AUSTRALIAN RAIL TRACK CORPORATION LTD

ANNUAL REPORT 2006

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 the greater part of the interstate network and the Hunter Valley rail network. 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 network.

ARTC has undertaken 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 freightcarried by rail. Through targeted investment and improved management, ARTC has been able to achieve these targets.

ARTC

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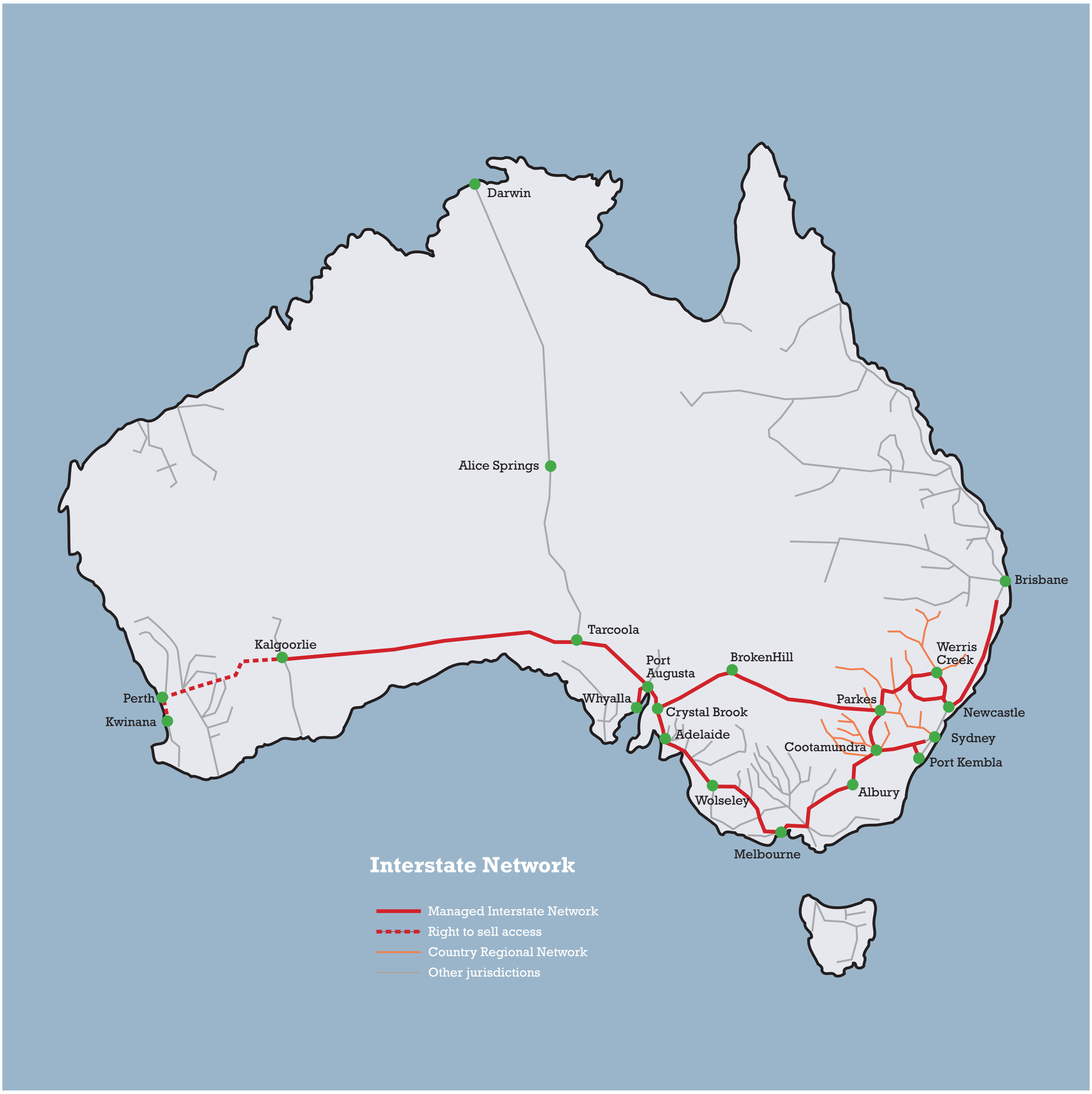
Darwin
Alice Springs
Tarcoola
Kalgoorlie
Perth
Kwinana
Port Augusta
Whyalla
Crystal Brook
Adelaide
BrokenHill
Wolseley
Melbourne
Brisbane
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AUSTRALIAN RAIL TRACK CORPORATION LTD

On behalf of the Board of Directors, I am pleased to present the Report of the Australian Rail Track Corporation Ltd for the year 2005/2006. Much has happened in the year which will have an important bearing on the development of the rail industry across Australia in the years ahead.

In constructing its original proposal for the lease of the NSW interstate rail network, ARTC prepared a five year $872 million investment strategy, the major focus of which was to improve the performance of the North South and Hunter Valley rail corridors. Subsequently the Australian Government made several special grants to ARTC, the majority of which will be used for various additional North South enhancements. The combination of these investment programmes now brings total ARTC investment between 2006 and 2011 to almost $2 billion. This has led to a series of changes in the scope and delivery of the works to be undertaken.

Following industry briefings which outlined ARTC's works packages to prospective partners, a number of Alliance Agreements to undertake these works were awarded towards the end of 2005. Since then, ARTC has been working closely with its Alliance partners on finalising the detailed plans, designs, environmental assessments and costings for these major works. While work on several projects has already commenced, the coming year, 2006/2007, will see a significant increase in activity and expenditure by ARTC, principally on the North South corridor.

ARTC has a growth led approach to its business, with the aim of improving the role of rail in the Australian land transport task. Our strategies for investment in the network are driven by assessment of market need, and tailoring our infrastructure to suit the expressed objectives of our customers. This is nowhere more evident than with ARTC's Hunter Valley capacity enhancement programme, where forecast growth in export coal production has seen the original investment programme expanded to $375 million. ARTC's goal is to ensure that rail track capacity does not become a constraint to the export of coal.

It is also reflected in our investment strategies which aim to extract maximum network benefits from our projects. Examples of this include the installation of high-speed turnouts, track cant deficiency increases, signal sighting improvements, and projects such as the In Cab Activated Points System (ICAPS) which will allow remote controlled entry to crossing loops on the Nullarbor from the locomotive cab. All these projects provide significant transit time savings and increases in network capacity for a relatively modest investment.

On the East West corridor, rail has already achieved significant growth. With rail's market share sitting at around 80%, it appears this may be close to the limit of its growth on this corridor, as the remaining market is of a nature that makes it better suited to other forms of transport. Accordingly, our focus for this corridor is now on sustaining the asset performance to maintain existing market share as total volume grows. This means working to a maintenance regime that delivers appropriate levels of track performance and reliability for the lowest life-cycle cost, plus targeted investments that ensure rail capacity keeps up with the underlying growth in freight volume.

The structure of the rail industry underwent a major change during the year. As a result of acquiring Patrick Corporation, Toll Holdings gained 100% control of the Pacific National rail business. This takeover was the subject of an inquiry by the Australian Competition and Consumer Commission (ACCC) to which ARTC made a number of submissions. These outlined our

Chairman's Report

concerns regarding the effect of the acquisition on the competitive market in rail and the logistics industry generally. In the event, the ACCC approved the takeover subject to a range of undertakings given by Toll Holdings to the ACCC. These undertakings, which in part involve the disposal of train paths, locomotives and rolling stock on the East West corridor for use by an alternative operator, will be implemented during the 2006/2007 financial year.

The coming year will see the release of a range of studies which may have a significant impact on the future direction of rail, especially in the intermodal, interstate logistics markets. ARTC has been an active participant in the Productivity Commission Inquiry into road and rail pricing, initiated by the Council of Australian Governments (COAG). It is hoped that this Inquiry will assist governments in implementing efficient pricing of road and rail freight infrastructure through consistent and competitively neutral pricing regimes, such that efficiency and productivity in the freight transport task are maximised. ARTC has also participated in the North South route study that is, for the first time, seeking to bring together and evaluate the various proposals for an optimised rail corridor linking Melbourne and Brisbane. This study is due for release in the second half of 2006.

ARTC was pleased to receive a special grant of $270 million from the Australian Government in the May 2006 budget, and has decided to apply these funds to undertake an accelerated concrete re-sleepering programme on the Melbourne to Brisbane corridor. Excluding this $270 million grant, ARTC's net profit from ordinary activities before tax for the 2005/2006 year was $59.2 million, representing a return of 5.3% on average capital employed. ARTC will continue its arrangement with shareholders to reinvest all profits from the network until 2009, and accordingly no dividends will be declared this year. The Board acknowledges the support of the shareholders in this regard, which further assists the company to deliver the targeted strategic and operational benefits to Australia's interstate rail system.

This has been a challenging year for ARTC and one of intense activity for the Board, management and staff of the company. I take this opportunity to thank retiring Directors, Ms Martine Pop and Mr Robert Maher, for their valuable contributions to the deliberations of the Board over the past five years. This has helped us focus on the planning, risk management and implementation of the most significant interstate rail network investment programme for many years, while at the same time maintaining the performance and reliability of the existing network.

Barry Murphy
Chairman

Australian Rail Track
Corporation Ltd

During the latter half of 2005, ARTC undertook an intensive selection process to determine the Alliance Partners who will assist us in the delivery of the major North South improvement programme. Following this, ARTC in partnership with our alliance partners, undertook a fundamental and detailed review of the various projects that will make up the improvement programme.

This review was directed at ensuring that our investment delivered the maximum benefits in improved transit times, reliability, capacity and yield for the rail network. During the year, the individual projects have gone through detailed design and costings, and where required the appropriate environmental assessments have commenced. At the end of the financial year the Alliance Management Boards provided their detailed costings and delivery programmes for the North South improvement works.

In consultation with the mining industry and other key stakeholders, ARTC's Hunter Valley Strategy was again reviewed during 2005/2006, in light of further increases in the forward estimates for export coal volumes provided by the mining industry. Each of the projects in the upgraded $375 million program will be subject to coal industry and access seeker agreement prior to any commencement of works.

During the coming year we will be undertaking a roll out of a substantial number of the individual projects that comprise the North South improvement programme, while several projects have been progressed through 2005/2006 that will provide improved linkage of freight by rail to the ports of Sydney, Melbourne, Adelaide and Port Waratah (Newcastle).

The Sandgate grade separation project, which will provide a significant increase in capacity for the Hunter Valley Coal Chain, went through an Environmental Impact Assessment (EIS) process in 2005/2006, and in conformity with the approvals, construction started late in 2005 with operation and use planned to commence in November 2006.

During the year, ARTC continued to participate in a number of projects in Victoria including the Dynon Portlink project that will see the grade separation of Footscray Road, the Wodonga Rail Bypass which will result in a total re-alignment of the rail corridor in that area, and the interface with the Craigieburn electrification project.

In South Australia, the Port River Expressway Project, including the

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upgrading of the LeFevre Peninsula rail corridor was approved and work commenced during the year.

To alleviate the major bottleneck for freight services in southern Sydney, ARTC has proposed to construct a dedicated Southern Sydney Freight Line (SSFL), between Macarthur and Sefton to provide improved access for freight services and free up capacity on the metropolitan rail system. During the year ARTC prepared an Environmental Assessment for this major project which in June 2006 was on public exhibition.

In 2005/2006, ARTC was able to more closely examine the rail assets leased in NSW. The main line from Macarthur to Albury remains a corridor which will require very close husbandry and management until ARTC has concluded its investment program. Remedial projects have been implemented in this corridor to improve the basic performance of the asset and to reduce any deterioration.

ARTC is responsible for managing the New South Wales Country Regional Network (CRN) and in 2005/2006 had responsibility for a network maintenance budget of over $110 million that included approximately $18 million specifically allocated to the restricted grain lines. Significant progress on the CRN maintenance backlog has been made during 2005/2006.

A number of factors had an impact upon ARTC performance figures for 2005/2006. Train operator performance with regard to on-time entry onto the ARTC network has not shown any marked improvement. These issues are being addressed as part of the formulation of new timetables in the coming year in consultation with train operators, and by the operators through internal review.

Towards the end of the financial year, two major incidents on the network, a serious level crossing collision near Lismore in Victoria and a derailment at Benalla both caused severe disruption to train movements on both major corridors. ARTC is cooperating fully with the investigations into these incidents which have yet to be concluded.

ARTC welcomes the agreement by transport ministers to adopt the National Model Rail Safety Legislation across all jurisdictions, to remove uncertainties for train operators and track owners and promote a more consistent regulatory framework for the industry. ARTC looks forward to all State jurisdictions legislating for the implementation of a consistent National Rail Safety Act and for the introduction of consistent rail safety regulations and administrative procedures.

During 2006/2007, we will be proposing a new access undertaking under Part IIIA of the Trade Practices Act for the interstate network (including NSW) and a separate undertaking with regard to the Hunter Valley network.

The year 2005/2006 has been one of planning and consolidation; laying the foundations for the coming year in which ARTC will embark upon many of its key projects targeted at lifting the performance of the North South rail corridor and thereby the long-term sustainability of the interstate rail market.

David Marchant
Managing Director

Australian Rail Track
Corporation Ltd

July	QRNational starts regular operations in the Hunter Valley from Mt Arthur mine.
October	$134 million North Signalling Alliance for the Hunter Valley and North Coast Corridors announced.
	$560 million Sydney Melbourne corridor Alliance announced for upgrades aimed at reducing rail freight transport times by up to two and a half hours and increasing corridor capacity.
	$200 million plus Alliance contract signed for North Coast improvement works, focused on the renewal, rehabilitation and enhancement of rail and civil infrastructure.
	Record monthly coal haul in Hunter Valley of 7.6 million tonnes.
January	Work commences on Sandgate flyover project to remove conflict between Hunter Valley coal trains and general freight and passenger services.
April	Awarding of preferred supplier status for the supply of 1.35 million concrete sleepers as part of the North South Major Works Programme.
	Pacific National starts new bulk mineral sands service on behalf of Bemax between Broken Hill and Adelaide.
	Revised strategy for Hunter Valley coal network released for consultation. Investment of up to $375 million planned to accommodate revised industry growth forecasts.

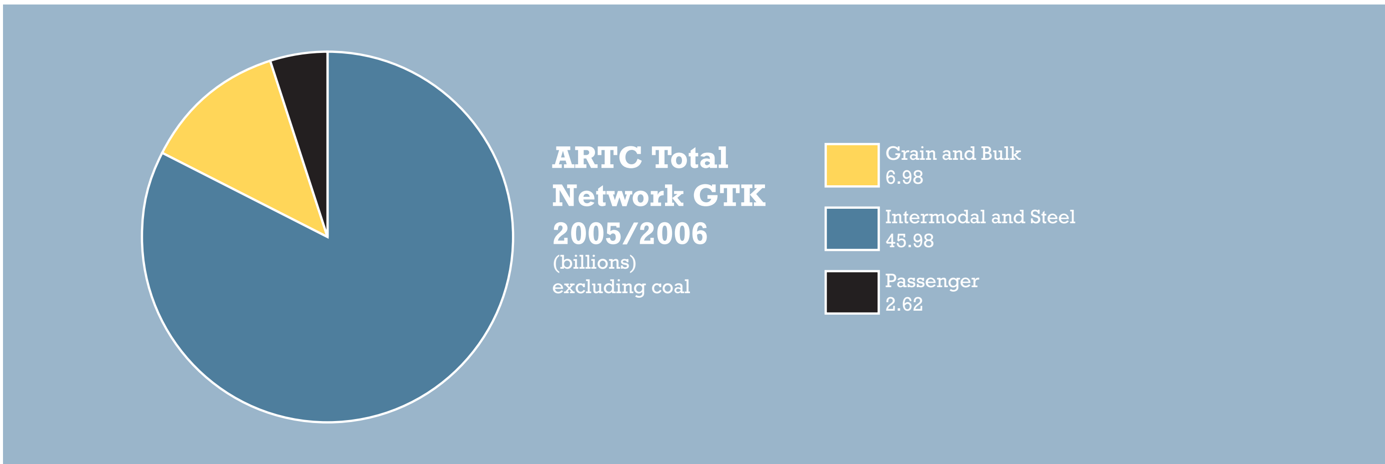
Highlights

2005/2006

May — Contract signed for $16 million replacement of the speed-restricted 125 year old bridge at Wagga Wagga on Sydney to Melbourne main line.

