THE AUSTRALIAN RAILWAY INFRASTRUCTURE FOUNDATION

The Australian Railway Infrastructure Foundation ("the Foundation") was established by the Commonwealth to finance capital projects approved by the Commonwealth Minister for Transport and Regional Services.

The Foundation has as its main objective the improvement of standard gauge interstate rail track to accommodate greater carrying capacity, speed, transit time and reliability of trains.

The improvements in rail infrastructure arising from the main objective will benefit rail operators with ARTC receiving a flow on effect following improvements to rail's competitive position.

No incremental amount has been recognised as an asset in ARTC's books with respect to the financial effect of the infrastructure projects undertaken in the current year. However, during the year ended 30 June 2000, ARTC undertook a valuation exercise of its infrastructure assets. The valuation was performed based on estimated future cash flows. Although difficult to measure, the estimated future cash flows effectively incorporated the effect on ARTC of the projects undertaken by the Foundation. While Directors are satisfied with the carrying value of all non current assets, all infrastructure assets will nevertheless be revalued in fiscal 2004.

INCOME TAX

The financial statements apply the principles of tax-effect accounting. The income tax expense represents the tax on the pre-tax accounting profit adjusted for income and expenses not assessed or allowed for taxation purposes. The future income tax benefit and provision for deferred tax accounts represent the tax effect of differences between income and expense items recognised in different years for book and tax purposes, calculated at the tax rates expected to apply when the differences reverse. The net future income tax benefit relating to tax losses and timing differences is not carried forward as an asset unless the benefit is virtually certain of being realised.

GOODS AND SERVICES TAX (GST)

Revenues, expenses and assets are recognized net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

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

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

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

COMPARATIVES

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

Note 3: Employee Numbers

	2003	2002
Average number of employees	93	89

Note 4: Revenue from Ordinary Activities

	2003 \$'000	2002 \$'000
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Profit from ordinary activities is after crediting the following revenues:

Revenue from operating activities:

Access fees	92,479	87,853
Total Operating Revenue	92,479	87,853

Revenue from non operating activities:

Unrelated parties

Interest	2,155	1,533
License & fees	1,284	779
Insurance recovery & settlements	409	92
Other	2,629	3,912
Total Non Operating Revenue	6,477	6,316

Total Operating Revenue	98,956	94,169
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Profit from ordinary activities is after charging the following expenses:

Depreciation:

– Leasehold improvements	443	292
– Buildings	223	223
– Plant and equipment	9,476	9,829
Total depreciation	10,142	10,344

Other expense items:

Employee expenses	9,616	8,735
Infrastructure maintenance and operating expenses	36,448	35,653
Operating lease expenses [4.(a)]	2,850	3,397
Project and developments costs	4,606	4,929
Insurance	5,633	2,854
Incident costs	3,450	6,047
Other expenses from ordinary activities	5,240	5,035
Total other expenses items	67,843	66,650

[4. (a)] Specific disclosure items comprise:

– Lease payments – Victorian lease	2,248	2,185
– Lease payment – contingent rental	519	1,100
– Lease payments – equipment	22	40
– Lease payments – motor vehicles	61	72
	2,850	3,397

Notes to the Financial Statements

Note 5: Income Tax

The passing of Division 58, with Royal Assent on 16 July 1999, has entitled the company to value assets, for taxation purposes, using the pre-existing audited book values. This effectively means the value of rail infrastructure and related assets for taxation purposes is as recorded in the accounts of the Australian National Railways Commission before they were transferred to the company. This results in a significant permanent difference which will ensure the company is not liable for tax during the current reporting period and gives rise to likely significant income tax benefits in future years. However, as the tax losses arising from this permanent difference are not considered virtually certain of recovery, under the applicable tax effect accounting standard, the income tax benefits have not been recognised in the current year financial statements.

Further, due to differences in the depreciation rates used to depreciate the track infrastructure and related assets for tax and accounting purposes, a provision for deferred income tax arises. However, due to the magnitude of the tax losses arising from the passing of Division 58, the resultant tax benefit more than offsets any deferred tax liability in the current year.

