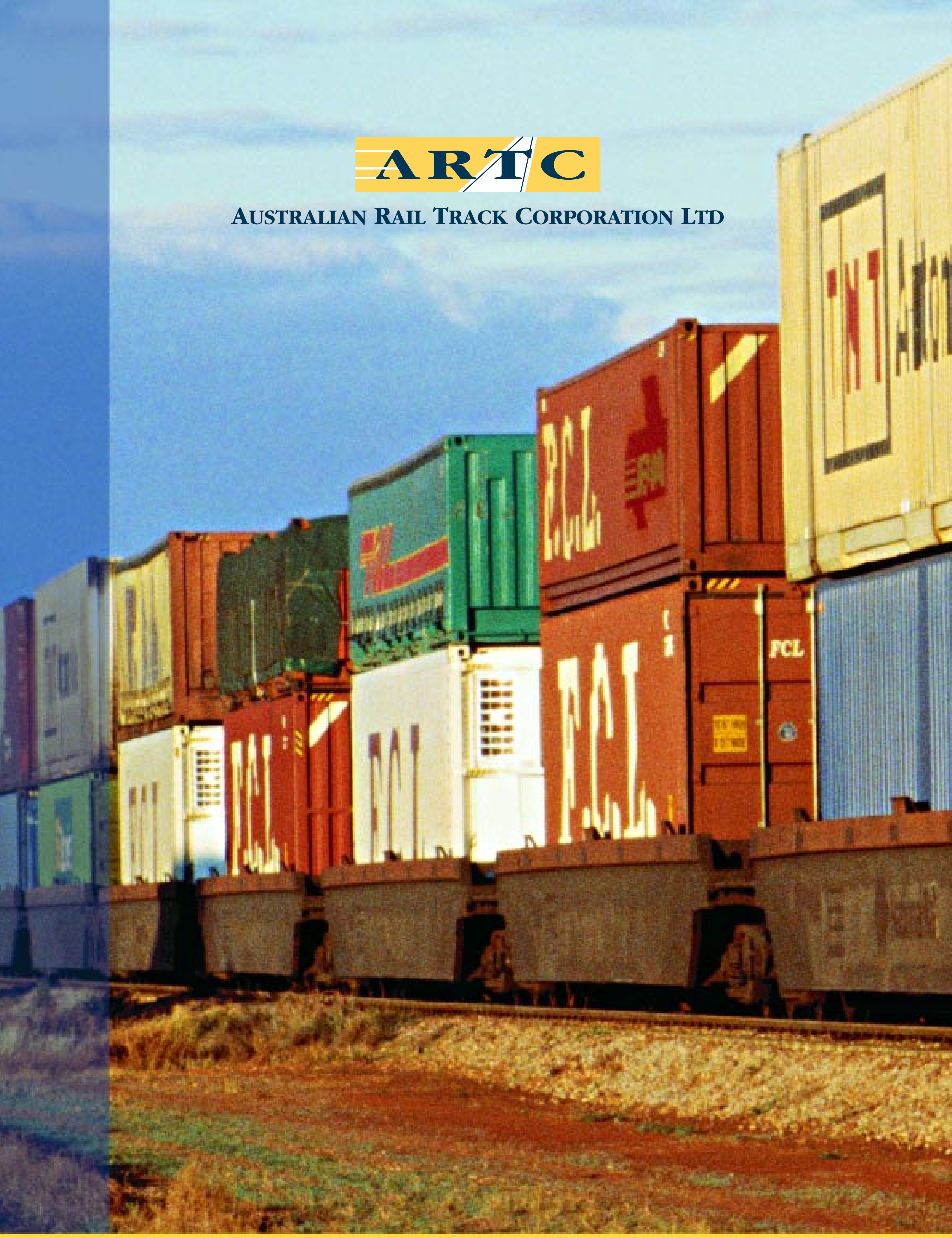
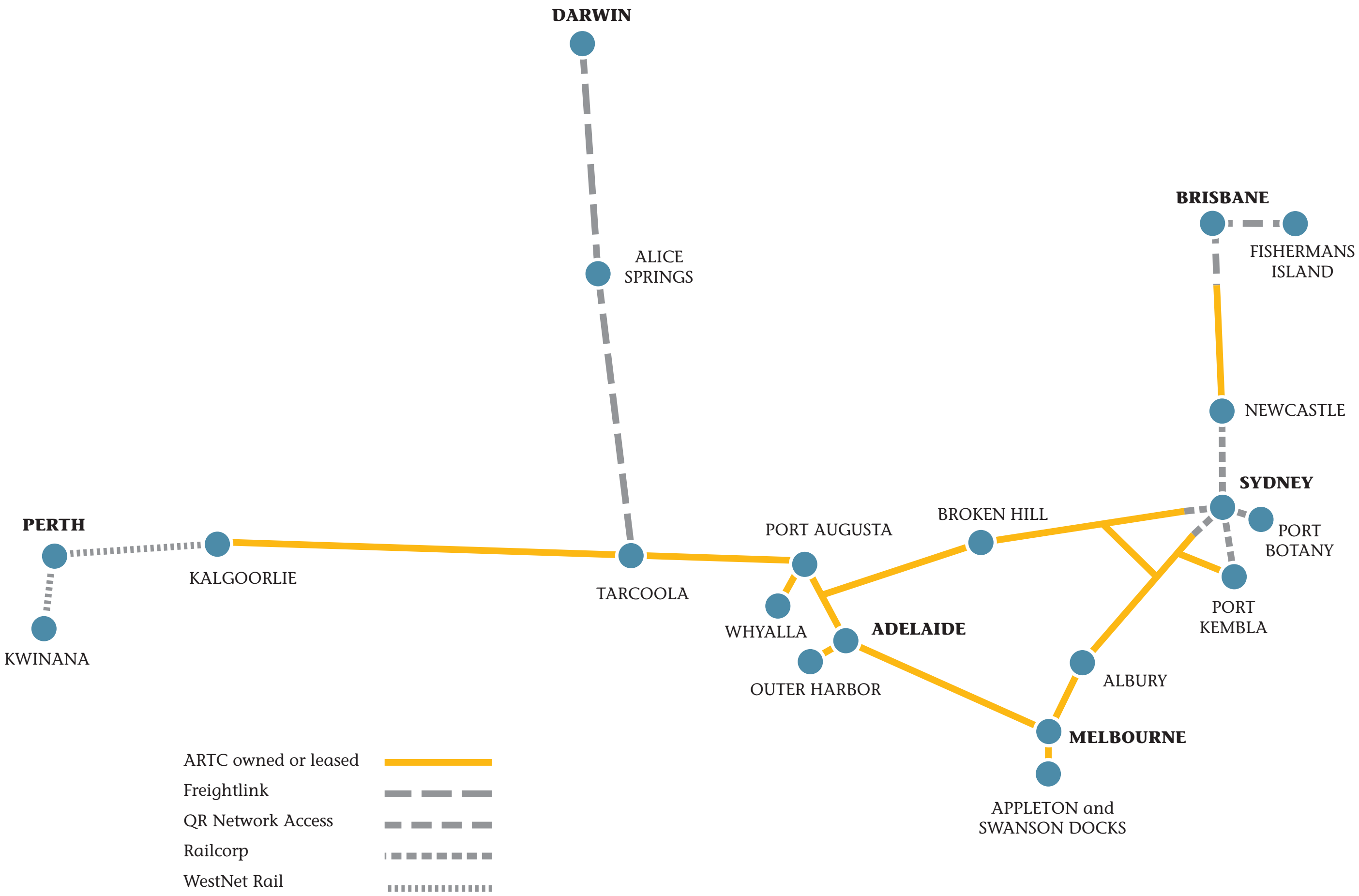
ARTC