June — ARTC determines that $270 million Federal grant will allow for complete concrete re-sleepering of the entire North South corridor under ARTC management.

First concrete sleepers installed at Picton NSW as part of North South upgrading.



Leon Welsby

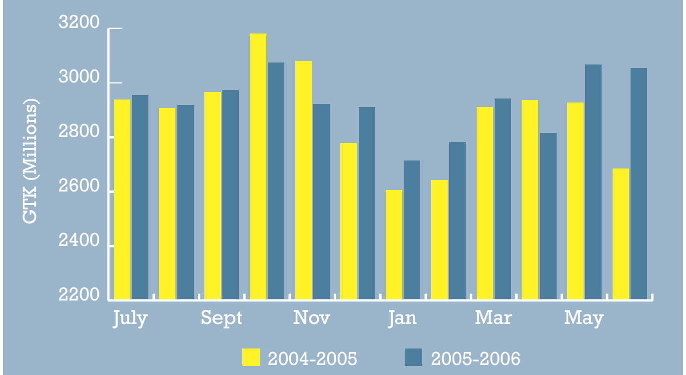
GM Strategy Development

Leon's role with ARTC involves the research and pursuit of new ways in which to improve the productivity of the Australian rail industry, in particular ARTC. He leads ARTC's projects for the development of the ATMS next generation train control system and the pursuit of a common train communications platform for the Interstate and Hunter Valley Rail Networks. He is also responsible for directing ARTC's Information Technology strategies.

Year in Review

Indicators

During 2005/2006, ARTC revised its corridor definitions to better reflect the nature of the expanded network in relation to traffic moving over the network and measured in gross tonne kilometres (GTK).



Monthly Comparative Network GTKs
(East West – 2005 Definition)

For the year 2005/2006, a total of 55.56 billion gross tonne kilometres (bGTK), excluding coal, was moved over the ARTC network of which 45.96 bGTK, or 82.7%, was made up of intermodal and steel traffic.

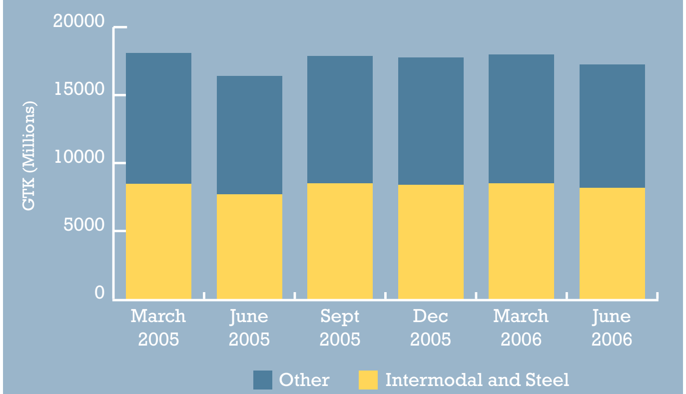
On the North South corridor, 16.25 bGTK were carried; 6.27 bGTK between Sydney and Brisbane and 9.98 bGTK between Sydney and Melbourne.

On the East West corridor 37.24 bGTK were carried, of which 33.58 bGTK or 90.1% comprised intermodal and steel traffic. Growth on this corridor continued its upward trend, but was subdued by a number of factors including several major corridor disruptions, uncertainty over the future ownership of the major operator on the corridor, Pacific National, and reduced grain volumes as a result of lower than average harvests.

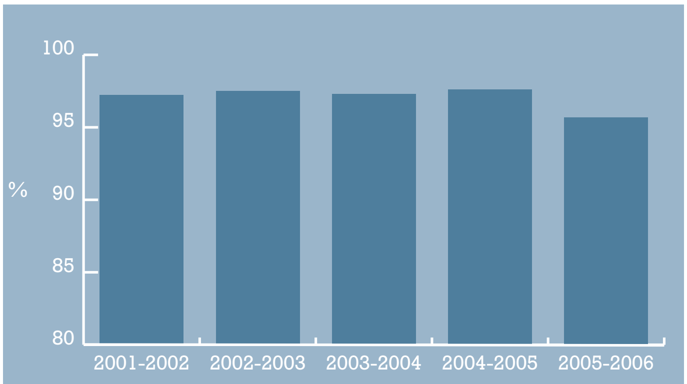
With the changes to ARTC's reporting methodology for the East West corridor, figures for the line segment from Sydney to Broken Hill are now incorporated into this corridor, while tonnages for Melbourne to Albury now form part of the reporting for the North South corridor.

In order to provide a comparison with 2004/05 volumes, the following figures relate to the previous historic definition of the East West corridor. Total GTK for the corridor in 2004/05 were 34.59 billion compared with 35.43 billion in 2005/2006, representing an increase of 2.4% for the year. Intermodal volumes grew by 4.4% in 2005/6, but this was partially offset by modest decreases in the volumes of steel, grain and other bulk traffics moved on the corridor.

In the Hunter Valley 84.9 million tonnes of coal for export (80.9 mt) and domestic use (4.0 mt) were carried over ARTC tracks during 2005/2006. In October 2005, a monthly record of 7.6 million tonnes of export coal was carried to the Port of Newcastle. A total of 1385 services were operated in that month, with an additional 295,500 tonnes for domestic users being carried on a further 72 services.



Total Quarterly Network GTKs
(East West – 2006 Definition)



Percentage On Time Exit of Healthy Trains
(East West – 2005 Definition)

Traffic Growth

During the year, ARTC has worked closely with a number of parties to bring additional volumes to rail as well as working closely with BHP Billiton to explore opportunities for expansion at Olympic Dam in South Australia and on other initiatives such as SCT Logistic's (SCT) establishment of a terminal at Parkes.

In 2005/2006 QRNational (QRN) established itself as a second major operator involved in the movement of Hunter Valley export coal, commencing a contract to move up to 10 million tonnes per annum (mtpa) from the Mount Arthur mine. In addition, QRN has provided trains for a number of spot hire coal movements from other mines in the area.

Werris Creek Coal Ltd leased a 3km spur of track from ARTC at Werris Creek for construction of a coal loading facility that was commissioned in September 2005. It is expected that approximately 1.5 mtpa will be railed to the Port of Newcastle from this location.

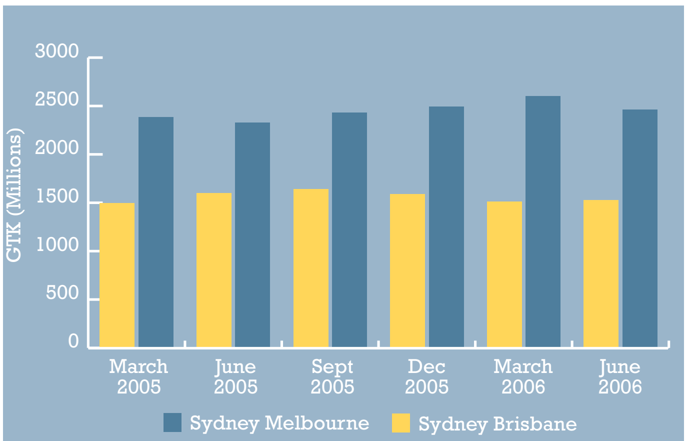
A 10.8 km single line branch and 3.6 km balloon loop off the Mount Thorley branch was commissioned in May 2006. It will be used to load and transport between 5 and 8 mtpa of coal for Wambo Coal and United Coal Limited

A new contract for the movement of mineral sands from a processing facility near Broken Hill to Port Adelaide on behalf Bemax Resources Limited commenced in April 2006. Pacific National provides three return services per week for this traffic with annual tonnage expected to progressively increase to around 400,000 tonnes.

SCT has continued to expand its services between Melbourne and Perth regularly running four return trains per week and on occasion a fifth service. SCT is constructing rail-served warehousing facilities at Parkes in Western NSW and has announced it intends to commence a Parkes to Perth rail service towards the end of 2006.

The Adelaide - Melbourne intermodal service provided by Australian Railroad Group for P&O Ports has continued to expand with additional connecting traffic being added to this service on behalf of FreightLink (Darwin-Melbourne) and QRN (Adelaide-Sydney-Brisbane).

Regional services in South Australia operated by Patrick Portlink have been expanded during the year with nine weekly return services operating between Bowmans and Port Adelaide and three services per week moving containerised lead product from Port Pirie, the latter previously carried by road.



Total Quarterly Network GTKs (North South)

2005/2006 Key Performance Indicators - Summary

	East-West	Melbourne Brisbane	Melbourne Sydney	Sydney Brisbane
Healthy Services with On-time Exit				
Actual	95.7%	82.7%	86.0%	93.5%
Target	95.0%	85.0%	85.0%	85.0%
Unhealthy Un-deteriorated Services				
Actual	85.6%	85.6%	79.8%	90.8%
Target	85.0%	80.0%	80.0%	80.0%
Healthy Services	51.9%	50.8%	81.2%	88.5%
On-time Entry of All Services	52.6%	50.2%	68.9%	79.3%
On-time Exit of All Services	49.7%	42.0%	69.9%	82.7%

Healthy services include those that exit within 15 minutes of scheduled time or exit with less than 15 minutes of unrecovered delays attributed to above rail causes

Operating Performance

During 2005/2006, ARTC revised its performance reporting format to better reflect its national structure. Performance is now assessed by four key geographic corridors (see summary table above) and is based upon the operational performance of services for the corridor along which they completed the majority of their journey.

ARTC has recorded a sound overall performance over the past year against the operational targets set out in the 2005/2006 Corporate Plan.

For the period ending 30 June 2006, ARTC exceeded its target for the on-time exit of healthy trains, with 91.9 % of those services entering the network on time, exiting the network on-time.

ARTC was able to ensure that, for those trains delayed as a result of operator problems, 85.5% did not lose further time while on the network. This overall result exceeded the corporate target and reflects ARTC's commitment to restoring services back to schedule, where possible.

These results were achieved despite a higher than usual number of operational challenges during the year. Performance continued to be affected by high levels of late entry onto the network by operators, lowering the proportion of services where time-recovery by ARTC was achievable.

This is reflected in the overall number of healthy services, which remained relatively low at 64.8%.

Of the total 13,119 services (excluding Hunter Valley coal) that operated during 2005/2006, 61.1% entered the ARTC network on-time and 59.6% exited on-time.

In the Hunter Valley, a total of 15,398 trains were timetabled to serve the export coal industry and domestic coal users. Of these, a total of 1,219 services were cancelled, of which only 24, or 1.9%, were attributable to issues related to ARTC.

Throughout the year, ARTC has worked closely with customers to identify problem areas and to progress strategies towards improving network performance. In particular, train plan and above rail integrity have been reviewed in detail with a view to trying to achieve more robust outcomes.

National Communications Network

ARTC has inherited many disparate communications systems which offer little in the way of opportunity for standardisation, are not suited to support the move towards more data-centric train control and are essentially dated and becoming increasingly difficult to support

Embracing the strategic framework developed for the Australian rail industry under the auspices of the Australasian Railway Association (ARA), ARTC has developed its communications replacement

strategy with the following key functional requirements:

- Provision of core communications between train control, trains and trackside workers (including support for both voice and data communications traffic);
- Support for emergency and normal operations;
- Seamless coverage across the Interstate and Hunter Valley rail networks;
- Ability to support the communications/data requirements of train management control systems; and
- Cost effective supplier support services at agreed service levels

The Australian Government has previously announced its funding support to provide a standardised, network wide, communications platform.

In June 2005 ARTC entered into an agreement with Telstra to work towards the provision of CDMA coverage across the interstate rail network and the Hunter Valley for improved communications.

As part of a wide range of changes to its business and technology directions, Telstra subsequently announced that it will convert its various current media (including, CDMA) to a 3G technology. ARTC has received a commitment from Telstra that it will as a minimum, meet ARTC's functional, performance and adaptability requirements as previously prescribed for CDMA including, transparent transition to the replacement media (3GSM) at no additional cost to ARTC

The proposed 3G network will provide the high-speed data capability that will be required for ARTC's future communication and train management systems. It has been estimated that the new 3G network will be some 20 times faster than the CDMA network.

During 2005/2006 ARTC continued its negotiations with Telstra on key agreements relating to design and construction, an infrastructure lease, a Nominated Carrier Declaration and a services and support agreement.

Transparency of communications in non-ARTC jurisdictions is intended to be achieved as a result of the installation of Voice Control System (VCS) terminals in Perth/Merriton and Brisbane train control centres. RailCorp already uses VCS equipment to communicate with non-urban trains in the Sydney metropolitan area.

Consultation with key stakeholders commenced in the latter half of 2005. This included meetings with individual State rail regulators, train operators and other track owners. Regulators have been presented with the Company's proposed accreditation strategy for the transition to a common, digital communications platform, and have reacted positively to this pro-active approach to accreditation for new media.

Advanced Train Management System

ARTC has this year been evaluating the next generation of train control technology, the Advanced Train Management System (ATMS) which over time could enable the replacement of conventional line-side signalling infrastructure.

The proposed system would be data driven, with authorities and other critical instructions issued from a central computer in the network control centre to an on-board computer on the train. The system would have the ability to enforce a train's braking system in the event that the train is at risk of exceeding its movement authority. This would allow the technology to support the operation of trains at safe braking distance, thereby creating additional, saleable capacity on the network. This could be achieved at less cost than conventional safeworking and engineering solutions and would further improve the safety of train operations on the network.

During 2005/2006, ARTC has further developed its specification for ATMS to produce a costed ''blueprint'', which was completed prior to 30 June 2006. This followed extensive consultation with user groups, with train operators encouraged to contribute not only their communications needs, but also by nominating additional services they might wish to see built into the new technology.

ARTC has worked with Lockheed Martin (the company's endorsed supplier of the ATMS technology) to define the total scope of work for the ATMS project. Outputs from this phase include: ATMS Performance Specification; Interface with affected Stakeholders; Concept of Operations; Proof of Concept Proposal; Risk Assessment and Analysis; Accreditation Strategy; System Test Plan; Roll-Out Plan and costing for the various phases of the project.

In conjunction with this initial phase, ARTC and Booz-Allen & Hamilton have been working to produce the associated, overall Business and Economic Case. This work is nearing completion and will be presented to the ARTC Board during the second half of 2006.

North Eastern and Broken Hill Corridors

As part of ARTC's regular maintenance programmes during 2005/2006, particular attention has been given to addressing deficiencies on the sections between Melbourne and Sydney and between Parkes and Broken Hill.

Between Sydney (Macarthur) and Albury significant funds were spent reducing a maintenance backlog under a refurbishment program that saw 99,000 timber sleepers inserted and other associated works. This programme continues into 2006/2007.

Between Parkes and Broken Hill the focus has been on improving ride quality through an ongoing programme of increased re-sleepering, rail husbandry and geometry management of the track, rail grinding and other works.

On the North East line between Melbourne and Albury there has been a particular focus on eliminating sites where ''rough ride'' reports have been received from train drivers. This, together with the normal re-sleepering program and other maintenance activities, has led to a decreasing trend in these reports.

Wayside Monitoring

In partnership with train operators, ARTC has continued to expand its wayside monitoring program thereby assisting in reducing the incidence of derailments and the impact of rolling stock faults on ARTC track quality. Derailments caused by poor wheel and bogie condition can create major disruption, delays and costs for train operators.