Note 6: Receivables (Current)

	2003 \$'000	2002 \$'000
Trade debtors [6. (a)]	10,532	12,896
Trade debtors, net	10,532	12,896
Total receivables (Current)	10,532	12,896

[6. (a)] includes net GST receivable

Note 7: Inventories (Current)

	2003 \$'000	2002 \$'000
Inventories – at cost	3,111	6,708
Total inventories (Current)	3,111	6,708

Note 8: Other Assets (Current)

	2003 \$'000	2002 \$'000
Prepayments	1,866	1,055
Other	80	87
Total other assets (Current)	1,946	1,142

Note 9: Property, Infrastructure, Plant and Equipment

	2003 \$'000	2002 \$'000
Leasehold improvements		
<u>Cost</u>		
Opening balance	4,724	2,400
Additions ¹	8,452	2,324
Closing balance	13,176	4,724
<u>Accumulated depreciation</u>		
Opening balance	477	185
Depreciation for the year	443	292
Closing Balance	920	477
Net Book Value	12,256	4,247
Buildings		
<u>Cost</u>		
Opening balance	950	950
Closing balance	950	950
<u>Accumulated depreciation</u>		
Opening balance	448	225
Depreciation for the year	223	223
Closing Balance	671	448
Net Book Value	279	502
Infrastructure, Plant & Equipment		
<u>Cost</u>		
Opening balance	9,681	8,009
Additions ¹	3,880	1,672
Disposals	(21)	-
Closing Balance	13,540	9,681
<u>At 2000 Valuation</u>		
Opening balance	181,989	181,989
Closing Balance	181,989	181,989
<u>Accumulated depreciation</u>		
Opening balance	19,150	9,321
Depreciation for the year	9,455	9,829
Closing Balance	28,605	19,150
Net Book Value	166,924	172,520

¹ The additions include amounts transferred to the asset register from capital work in progress.

Notes to the Financial Statements

Note 9: Property, Infrastructure, Plant and Equipment (continued)

	2003 \$'000	2002 \$'000
Plant and equipment in the course of Construction		
Carrying amount at beginning	14,572	9,084
Additions	8,570	9,484
Transfer to asset register	(12,332)	(3,996)
Plant and equipment in the course of construction at end of the period	10,810	14,572
Total property, plant and equipment, Net Book Value	190,269	191,840

Note 10: Payables (Current)

	2003 \$'000	2002 \$'000
Unsecured:		
Trade creditors	13,440	14,848
Total payables (Current)	13,440	14,848

Note 11: Provisions (Current)

	2003 \$'000	2002 \$'000
Dividends	-	5,725
Employee benefits	3,007	2,779
Restoration [11. (a)]	218	2,074
Environmental [11. (b)]	653	662
Incident provision [11. (c)]	4,600	5,305
Foundation provision [11. (d)]	1,861	-
Total other provisions (Current)	10,339	16,545

[11. (a)] Restoration Provision The Restoration provision represents the balance of funds made available by the Commonwealth on the transfer of track assets to the company from Australian National Railways Commission for the following purposes:

- track restoration for the rectification of incident damaged sites;
- survey and subdivision to enable re-titling of land associated with rail infrastructure assets transferred to the company; and
- consolidation of the Islington plan room into the framework of the company assets.

[11. (b)] Environmental Provision The environmental provision represents the balance of funds made available by the Commonwealth on the transfer of track assets to the company from Australian National Railways Commission for the rehabilitation of assets to the required environmental standard.

[11. (c)] Incident Provision The incident provision recognizes the company's potential obligations with respect to costs associated to damage caused by incidents such as derailments to the company's rail infrastructure.

[11. (d)] Australian Railway Infrastructure Foundation Provision This provision was established in the current financial year to provide for the transfer of an asset from the Australian Rail Track Corporation to the Australian Railway Infrastructure Foundation. The transfer is pending the approval by the Commonwealth with the outcome at balance date not known.

Note 12: Provisions (Non-current)

	2003 \$'000	2002 \$'000
Employee benefits	472	335
Environmental [12. (a)]	653	662
Total other provisions (Non-current)	1,125	997

[12. (a)] Environmental provision

The environmental provision represents the balance of funds made available by the Commonwealth on the transfer of track assets to the company from Australian National Railways Commission for the rehabilitation of assets to the required environmental standard.

[12. (b)] Movements in provisions

	2003 \$'000
(a) Restoration	
Carrying amount at the beginning of the financial year	2,074
Additional provision	–
Amounts utilised during the year	(1,856)
Carrying amount at the end of the financial year	<u>218</u>
(b) Environmental	
Carrying amount at the beginning of the financial year	1,324
Additional provision	–
Amounts utilised during the year	(18)
Carrying amount at the end of the financial year	<u>1,306</u>
(c) Incident provision	
Carrying amount at the beginning of the financial year	5,305
Additional provision	2,745
Amounts utilised during the year	(3,450)
Carrying amount at the end of the financial year	<u>4,600</u>
(d) Foundation provision	
Carrying amount at the beginning of the financial year	–
Additional provision	1,861
Amounts utilised during the year	–
Carrying amount at the end of the financial year	<u>1,861</u>

Notes to the Financial Statements

Note 13: Contributed Equity

	2003 \$'000	2002 \$'000
Paid up capital:		
100 Ordinary shares	91,751	91,751

Terms and conditions of contributed equity

Ordinary shares

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company.