AUSTRALIAN RAIL TRACK CORPORATION LTD



Annual Report 2004

The Interstate Rail Network



Australian Rail Track Corporation Ltd (ARTC) was incorporated in 1998 following an intergovernmental agreement (IGA) between the Australian Government and all mainland States to provide a 'one stop shop' for access to the interstate rail network.

ARTC's shares are wholly owned by the Australian Government and its primary role is to provide access to train operators over that part of the interstate rail network managed by the company. ARTC is responsible for all operations relating to that part of the network under its control, principally Albury - Melbourne - Adelaide - Perth and Broken Hill – Crystal Brook. This includes the provision of train control functions, the creation and selling of train paths to rail operators and the provision of capital and maintenance works over the ARTC network.

As part of the IGA, ARTC was also given the task of improving the interstate rail infrastructure to achieve a number of performance targets relating to reduced transit times, increased network capacity and improved reliability with the underlying aim of increasing the share of interstate freight carried by rail. Over the last five years, through disciplined investment and improved management, ARTC has been able to achieve these targets.

From September 2004, under a 60-year lease with the New South Wales Government, ARTC has the responsibility for the management of, and investment in, the New South Wales interstate mainline track and Hunter Valley rail network and manages the residual NSW non-urban network for the State.

Directors' Report 30 June 2004

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 2004.

Directors

The following persons were directors of the Australian Rail Track Corporation Limited during the whole of the financial year and up to the date of this report as follows. Directors were in office for this entire period unless otherwise stated.

B K Murphy	A H D Budd	R B Maher
R I McCutcheon	M D F Pop	D W Marchant

R T Balderstone (resigned as a director on 16 August 2004) *(not pictured)*
G D Walters (appointed as a director on 16 August 2004) *(not pictured)*

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.

Dividends - Australian Rail Track Corporation Limited

A dividend of $4,990,000 was provided for in the accounts for the year ended 30 June 2003.

An interim dividend of $2,000,000 was provided for in the accounts in relation to the year ended 30 June 2004.

Review of operations

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

Significant changes in the state of affairs

Significant changes in the state of affairs of the consolidated entity during the financial year were as follows:

(a) On 4 June 2004, the signing of the lease with the NSW Government for ARTC to operate the interstate freight rail network in NSW.

(b) An increase in contributed equity of $143,375,000 (from $91,751,000 to $235,126,000) as a result of a contribution from ARTC shareholders following the signed agreement with the NSW Government to lease the interstate freight rail network.

(c) The establishment of the ARTC Services Company Pty Ltd as a wholly owned subsidiary of ARTC, following the purchase of the net assets of the South Australian division of the Rail Infrastructure Corporation.

(d) The receipt of a $450m grant from the Commonwealth that will enable ARTC to develop and implement a programme to improve the rail network in Australia.

Directors' Report 30 June 2004

Likely developments and expected results of operations

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

Environmental regulation

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 2005 and an application for renewal will be lodged at that time. To date, the Australian Rail Track Corporation has complied with the requirements of the licence agreement.

Meetings of directors

The numbers of meetings of the company's board of directors and of each board committee held during the year ended 30 June 2004, and the numbers of meetings attended by each director were:

	Directors' Meetings		Audit and Risk Management Committee		Remuneration and Staff Policy Committee	
	A	B	A	B	A	B
B K Murphy	13	13	–	–	4	4
R T Balderstone	10	13	5	5	–	–
A H D Budd	12	13	4	5	–	–
R B Maher	13	13	–	–	4	4
R I McCutcheon	13	13	–	–	4	4
M D F Pop	13	13	5	5	–	–
D W Marchant	13	13	–	–	–	–

A = Number of meetings attended
B = Number of meetings held during the time the director held office or was a member of the committee during the year

Committee membership

During the reporting period, the company had an Audit and Risk Mangement Committee and a Remuneration and Staff Policy Committee of the board of directors.

Members acting on the committees of the board during the year were:

Audit and Risk Management Committee M D F Pop, A H D Budd, R T Balderstone

Remuneration and Staff Policy Committee B K Murphy, R B Maher, R I McCutcheon

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.