ARTC currently has monitoring equipment in place at a number of locations on its interstate network. Wheel Impact Load Detectors (WILD) are located at Lara (Vic), Port Germein (SA) and Parkeston (WA), while an acoustic bearing monitor (RailBAM) is located at Nectar Brook (SA). Since the installation of these systems, there have been noticeable reductions in poor wheel condition and impacts. The number of bearing faults has also reduced as operators have the ability to identify and remove affected rolling stock for attention.

A "Wayside Steering Committee", comprising ARTC and operator representatives meets regularly to coordinate a predictive and preventive rolling stock monitoring and measuring strategy. The current wayside equipment rollout programme is based around the following technologies:

- RailBAMs will be installed at four additional locations, Monarto South (SA), Geelong (Vic), Murray's Flat (NSW) and Metford (NSW) to monitor wheel bearing condition.

- Wheel Profile measuring equipment will be installed at Port Germein and Metford to provide for early identification of worn and out of profile wheel sets

- Bogie Angle of Attack and Hunting Detectors will be installed at several locations to identify poorly tracking bogies

- Additional WILD monitoring units will be installed at Monarto South, Murray's Flat and Metford

It is planned to have most of these systems commissioned in 2006/2007, subject to the conclusion of financial arrangements with operators.

AusLink

ARTC continues to be involved in a number of projects funded by the Australian Government's land transport AusLink funding programme that will complement ARTC's investment programme for the North South corridor.

Tottenham – Dynon Upgrade

This AusLink funded project will significantly enhance capacity through the complex and congested dual gauge section that provides access to the Port of Melbourne Port area and the Dynon freight terminals. A $40million funding contribution has been allocated from AusLink for track capacity improvements between Tottenham Yard and Dynon with a further $15million budgeted by ARTC towards the Sunshine Brooklyn triangle that will allow direct access for trains transiting between the North South and East West corridors.

North Strathfield to West Ryde

Funding from the AusLink programme is to be made available for a project that will allow southbound trains to reach the freight terminals in Sydney and head to Melbourne without having to cross the tracks used by northbound suburban passenger services at North Strathfield. A number of options are being considered including an underpass and possible quadruplication of the line from North Strathfield to West Ryde. The scope of work is still being determined, but the project is expected to deliver significant additional capacity and flexibility, which will reduce transit time and increase reliability. ARTC is assisting in the project scope and costing base. The project will be a NSW Government AusLink project when its design parameters are concluded.

Wodonga Rail Bypass

AusLink funds will be used for the construction of a 5 kilometre double track (standard gauge and dual gauge) mainline deviation around the city of Wodonga. This will result in a net reduction in 2 kilometres of running mainline and major line speed and capacity improvements. The current estimated cost of this project is approximately $130 million with AusLink funding of $45 million and the balance to be funded by the Victorian Government. ARTC will make a small funding contribution for works outside the core project scope, as a part of its passing lane project.

Developing a blueprint for ATMS

AusLink funding of $20.3 million is being provide to ARTC for phase one of this project, described on page 11.

Network-wide implementation of New Communication Network

ARTC has been provided with $42 million in AusLink funding for the rollout of the 3G network for the national interstate rail corridor coverage, described in detail on page 10.

Country Regional Network

In addition to its lease of the New South Wales Interstate and Hunter Valley networks, ARTC is responsible for managing the New South Wales Country Regional Network (CRN) on behalf of Rail Infrastructure Corporation (RIC) under the Country Regional Network Management Agreement (CRNMA).

For the financial year 2005/2006 ARTC had responsibility for a network maintenance budget of over $110 million that included approximately $18 million specifically allocated to the restricted grain lines. In addition ARTC has been managing a signal box rationalisation and Train Order Working programme valued at $32 million over the next two years.

During the year ARTC has made significant inroads into the CRN maintenance backlog with over 300,000 new sleepers installed, 100,000 tonnes of ballast laid and 90 bridges renewed.

ARTC Services Company

ARTC Services Company has been involved in a variety of Signal and Telecommunications Major Periodic Maintenance (MPM) and Capital Works Projects during 2005/2006. The capital works projects include a signalling upgrade across the Murray River Bridge at Murray Bridge, installation of computer based track circuits to replace life expired track circuits and replacement of incandescent searchlight signals with 'LED' style signals.

ARTC Services Company has installed, tested and commissioned in conjunction with Westinghouse Signals Australia the In Cab Activated Point System (ICAPS) on the Trans Australian Railway in 2005/2006. This project is expected to be operational during 2006/2007. Work has commenced on the Train Management System between Birkenhead and Outer Harbour on the Le Fevre Peninsula and this project is expected to be completed in mid 2007.

Standard Gauge Company Pty Ltd.

The Standard Gauge Company is a wholly owned subsidiary of ARTC, created in October 2000. The company's only current activity is as a holder of 50% of the shares of Australian Inland Rail Expressway Pty Ltd (AIRE), with the remaining 50% held by Australian Transport and Energy Corridor Ltd (ATEC).

AIRE was established in April 2001 to manage the unincorporated joint venture between ARTC and ATEC to undertake a study into the technical, commercial and economic feasibility of an inland rail route from Melbourne to Brisbane.

Simon Gray

Company Secretary and Corporate Counsel

Simon joined the company in 1998 and has contributed to the development of the infrastructure alliance contracting model, the risk and compliance management systems and the adoption of uniform rules and standards.

In addition to responsibility for governance, audit, insurance and board secretarial activities, he manages a skilled in-house legal team with a broad client base and a diverse practice.

North South Corridor

Concrete Re-sleepering Program

In order to improve the reliability and performance of both the Melbourne to Sydney and Sydney to Brisbane sections of the North South corridor, a major component of ARTC's strategy involves significant re-sleepering with concrete sleepers, particularly on curves with a radius of less than 810 metres. Concrete sleepers provide a more consistent, stable and reliable track structure, can carry heavier loads, have a longer life and lower cost of maintenance than alternative sleepers.

In April 2006, ARTC announced that it had awarded preferred supplier status to Rocla Pty Ltd for the $100 million plus contract to supply 1,350,000 concrete sleepers and fasteners over a two-and-a-half year period. The tender was based on the fundamental requirement that the concrete sleepers be delivered at an equal or better price than comparable replacement timber sleepers.

The Australian Government in its May 2006 Budget, announced an additional $270 million allocation to ARTC. The ARTC Board has subsequently decided that these funds will be used to purchase an additional 1.5 million concrete sleepers which will allow for the complete concrete re-sleepering of that part of the North South corridor under ARTC control, principally between Melbourne and Sydney, and Newcastle and the Queensland border. A second tender for the supply of these additional 1.5 million concrete sleepers was announced in May 2006.

ARTC will continue to use timber for sleepers on much of the Country Regional Network, on some parts of the interstate network and for maintenance on timber bridges.

Train Control Consolidation

As part of its Lease of the New South Wales interstate and Hunter Valley networks, ARTC has committed to a significant program of Train Control Consolidation (TCC) throughout New South Wales.

The TCC project comprises an integrated program of change, incorporating physical infrastructure improvements, introduction of new train control systems and changes in the way in which train control is structured internally. Together, these changes will reform train control delivery in NSW and deliver benefits in safety, efficiency and reliability of the network.

A key element of the reform program includes closure of the many remote signal boxes, centralising control at two Network Control Centres (NCC's) at Junee (South) and Broadmeadow (North) and reducing overall staffing needs from approximately 275 to fewer than 100.

During 2006, Rail Infrastructure Corporation also committed $32 million to align train control delivery for the Country Regional Network, to be co-managed as part of ARTC's TCC project.

This project will align Network Control management in NSW with the normal framework on non-urban systems throughout Australia. The roles of Train Controller, Area Controller and Signaller integrated into a single Network Controller position.

To ensure a smooth transition, ARTC has throughout 2005/2006 held extensive consultation and focus groups with staff and unions. A Human Factors workload study was undertaken based on the definition of the new role to ensure that the new train control boundaries are aligned with workload demands.

Significant progress has been made throughout 2005/2006 including the movement of South Control from Sydney to Junee, the complete refurbishment of NCC North and subsequent relocation of several train control boards into the new centre.

Recruitment and selection of the new ARTC employees is almost complete and the next 12 months will present a significant challenge in aligning the infrastructure changes and Network Controller rollout.

On completion, the TCC project will provide the total integration of corridor management throughout the ARTC network, significantly enhancing efficient service delivery and improving the safety and reliability of the network.

Sydney to Brisbane

Over the next three years ARTC will invest approximately $275 million to upgrade the track and signalling systems on the North Coast route between Maitland and the Queensland border to be undertaken as part of its overall North South corridor upgrading programme.

The North Coast Improvement Alliance contract with Transport Express Alliance Joint Venture, comprising Barclay Mowlem Construction Ltd and Balfour Beatty Australia Ltd, was signed on 3 November 2005. This is a three year project valued at more than $200 million and is focused on the renewal, rehabilitation and enhancement of track and civil infrastructure on the North Coast.

A $134 million North Signalling Alliance contract which includes both the Hunter Valley and North Coast corridors was signed on 5 October 2005 between ARTC and Union Switch and Signal Pty Ltd (US&S).

Major improvement works on the North Coast line include:

New 1500 metre crossing loops will be constructed at Namoona and Tamrookum, while the existing loops at Mindaribba, Kilbride, Dungog, Craven, Mt George, Kerewong, Coramba, Braunstone, Kyarran, Loadstone and Greenbank will be extended to 1500 metres. Improvements will also be undertaken at Telarah (Maitland) to provide an effective crossing facility;

Upgrading of 18 existing long loops and signalling to facilitate 50 km/h entry and exit speeds;

Maximising of train speeds and track reliability through installation of concrete sleepers;

Recanting existing concrete sleepered track to maximise train speeds for the given track geometry;

Changing speed boards to achieve maximum train speed for the given track geometry;

Upgrading level crossings to minimise permanent track speed restrictions;

Bridge rehabilitation and strengthening work, targeting the reduction of long term and intermittent speed restrictions. Projects include Leeville Viaduct, Repton and Kalang underbridges;

Track condition improvements that will minimise life cycle track maintenance costs; and

Replacement of the outdated Electric Staff Working with Centralised Train Control (CTC) from Casino to Acacia Ridge on the North Coast Corridor (which includes part of the Queensland rail network) with work expected to be completed by December 2006.

Benefits – Sydney to Brisbane

The significant works proposed for the North Coast Line will achieve reliable track access for operators, and are expected to more than double rail's market share over the next 10 years between Sydney and Brisbane.

For 1500 metre long super-freighters, transit time will be reduced between Sydney and Brisbane from 19 hours 30 minutes to 15 hours 30 minutes.

This transit time will be achieved at the same time as increasing the number of available paths for 1500 metre long superfreighters from the current four return daily services to nine per day between Sydney and Brisbane.

ARTC's expectation is that with these significant transit time reductions, operators will be in a position to achieve significant improvements in both availability and reliability.

The commissioning of the new CTC system from Casino to Acacia Ridge alone will improve transit times between Sydney and Brisbane by 30 minutes per train through the elimination of delays caused by manual crossing procedures.

Melbourne to Sydney

The Southern Improvement Alliance comprising John Holland, MVM Rail, O'Donnell Griffin and CW-DC Pty Ltd will undertake a $763 million upgrading of the Sydney to Melbourne corridor to make rail freight more competitive between Australia's two largest cities.

Transit times between Sydney and Melbourne will be reduced by up to two and a half hours and the line's capacity increased to allow for more train paths and the operation of longer trains.

Major works include:

Construction of 16 passing lanes on the existing single line between Melbourne and Junee to create enhanced opportunities for trains to pass at speed. This will enable improved overall line speeds to be maintained and significantly improve capacity and reliability;

Corridor upgrade works to improve track infrastructure condition, performance and reliability and to reduce existing maintenance expenditure. Works will include, the installation of concrete sleepers along the entire corridor, bridge transom replacements, rail replacement, weld straightening and drainage works;

Works to permit increased train running speeds and/or to specifically facilitate other projects including repositioning of speed boards, track cant and cant deficiency adjustments, mainline improvements through stations, signal sighting and level crossing improvements and the installation of additional maintenance crossovers; and

Track duplication and re-signalling from Tottenham to Sims Street junction enabling improved capacity and accessibility in the Melbourne metropolitan area. Construction of a direct link between the North South and East West corridors between Sunshine and Brooklyn enabling through operations.

Wagga Rail Bridge

In May 2006 the contract was signed for the construction of a new $16 million Wagga Rail Bridge to replace the existing rail bridge across the Murrumbidgee River. The long term 20 km/h speed restriction in place for many years for all trains across the existing structure will be lifted to 80 km/h following completion of the work. A new 200 metre concrete ballast deck bridge will be built on the same alignment as the existing 125 year old wrought iron bridge, and is scheduled to be in place and operational from 3 January 2007. Work on removing this major impediment to efficient train operations on the Main South rail line linking Sydney and Melbourne commenced in June 2006.

Southern Sydney Freight Line

The proposed dedicated Southern Sydney Freight Line will provide a freight track independent of the Sydney commuter lines between Macarthur and Sefton, removing the current 'curfew' on freight trains operating in the metropolitan area during the morning and afternoon commuter train peak periods.

In May 2006, approval was given by the New South Wales Government for ARTC's Environmental Assessment for the Southern Sydney Freight Line to go on public exhibition, which was undertaken between May and July 2006 at local council chambers and libraries.

Benefits – Melbourne to Sydney

These upgrades will mean a reduction in transit times from Sydney to Melbourne from 13 hours 10 minutes to 10 hours 50 minutes for 1500 metre long superfreighters and 11 hours 40 minutes for 1800 metre long superfreighters. This has been designed to meet the market demand for late afternoon departure and early morning arrival from the intercapital terminals. The works will enable the capacity for 1800 metre long superfreighters to run on the section for the first time, with a transit time of 11 hours 40 minutes also providing significant above rail costs savings for train operators.

As well as transit time reductions, the capacity on the Sydney to Melbourne corridor will be substantially increased, allowing for up to nine superfreighters per day in each direction compared to the existing four return daily services.

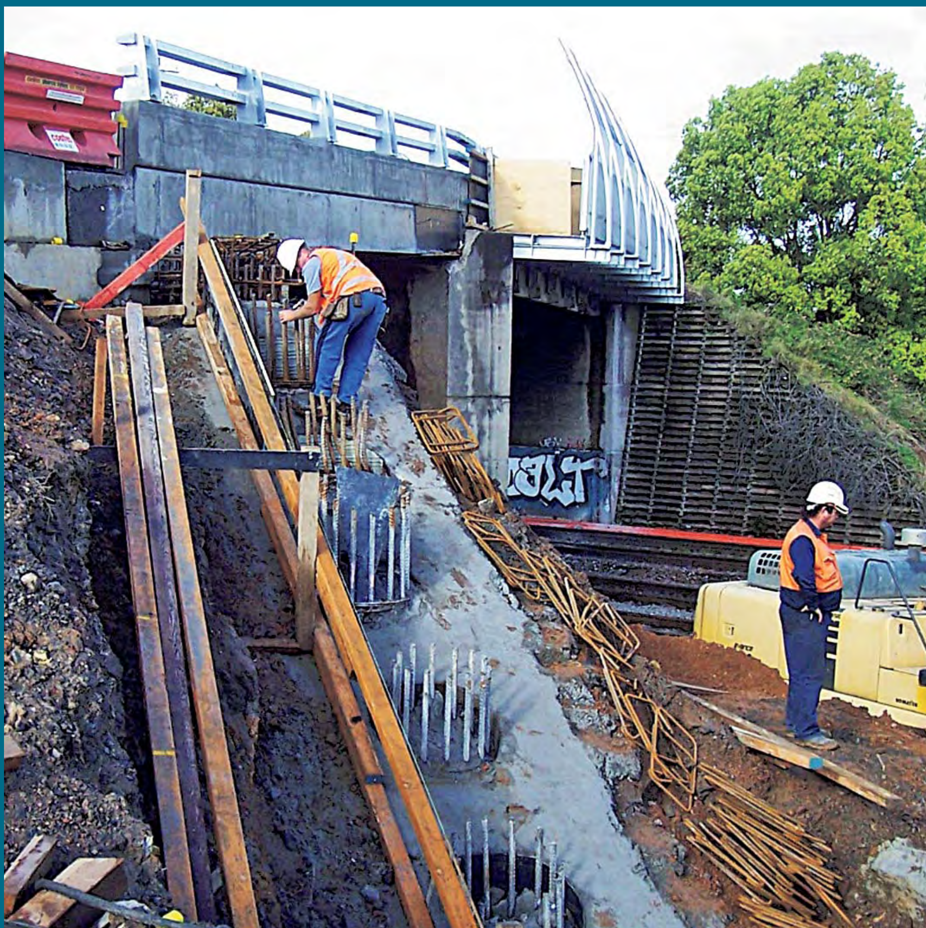
Andrew Kitto
GM Risk and Safety

Responsible for custodianship of ARTC's Safety Management system, Andrew manages ARTC's relationship with rail safety regulators and policy makers, ensuring that ARTC views are represented and that ARTC meets its legislative obligations. Within the company, he is responsible for overseeing the internal safety audit program and managing the incident and investigations process. Andrew joined the company in 2002 having worked previously in the area of rail safety with the South Australian Government.