Note 14: Reserves

	2003 \$'000	2002 \$'000
Asset Revaluation Reserve		
Opening balance:	76,830	76,830
Asset revaluation	–	–
Closing balance	76,830	76,830

Note 15: Retained Profits and Dividends

	2003 \$'000	2002 \$'000
Retained profits at the beginning of the financial year	49,571	38,121
Net profit for the year	20,971	17,175
Adjustment arising from adoption of revised accounting standard: AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets"	5,725	–
Total available for appropriation	76,267	55,296
Dividends provided for and or paid	(7,725)	(5,725)
Retained profits at the end of the financial year	68,542	49,571

Equity

Total equity at the beginning of the financial year	218,152	206,702
Total changes in equity recognised in the Statement of Financial Performance	20,971	17,175
Dividends	(2,000)	(5,725)
Total equity at the reporting date	237,123	218,152

Dividend franking

At balance date, no franking credits were available.

Note 16: Contingent Liabilities/Assets

The company accounts for costs associated with rectifying rail access related incidents following their occurrence. Income from subsequent insurance and other recoveries is only recognised when received. As a result, certain potential insurance recoveries have not been recognised at year end, as their ultimate collection is not considered certain.

Note 17: Notes to the Statement of Cash Flows

(a) Reconciliation of cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks, deposits at call, net of outstanding bank overdrafts. Cash at the end of the financial year, as shown in the statement of cash flows, is reconciled to the related items in the Statement of Financial Position as follows:

	2003 \$'000	2002 \$'000
Cash on hand	3,807	1,999
Call deposits with banks	362	6,014
Commercial paper	52,000	29,943
	56,169	37,956

(b) Reconciliation of net profit after income tax to net cash provided by operating activities.

Operating profit after income tax	20,971	17,175
Adjustments for non-cash income and expense items:		
– Depreciation	10,142	10,344
Movement in provision for:		
– Doubtful debts	–	–
Sub-total	10,142	10,344
Changes in assets and liabilities:		
(Increase)/decrease in assets:		
– Accounts receivable	2,364	(2,084)
– Inventories	3,597	(4,477)
– Prepayments	(804)	(724)
Increase/(decrease) in liabilities:		
– Trade creditors	(1,408)	(5,598)
– Provision for employee benefits	365	145
– Other provisions	(2,601)	189
Sub-total	1,513	(12,549)
Net cash from operating activities	32,626	14,970

Notes to the Financial Statements

Note 18: Remuneration of Officers

Remuneration of Directors

The number of directors of the company who were paid, or were due to be paid, remuneration (including brokerage, commissions, bonuses, and salaries, but excluding any payments in connection with their retirement), directly or indirectly, from the company, as shown in the following bands, was:

	2003	2002
\$10,000 – 19,999	–	3
\$20,000 – 29,999	5	2
\$50,000 – 59,999	1	1
\$260,000 – 269,999	–	1
\$290,000 – 299,999	1	–

The aggregate remuneration of the directors referred to in the above bands was

\$484,396	\$404,680
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The total of all remuneration paid, or due and payable, directly or indirectly, from the company to directors was \$484,396. This amount includes the value of insurance premiums and indemnity payments made for the benefit of directors.

Remuneration of Executives

The number of executive officers whose total income for the reporting period falls within the following bands, was:

	2003	2002
\$110,000 – 119,999	1	–
\$120,000 – 129,999	–	1
\$130,000 – 139,999	–	1
\$150,000 – 159,999	1	–
\$160,000 – 169,999	–	2
\$170,000 – 179,999	1	1
\$180,000 – 189,999	2	–
\$260,000 – 269,999	–	1
\$290,000 – 299,999	1	–

The aggregate remuneration of the executives referred to in the above bands was

\$1,113,655	\$1,024,866
--------------------	--------------------

Income of executives comprises amounts paid or payable to executive officers domiciled in Australia, directly or indirectly, by the company (but excluding “retirement benefits”) in connection with the management of the affairs of the company, whether as executive officers or otherwise.