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 section 300(8)(b) of the Corporations Act 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.

B K Murphy
Director

Signed in Sydney, on the 13 October 2004

D W Marchant
Director

Signed in Melbourne, on the 13 October 2004

Statement of Financial Performance for the year ended 30 June 2004

	Notes	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent entity 2004 $'000	Parent entity 2003 $'000
Revenue from ordinary activities	4	107,740	98,956	107,732	98,956
Less:					
Employee benefits expense		(12,539)	(9,616)	(10,921)	(9,616)
Depreciation and amortisation	5	(11,097)	(10,142)	(11,085)	(10,142)
Project and development costs		(7,957)	(4,606)	(7,957)	(4,606)
Legal costs		(3,180)	(202)	(3,180)	(202)
Insurance		(5,179)	(5,633)	(5,177)	(5,633)
Infrastructure Maintenance		(33,991)	(36,448)	(36,957)	(36,448)
Operating lease expenses		(3,061)	(2,850)	(3,043)	(2,850)
Incident Costs		(3,807)	(3,450)	(3,807)	(3,450)
Other expenses		(7,319)	(5,038)	(6,517)	(5,038)
Profit from ordinary activities before related income tax expense		**19,610**	**20,971**	**19,088**	**20,971**
Profit from ordinary activities after related income tax expense		**19,610**	**20,971**	**19,088**	**20,971**
Special Government Grant		**450,000**	-	**450,000**	-
Net profit		**469,610**	**20,971**	**469,088**	**20,971**
Net profit attributable to members of Australian Rail Track Corporation Limited	15(b)	**469,610**	**20,971**	**469,088**	**20,971**
Total revenue, expenses and valuation adjustments attributable to members of Australian Rail Track Corporation Limited recognised directly in equity		-	-	-	-
Total changes in equity attributable to members of Australian Rail Track Corporation Limited other than those resulting from transactions with owners as owners	15	**469,610**	**20,971**	**469,088**	**20,971**

The above Statement of financial performance should be read in conjunction with the accompanying notes.

Statement of Financial Position as at 30 June 2004

	Notes	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent entity 2004 $'000	Parent entity 2003 $'000
Current assets					
Cash assets	6,17	665,461	56,169	665,084	56,169
Receivables	7,17	10,432	10,531	10,811	10,531
Inventories	8	3,303	3,111	3,004	3,111
Other	9	1,763	1,946	1,763	1,946
Total current assets		**680,959**	**71,757**	**680,662**	**71,757**
Non-current assets					
Investments	24	-	-	123	-
Property, plant and equipment	10	193,040	190,269	192,783	190,269
Total non-current assets		**193,040**	**190,269**	**192,906**	**190,269**
Total assets		**873,999**	**262,026**	**873,568**	**262,026**
Current liabilities					
Payables	11,17	11,790	13,440	12,191	13,440
Provisions	12	17,751	10,339	17,589	10,339
Total current liabilities		**29,541**	**23,779**	**29,780**	**23,779**
Non-current liabilities					
Provisions	13	1,341	1,125	1,193	1,125
Total non-current liabilities		**1,341**	**1,125**	**1,193**	**1,125**
Total liabilities		**30,882**	**24,904**	**30,973**	**24,904**
NET ASSETS		**843,117**	**237,122**	**842,595**	**237,122**
Equity					
Parent entity interest					
Contributed equity	14	235,126	91,751	235,126	91,751
Reserves	15(a)	76,830	76,830	76,830	76,830
Retained profits	15(b)	531,161	68,541	530,639	68,541
Total parent entity interest		**843,117**	**237,122**	**842,595**	**237,122**
TOTAL EQUITY	16	**843,117**	**237,122**	**842,595**	**237,122**

The above Statement of financial position should be read in conjunction with the accompanying notes.

Statement of Cash Flows
for the year ended 30 June 2004

	Notes	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent entity 2004 $'000	Parent entity 2003 $'000
Cash flows from operating activities					
Receipts from customers (inclusive of goods and services tax)		113,662	116,897	113,550	116,897
Payments to suppliers and employees (inclusive of goods and services tax)		(89,497)	(86,835)	(89,444)	(86,835)
		24,165	30,062	24,106	30,062
Interest received		3,951	2,155	3,943	2,155
Other revenue		1,675	409	1,675	409
Net cash inflow (outflow) from operating activities	26	**29,791**	**32,626**	**29,724**	**32,626**
Cash flows from investing activities					
Payments for property, plant and equipment		(13,751)	(11,490)	(13,599)	(11,490)
Loans to subsidiary		-	-	(462)	-
Purchase of controlled entity	24	(123)	-	(123)	-
Receipts for plant and equipment from the Foundation		-	4,800	-	4,800
Net cash inflow (outflow) from investing activities		**(13,874)**	**(6,690)**	**(14,184)**	**(6,690)**
Cash flows from financing activities					
Proceeds from issues of shares and other equity securities		143,375	-	143,375	-
Special Government Grant		450,000	-	450,000	-
Dividends paid		-	(7,725)	-	(7,725)
Net cash inflow (outflow) from financing activities		**593,375**	**(7,725)**	**593,375**	**(7,725)**
Net increase (decrease) in cash held		**609,292**	**18,211**	**608,915**	**18,211**
Cash at the beginning of the financial year		**56,169**	**37,958**	**56,169**	**37,958**
CASH AT THE END OF THE FINANCIAL YEAR	6	**665,461**	**56,169**	**665,084**	**56,169**

The above Statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

Note 1. Summary of significant accounting policies

The Australian Accounting Standards Board (AASB) is adopting International Financial Reporting Standards (IFRS) for application to reporting periods beginning on or after 1 January 2005.The AASB will issue Australian equivalents to IFRS, and the Urgent Issues Group will issue abstracts corresponding to IASB interpretations originated by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee. The adoption of Australian equivalents to IFRS will be first reflected in ARTC's financial statements for the year ending 30 June 2006. Information about how the transition to Australian equivalents to IFRS is being managed, and the key differences in accounting policies that are expected to arise, is set out in note 1(k).