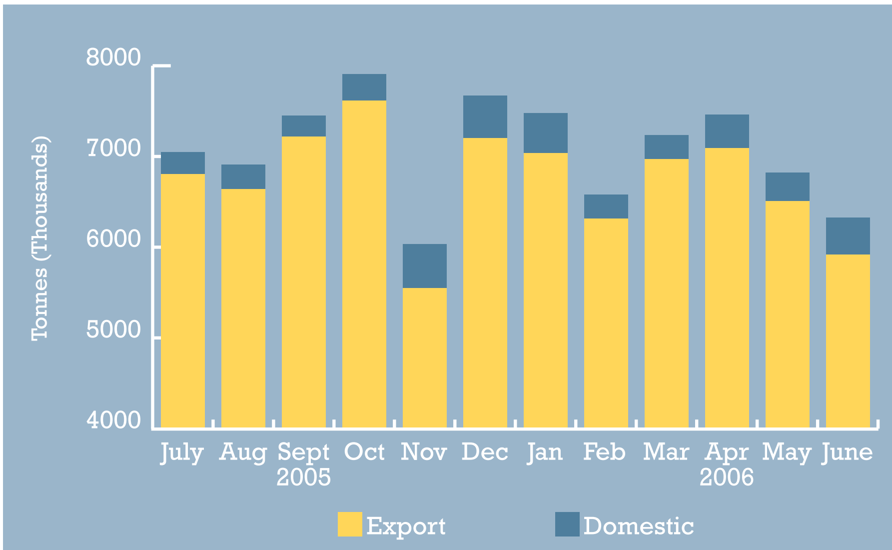
Denise McMillan-Hall

GM Operations and Customer Service

Following the establishment of ARTC, Denise worked in the company's corporate office with responsibility for access issues including the acceptance of ARTC's original access undertaking by the ACCC. Since 2002 she has been responsible for all of ARTC operational matters, which incorporates train planning, train control performance and delivery, and also the primary interface with customers. Denise is the ARTC representative on the Hunter Valley Coal Chain Logistics Steering Committee.



Hunter Valley Corridor



Hunter Valley Tonnages 2005–2006

In April 2006, ARTC released an updated Hunter Valley Coal Network Capacity Improvement Strategy for the next 5 years. In line with ARTC's commitment to consultation, the views of all Hunter Valley coal producers and port operators were sought on the revised investment strategy. The total projected cost of capacity enhancements outlined in the updated strategy has been increased to $375 million, to be spent over the next five years in line with capacity demand requirements.

The Hunter Valley Strategy has been updated to reflect the extended timeframe through to 2011 and to accommodate anticipated volume growth in the most cost-effective manner. Industry forecasts are estimating that the current coal supply chain capacity of 95 mtpa will need to be raised to 140mtpa by 2011. In common with earlier strategies, the 2006-2011 strategy identifies the constraints on the network's capacity in the Hunter Valley, the options to resolve these constraints and a proposed course of action to achieve increased coal throughput.

Sandgate Flyover Project

The largest single project in ARTC's Hunter Valley Strategy is the Sandgate flyover project, which when operational in November 2006 will have an immediate impact in lifting the capacity of the of the Hunter Valley rail network by between 15 and 20 million tonnes per annum. Work on the project, which will remove the conflict between coal trains and other rail services passing through the Sandgate area, commenced in January 2006.

In recent years, Kooragang Island has developed as the major coal export terminal of Newcastle and approximately 80 per cent of coal trains are now required to cross the mainlines at Sandgate to access the branch to Kooragang Island. Coal trains often have to queue to permit passenger and freight trains to pass, causing delays of between 10 minutes and an hour. This creates inefficiencies and impacts upon the scheduling of coal train movements throughout the entire Hunter Valley Coal Network.

ARTC will remove this conflict through the construction of the new flyover to be located north of Sandgate station. The flyover will carry the two mainline tracks over the top of two new dedicated coal lines permitting coal trains unimpeded access to the Kooragang Island export terminal and providing additional capacity on the mainlines and the coal roads.

Other major components of ARTC's Hunter Valley Strategy are:

- Bi-directional signalling will allow trains to travel in either direction on either track on double track sections, reducing the capacity impact of track maintenance, train failures and other incidents;

- Minimbah, Allandale and Nundah Banks – three stage improvement program
  - Increase approach speeds to Minimbah and Nundah banks from 60 km/h to 80 km/h reducing the time that it takes a coal train to climb the grade,
  - Signal spacing will be reduced so that trains can operate with 10 minute headways,
  - Construction of a third track on Minimbah and Nundah banks and resignalling of Allandale bank, further reducing train headways to 8 minutes;

- Whittingham Junction upgrade to allow trains to join the mainline from the branch with minimum interference;

- Newdell Junction and Drayton Junction upgrades will increase the speed through the junctions for coal trains from 25 km/h to 60 km/h;

- Antiene – Muswellbrook duplication will extend the existing double track as far as Muswellbrook including Muswellbrook Junction upgrade and loop extension;

- Ulan line and Werris Creek - Narrabri CTC will eliminate a 19th century signalling system;

- Construction of up to five new passing loops on the Ulan line will reduce running time between loop locations; and

- Additional and extended passing loops between Muswellbrook and Boggabri will reduce running times between loops and allow a significant increase in train length.

ARTC is indertaking a $1 million study into options for re-aligning the track and other options for improving rail transport efficiency through the Liverpool Range. A new alignment over the Liverpool Range, in the vicinity of Ardglen, could eliminate a short section of steeply graded track that currently limits train length and imposes inefficient operating practices. With a predicted increase in coal volumes from new developments in the Gunnedah Basin, the current track capacity over this section would be inadequate.

Benefits – Hunter Valley

ARTC's Hunter Valley Strategy has been developed with the aim that rail will not become a constraint to growth of the coal export market and that modelled infrastructure capacity is able to keep ahead of demand.

The strategy will lift the performance and reliability of the rail component of the export coal supply chain ensuring that a key export industry can rely on cost effective transport options and retain its prominence in a competitive global market.

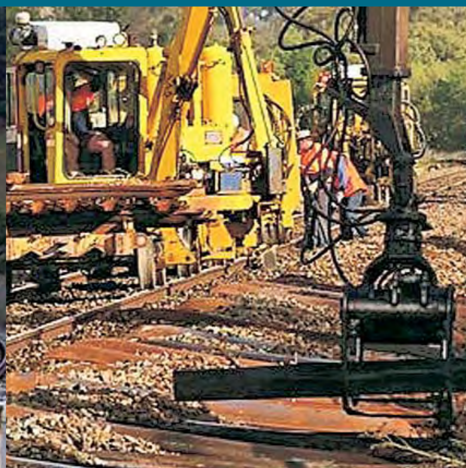
Much of the expected growth is from mines on the Ulan line and in the Gunnedah Basin and ARTC is focussing as much attention on development of the Gunnedah Basin rail infrastructure as it is on the more traditional coal mainline between Muswellbrook and the ports.

Improved and cost effective maintenance strategies implemented by ARTC in the Hunter Valley will complement these infrastructure upgrades. All investments in the Network will be subject to industry endorsement and incorporation in the regulatory asset base.

Alec Mackenzie

GM Country Regional Network

Alec joined ARTC in July 2004 prior to the take up of the NSW lease having previously worked for a multi national defence contractor. He is responsible for the administration of the NSW Country Regional network which ARTC manages on behalf of the NSW Government. He is principal point of contact with Rail Infrastructure Corporation for all activities carried out under the NSW CRN and co-ordinates the development of the annual Alliance Management Plan.



Tim Ryan
GM Asset Management

Previously General Manager of West Australian track authority WestNet Rail, Tim joined ARTC in early 2005. His primary responsibility is ensuring that ARTC's infrastructure is maintained to a standard that delivers the company's operational and business outcomes while ensuring this is achieved safely. Tim is also overseeing the efficient delivery of ARTC's major works programme and that it is coordinated with the company's routine maintenance works.

East West Corridor

Over the last eight years, ARTC has instigated a range of projects to improve the performance of the rail corridor linking the eastern states and Western Australia. While rail's share of the land transport market has stabilised at around 80%, ARTC continues to invest in projects on this corridor that will deliver increased operational and reliability improvements for train operators for a relatively modest investment.

Le Fevre Peninsula Transport corridor

ARTC, along with the Australian and South Australian governments, is presently undertaking a major upgrade of the Le Fevre Peninsula Transport corridor at the Port of Adelaide. The corridor links South Australia's major port and existing and expanded rail terminals at Outer Harbor directly with the interstate mainline rail network from Perth, Sydney and Melbourne.

The upgrade will close 11 of the existing rail level crossings and upgrade the remaining seven to active level crossings. Seven kilometres of rail track will be upgraded and the parallel track will be reinstated.

On the single track section between Dry Creek and Gillman a new 1500 metre crossing loop will be built at Wingfield to improve transit times and track capacity for trains accessing the Port of Adelaide.

In Cab Activated Point System (ICAPS)

The ICAPS project involves the introduction of remote control of points from the cab of the lead locomotive on trains operating on the East West corridor between Port Augusta and Kalgoorlie. Conversion of all crossing loops between these two points and installation of new equipment was completed at the end of June 2006.

Once sufficient operator locomotives are fitted with the required equipment, additional capacity will be generated on the corridor. This will result from the time-savings gained through the elimination of the need for a crew member to alight from the train at crossing loops to manually set the points when the train requires entry to the crossing loop.

Increased Height Clearances

Improvements to trackside infrastructure between Parkes and Crystal Brook will increase the maximum height clearance for trains to 6500 mm. This will provide operators with the ability to double-stack containers and carry greater volumes of freight more efficiently.

Passing Loop Extensions

The existing crossing loops at Kinalung and Matakana between Parkes and Broken Hill were extended to accommodate 1800 metres trains, increasing capacity and reducing transit times between Parkes and Crystal Brook. These extensions will complement the recently completed construction and extension of loops at Haig, Mungala, Winninowie, Mingary and Port Germein on the Adelaide to Perth corridor.

Wayside Noise Monitoring for Adelaide Hills

As part of its wayside monitoring program, ARTC has installed a RailSQAD noise detection array at Heathfield in South Australia to enable train operators to identify and rank squealing and flanging wheels on trains through the Adelaide Hills.

Wheel rail noises from their trains will be detected, recorded and trended under the RailSQAD system. Understanding the causal relationships between the onset of such noise and key operating parameters including train speed, bogie mechanical condition and tracking, environmental conditions, axle load, railhead and wheel tread profiles is pivotal to provision of cost effective noise reduction strategies.

This technology was developed by Adelaide based specialist acoustic engineers, Vipac and provides an innovative and cost-effective trackside monitoring system for automated squeal and screech detection, identification, ranking and trending by axle.

RailSQAD is a joint initiative of ARTC and train operators, working with the Environmental Protection Authority (EPA), and is directed at providing train operators with data on their trains for recording and analysing individual wheel set noises from locomotives and wagons. Under the program the EPA will receive monthly reports from ARTC on the specific detailed noise emissions at the Heathfield site in the Adelaide Hills.

Andrew Bishop
Chief Financial Officer

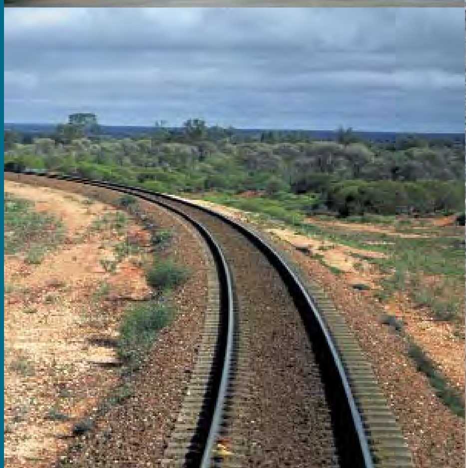
Andrew joined ARTC in May 2004 and is responsible for the strategic and operational implementation of ARTC's finance, procurement and contract policies and related business systems.

This enables achievement of ARTC's commercial objectives while complying with the applicable International and Australian Accounting Standards and ARTC shareholder and statutory reporting requirements.

Geoff Atkinson

GM Corporate Services

Geoff joined ARTC at the commencement of operations in 1998 as Company Secretary and General Manager Finance and Administration. With expansion of ARTC through its lease of the NSW network, Geoff was appointed GM Corporate Services with responsibility for the areas of Human Resources, Legal, Property and Information Technology within the company.



Responsible Management

Corporate Governance

From the Board level to the individual employee, corporate governance is an essential element of ARTC's day to day business operations. The process encompasses authority, accountability, stewardship, direction and control within the company.

Corporate Governance is described by the ASX Corporate Governance Council as the system by which companies are directed and managed. It influences how objectives are set and achieved, how risk is monitored and assessed, how performance is optimised, and encourages a company to create value (through entrepreneurism, innovation, development and exploration) and provide accountability and control systems commensurate with the risks involved.

ARTC held regular monthly Board meetings throughout 2005/2006 along with regular meetings of the Board Committees. The committee structure includes the Audit & Compliance Committee, the People & Workplace Policy Committee, the Environment, Health & Safety Committee, and the Committee of the Whole Board for Risk.

ARTC's system of corporate governance reflects the ten principles enunciated in the ASX Corporate Governance Council 'Principles of good corporate governance and best practice recommendations' (2003):

1. Lay solid foundations for management and oversight
   ARTC recognises the respective roles and responsibilities of the Board and Management through publication of formal delegations and a schedule of matters reserved to the Board. This enables the Board to provide strategic guidance for the company and effective oversight of Management, clarifies the respective roles and responsibilities of Board members and senior executives in order to facilitate Board and Management accountability to both the company and its shareholders, and ensures a balance of authority so that no single individual has unfettered powers.

2. Structure the Board to add value
   The Board has an effective composition, size and commitment to adequately discharge its responsibilities and duties, and possesses a balance of skills, experience and independence appropriate to the nature and extent of company operations. Details of the Board Committees and special responsibilities of each director are included in the Directors' Report on page 37.

3. Promote ethical and responsible decision-making
   All those in a position to influence the company's strategy and financial performance are subject to a written Code of Conduct which requires them to do so with integrity and responsibility.

4. Safeguard integrity in financial reporting
   Independent verification is provided by internal and external audit under the scrutiny of the Audit and Compliance Committee of the Board.

5. Make timely and balanced disclosure
   ARTC is a wholly-owned Commonwealth company and complies with the governance requirements for Government Business Enterprises, including publication of an annual Corporate Plan and regular shareholder liaison.