Note 19: Remuneration of Auditors

The following total remuneration was received, or is due and receivable, by the Australian National Audit Office in respect of:

	2003 \$'000	2002 \$'000
– Auditing the financial statements	69	68
	69	68

Note 20: Related Party Disclosures

This note considers such issues as loans to directors, transactions with directors and director related entities concerning shares, units, options and other equity instruments and any other transactions with directors.

A director related entity includes any legal, administrative or fiduciary arrangement, organizational structure or other party, including a person, having the capacity to deploy equity instruments in order to achieve objectives.

This entity must be under joint or overall control or significant influence of a director or his/her related parties.

ARTC Director, Mr. R. McCutcheon, undertakes occasional consultancy work for Westinghouse Signals Australia, a firm that ARTC has a commercial relationship with. This consultancy work does not relate to matters associated with ARTC. ARTC deals with Westinghouse Signals under normal commercial terms and conditions.

ARTC Director, Mr. D Budd, has a representational role with Mercer Human Resource Consulting, a firm that ARTC has a commercial relationship with. This representational role does not relate to matters associated with ARTC. ARTC deals with Mercer Human Resource Consulting under normal commercial terms and conditions.

Other related parties including shareholders

Other than payment of dividends to the shareholders of \$7,725,000, there were no other related party transactions for the year ended 30 June 2003.

Note 21: Segment Information

The company operates predominantly in one industry segment, the rail industry, and in one geographical segment, Australia.

Note 22: Economic Dependency

A significant level of the Australian Rail Track Corporation's track access revenue relates to a single rail operator. If not for this revenue, the company would find it difficult to maintain the current level of revenue and profit.

Note 23: Financial Instruments

Interest Rate Risk Exposures

The company had no borrowings at balance date. Trade debtors and creditors were not subject to interest providing payment was within agreed terms. The average interest rate for cash at bank for the year was 4.65% (2002: 4.42%) and for commercial papers maturing over a 30-35 day period the average interest for the year was 4.92% (2002: 4.61%).

Credit Risk Exposure

The company's maximum exposure to credit risk at reporting date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the Statement of Financial Position.

Notes to the Financial Statements

Note 24: Commitments

Operating leases are entered into as a means of acquiring access to manage the interstate network in Victoria.

	2003 \$'000	2002 \$'000
Operating lease expenditure contracted for is payable as follows :		
Not later than one year	2,315	2,248
Later than one year but not later than five years	9,260	8,992
Later than five years	13,890	15,736
	25,465	26,976

Note 25: Employee benefits

	2003 \$'000	2002 \$'000
Employee benefits liabilities		
Provision for employee benefits		
– Current (note 11)	3,007	2,779
– Non-current (note 12)	472	335
Aggregate employee benefits liability	3,479	3,114

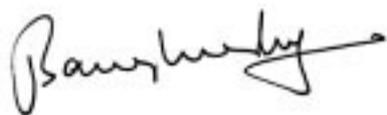
Directors' Declaration

The directors declare that:

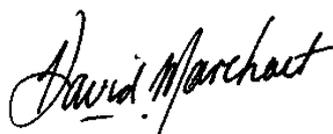
- (a) the financial statements and associated notes comply with the Accounting Standards and Urgent Issues Group Consensus Views;
- (b) the financial statements and notes give a true and fair view of the financial position as at 30 June 2003 and performance of the company for the year then ended;
- (c) in the directors' opinion;
 - (i) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
 - (ii) the financial statements and notes are in accordance with the Corporations Act (2001), including sections 296 and 297.

Signed in accordance with a resolution of directors.

On behalf of the directors.



B K Murphy
Chairman



D W Marchant
Managing Director

Signed at Adelaide , this twenty sixth day of September 2003

Audit Letter



INDEPENDENT AUDIT REPORT

To the members of the Australian Rail Track Corporation Limited

Scope

I have audited the financial statements of the Australian Rail Track Corporation Limited for the year ended 30 June 2003. The financial statements comprise:

- Directors' Report;
- Statements of Financial Performance, Financial Position and Cash Flows;
- Notes to and forming part of the financial statements; and
- Directors' Declaration

The Australian Rail Track Corporation Limited's directors are responsible for the preparation and presentation of the financial statements and the information they contain. I have conducted an independent audit of the financial statements in order to express an opinion on them to you.