(a) 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.

(b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by the Australian Rail Track Corporation Limited (“company” or “parent entity”) as at 30 June 2004 and the results of the controlled entities for the year then ended. Australian Rail Track Corporation Limited and its controlled entities together are referred to in this financial report as the consolidated entity. The effects of all transactions between entities in the consolidated entity are eliminated in the consolidated entity in full.

Where control of an entity is obtained during a financial year, its results are included in the consolidated statement of financial performance from the date on which control commences. Where control of an entity ceases during a financial year, its results are included for that part of the year during which control existed.

(c) 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.

The passing of Division 58 of the Income Tax Assessment Act 1997 (“Divison 58”), with Royal Assent on 16 July 1999, has entitled the consolidated entity 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 consolidated entity. This results in a significant permanent difference which will ensure the consolidated entity 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.

Tax Consolidation

Effective 1 July 2003, for the purposes of income taxation, ARTC Ltd and its 100% owned subsidiaries have decided to form a tax consolidated group. Members of the group will be subject to a tax sharing arrangement in order to allocate income tax expense to the wholly-owned subsidiaries. In addition, the agreement will provide for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At the balance date, the possibility of default is remote. The head entity of the tax consolidated group is ARTC Limited.

Notes to the Financial Statements

Note 1
continued

(d) Revenue recognition

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

Interest revenue is recorded on an effective yield basis.

(e) Inventories

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

(f) Revaluations of non-current assets

The group's assets were re-valued as at 30 June 2000, and follow the first valuation in June 1998. The group'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 NSW lease commencing September 2004, it was agreed by the Board not to undertake the independent revaluation in the current year, but when the inclusion of the lease is incorporated into the ARTC financials in the year ending June 2005. Revaluations are made with sufficient regularity to ensure that the carrying amount of each piece of land, building and plant and equipment does not differ materially from its fair value at the reporting date.

(g) Leasehold improvements

The cost of improvements to or on leasehold properties is amortised over the unexpired period of the lease or the estimated useful life of the improvement to the group, whichever is the shorter.

(h) Dividends

Provision is made for the amount of any dividend declared, determined, or publicly recommended by the directors on or before the end of the financial year, but not distributed at balance date.

(i) Goods and services tax

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

(a) 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

(b) 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.

(j) 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.

(k)International Financial Reporting Standards (IFRS)

ARTC, in complying with Australian equivalents to IFRS for the first time, will be required to restate comparative financial statements to amounts reflecting the application of IFRS to that comparative period. Most adjustments required on transition to IFRS will be made, retrospectively, against opening retained earnings as at 1 July 2004.

Note 1
continued

ARTC has commenced transitioning its accounting policies and financial reporting from current Australian Standards to Australian equivalents of International Financial Reporting Standards (IFRS). The group has allocated internal resources and engaged expert consultants to perform diagnostics and conduct impact assessments to isolate key areas that will be impacted by the transition to IFRS. As a result of these procedures, ARTC has graded impact areas as either high, medium or low and has established a project team to address each of the areas in order of priority as represented by the gradings. As ARTC has a 30 June year end, priority has been given to considering the preparation of an opening balance sheet in accordance with AASB equivalents to IFRS as at 1 July 2004. This will form the basis of accounting for Australian equivalents of IFRS in the future, and is required when ARTC prepares its first fully IFRS compliant financial report for the year ended 30 June 2006. Set out below are the key areas where accounting policies will change and may have an impact on the financial report of ARTC. At this stage, the group has not been able to reliably quantify the impacts on the financial report.

(i) Income tax

Under the Australian equivalent to IAS 12 “Income Taxes”, the group will be required to use a balance sheet liability method which focuses on the tax effect of transactions and other events that affect amounts recognised in either the Statement of Financial Position or a tax based balance sheet. The most significant impact will be the recognition of a deferred tax liability in relation to the asset revaluation reserve. Previously, the capital gains tax effects of asset revaluations were not recognised. It is not expected that there will be any further impact as a result of adoption of this standard.

This will result in a change to the current accounting policy, under which deferred tax balances are determined using the income statement method, items are only tax-effected if they are included in the determination of pre-tax accounting profit or loss and/or taxable income or loss and current and deferred taxes cannot be recognised directly in equity.

(ii) Property, Plant and Equipment

The IAS 16 “Property Plant and Equipment” allowed alternative method permits entities to carry property, plant and equipment at revalued amounts subsequent to initial recognition. Current ARTC policy to perform a revaluation at least every 3 years is in line with the new standard to perform revaluations with sufficient regularity to confirm that the carrying amount does not differ materiality from that which could be determined using the fair value at balance date. ARTC will need to confirm that the current revaluation method of Discounted Cash Flow complies with the requirements of IAS 36.

(iii) Impairment of Assets

Under the Australian equivalent to IAS 36 “Impairment of Assets” applies the impairment test to all assets, whether current or non-current. Currently, ARTC is only required to apply the recoverable amount test to non current assets carried at cost. The IFRS requirements under IAS 36 represent a more robust impairment test than the current requirements under AGAAP and consequently it is possible, although considered unlikely, that the carrying amounts of assets not considered impaired under the existing standards could be impaired under IFRS requirements.

The above should not be regarded as a complete list of changes in accounting policies that will result from the transition to Australian equivalents to IFRS, as not all standards have been analysed as yet, and some decisions have not yet been made where choices of accounting policies are available. For these reasons, it is not yet possible to quantify the impact of the transition to IFRS on the consolidated entity's financial position and reported results.