6. Respect the rights of shareholders
   ARTC recognises, upholds and facilitates the effective exercise of the rights of the single shareholder, the Commonwealth of Australia. In this regard, the company is subject to the Commonwealth Authorities and Companies legislation in addition to the Corporations Act.

7. Recognise and manage risk
   ARTC has established a sound system of risk management, recognising that every business decision has an element of uncertainty and carries a risk that can be managed through effective oversight and internal control.

8. Encourage enhanced performance
   Both the Board and Management conduct regular performance review processes using formal mechanisms that fairly review and actively encourage enhanced Board and Management effectiveness. In addition the Board, through its People and Workplace Policy Committee, is closely monitoring the integration of expanded workforce since commencement of the New South Wales lease, through a process of culture surveys, focus groups, management training and mentoring.

9. Remunerate fairly and responsibly
   The Board, through the People and Workplace Policy Committee, ensures that the level and composition of remuneration is sufficient and reasonable and that its relationship to corporate and individual performance is defined.

10. Recognise the legitimate interests of stakeholders
    The company recognises its legal and other obligations to all legitimate stakeholders.

Human Resources

People

A significant achievement for 2005/2006 was the negotiation of a collective agreement to replace the "ARTC Enterprise Agreement 2003" with a largely new workforce in NSW and amidst changing workplace relations legislation. The "ARTC (NSW) Enterprise Agreement 2006" was lodged in May 2006 with enhanced provisions providing flexible and family friendly employment conditions while balancing the requirements and sustainability of the business.

It is expected that employees based in South Australia and Victoria will enjoy an equivalent level of employment conditions when negotiation is finalised on the proposed "ARTC Workplace Agreement 2006".

During the year more than thirty external applicants were brought on as temporary trainee signallers and twenty-five internal promotions to higher grade signaller, area control and train control positions were made to address shortages in Operations and allow more senior seconded employees to participate in training for a higher role.

Members of the Executive and senior managers once again took to the road in 2006 to conduct a number of orientation sessions across NSW. These interactive forums provide a unique

opportunity for direct and seconded employees from all divisions to discuss local matters, ARTC business direction, employment arrangements and performance with senior members of staff. The sessions will continue across the company in the coming months.

Over 40% of the seconded workforce in Asset Management participated in focus groups conducted to measure employee opinion on employment options with ARTC. The findings of the focus groups and results of surveys will form the basis for future consultation regarding employment arrangements.

Projects which have been initiated throughout the year to enhance the development of the workforce include:

- Annual calendars of training for each of the rail corridors were established for infrastructure maintenance and signals electrical employees in Asset Management. The calendars streamline the provision of training, recertification and assessment over a twelve month period which ensures the workforce is appropriately qualified at all times and reduces the burden and cost of administration. The training provides progression through the competency structure and is balanced against the skills mix requirements of the corridors;

The performance management system was revised to include the use of scorecards which link individual, team, divisional and corporate performance objectives. Employees and managers agreed on key performance indicators which provided clear and measurable goals for the year;

With the performance expectations agreed, employees and managers then established personal development plans. These plans outlined the training and development employees may require to meet their performance objectives. The plans also provide a streamlined process for requesting and scheduling training and allow managers to assess the majority of training requirements against budgets early in the year;

In December 2005 ARTC surveyed direct and seconded employees nationally to gauge employee opinion on customer and business focus, communication, teamwork, current climate and ability to cope with change. This was the third culture survey in two years and demonstrated a positive trend in employee attitude in these areas;
ARTC has developed a new advanced track inspections training course to fill a significant supply gap in the availability of track specific training. A trial course was run in May 2006 and it is expected that it will now form part of the training curriculum for Asset Management; and

A one year pilot mentoring programme has been implemented to nurture the emerging talent of the ARTC workforce. The program goals are to contribute to positive cultural change, improve staff retention, preserve skills and expertise, expose participants to diverse experiences and encourage innovative thinking. Mentors external to the rail industry have been included in the programme to broaden the scope and enrich the experience of the participants.

Occupational Health and Safety

A series of health and safety campaigns will be rolled out over the coming financial year to enhance awareness of matters such as sun safety, the drug and alcohol policy and the Take 5 method of reducing risk in the workplace.

In 2006 ARTC introduced Will. To date Will has starred in a manual handling poster campaign and as a mentor to Wal during the launch of Evolution 2006, ARTC's inaugural mentoring programme.

The posters are distributed to all ARTC worksites and are reinforced in the corporate magazine In the Loop and in other media. Will plays a key role in the campaigns to ensure we have a ''Will do'' attitude.

The ARTC Occupational Health and Safety Management System (OHSMS) addresses the company's commitment to health and safety, objectives for ensuring a safe workplace, and employee responsibilities for ensuring safe work practice across the organisation. The OHSMS incorporates the company Occupational Health and Safety Policy and is reviewed on an annual basis.

The ARTC Occupational Health and Safety Management Plan is based on the OHSMS framework, and identifies measures to reduce Occupational Health and Safety (OHS) risk in local and specific work environments.

ARTC has implemented a system of regular scheduled OHS site audits to identify any remedial corrective and preventative actions to eliminate and/or reduce the risk of OHS incidents.

OHS consultative committees have been active over the year and cover all legislative jurisdictions. The committees provide a forum for employee representatives and managers to discuss, resolve and prevent OHS risks, and to raise awareness of local safety matters.

Workplace Injuries

Over 2005/2006, ARTC achieved a reduction in the Lost Time Injury Frequency Rate (LTIFR). The LTIFR measures the incidence of lost time injuries taking account of hours worked.

Lost time injury (LTI) numbers and Lost Time Injury Frequency Rates (LTIFR) for the period 1 July 2005 to 30 June 2006 are as follows:

	LTIs	LTIFR
Direct Employees	3	3
Seconded Employees	30	14
Alliance Partners	3	5

A Lost Time Injury (LTI) is an injury sustained at work by an employee which results in time lost from work of one complete shift or more The Lost Time Injury Frequency Rate (LTIFR) measures the number of occurrences of injury divided by the total number of hours worked for each one million hours worked

Rail Safety

The safety and efficiency of a rail network is a major consideration for the network owner/manager, rail operators and the wider community.

ARTC has established and is refining an effective safety management system by creating an environment where:

- Safety and risk management are accepted as core values in all business activities:
- Safety is communicated in a clear, concise and consistent manner;
- Technology and equipment necessary to manage, monitor and support the system are in place;
- It is recognised that safety is a key responsibility for both individuals and the company.

Ongoing review of the safety management system is a key part of ensuring that the applied process meets the needs of the revitalising Australian rail industry.

ARTC's investment in training, technology and network improvements is directed towards creating a safer, more sustainable business environment.

Rail Safety Accreditation has been retained in all jurisdictions in which ARTC operates; this has been assisted by involvement with other sections of the industry and consultation with the Rail Safety Regulators' Consultative Forum.

ARTC has engaged actively with the National Transport Commission and rail policy and regulatory representatives from the State Transport Departments in the development of new model rail safety legislation, regulations and associated guidelines. The new legislation should provide a framework for much improved consistency in national rail safety regulation, and more effective effort on the part of industry in terms of safety outcomes.

Development and implementation of industry wide Codes of Practice has continued with ARTC engaging in the Code Management Company's process to document, develop and standardise industry practices for implementation on a national basis.

During the past year, ARTC had improved its relationship with emergency organisations by participating in local emergency organisation meetings, desktop emergency exercises and mock emergency exercises, to ensure preparedness for an emergency.

Risk Management

Risk management principles are applied across the Corporation in all areas including routine daily tasks, managing the existing asset and project delivery.

Risks are regularly reviewed and reassessed to ensure that appropriate management and mitigation strategies are applied.

Further development of the risk management process has been undertaken, consistent with recommended best practice as defined in Australian Standard AS/NZS 4360.

The area of Risk Management is subject to review, both internally and also by recognised external specialist resource providers, which further ensures a robust and sustainable process is being applied.

Environmental

In NSW ARTC continued to monitor rail-related noise as a requirement of its Environmental Protection Licence. There were no notifiable incidents of any description in NSW during 2005-2006.

The Code of Practice for Environmental Impact Assessment of Development Proposals in NSW was signed off by the NSW Minister for Planning during February and became operational in May. Entry into this Code of Practice was a condition of ARTC being prescribed as a public authority for the purposes of environmental assessment of developments under Part 5 of the Environmental Planning and Assessment Act (NSW). Training of key infrastructure personnel in the requirements of the Code was conducted during March and April. A key component following the training was the development of Generic Environmental Assessments of key infrastructure-related tasks, both construction and maintenance, in fulfilment of the requirements of the Code, and to streamline the assessment process for delivery staff.

In NSW the Northern and Southern Alliance projects are implementing the requirements of the Code, as are all infrastructure-related proposals in NSW.

ARTC's Whole of Company Environmental Management System (EMS) is nearing finalisation. Training in key personnel Australia-wide will be implemented in 2006/2007. This will then ensure consistency for ARTC to address environmental risks associated with all aspects of its business through the allocation of resources, the assignment of responsibilities and continual evaluation. The Code of Practice is an integral part of the EMS application in NSW, but has many elements that can be utilised in ARTC's infrastructure-related business in all jurisdictions.

Rail Heritage in New South Wales

In accordance with obligations in NSW under the NSW Heritage Act 1977, a Section170 Heritage and Conservation Register listing all heritage assets under ARTC's control was maintained during the year.

At the end of the year, the Register listed 286 heritage assets for which ARTC was directly responsible, and a further 425 assets which ARTC was managing as part of the Country Regional Network Management Agreement (CRNMA).

Summary of ARTC managed heritage assets at 30 June 2006

	ARTC*	NSW**
Total number of heritage items on s.170 Register	286	425
Condition of items on s.170 Heritage Register		
Satisfactory	196	279
Fair, requiring some maintenance attention	81	131
Poor condition	9	15
Assets listed on the State Heritage Register	120	219

*ARTC responsibility
**Managed as part of Country Regional Network for NSW rail authorities

Field inspections were undertaken during the year to validate and update the data in the Section170 Register, and record the condition of individual assets.

A strategic plan for the management of rail heritage assets was completed during the year.

Wayne James
Chief Operating Officer

Wayne was formerly Commissioner of Railways in Western Australia and joined ARTC to participate in the NSW lease negotiations and the transition period for the take up and integration of the NSW network. Wayne is responsible for the day to day operations of the company and is heavily involved in the rollout of the North South and Hunter Valley investment strategies.

Directors' Report

30 June 2006

The Board of Directors of the Australian Rail Track Corporation Ltd (''ARTC'') has pleasure in submitting the Directors' Report in respect of the year ended 30 June 2006.

Directors

The following persons were Directors of ARTC during the whole of the financial year and up to the date of this report unless otherwise stated:

B K Murphy
A H D Budd
R I McCutcheon
G D Walters
D W Marchant
R B Maher (Mr Maher retired from the company on 30 June 2006 on expiry of his second term)
M D F Pop (Ms Pop retired from the company on 30 June 2006 on expiry of her second term)

Qualifications, experience and special responsibilities

Barry Kevin Murphy B.Sc.App., B.E.(Chem), CSci, MBA,PgDip.Env.Stud., PgDip.En.Stud., FIChemE, FAICD
(non-executive Chairman)
B K Murphy joined ARTC in 1999 as non-executive Chairman and continues in that role, also serving as Chairman of the People & Workplace Policy Committee.

Alfred Hamilton Dale Budd OBE, B.E., FAICD, FCILT
(non-executive Vice Chairman)
Since 2001 when he joined the company, A H D Budd has combined his public and private sector consultancy work with his role as a non-executive Director. He was appointed Vice Chairman in 2004, also serving on the Audit & Compliance Committee, and has special responsibility for engineering and asset sustainability.

Raymond Ian McCutcheon BE, GAICD
Since 2001 when he joined the company, R I McCutcheon has combined his export advisory work with his role as a non-executive Director, also serving since 2004 as Chair of the Environment, Health & Safety Committee. Prior to joining the company, he was Chief Executive of a large engineering firm. He has special responsibility for advanced technology and major project oversight.

Directors' Report

30 June 2006

Robert Brooker Maher AM, BA
Since 2001 when he joined the company, R B Maher has combined his strategic and business planning consultancy work with his role as a non-executive Director. In 2004, he became a member of the Environment, Health & Safety Committee. He had special responsibility for government and community relations.

Martine Daniele Francoise Pop PhD EEC Commercial Law (Paris Pantheon)
Since 2001 when she joined the company, M D F Pop has combined her risk consultancy work with her role as a non-executive Director. In 2004, she became a member of the People & Workplace Policy Committee. She had special responsibility for risk management.

Graham Douglas Walters AM, FCA
G D Walters joined the Board in 2004. Mr Walters is a professional Director and a Fellow of the Institute of Chartered Accountants, and also serves as the Chair of the Audit & Compliance Committee.

David William Marchant
D W Marchant was appointed Chief Executive Officer and Managing Director in June 1998. Prior to this appointment, David held a range of positions in utility groups and government agencies.

Company Secretary
Simon Royston Gray LL.B., GAICD
S R Gray was appointed company secretary in 2004. He joined the company in 1998 and is also the corporate legal counsel.

Directors' Report

30 June 2006

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 2006, and the numbers of meetings attended by each Director were:

	Full meetings of Directors		Audit & Compliance Committee		People & Workplace Policy Committee		Environment, Health & Safety Committee	
	A	B	A	B	A	B	A	B
B K Murphy	11	11	-	-	5	5	-	-
A H D Budd	10	11	6	6	-	-	-	-
R I McCutcheon	10	11	-	-	-	-	5	5
G D Walters	10	11	6	6	-	-	-	-
D W Marchant	10	11	5	6	4	5	4	5
R B Maher	11	11	-	-	-	-	5	5
M D F Pop	11	11	-	-	5	5	-	-

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

Members acting on the Committees of the Board during the year were:

Audit & Compliance	A H D Budd	G D Walters *
People & Workplace Policy	B K Murphy *	M D F Pop
Environment Health & Safety	R B Maher	R I McCutcheon *

(* denotes chairman)

Principal activities

The principal activities of the ARTC during the year were the provision of rail access and infrastructure management of rail networks, either owned or leased by the company.

Review of operations

The review of operations of the ARTC is contained in the Managing Director's Report.

Significant changes in the state of affairs

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

A special government grant of $270m was received from the Commonwealth on 27 June 2006, as announced in the May 2006 Federal Budget.

The Group has decided that these funds will be used to purchase an additional 1.5 million concrete sleepers, which will be used to complete the concrete re-sleepering of the entire North South corridor under ARTC control, from Melbourne to Sydney and from Newcastle to the Queensland border.

Likely developments and expected results of operations

Likely developments and the expected results of operations of the ARTC are contained in the Managing Director's Report.

Directors' Report

30 June 2006

Environmental regulation

ARTC holds licences from both the Environmental Protection Authority of South Australia and the Environmental Protection Authority of NSW. In South Australia, the licence is held under Part 6 of the Environmental Protection Act, 1993 to undertake the activity of a "Railway System". The licence is due to expire on 31 January 2007 and an application for renewal will be lodged at that time. In New South Wales, the licence is held under Section 55 of the Protection of the Environment Operations Act 1997 to undertake "Railway Activities". The licence expires on 5 September 2006 and an application for renewal will be lodged prior to expiration. To date, ARTC has complied with the requirements of both licence agreements. Other than in South Australia and New South Wales, ARTC is not required to be licenced.

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 ARTC 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 ARTC and the insurer prohibits the ARTC from disclosing such information.