The audit has been conducted in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards, to provide reasonable assurance as to whether the financial statements are free of material misstatement. Audit procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial statements are presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia and statutory requirements so as to present a view which is consistent with my understanding of the Corporation's financial position, its financial performance and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In my opinion the financial statements of the Australian Rail Track Corporation Limited is in accordance with

(a) The *Corporations Act 2001*, including:

(i) give a true and fair view of the company's as at 30 June 2003, and of its performance for the year then ended on that date; and

(ii) complying with Accounting Standards and the Corporations Regulations 2001; and

(b) other mandatory professional reporting requirements.

Australian National Audit Office



David Crossley
Executive Director

Delegate of the Auditor-General

Canberra
30 September 2003

Key Performance Indicators 2002/03

Period Ending	September Quarter		December Quarter	
Number of Services ¹	2,929		2,914	
Total Healthy Services	1,400	47.80%	1,067	36.62%
Total Unhealthy Services	1,497	51.11%	1,799	61.74%
Total Services affected by Force Majeure	32	1.09%	48	1.65%
Ontime exit of healthy services	1,378	98.43%	1,028	96.34%
Ontime exit of unhealthy services	430	28.72%	373	20.73%
Number Services with On Time Entry	1,897	64.77%	1,571	53.91%
Number Services with On Time Exit	1,808	62.41%	1,401	48.88%
Undeteriorated unhealthy services	1,457	97.33%	1,737	96.55%
Number Services Exit <1 hr late	2,388	81.53%	1,936	66.44%
Total Delays	157,700		301,313	
Total ARTC delays	6,714	4.26%	11,503	3.82%
Track	1,154	17.19%	2,281	19.83%
Signals and Comms	3,188	47.48%	8,037	69.87%
Train Management	1,158	17.25%	325	2.83%
Other	1,214	18.08%	860	7.48%
Total Operator Delays	145,098	92.01%	254,918	84.60%
Late arrival	79,246	54.62%	135,184	53.03%
Yard	7,442	5.13%	12,537	4.92%
Personnel	3,418	2.36%	9,489	3.72%
Locomotives	7,612	5.25%	10,119	3.97%
Rolling Stock	3,271	2.25%	4,712	1.85%
Other	44,109	30.40%	82,877	32.51%
Force Majeure or Neither Delays	5,888	3.73%	34,892	11.58%
Kilometres of Track	3,625.9		3,625.9	
Track under Speed Restriction - Total	25.74	0.71%	21.27	0.65%
Track under Speed Restriction - Maintenance	14.02	0.39%	20.25	0.56%
Track Quality Index				
- ARTC Owned Network	23.9		24.2	
Track Quality Index²				
- Victorian Network	36.3		37.0	

Note 1: Does not include unscheduled services e.g. grain trains.

Note 2: The higher the TQI the poorer the track quality.

In Victoria the TQI is higher than elsewhere on the network due to the effect of timber sleepers on the track quality.

March Quarter		June Quarter		Total	
2,671		2,719		11,233	
1,194	44.70%	1,197	44.02%	4,858	43.25%
1,464	54.81%	1,494	54.95%	6,254	55.68%
13	0.49%	28	1.03%	121	1.08%
1,164	97.49%	1,168	97.58%	4,738	97.53%
349	23.84%	360	24.10%	1,512	24.18%
1,703	63.76%	1,763	64.84%	6,934	61.73%
1,513	56.92%	1,528	56.78%	6,250	55.64%
1,402	95.77%	1,447	96.85%	6,043	96.63%
1,978	74.05%	2,094	77.01%	8,396	74.74%
186,168		227,575		872,756	
9,321	5.01%	9,300	4.09%	36,838	4.22%
1,904	20.43%	1,977	21.26%	7,316	19.86%
5,078	54.48%	6,437	69.22%	22,740	61.73%
1,342	14.40%	252	2.71%	3,077	8.35%
997	10.70%	634	6.82%	3,705	10.06%
174,621	93.80%	168,803	74.17%	743,440	85.18%
82,602	47.30%	82,481	48.86%	379,513	51.05%
8,190	4.69%	8,051	4.77%	36,220	4.87%
7,511	4.30%	6,457	3.83%	26,875	3.61%
7,849	4.49%	7,073	4.19%	32,653	4.39%
6,172	3.53%	4,275	2.53%	18,430	2.48%
62,297	35.68%	60,466	35.82%	249,749	33.59%
2,226	1.20%	49,472	21.74%	92,478	10.60%
3,625.9		3,625.9		3,625.9	
36.12	0.99%	49.44	1.36%	33.144	0.93%
35.32	0.97%	47.63	1.31%	29.305	0.81%
24.7		23.9		24.2	
39.2		38.8		37.8	