The Australian Accounting Standards Board (AASB) is adopting IFRS for application to reporting periods beginning on or after 1 January 2005. The AASB will issue Australian equivalents to IFRS, and the Urgent Issues Group will issue abstracts corresponding to IASB interpretations originated by the International Financial Reporting Interpretations Committee or the former Standing Interpretation Committee. The adoption of Australian equivalents to IFRS will be first reflected in the consolidated entity's financial statements for the year ending 30 June 2006.

Note 1
continued

(l) 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 include rail, sleepers, ballast, designated crossing loops, turnouts, signals and communications equipment, bridges, culverts, tunnels, and specified rolling stock.

(m)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 group's operations and it has no intention to sell these assets.

With the NSW lease commencing September 2004, it was agreed by the Board not to undertake the independent revaluation in the year ended 30 June 2004, but to wait until take up of the lease and its incorporation into the ARTC financials for the year ending June 2005.

(n) Capital works in progress and capitalisation

Work in progress comprises expenditure on incomplete capital works. 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.

(o) 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

(p) 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.

Notes to the Financial Statements

Note 1 *continued*

(q) Financial instruments included in assets, liabilities and equity

Cash, money market deposits, and commercial bills held by the group 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 to the event it is considered that the debt may not be collectable.

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

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.

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

(r) 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 programs, and similar activities and these costs are expensed in the consolidated entity's accounts.

Note 2. Changes in accounting policy

The accounting policies adopted are consistent with those of the previous year.

Note 3. Segment information

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

Note 4. Revenue

	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent entity 2004 $'000	Parent entity 2003 $'000
Revenue from operating activities				
Access Revenue	100,411	92,479	100,411	92,479
	100,411	**92,479**	**100,411**	**92,479**
Revenue from outside the operating activities				
Investment interest	3,916	2,155	3,908	2,155
Insurance recoveries	1,675	409	1,675	409
Other revenue	1,738	3,913	1,738	3,913
	7,329	**6,477**	**7,321**	**6,477**
Revenue from ordinary activities	**107,740**	**98,956**	**107,732**	**98,956**
Revenue from Special Purpose Government Grant	**450,000**	**–**	**450,000**	**–**
Total Revenue	**557,740**	**98,956**	**557,732**	**98,956**

Note 5. Expenses

	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent entity 2004 $'000	Parent entity 2003 $'000
Expenses				
Depreciation				
Buildings	224	223	224	223
Leasehold plant and equipment	1,708	443	1,708	443
Plant and equipment	9,165	9,476	9,153	9,476
Total depreciation	**11,097**	**10,142**	**11,085**	**10,142**
Other expense items				
Employee benefits expense	12,539	9,616	10,921	9,616
Project and development costs	7,957	4,606	7,957	4,606
Legal costs	3,180	202	3,180	202
Insurance	5,179	5,633	5,177	5,633
Infrastructure maintenance	33,991	36,448	36,957	36,448
Operating lease expense	3,061	2,850	3,043	2,850
Incident costs	3,807	3,450	3,807	3,450
Other expenses	7,319	5,038	6,517	5,038
Total other expense items	**77,033**	**67,843**	**77,559**	**67,843**

Note 6. Current assets - Cash assets

	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent entity 2004 $'000	Parent entity 2003 $'000
Cash on hand	3,417	3,808	3,040	3,808
Call Deposits with Banks	3,305	361	3,305	361
Cash on deposit	658,739	52,000	658,739	52,000
	665,461	**56,169**	**665,084**	**56,169**

Cash on deposit

The significant increase in "Cash on deposit" at balance date reflected receipt of the Special Commonwealth Government Grant of $450 million (refer Note 4) and the $143.375 million share issue (refer Note 14(c)) received in June 2004 in addition to cash flows generated from operations throughout the year. Due to the pending investment in rail infrastructure upgrades and related activities, these funds have been placed on deposit with major Australian banking institutions and across a spread of low risk commercial papers.

Note 7. Current assets - Receivables

	Consolidated		Parent entity	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Trade debtors	10,336	9,922	10,296	9,922
Other debtors	96	609	54	609
Amounts due from subsidiaries	–	–	461	–
	10,432	**10,531**	**10,811**	**10,531**

Other debtors

These amounts generally arise from transactions outside the group's usual operating activities. Interest may be charged at commercial rates where the terms of repayment exceed six months. Collateral is not normally obtained.

Note 8. Current assets - Inventories

	Consolidated		Parent entity	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Inventories - at cost	3,303	3,111	3,004	3,111
	3,303	**3,111**	**3,004**	**3,111**

Note 9. Current assets - Other

	Consolidated		Parent entity	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Prepayments	1,645	1,866	1,645	1,866
Other current assets	118	80	118	80
	1,763	**1,946**	**1,763**	**1,946**

Note 10. Non-current assets - Property, plant & equipment

	Consolidated		Parent entity	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Land and buildings				
Buildings				
At cost	950	950	950	950
Less: Accumulated depreciation	(895)	(671)	(895)	(671)
Total land and buildings	**55**	**279**	**55**	**279**

Notes to the Financial Statements

Note 10
continued

	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent entity 2004 $'000	Parent entity 2003 $'000
Plant and equipment				
Plant & equipment				
At directors' valuation 2000	181,989	181,989	181,989	181,989
Less: Accumulated depreciation	(32,014)	(25,748)	(32,014)	(25,748)
	149,975	**156,241**	**149,975**	**156,241**
At cost	18,297	13,540	18,028	13,540
Less: Accumulated depreciation	(5,756)	(2,857)	(5,744)	(2,857)
	12,541	**10,683**	**12,284**	**10,683**
Leasehold improvements - plant and equipment				
At cost	19,237	13,176	19,237	13,176
Less: Accumulated depreciation	(2,628)	(920)	(2,628)	(920)
	16,609	**12,256**	**16,609**	**12,256**
Plant and equipment in the course of construction	**13,860**	**10,810**	**13,860**	**10,810**
Total plant and equipment	**192,985**	**189,990**	**192,728**	**189,990**
	193,040	**190,269**	**192,783**	**190,269**

Basis of Directors' Valuation - 2000

Plant and equipment represents the fair value of assets based on an independent valuation as at 30 June 2000 adopted by the directors of ARTC. The valuation was performed by Equity & Advisory Pty Ltd. The fair value of the assets was calculated by discounting estimated future net cash flows using the estimated long term weighted average cost of capital.

Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current and previous financial year are set out below.

	Buildings $'000	Leasehold improvements plant and equipment $'000	Plant and equipment $'000	In Course of construction $'000
Consolidated				
Carrying amount at 1 July 2003	279	12,256	166,924	10,810
Additions into asset register from capital work in progress	–	6,061	4,640	–
Additions into capital work in progress	–	–	–	13,751
Additions out of capital work in progress	–	–	–	(10,701)
Additions through acquisition of entity (note 24)	–	–	117	–
Depreciation/amortisation expense (note 5)	(224)	(1,708)	(9,165)	–
Carrying amount at 30 June 2004	**55**	**16,609**	**162,516**	**13,860**

Note 10 *continued* Reconciliations *(continued)*

	Buildings $'000	Leasehold improvements plant and equipment $'000	Plant and equipment $'000	In Course of construction $'000
Parent entity				
Carrying amount at 1 July 2003	279	12,256	166,924	10,810
Additions into asset register from capital work in progress	–	6,061	4,488	–
Additions into capital work in progress	–	–	–	13,599
Additions out of capital work in progress	–	–	–	(10,549)
Depreciation/amortisation expense (note 5)	(224)	(1,708)	(9,153)	–
Carrying amount at 30 June 2004	**55**	**16,609**	**162,259**	**13,860**

Note 11. Current liabilities - Payables

	Consolidated		Parent entity	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
Trade creditors	11,053	12,404	11,454	12,404
Other payables	737	1,036	737	1,036
	11,790	**13,440**	**12,191**	**13,440**

Note 12. Current liabilities - Provisions

	Consolidated		Parent entity	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
Provisions - dividends payable	6,990	–	6,990	–
Provisions - annual leave	1,691	1,284	1,529	1,284
Provisions - long service leave	1,362	1,215	1,362	1,215
Provisions - other employee entitlements	553	508	553	508
Environmental Provision	604	653	604	653
Foundation Provision	1,861	1,861	1,861	1,861
Incident Provision	4,534	4,600	4,534	4,600
Provisions - other	156	218	156	218
	17,751	**10,339**	**17,589**	**10,339**

Environmental Provision

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

Note 12 *continued*

Australian Railway Infrastructure Foundation Provision

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

The Foundation had 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.

Due to the availability of additional funds earned as interest by the Foundation, ARTC established this provision in the previous financial year to provide for the transfer of an asset from ARTC to the Australian Railway Infrastructure Foundation to form part of the Foundation capital projects. The transfer is pending approval by the Commonwealth with the outcome at balance date not known.

Incident Provision

The incident provision recognises the group's potential obligations with respect to costs associated with damage caused by incidents such as derailments to the group's rail infrastructure.

Provisions - other

Other provisions represent the balance of funds made available by the Commonwealth on the transfer of track assets to the group from the 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 group, and
- consolidation of the Islington plan room into the framework of the group.

Movements in provisions

Movements in each class of provision during the financial year are set out below.

	Dividends payable $'000	Annual leave $'000	Long service leave $'000	Other employee entitlements $'000	Environ-ment $'000	Found-ation $'000
Consolidated						
Carrying amount at start of year	–	1,284	1,215	508	653	1,861
Additional provisions recognised	6,990	1,079	213	471	–	–
Provisions acquired (note 24)	–	162	–	–	–	–
Payments/other sacrifices of economic benefits	–	(834)	(66)	(426)	(49)	–
Carrying amount at end of year	**6,990**	**1,691**	**1,362**	**553**	**604**	**1,861**

	Dividends payable $'000	Annual leave $'000	Long service leave $'000	Other employee entitlements $'000	Environ-ment $'000	Found-ation $'000
Parent entity						
Carrying amount at start of year	–	1,284	1,215	508	653	1,861
Additional provisions recognised	6,990	979	213	471	–	–
Payments/other sacrifices of economic benefits	–	(734)	(66)	(426)	(49)	–
Carrying amount at end of year	**6,990**	**1,529**	**1,362**	**553**	**604**	**1,861**

Note 12 *continued*

	Incident $'000	Other $'000
Consolidated		
Carrying amount at start of year	4,600	218
Additional provisions recognised	3,740	–
Payments/other sacrifices of economic benefits	(3,806)	(62)
Carrying amount at end of year	**4,534**	**156**

	Incident $'000	Other $'000
Parent entity		
Carrying amount at start of year	4,600	218
Additional provisions recognised	3,740	–
Payments/other sacrifices of economic benefits	(3,806)	(62)
Carrying amount at end of year	**4,534**	**156**

Note 13. Non-current liabilities - Provisions

	Consolidated		Parent entity	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
Provisions - long service leave	737	472	589	472
Environmental provision	604	653	604	653
	1,341	**1,125**	**1,193**	**1,125**

	Long service leave $'000	Environment $'000
Consolidated		
Carrying amount at 1 July 2003	472	653
Additional provisions recognized	133	–
Provisions acquired (note 24)	132	–
Payments/other sacrifices of economic benefits	–	(49)
Carrying amount at 30 June 2004	**737**	**604**

	Long service leave $'000	Environment $'000
Parent entity		
Carrying amount at 1 July 2003	472	653
Additional provisions recognized	117	–
Payments/other sacrifices of economic benefits	–	(49)
Carrying amount at 30 June 2004	**589**	**604**

Note 13 *continued*

Environmental provision

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

Note 14. Contributed equity

	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent entity 2004 $'000	Parent entity 2003 $'000
(a) Share capital				
Ordinary shares				
Issued and paid up capital	235,126	91,751	235,126	91,751
	235,126	**91,751**	**235,126**	**91,751**