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

Auditor Independence

The Directors received the following declaration from the Company's auditor:

Auditor's Independence Declaration to the Directors of Australian Rail Track Corporation Ltd

In relation to our audit of the financial report of Australian Rail Track Corporation Ltd for the financial year ended 30 June 2006, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Australian National Audit office

Michael J. Watson
Group Executive Director
For the Auditor General
Signed in Canberra on the 31st August 2006

Signed in accordance with a resolution of the Directors

B K Murphy Director
Signed in Adelaide on the 30th August 2006

D W Marchant Director
Signed in Adelaide on the 30th August 2006

Income Statement

For the year ended 30 June 2006

	Notes	Consolidated 2006 $'000	Consolidated 2005 $'000	Parent 2006 $'000	Parent 2005 $'000
Revenue from continuing operations	5	496,582	386,362	496,536	386,323
Depreciation and amortisation expense	8	(20,542)	(15,069)	(20,495)	(15,027)
Employee benefits expense	8	(148,873)	(116,230)	(146,196)	(113,818)
Incident costs		(10,919)	(9,424)	(10,919)	(9,424)
Infrastructure maintenance		(185,325)	(138,575)	(189,651)	(142,775)
Insurance		(8,363)	(9,232)	(8,361)	(9,230)
Legal fees		(1,118)	(2,128)	(1,118)	(2,128)
Motor vehicle expenses		(10,158)	(4,353)	(9,460)	(3,726)
Operating lease expense		(5,002)	(5,664)	(4,994)	(5,652)
Project and development expenses		(6,816)	(8,376)	(6,721)	(8,375)
Service agreements		(238)	(3,710)	(238)	(3,710)
Train control communications		(2,252)	(1,964)	(2,252)	(1,964)
Communications expenses		(7,496)	(5,131)	(7,443)	(5,077)
Other expenses		(30,316)	(22,192)	(29,823)	(21,359)
Profit before income tax		**59,164**	**44,314**	**58,865**	**44,058**
Income tax (expense)/benefit	9	19,427	29,718	19,427	29,718
Profit from continuing operations		78,591	74,032	78,292	73,776
Special Government Grant	6	270,000	100,000	270,000	100,000
Profit attributable to members of Australian Rail Track Corporation Ltd		**348,591**	**174,032**	**348,292**	**173,776**

The above income statement should be read in conjunction with the accompanying notes.

Balance Sheet

30 June 2006

	Notes	Consolidated 2006 $'000	Consolidated 2005 $'000	Parent 2006 $'000	Parent 2005 $'000
ASSETS					
Current assets					
Cash and cash equivalents	10	730,381	822,643	729,420	822,104
Other financial assets	11	270,000	-	270,000	-
Inventories	13	27,621	7,710	27,621	7,710
Trade and other receivables	12	79,391	68,425	80,101	68,490
Other current assets	14	5,297	2,818	5,297	2,818
Total current assets		1,112,690	901,596	1,112,439	901,122
Non-current assets					
Property, plant and equipment	16	482,406	315,256	482,071	315,016
Intangible assets	18	589	657	589	657
Deferred tax assets	17	19,427	-	19,427	-
Trade and other receivables	15	574	48	574	48
Other financial assets		-	-	123	123
Defined benefit asset	25	631	-	631	-
Total non-current assets		503,627	315,961	503,415	315,844
Total assets		**1,616,317**	**1,217,557**	**1,615,854**	**1,216,966**
LIABILITIES					
Current liabilities					
Deferred income - government grant	22	1,170	-	1,170	-
Provisions	21	69,939	65,795	69,823	65,567
Trade and other payables	19	67,438	45,265	68,321	45,871
Other current liabilities	20	9,295	2,020	9,295	2,020
Total current liabilities		147,842	113,080	148,609	113,458
Non-current liabilities					
Deferred income - government grant	23	25,837	15,006	25,837	15,006
Provisions	24	6,925	2,980	6,772	2,789
Defined benefit liability	25	-	1,655	-	1,655
Total non-current liabilities		32,762	19,641	32,609	19,450
Total liabilities		**180,604**	**132,721**	**181,218**	**132,908**
Net assets		**1,435,713**	**1,084,836**	**1,434,636**	**1,084,058**
EQUITY					
Contributed equity	26	235,126	235,126	235,126	235,126
Reserves	27(a)	123,123	123,123	123,123	123,123
Retained profits	27(b)	1,077,464	726,587	1,076,387	725,809
Total equity		**1,435,713**	**1,084,836**	**1,434,636**	**1,084,058**

The above balance sheet should be read in conjunction with the accompanying notes.

Statement of Recognised Income and Expense

For the year ended 30 June 2006

		Consolidated		Parent	
		2006	2005	2006	2005
	Notes	$'000	$'000	$'000	$'000
Actuarial gains (losses) on defined benefit plans recognised directly in retained earnings	25,27	2,286	(1,655)	2,286	(1,655)
Net income recognised directly in equity		2,286	(1,655)	2,286	(1,655)
Profit for the year		348,591	174,032	348,292	173,776
Total recognised income and expense for the year		**350,877**	**172,377**	**350,578**	**172,121**
Total recognised income and expense for the year is attributable to:					
Members of Australian Rail Track Corporation Ltd		350,877	172,377	350,578	172,121
		350,877	**172,377**	**350,578**	**172,121**
Effect of changes in accounting policy, attributable to:					
Members of Australian Rail Track Corporation Ltd	36	-	(5,192)	-	(5,192)
		-	**(5,192)**	**-**	**(5,192)**

The above statement of recognised income and expense should be read in conjunction with the accompanying notes.

Cash Flow Statement

For the year ended 30 June 2006

	Notes	Consolidated 2006 $'000	Consolidated 2005 $'000	Parent 2006 $'000	Parent 2005 $'000
Cash flows from operating activities					
Receipts from customers (inclusive of goods and services tax)		447,889	275,666	447,987	275,613
Government Grants - other		-	16,991	-	16,991
Payments to suppliers and employees (inclusive of goods and services tax)		(409,580)	(238,518)	(409,453)	(238,980)
		38,309	54,139	38,534	53,624
Interest received		37,200	35,769	37,156	35,747
Net cash inflow from operating activities	35	**75,509**	**89,908**	**75,690**	**89,371**
Cash flows from investing activities					
Payments for property, plant and equipment		(187,194)	(40,548)	(187,052)	(40,523)
Payments for investments-commercial papers & bank bills		(262,148)	-	(262,148)	-
Payments for intangibles-computer software		(430)	(194)	(430)	(194)
Repayment of loans to subsidiary		-	-	(745)	350
Net cash (outflow) from investing activities		**(449,772)**	**(40,742)**	**(450,375)**	**(40,367)**
Cash flows from financing activities					
Special Government Grant		270,000	100,000	270,000	100,000
Government Grant - other		12,001	15,006	12,001	15,006
Dividends paid to company's shareholders		-	(6,990)	-	(6,990)
Net cash inflow (outflow) from financing activities		**282,001**	**108,016**	**282,001**	**108,016**
Net increase (decrease) in cash and cash equivalents		(92,262)	157,182	(92,684)	157,020
Cash and cash equivalents at the beginning of the financial year		822,643	665,461	822,104	665,084
Cash and cash equivalents at end of year	10	**730,381**	**822,643**	**729,420**	**822,104**

The above cash flow statement should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

30 June 2006

Note 1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for ARTC as an individual entity and the consolidated entity consisting of ARTC and its subsidiaries.

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Equivalents to International Financial Reporting Standards (AIFRS), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001.

The financial report is presented in Australian dollars.

Statement of Compliance

The financial report complies with Australian Accounting Standards, which include Australian Equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

Application of AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards

These financial statements are the first ARTC financial statements to be prepared in accordance with AIFRS. AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards has been applied in preparing these financial statements.

Financial statements of ARTC until 30 June 2005 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP). AGAAP differs in certain respects from AIFRS. When preparing ARTC 2006 financial statements, management has amended certain accounting, valuation and consolidation methods previously applied in the AGAAP financial statements to comply with AIFRS. With the exception of financial instruments, the comparative figures in respect of 30 June 2005 were restated to reflect these adjustments. The Group has taken the exemption available under AASB 1 from having to apply AASB 132 and AASB 139.

Reconciliations and descriptions of the effect of transition from previous AGAAP to AIFRS on the Group's equity and its net income are given in note 36.

Early adoption of standard

The Group has elected to apply AASB 119 Employee Benefits (issued in December 2004) to the annual reporting period beginning 1 July 2005. This includes applying AASB 119 to the comparatives in accordance with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors.

(b) New accounting standards and UIG interpretations

Certain new accounting standards and UIG interpretations have been published that are not mandatory for 30 June 2006 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

(i) UIG 4 Determining whether an Asset Contains a Lease

UIG 4 is applicable to annual periods beginning on or after 1 January 2006. The Group has not elected to adopt UIG 4 early. It will apply UIG 4 in its 2007 financial statements and the UIG 4 transition provisions. The Group will therefore apply UIG 4 on the basis of facts and circumstances that existed as of 1 July 2006. Implementation of UIG 4 is not expected to change the accounting for any of the Group's current arrangements.

(ii) UIG 5 Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds

UIG 5 is applicable to annual reporting periods beginning on or after 1 January 2006. The Group does not have interests in decommissioning, restoration and environmental rehabilitation funds. This interpretation will not affect the Group's financial statements.

(iii) AASB 2005-9 Amendments to Australian Accounting Standards [AASB 4, AASB 1023, AASB 139 & AASB 132]

AASB 2005-9 is applicable to annual reporting periods beginning on or after 1 January 2006. The amendment has no change to the Group's accounting policy and no impact on the Group's financial statements.

(iv) AASB 7 Financial Instruments: Disclosures and AASB 2005-10 Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038]

AASB 7 and AASB 2005-10 are applicable to annual reporting periods beginning on or after 1 January 2007. The Group has not adopted the standards early. Application of the standards will not affect any of the amounts recognised in the financial statements, but may impact the type of information disclosed in relation to the Group's financial instruments.

(v) AASB 2005-6 Amendments to Australian Accounting Standards [AASB 3)

AASB 2005-6 is applicable to annual reporting periods ending on or after 1 January 2006. The amendment has no change to the Group's accounting policy and no impact on the Group's financial statements.

(vi) UIG 8 Scope of AASB 2

UIG 8 is applicable to annual reporting periods beginning on or after 1 May 2006. The Group does not have any share based payments instruments. This interpretation will not affect the Group's financial statements.

(vii) UIG 9 Reassessment of Embedded Derivatives

UIG 9 is applicable to annual reporting periods beginning on or after 1 June 2006. The Group does not have any embedded derivatives. This interpretation will not affect the Group's financial statements.

(viii) AASB 2005-1 Amendments to Australian Accounting Standard AASB 139

AASB 2005-1 is applicable to annual reporting periods ending on or after 1 January 2006. The amendment has no change to the Group's accounting policy and no impact on the Group's financial statements.

(viiii) AASB 2005-4 Amendments to Australian Accounting Standards AASB 139, AASB 132, AASB 1, AASB 1023 and AASB 1038 Life Insurance Contracts

AASB 2005-4 is applicable to annual reporting periods ending on or after 1 January 2006. The amendment has no change to the Group's accounting policy and no impact on the Group's financial statements.

(x) AASB 2005-5 Amendments to Australian Accounting Standards AASB 1and AASB 139

AASB 2005-5 is applicable to annual reporting periods ending on or after 1 January 2006. The amendment has no change to the Group's accounting policy and no impact on the Group's financial statements.

(xi) AASB 2006-1 Amendments to Australian Accounting Standard AASB 121

AASB 2006-1 is applicable to annual reporting periods ending on or after 1 January 2006. The amendment has no change to the Group's accounting policy and no impact on the Group's financial statements.

(c) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by the Australian Rail Track Corporation Ltd ("company" or "parent entity") as at 30 June 2006 and the results of the controlled entities for the year then ended. Australian Rail Track Corporation Ltd and its controlled entities are referred to in this financial report as the "consolidated entity" or "the Group". The effects of all transactions between entities in the consolidated entity are eliminated in full.

Where control of an entity is obtained during a financial year, its results are included in the consolidated Income Statement 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.

Notes to the Financial Statements

30 June 2006

Note 1 Summary of significant accounting policies (continued)

(d) **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. Revenue is recognised for the major business activities as follows:

(i) Access revenue

Access revenue recorded in the Income Statement comprises amounts received and receivable by the consolidated entity granting operators access to the rail network during the year.

(ii) Interest

Interest revenue is recorded on an effective yield basis.

(iii) Country Regional Network revenue

Country Regional Network revenue recorded in the Income Statement comprises amounts received and receivable by the consolidated entity for the recovery on expenditure by the consolidated entity on the Country Regional Network as per the CRN management agreement with the NSW government.

(e) **Recoveries and expenses associated with rail access related incidents**

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

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

Contingent liabilities and assets are reviewed through out the year and finalised at balance date for inclusion in the financial statement. Inclusion of liabilities or assets relating to rail access related incidents occurs where the Group is reasonable certain of costs of recoveries.

(f) **Government grants**

Grants received from the government by the Group fall into two distinct categories and the treatment for each is described below:

(i) Where the Grants have attached conditions and/or are project specific, they are recognised at their fair value and initially credited to Deferred Income upon receipt, then recognised in the Income Statement over the period necessary to match them with the costs that they are intended to compensate.

Where those grants relate to expenditure that is to be capitalised, they are credited to the Income Statement on a straight line basis over the expected lives of the related assets from the date of commissioning. Grants that are related to expenditures that are not to be capitalised are credited to the Income Statement as the relevant expense is incurred; or

(ii) Where the Grants are special government grants that are one-off type grants, have no attached conditions and are not related to a specific project, they are recognised at fair value immediately as revenue when the grant monies are received.

(g) **Income tax**

The financial statements apply the principles of tax-effect accounting. The income tax expense represents the tax on pre-tax accounting profit adjusted for income and expenses not assessable or allowable as deductions for taxation purposes.

The passing of Division 58 of the Income Tax Assessment Act 1997 ('Division 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 it was recorded in the accounts of the New South Wales State Rail Authority and Rail Infrastructure Corporation before the relevant assets were transferred to or leased by ARTC, whereas they are included in the ARTC Accounts at the nominal transfer value. Accordingly, Division 58 results in significant permanent differences which will ensure the consolidated entity continues to enjoy significant income tax benefits in future years.

As at 1 July 2005, ARTC had $81.1m of carried forward losses. As a result of the $143.4m capital injection received in June 2004, the Available Fraction Rule has been activated.

The available fraction rule does not result in ARTC foregoing pre-consolidation losses. It does however impact the rate at which pre-consolidation losses may be utilised.

A Deferred Tax Liability (DTL) has been recognised to the extent of any previous Asset Revaluation Reserve increments. Similarly, a Deferred Tax Asset (DTA) has been recognised to the extent of the DTL recognised in the Asset Revaluation Reserve, plus an additional allowance to recognise tax losses that are expected to be utilised to offset taxation payable on estimated future taxable income, after taking into account the impact of the Available Fraction Rule.

Since taxes to be levied relate to the same tax authority and deferred taxes relate to the same taxable entity the DTA and DTL have been offset in the balance sheet.

Tax consolidation legislation

Effective 1 July 2003, for the purposes of income taxation, ARTC and its 100% owned subsidiaries decided to form a tax consolidated group. Members of the Group are subject to a tax sharing arrangement in order to allocate income tax expense to the wholly owned subsidiaries. In addition, the agreement provides 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 the ARTC.

(h) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases (note 31). Payments made under operating leases (net of any incentives received from the lessor) are charged to the Income Statement on a straight-line basis over the period of the lease.

(i) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

(j) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(k) Other financial assets

Other financial assets is comprised of highly liquid investments with original maturities of greater than 90 days and not more than 182 days that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(l) Trade and other receivables

The Group has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the relevant accounting policies for trade and other receivables applicable for the years ending 30 June 2006 and 30 June 2005.

Accounting policies applicable for the year ending 30 June 2006

All trade receivables are recorded at the amount due based on a pricing regime agreed with train operators, generally have 7-30 day terms and are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

Accounting policies applicable for the year ended 30 June 2005

Trade receivables were recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate of doubtful debts was made when collection of the full amount was no longer probable. Bad debts were written off as incurred.