(b) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(c) Reconciliation of movement in share capital

	2004 Number of Shares	2004 $'000	2003 Number of Shares	2003 $'000
Opening balance 1 July 2003	100	91,751	100	91,751
Share capital issued during the year	143,375,000	143,375	–	–
Issued and paid up capital as at 30 June	**143,375,100**	**235,126**	**100**	**91,751**

Note 15. Reserves and retained profits

	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent entity 2004 $'000	Parent entity 2003 $'000
(a) Reserves				
Asset revaluation reserve	76,830	76,830	76,830	76,830
	76,830	**76,830**	**76,830**	**76,830**

Note 15 *continued*

	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent entity 2004 $'000	Parent entity 2003 $'000
(b) Retained profits				
Retained profits at the beginning of the financial year	68,541	49,570	68,541	49,570
Net profit attributable to members of Australian Rail Track Corporation Limited	469,610	20,971	469,088	20,971
Dividends provided for or paid	(6,990)	(2,000)	(6,990)	(2,000)
Retained profits at the end of the financial year	**531,161**	**68,541**	**530,639**	**68,541**

Note 16. Equity

	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent entity 2004 $'000	Parent entity 2003 $'000
Total equity at the beginning of the financial year	237,122	218,151	237,122	218,151
Total changes in equity recognised in the statements of financial performance	469,610	20,971	469,088	20,971
Transactions with owners as owners:				
Contributions of equity, net of transaction costs note 14(c)	143,375	–	143,375	–
Dividends provided for or paid	(6,990)	(2,000)	(6,990)	(2,000)
Total equity at the end of the financial year	**843,117**	**237,122**	**842,595**	**237,122**

Note 17. Financial instruments

(a) Credit risk exposures

The consolidated entity'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.

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.

(b) Interest rate risk exposures

The consolidated entity 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 4.95 % (2003: 4.65%) and for commercial papers maturing over a 30-35 day period the average interest for the year was 5.29% (2003: 4.92%).

Notes to the Financial Statements

Note 18. Directors' disclosures

Directors

The following persons were directors of Australian Rail Track Corporation Limited during the financial year:

Chairman - non executive
B K Murphy

Executive directors
D W Marchant Chief Executive Officer

Non-executive directors
R T Balderstone
R I Mc Cutcheon
A H D Budd
M D F Pop
R B Maher

Remuneration of Directors

The number of directors of the group 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 group are shown in the table below. The total of all remuneration paid, or due and payable, directly or indirectly, from the group to directors was $513,230 (2003: $484,396).

The number of directors whose total income for the reporting period are also shown in the table below as per the relevant bands.

Remuneration of Directors	2004	2003
Directors of Australian Rail Track Corporation Limited		
$20,000-29,999	5	5
$50,000-59,999	–	1
$60,000-69,999	1	–
$290,000-299,999	–	1
$320,000-329,999	1	–
The aggregate of the remuneration of the directors above was:	$513,230	$484,396

Note 19. Remuneration of auditors

	Consolidated		Parent entity	
	2004	2003	2004	2003
	$	$	$	$
The following total remuneration was received, or is due and receivable, by the Australian National Audit office in respect of services performed by Ernst & Young:				
Auditing the financial report of the entity and any other entity in the consolidated entity;	73,000	68,500	73,000	68,500
The following remuneration was received by Ernst & Young for the following services provided:				
Preparation and completion of income tax returns	26,001	15,999	26,001	15,999
Preparation for the income tax review performed by the Australian Taxation Office	24,304	–	24,304	–
	123,305	**84,499**	**123,305**	**84,499**

Fees for audit services paid to the Company's auditor in relation to the statutory audit are borne by the ultimate parent entity.

Notes to the Financial Statements

Note 20. Contingent liabilities and contingent assets

The consolidated entity 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 21. Commitments for expenditure

	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent entity 2004 $'000	Parent entity 2003 $'000
Commitments				
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable				
Within one year	2,372	2,315	2,372	2,315
Later than one year but not later than 5 years	9,488	9,260	9,488	9,260
Later than 5 years	11,860	13,890	11,860	13,890
	23,720	**25,465**	**23,720**	**25,465**

Commitment Disclosure for NSW Lease

On 4 June 2004, ARTC entered into legal agreements with the NSW Government to acquire a sixty year lease of certain NSW Interstate and Hunter Valley rail lines and infrastructure. These legal agreements are subject to, and conditional upon, the satisfaction or waiver of a number of conditions precedent.

Brief descriptions of the legal agreements entered into by ARTC are as follows:

a. A Deed of Lease which provides for ARTC to acquire a sixty year lease over the land and infrastructure which comprises the relevant NSW network,

b. The Country Regional Network Management Agreement, pursuant to which ARTC undertakes to manage certain NSW country railway corridors ("NSW Regional Network") for and on behalf of the NSW Government,

c. The Labour Services Agreement, which sets out the arrangements under which employees from the NSW Government will be seconded to ARTC for both the NSW Leased Network and the NSW Regional Network,

d. The Sale of Plant and Equipment Agreement, which provides for ARTC to acquire certain inventories, motor vehicles, and plant and equipment from the NSW Government for a nominal amount,

e. The Southern Sydney Freight Line Development Agreement, which outlines the proposed terms for the development of the Southern Sydney Freight Line by ARTC,

f. A Memorandum of Understanding in relation to the terms upon which ARTC would lease and licence certain land and infrastructure within the rail corridors comprising the metropolitan freight network and the Southern Sydney Freight line,

g. A Memorandum of Understanding which sets out the arrangements under which the NSW Government will provide certain transition support services to ARTC, and

h. A Condition Precedent Deed which sets out the conditions which must be satisfied or waived in order for the legal agreements to become operative.

Whilst some of the conditions precedent have been satisfied, there are a number of conditions which remain outstanding as at the date of finalising the 30 June 2004 accounts.

ARTC is continuing to work with the NSW Government with a view to satisfying (or waiving) the conditions which remain outstanding, such that completion under the agreements can occur.

Note 22. Employee benefits

	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent entity 2004 $'000	Parent entity 2003 $'000
Employee benefits and related on-costs liabilities				
Provision for employee entitlements current (note 12)	3,606	3,007	3,444	3,007
Provision for employee entitlements non-current (note 13)	737	472	589	472
Aggregate employee benefit and related on-costs liabilities	**4,343**	**3,479**	**4,033**	**3,479**

	Number 2004	Number 2003	Number 2004	Number 2003
Employee numbers				
Average number of employees during the financial year	**131**	**93**	**103**	**93**

Note 23. Related party disclosures

Directors' related transactions

A Director related entity includes any legal, administrative or fiduciary arrangement, organisational 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.

Other than as noted below, there were no transactions with Directors, or Director related entities during the year.

ARTC Director, Mr. R I McCutcheon, undertakes occasional consultancy work for Westinghouse Signals Australia (a division of Invensys Rail Systems Australia Limited), 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 Australia under normal commercial terms and conditions.

ARTC Director, Mr. A H 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.

There were no loans to Directors outstanding at year end (2003: $ nil).

Other related parties including shareholders

Other than provision of dividends to the shareholders of $6,990,000, there were no other related party transactions.

Ultimate controlling entity

ARTC Ltd is the ultimate Australian parent entity within the group and the ultimate controlling entity of the ARTC group is the Commonwealth Government.

Note 24. Investments in controlled entities

	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent 2004 $'000	Parent 2003 $'000
Investment in subsidiaries	–	–	123	–

	Equity holding 2004 %	Equity holding 2003 %	Cost of parent entity's investment 2004 $'000	Cost of parent entity's investment 2003 $'000
Australian Rail Track Corporation Services Company Pty Ltd	100	–	123	–
Standard Gauge Company Pty Ltd	100	100	–	–
			123	**–**

Acquisition of controlled entity

On 4 September 2003, the parent entity acquired the South Australian division of the Rail Infrastructure Corporation of NSW for $123,080. The operating results of this newly controlled entity have been included in the consolidated statements of financial performance since the date of acquisition.

Details of the acquisition are as follows:

	2004 $'000
Fair value of identifiable net assets of controlled entity acquired	
Plant and equipment	117
Inventories	300
Provision for restructuring, including employee retrenchment payments	(294)
Cash Consideration	**123**

Note 25. 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 group would find it difficult to maintain the current level of revenue and profit.

Note 26. Reconciliation of profit from ordinary activities after income tax to net cash inflow from operating activities

	Consolidated		Parent entity	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Profit from ordinary activities after income tax	19,610	20,971	19,088	20,971
Depreciation and amortisation	11,097	10,142	11,085	10,142
Movement other provisions	347	(2,236)	329	(2,236)
Change in operating assets and liabilities, net of effects from purchase of controlled entity				
Decrease (increase) in trade debtors	97	2,364	181	2,364
Decrease (increase) in inventories	107	3,597	107	3,597
Decrease (increase) in other assets	183	(804)	183	(804)
Increase (decrease) in trade creditors	(1,650)	(1,408)	(1,249)	(1,408)
Net cash inflow from operating activities	**29,791**	**32,626**	**29,724**	**32,626**

Directors' declaration
30 June 2004

The Directors declare that the financial statements and notes set out on pages 30-50:

(a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(b) give a true and fair view of the company's and consolidated entity's financial position as at 30 June 2004 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date.

In the Directors' opinion:

(a) the financial statements and notes are in accordance with the Corporations Act 2001; and

(b) there are reasonable grounds to believe that the company 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 Directors.

B K Murphy
Director

Signed in: Sydney

Date: 13 October 2004

Australian National
Audit Office

INDEPENDENT AUDIT REPORT

To the members of the Australian Rail Track Corporation Limited

<u>Scope</u>

The financial report and directors' responsibility

The financial report comprises:

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

of the Australian Rail Track Corporation Limited (the Corporation) for the year ended 30 June 2004.

The Directors of the Corporation are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

I have conducted an independent audit of financial report in order to express an opinion on it to you. My audit has been conducted in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing and Assurance Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive, rather than conclusive, evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

While the effectiveness of management's internal controls over financial reporting was considered when determining the nature and extent of audit procedures, the audit was not designed to provide assurance on internal controls.

GPO Box 707 CANBERRA ACT 2601
Centenary House 19 National Circuit
BARTON ACT
Phone (02) 6203 7300 Fax (02) 6203 7777

Audit Letter

I performed procedures to assess whether, in all material respects, the financial report presents fairly, in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with my understanding of the Corporation's financial position, and of its performance as represented by the statements of financial performance and cash flows.

The audit opinion is formed on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- assessing the appropriateness of the accounting policies and disclosures used, and the reasonableness of significant accounting estimates made by management.

Independence

In conducting the audit, I followed the independence requirements of the Australian National Audit Office, which incorporate Australian professional ethical pronouncements.

Audit Opinion

In my opinion, the financial report of the Australian Rail Track Corporation Limited is in accordance with:

(a) the Corporations Act 2001, including:

(i) giving a true and fair view of the Corporation's financial position as at 30 June 2004 and of its performance for the year ended on that date; and

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

(b) other mandatory professional reporting requirements in Australia.

Australian National Audit Office

Richard Rundle

Richard Rundle
Executive Director
For the Auditor-General
Canberra

25 October 2004

The New South Wales Lease

A C leased track

ailCorp lines

Metropolitan reight lines

NSW country regional network

Australian Rail Track Corporation Ltd
ABN 75 081 455 754

www.artc.com.au

Passenger Rail Terminal Road
Off Sir Donald Bradman Drive
Mile End South Australia 5031

PO Box 10343 Gouger Street
Adelaide South Australia 5000