(m) Inventories

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

30 June 2006

Note 1 Summary of significant accounting policies (continued)

(n) **Property, plant and equipment**

Plant and equipment is shown at fair value, based on periodic, but at least triennial valuations by external independent valuers. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Income Statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

Maximum Economic Useful Life *	
Ballast	60 years
Bridges	40 years
Buildings	50 years
Culverts	100 years
IT	4 years
Other Equipment	40 years
Motor Vehicles	5 years
Rail	110 years
Sleepers	70 years
Signals and Communications	30 years
Turnouts	15 years
Tunnels	50 years

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

The value of the business is 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.

(i) Impairment

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash generating unit to which the asset belongs, unless the asset's fair value use can be estimated to be close to its fair value.

An impairment exists when the carrying value of an asset or cash generating unit exceeds its estimated recoverable amount. The asset or cash generating unit is then written down to its recoverable amount.

(ii) Revaluations

Revaluations of the Group's South Australian and Western Australian owned assets 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.

The Group's South Australian and Western Australian owned assets were re-valued as at 30 June 2005, and follow the previous revaluation in June 2000. The South Australian and Western Australian assets were revalued using a discounted cash flow approach to provide an estimate of the "Value in Use" of the SA/WA assets. The cash flow forecasts associated with the Group's SA/WA assets relate only to the revenues and expenses incurred from the continuing use of the existing assets. Accordingly, the cash flows do not include cash inflows or outflows relating to improvements or enhancements to the respective assets. The valuation was determined by the external financial advisors and thereafter approved by the Board.

Any revaluation increment is credited to the asset revaluation reserve included in the equity section of the balance sheet, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss.

(iii) 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.

(o) 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 work 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.

(p) Intangible assets

Computer software

Computer software has a finite useful life and is carried at cost less accumulated amortisation. Amortisation is calculated using the straight line method to allocate the cost of computer software over its estimated useful life of two years.

(q) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(r) Provisions

Provisions for legal claims and service warranties are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

(s) 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. Long service leave is accrued from the time of employment.

(t) Major periodic maintenance

Maintenance of infrastructure assets is classified as major periodic maintenance if it is part of a systematic planned program of works, occurs on a cyclical basis and is significant in monetary values. Major periodic maintenance may include significant corrective works, component replacement programs, and similar activities and these costs are expensed in the consolidated entity's accounts.

Note 1 Summary of significant accounting policies (continued)

(u) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

(v) Rounding of amounts

The company is of a kind referred to in Class order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off"of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

(w) Rail infrastructure assets

The rail infrastructure assets vested in the Group 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.

(x) Defined Benefit fund

ARTC is a member of the following superannuation schemes: State Authorities Superannuation Scheme (SASS), State Authorities Non-Contributory Superannuation Scheme (SANCS) and the State Superannuation Scheme (SSS).

The schemes are all defined benefit schemes: at least a component of the final benefit is derived from a multiple of member's salary and years of membership.

All the schemes are closed to new members.

State Authorities Superannuation Scheme (SASS)

SASS is a split benefit scheme, which means it is made up of an accumulation style contributor-financed benefit and a defined benefit style employer-finance benefit.

Employees can elect to contribute between 1% and 9% of their salary to SASS and can vary their contribution rate each year. Generally, each percentage of salary that a member contributes each year buys the member one benefit point which is used in the calculation of the employer-financed benefit.

State Authorities Non-Contributory Superannuation Scheme (SANCS)

SANCS is a productivity-type superannuation benefit accrued by SASS members in addition to their contributory scheme benefits. Calculated at 3% of final average salary or final salary, depending on the mode of exit, for each year of service from 1 April 1988. It is fully employer-financed.

State Superannuation Scheme (SSS)

SSS is a defined benefit scheme subsidised by the employer.

Note 2 Financial risk management

The Group's principal financial instruments comprise cash and cash equivalent assets and other financial assets. These instruments include deposits at call and commercial papers and bank bills that have terms less than 90 days from original maturity in cash and cash equivalents to a maximum of 182 days in other financial assets.

The main purpose of these financial instruments is to use the funds for the purpose of meeting the Group's corporate goals. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. The Group as at balance date has no borrowings and the risks arising from the Group's financial instruments are related to fair value interest rate risk and credit risk, both considered at a very low level and managed by the implementation of agreed policies as approved by the Board and are summarised below.

(a) Cash flow and fair value interest rate risk

The Group has a significant amount of interest bearing assets and therefore the Group's income and cash flows have some exposure to changes in market interest rates. Group policy to minimise the exposure to movements in market rates is to implement a policy of only investing in major Australian Banking institutions and across a spread of short term commercial papers (less than 90 days) and long term commercial papers and bank bills (greater than 90 days but not more than 182 days) in accordance with Board approved treasury investment policy. Greater than 50% of investments in commercial papers and bank bills are in papers rated A1 and above, no commercial papers are to be rated below A2 as rated by Standard and Poor's and no investment in commercial papers to exceed $50m with any one particular organisation. This policy has been complied with throughout the year.

(b) Credit Risk

Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

As per note 34 Economic dependency the Group does have a significant concentration of credit risk associated with the Group's major source of access revenue relating to one rail operator.

Note 3 Significant accounting estimates and judgements

(a) Significant accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Defined benefit plans

Various actuarial assumptions are required when determining the Group's defined benefit obligations. These assumptions and the related carrying amounts are discussed in note 25.

(ii) Timing of project completion

The Group will be undertaking an extensive investment program in the coming years with the delivery being reliant on the availability of requisite material, project resources and regulatory approval.

(iii) Dividend policy

In accordance with agreements relating to the take up of the NSW lease, it has been agreed that ARTC will reinvest any profits in the period to June 2009 rather than making any dividend payments to its shareholders.

Note 4 Segment information

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

Note 5 Revenue

	Consolidated 2006 $'000	Consolidated 2005 $'000	Parent 2006 $'000	Parent 2005 $'000
From continuing operations				
Sales revenue				
Access revenue	282,802	238,717	282,802	238,717
	282,802	**238,717**	**282,802**	**238,717**
Other revenue				
CRN Revenue	154,476	87,756	154,476	87,756
Govt grants - other	-	16,991	-	16,991
Insurance recovery	7,668	164	7,668	164
Interest	44,476	37,400	44,432	37,378
Other revenue	7,160	5,334	7,158	5,317
	213,780	147,645	213,734	147,606
	496,582	**386,362**	**496,536**	**386,323**

Note 6 Special government grant

	Consolidated 2006 $'000	Consolidated 2005 $'000	Parent 2006 $'000	Parent 2005 $'000
Revenue from Special Government Grant	270,000	100,000	270,000	100,000
	270,000	**100,000**	**270,000**	**100,000**

(a) **Special government grant**

On 27 June 2006, the ARTC received a $270m Special Government Grant (as per note (11)) from the Commonwealth that will enable it to develop and implement a program to improve the rail network in Australia. A similar grant of $100m was provided in 2005. Due to the nature of the grants, each has been treated as non-assessable for taxation purposes.

Note 7 Revision of estimates

(a) Revision of depreciation rates of plant and equipment

During the year, the depreciation rates were revised for plant and equipment following the revaluation in 2005. The net effect of the changes in the current financial year was an increase in depreciation expense for the Group of $2.2m.

Assuming the assets are held until the end of their estimated useful lives, the depreciation of the Group in future years in relation to these assets will be increased by the following amounts:

Year ending 30 June	$'000
2007	6,700
2008	5,000
2009	4,000
2010	4,000

Note 8 Expenses

	Consolidated		Parent	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Depreciation				
Buildings	224	64	224	64
Plant and equipment	19,820	14,670	19,773	14,628
Total depreciation	**20,044**	**14,734**	**19,997**	**14,692**
Amortisation				
Computer software	498	335	498	335
Total amortisation	**498**	**335**	**498**	**335**
Employee Benefits Expense				
Wages and Salaries	144,109	114,205	141,470	111,812
Workers compensation	4,764	2,025	4,726	2,006
	148,873	**116,230**	**146,196**	**113,818**

Note 9 Income tax expense/(benefit)

	Consolidated 2006 $'000	Consolidated 2005 $'000	Parent 2006 $'000	Parent 2005 $'000
(a) Income tax expense/(benefit)				
Current tax	-	-	-	-
Deferred tax	(19,427)	(29,718)	(19,427)	(29,718)
Under/(over) provided in prior years	-	-	-	-
	(19,427)	**(29,718)**	**(19,427)**	**(29,718)**
Deferred income tax (revenue)/expense included in income tax expense comprises:				
Decrease/(increase) in deferred tax assets/(liabilities) (note 17)	(19,427)	(29,718)	(19,427)	(29,718)
	(19,427)	**(29,718)**	**(19,427)**	**(29,718)**

(b) Tax consolidation legislation

Australian Rail Track Corporation Ltd and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation as of 1 July 2003. The accounting policy in relation to this legislation is set out in note 1(g).

Note 10 Current assets – Cash and cash equivalents

		Consolidated 2006 $'000	Consolidated 2005 $'000	Parent 2006 $'000	Parent 2005 $'000
Cash at bank and in hand	note (a)	27,233	25,402	26,272	24,863
Deposits at call	note (b)	417,303	621,888	417,303	621,888
ANZ Cash Plus Fund	note (c)	285,845	175,353	285,845	175,353
		730,381	**822,643**	**729,420**	**822,104**

(a) Cash at bank and in hand

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates.

(b) Deposits at call

The "deposits at call" at balance date reflects funds available to the Group that have been placed on deposit with major Australian banking institutions and across a spread of short term commercial papers in accordance with Board approved treasury investment policy.

(c) ANZ Cash Plus Fund

As at 30 June 2006, the Group held a balance of 279,293,084 units in the ANZ Cash Plus Fund, with a market value of $285,845,300.

(d) Fair value

The carrying amount of cash and cash equivalents equals the fair value.

Note 11 Current assets – Other financial assets

	Consolidated		Parent	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Other financial assets	270,000	-	270,000	-
	270,000	**-**	**270,000**	**-**

The "other financial assets" at balance date reflects the receipt of the Special Government Grant of $270m (refer note 6) on 27 June 2006. 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 commercial papers and bank bills greater than 90 days, but not more than 182 days in accordance with Board approved treasury investment policy.

Note 12 Current assets – Trade and other receivables

		Consolidated		Parent	
		2006	2005	2006	2005
		$'000	$'000	$'000	$'000
Net trade receivables					
Trade receivables	note (a)	38,600	36,327	38,564	36,324
Other receivables	note (b)	40,791	32,098	40,681	32,055
		79,391	**68,425**	**79,245**	**68,379**
Amounts due from subsidiary					
Amount due from subsidiary		-	-	856	111
		-	-	856	111
		79,391	**68,425**	**80,101**	**68,490**

(a) **Bad and doubtful trade receivables**

The Group has recognised a loss of $25,423 (2005:$Nil) in respect of bad and doubtful trade receivables during the year ended 30 June 2006. The loss has been included in "other expenses" in the income statement.

(b) **Other receivables**

These amounts generally arise from transactions outside the usual operating activities of the Group. Interest may be charged at commercial rates where the terms of repayment exceed six months. Collateral is not normally obtained. Other receivables includes a balance of $26.7m relating to annual and long service leave transferred across for employees under a labour services agreement with the New South Wales government. These employees are seconded to the Group for both the New South Wales leased network and the New South Wales Country Regional network from the State Rail Authority and the Rail Infrastructure Corporation, such that when the leave is taken by the seconded employee, the Group is entitled to recover certain costs back from the Rail Infrastructure Corporation and the State Rail Authority that had accrued prior to secondment to the Group.

Note 13 Current assets – Inventories

	Consolidated		Parent	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Inventory - Raw Materials				
At cost	27,621	7,710	27,621	7,710
	27,621	**7,710**	**27,621**	**7,710**

Note 14 Current assets – Other current assets

	Consolidated		Parent	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Prepayments	5,227	2,590	5,227	2,590
Other current assets	70	228	70	228
	5,297	**2,818**	**5,297**	**2,818**

Note 15 Non-current assets – Trade and other receivables

	Consolidated		Parent	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Other receivables	574	48	574	48
	574	**48**	**574**	**48**

Note 16 Non-current assets – Property, plant and equipment

Consolidated

	Construction in progress $'000	Freehold land $'000	Freehold buildings $'000	Leasehold buildings $'000
At 1 July 2004				
Cost	13,860	-	950	-
Valuation	-	-	-	-
Accumulated depreciation	-	-	(895)	-
Net book amount	**13,860**	**-**	**55**	**-**
Year ended 30 June 2005				
Opening net book amount	13,860	-	55	-
Revaluation surplus	-	-	-	-
Additions into asset register from capital work in progress	-	10	5,739	188
Transfer of Foundation asset	-	-	-	-
Additions into capital work in progress	40,548	-	-	-
Depreciation charge	-	-	(57)	(7)
Transfers out of capital work in progress	(25,074)	-	-	-
Closing net book amount	**29,334**	**10**	**5,737**	**181**
At 30 June 2005				
Cost	29,334	10	6,689	188
Valuation	-	-	-	-
Accumulated depreciation	-	-	(952)	(7)
Net book amount	**29,334**	**10**	**5,737**	**181**

Note 16 Non-current assets – Property, plant and equipment (continued)

Consolidated

	Plant and equipment $'000	Leasehold improvements $'000	Total $'000
At 1 July 2004			
Cost	17,283	19,237	51,330
Valuation	181,989	-	181,989
Accumulated depreciation	(37,303)	(2,628)	(40,826)
Net book amount	**161,969**	**16,609**	**192,493**
Year ended 30 June 2005			
Opening net book amount	161,969	16,609	192,493
Revaluation surplus	98,810	-	98,810
Additions into asset register from capital work in progress	12,338	6,799	25,074
Transfer of Foundation asset	-	(1,861)	(1,861)
Additions into capital work in progress	-	-	40,548
Depreciation charge	(11,720)	(2,950)	(14,734)
Transfers out of capital work in progress	-	-	(25,074)
Closing net book amount	**261,397**	**18,597**	**315,256**
At 30 June 2005			
Cost	294	24,177	60,692
Valuation	261,157	-	261,157
Accumulated depreciation	(54)	(5,580)	(6,593)
Net book amount	**261,397**	**18,597**	**315,256**

Consolidated

		Construction in progress $'000	Freehold land $'000	Freehold buildings $'000	Leasehold buildings $'000
Year ended 30 June 2006					
Opening net book amount		29,334	10	5,737	181
Reclassify assets from leasehold improvements to plant & equipment		-	-	-	-
Additions into asset register from capital work in progress		-	-	-	1,200
Additions into capital work in progress		187,194	-	-	-
Depreciation charge		-	-	(149)	(75)
Transfers out of capital work in progress		(29,941)	-	-	-
Closing net book amount		**186,587**	**10**	**5,588**	**1,306**
At 30 June 2006					
Cost		186,587	10	6,689	1,388
Valuation	note (a)	-	-	-	-
Accumulated depreciation		-	-	(1,101)	(82)
Net book amount		**186,587**	**10**	**5,588**	**1,306**

Consolidated

		Plant and equipment $'000	Leasehold improvements $'000	Total $'000
Year ended 30 June 2006				
Opening net book amount		261,397	18,597	315,256
Reclassify assets from leasehold improvements to plant & equipment		1,066	(1,066)	-
Additions into asset register from capital work in progress		10,571	18,170	29,941
Additions into capital work in progress		-	-	187,194
Depreciation charge		(15,976)	(3,844)	(20,044)
Transfers out of capital work in progress		-	-	(29,941)
Closing net book amount		**257,058**	**31,857**	**482,406**
At 30 June 2006				
Cost		10,866	40,512	246,052
Valuation	note (a)	262,223	-	262,223
Accumulated depreciation		(16,031)	(8,655)	(25,869)
Net book amount		**257,058**	**31,857**	**482,406**

Notes to the Financial Statements

30 June 2006

Note 16 Non-current assets – Property, plant and equipment (continued)

Parent

	Construction in progress $'000	Freehold land $'000	Freehold buildings $'000	Leasehold buildings $'000
At 1 July 2004				
Cost	13,860	-	950	-
Valuation	-	-	-	-
Accumulated depreciation	-	-	(895)	-
Net book amount	**13,860**	**-**	**55**	**-**
Opening net book amount	13,860	-	55	-
Revaluation surplus	-	-	-	-
Additions into asset register from capital work in progress	-	10	5,739	188
Transfer of Foundation asset	-	-	-	-
Additions into capital work in progress	40,523	-	-	-
Depreciation charge	-	-	(57)	(7)
Transfers out of capital work in progress	(25,049)	-	-	-
Closing net book amount	**29,334**	**10**	**5,737**	**181**
At 30 June 2005				
Cost	29,334	10	6,689	188
Valuation	-	-	-	-
Accumulated depreciation	-	-	(952)	(7)
Net book amount	**29,334**	**10**	**5,737**	**181**

Parent

	Plant and equipment $'000	Leasehold improvements $'000	Total $'000
At 1 July 2004			
Cost	17,014	19,237	51,061
Valuation	181,989	-	181,989
Accumulated depreciation	(37,291)	(2,628)	(40,814)
Net book amount	**161,712**	**16,609**	**192,236**
Opening net book amount	161,712	16,609	192,236
Revaluation surplus	98,810	-	98,810
Additions into asset register from capital work in progress	12,313	6,799	25,049
Transfer of Foundation asset	-	(1,861)	(1,861)
Additions into capital work in progress	-	-	40,523
Depreciation charge	(11,678)	(2,950)	(14,692)
Transfers out of capital work in progress	-	-	(25,049)
Closing net book amount	**261,157**	**18,597**	**315,016**
At 30 June 2005			
Cost	-	24,177	60,398
Valuation	261,157	-	261,157
Accumulated depreciation	-	(5,580)	(6,539)
Net book amount	**261,157**	**18,597**	**315,016**

Notes to the Financial Statements

30 June 2006

Note 16 Non-current assets – Property, plant and equipment (continued)

Parent

		Construction in progress $'000	Freehold land $'000	Freehold buildings $'000	Leasehold buildings $'000
Year ended 30 June 2006					
Opening net book amount		29,334	10	5,737	181
Reclassify assets from leasehold improvements to plant & equipment		-	-	-	-
Additions into asset register from capital work in progress		-	-	-	1,200
Additions into capital work in progress		187,052	-	-	-
Depreciation charge		-	-	(149)	(75)
Transfers out of capital work in progress		(29,809)	-	-	-
Closing net book amount		**186,577**	**10**	**5,588**	**1,306**
At 30 June 2006					
Cost		186,577	10	6,689	1,388
Valuation	note (a)	-	-	-	-
Accumulated depreciation		-	-	(1,101)	(82)
Net book amount		**186,577**	**10**	**5,588**	**1,306**

Parent

		Plant and equipment $'000	Leasehold improvements $'000	Total $'000
Year ended 30 June 2006				
Opening net book amount		261,157	18,597	315,016
Reclassify assets from leasehold improvements to plant & equipment		1,066	(1,066)	-
Additions into asset register from capital work in progress		10,439	18,170	29,809
Additions into capital work in progress		-	-	187,052
Depreciation charge		(15,929)	(3,844)	(19,997)
Transfers out of capital work in progress		-	-	(29,809)
Closing net book amount		**256,733**	**31,857**	**482,071**
At 30 June 2006				
Cost		10,439	40,512	245,615
Valuation	note (a)	262,223	-	262,223
Accumulated depreciation		(15,929)	(8,655)	(25,767)
Net book amount		**256,733**	**31,857**	**482,071**

(a) **Basis of Directors valuation - 2005**

Plant and equipment represents the fair value of the Group's South Australian and Western Australian owned assets, based on an independent valuation as at 30 June 2005 adopted by the Board of ARTC. The valuation was performed by Equity & Advisory Pty Ltd. Equity & Advisory used a discounted cash flow approach to provide an estimate of the "Value in Use" of the ARTC SA/WA assets for both AGAAP and AIFRS. Refer to note 27 for movement in the asset revaluation reserve.

Note 17 Non-current assets – Deferred tax assets

	Consolidated		Parent	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
The balance comprises temporary differences attributable to:				
Other	64,372	44,945	64,372	44,945
Tax losses	20,354	16,255	20,354	16,255
	84,726	**61,200**	**84,726**	**61,200**
Set-off of deferred tax liabilities of parent entity pursuant to set-off provisions	(65,299)	(61,200)	(65,299)	(61,200)
Net deferred tax assets	**19,427**	**-**	**19,427**	**-**
Movements:				
Opening balance at 1 July	-	-	-	-
Credited/(charged) to the income statement (note 9)	19,427	29,718	19,427	29,718
Credited/(charged) to equity	-	(29,718)	-	(29,718)
Closing balance at 30 June	**19,427**	**-**	**19,427**	**-**
Deferred tax assets to be recovered after more than 12 months	6,128	-	6,128	-
Deferred tax assets to be recovered within 12 months	13,299	-	13,299	-
	19,427	**-**	**19,427**	**-**

Notes to the Financial Statements

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Note 18 Non-current assets – Intangible assets

Consolidated

	Computer software $'000	Total $'000
At 1 July 2004		
Cost	1,014	1,014
Valuation	-	-
Accumulated amortisation and impairment	(467)	(467)
Net book amount	**547**	**547**
Year ended 30 June 2005		
Opening net book amount	547	547
Revaluation	251	251
Additions into asset register from capital work in progress	194	194
Amortisation charge	(335)	(335)
Closing net book amount	**657**	**657**
At 30 June 2005		
Cost	-	-
Valuation	657	657
Accumulated amortisation and impairment	-	-
Net book amount	**657**	**657**
Year ended 30 June 2006		
Opening net book amount	657	657
Additions	430	430
Amortisation charge	(498)	(498)
Closing net book amount	**589**	**589**
At 30 June 2006		
Cost	430	430
Valuation	657	657
Accumulated amortisation and impairment	(498)	(498)
Net book amount	**589**	**589**

Parent

	Computer software $'000	Total $'000
At 1 July 2004		
Cost	1,014	1,014
Valuation	-	-
Accumulated amortisation and impairment	(467)	(467)
Net book amount	**547**	**547**
Year ended 30 June 2005		
Opening net book amount	547	547
Revaluation	251	251
Additions	194	194
Amortisation charge	(335)	(335)
Closing net book amount	**657**	**657**
At 30 June 2005		
Cost	-	-
Valuation	657	657
Accumulated amortisation and impairment	-	-
Net book amount	**657**	**657**
Year ended 30 June 2006		
Opening net book amount	657	657
Additions	430	430
Amortisation charge	(498)	(498)
Closing net book amount	**589**	**589**
At 30 June 2006		
Cost	430	430
Valuation	657	657
Accumulated amortisation and impairment	(498)	(498)
Net book amount	**589**	**589**

Note 19 Current liabilities – Payables

	Consolidated 2006 $'000	Consolidated 2005 $'000	Parent 2006 $'000	Parent 2005 $'000
Trade payables	66,159	44,423	67,042	45,029
Other payables	1,279	842	1,279	842
	67,438	**45,265**	**68,321**	**45,871**

Note 20 Current liabilities – Other current liabilities

	Consolidated 2006 $'000	Consolidated 2005 $'000	Parent 2006 $'000	Parent 2005 $'000
Unearned interest	9,295	2,020	9,295	2,020
	9,295	**2,020**	**9,295**	**2,020**

Interest relating to commercial papers and bank bills that as at 30 June 2006 has not been brought into account as interest.

Note 21 Current liabilities – Provisions

		Consolidated 2006 $'000	Consolidated 2005 $'000	Parent 2006 $'000	Parent 2005 $'000
Employee benefits		48,169	42,519	48,053	42,291
Coal provision	note (a)	5,657	5,889	5,657	5,889
Incident provision	note (b)	10,757	10,928	10,757	10,928
Other provisions	note (c)	5,356	6,459	5,356	6,459
		69,939	**65,795**	**69,823**	**65,567**

(a) **Coal provision**

This provision relates to the Hunter Valley coal revenue, where the Group has provided for regulatory uncertainty and for the possible transfer of funds to train operators upon final completion and negotiations of the coal 'Unders and Overs' calculation under the regulatory pricing regime.

(b) **Incident provision**

The incident provision recognises the Group's potential obligations with respect to costs associated with damage caused with incidents such as derailments, which occurred whilst using the Group's rail infrastructure.

(c) **Other Provisions**

Comprises:

Provision for access fee revenue related to items in dispute;

Provision for a proposed settlement on behalf of Rail Infrastructure Corporation, relating to disputes with train operators regarding certain costs of expenditure on the Group's rail network; and

Provision for the consolidation of the Islington plan room into the framework of the Group.

(d) **Movements in provisions**

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

	Employee benefits $'000	Coal provision $'000	Incident provision $'000	Other provisions $'000	Total $'000
Consolidated - 2006					
Current					
Carrying amount at start of year	42,519	5,889	10,928	6,459	65,795
Additional provisions recognised	17,557	5,657	10,748	2,556	36,518
Payments/other sacrifices of economic benefits	(11,907)	(5,889)	(10,919)	(3,659)	(32,374)
Carrying amount at end of year	**48,169**	**5,657**	**10,757**	**5,356**	**69,939**
Parent - 2006					
Current					
Carrying amount at start of year	42,291	5,889	10,928	6,459	65,567
Additional provisions recognised	17,564	5,657	10,748	2,556	36,525
Payments/other sacrifices of economic benefits	(11,802)	(5,889)	(10,919)	(3,659)	(32,269)
Carrying amount at end of year	**48,053**	**5,657**	**10,757**	**5,356**	**69,823**

Note 22 Current liabilities – Deferred income government grants

	Consolidated		Parent	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Government grants	1,170	-	1,170	-
	1,170	**-**	**1,170**	**-**

The Government grants received by the Group to 30 June 2006 and classified as current are $1.17m and are only recognised as income when projects are completed and then over the useful lives of the assets funded. (refer to note 1(f) for the Group's accounting policy in relation to government grants).

Note 23 Non-current liabilities – Deferred income government grants

	Consolidated		Parent	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Government grants	25,837	15,006	25,837	15,006
	25,837	**15,006**	**25,837**	**15,006**

The Government grants received by the Group to 30 June 2006 and classified as non current are $25.84m and are only recognised as income when projects are completed and then over the useful lives of the assets funded. (refer to note 1(f) for the Group's accounting policy in relation to government grants).

Note 24 Non-current liabilities – Provisions

	Consolidated		Parent	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Employee benefits	6,925	2,980	6,772	2,789
	6,925	**2,980**	**6.772**	**2,789**

Note 25 Defined benefit obligations

(a) **Superannuation plan**

On commencement on 5 September 2004 of the 60 year lease with the NSW Government to operate the NSW interstate main lines, the Hunter Valley rail corridor and dedicated metropolitan freight lines to the Sydney ports, employees previously employed by RIC/SRA and now currently employed by ARTC are members of the following defined benefit funds:

State Authorities Superannuation Scheme (SASS)

State Superannuation Scheme (SSS)

State Authorities Non-contributory Superannuation Scheme (SANCS)

All the Schemes are closed to new members.

The following sets out details in respect of the defined benefit section.

(b) **Balance sheet amounts**

The amounts recognised in the balance sheet are determined as follows:

	Consolidated		Parent	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Present value of the defined benefit obligation	19,946	18,461	19,946	18,461
Fair value of defined benefit plan assets	(20,577)	(16,806)	(20,577)	(16,806)
Net (asset)/liability in the balance sheet	**(631)**	**1,655**	**(631)**	**1,655**

(c) **Categories of plan assets**

The major categories of plan assets are as follows:

	Consolidated		Parent	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Cash	1,029	1,176	1,029	1,176
Equity instruments	13,437	10,083	13,437	10,083
Fixed interest securities	3,436	3,025	3,436	3,025
Property	1,770	1,513	1,770	1,513
Other assets	905	1,009	905	1,009
	20,577	**16,806**	**20,577**	**16,806**

All fund assets are invested by the SASS Trustee Corporation (STC) at arm's length through independent fund managers.

(d) **Reconciliations**

	Consolidated		Parent	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Reconciliation of the present value of the defined benefit obligation, which is partly funded:				
Balance at the beginning of the year	18,461	-	18,461	-
Current service cost	597	144	597	144
Interest cost	1,054	250	1,054	250
Contributions by plan participants	224	-	224	-
Actuarial (gains) and losses (*)	(318)	7,155	(318)	7,155
Benefits paid	(72)	10,912	(72)	10,912
Balance at the end of the year	**19,946**	**18,461**	**19,946**	**18,461**

	Consolidated		Parent	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Reconciliation of the fair value of plan assets:				
Balance at the beginning of the year	16,806	-	16,806	-
Expected return on plan assets	1,022	-	1,022	-
Actuarial gains and (losses) (*)	1,968	5,500	1,968	5,500
Employer contributions	629	394	629	394
Contributions by fund participants	224	-	224	-
Benefits paid	(72)	10,912	(72)	10,912
Balance at the end of the year	**20,577**	**16,806**	**20,577**	**16,806**

(e) **Amounts recognised in income statement**

The amounts recognised in the Income Statement are as follows:

	Consolidated		Parent	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Current service cost	597	144	597	144
Interest cost	1,054	250	1,054	250
Expected return on plan assets	(1,022)	-	(1,022)	-
Total included in employee benefits expense	**629**	**394**	**629**	**394**

(f) **Amounts recognised against retained earnings**

Net actuarial losses(gains) recognised against retained earnings in the year (refer to (*) above)	(2,286)	1,655	(2,286)	1,655

Note 25 Defined benefit obligations (continued)

(g) **Actual return on fund assets**

Actual (returns) losses on fund assets for the year as per actuarial advice	(2,651)	(1,118)	(2,651)	(1,118)

(h) **Principal actuarial assumptions**

	Consolidated		Parent	
	2006	2005	2006	2005
Discount rate	5.9%	5.2%	5.9%	5.2%
Expected return on plan assets	7.6%	7.3%	7.6%	7.3%
Future salary increases	4.0%	4.0%	4.0%	4.0%

The expected rate of return on assets assumption is determined by weighing the expected long-term return for each asset class by the target allocation of assets to each class. The returns used for each class are net of investment tax and investment fees.

(i) **Employer contributions**

Employer contributions to the defined benefit section of the plan are based on recommendations by the plan's actuary.

The method used to determine the employer contribution recommendations at the last actuarial review was the Aggregate Funding method. The method adopted affects the timing of the cost to the employer.

Under the Aggregate Funding method, the employer contribution rate is determined so that sufficient assets will be available to meet benefit payments to existing members, taking into account the current value of assets and future contributions.

Total employer contributions expected to be paid by Group companies for the year ending 30 June 2006 are $583,240 (parent entity: $583,240).

The economic assumptions used by the actuary to make the funding recommendations were an expected rate of return on Fund assets of 7.3% pa, a salary increase rate of 4% pa and an inflation rate of 2.5% pa.

(j) **Historic summary**

	2006	2005	2004	2003	2002
	$'000	$'000	$'000	$'000	$'000
Defined benefit plan obligation	(19,946)	(18,461)	-	-	-
Plan assets	20,577	16,806	-	-	-
Surplus / (deficit)	**631**	**(1,655)**	**-**	**-**	**-**
Experience adjustments arising on plan liabilities	(318)	7,550	-	-	-
Experience adjustments arising on plan assets	(1,708)	(5,501)	-	-	-

ARTC entered the fund in 2005. Information for years prior to 2005 are therefore not applicable.

Note 26 Contributed equity

		Parent		Parent	
		2006 Shares	2005 Shares	2006 $'000	2005 $'000
(a)	**Share capital**				
	Fully paid	235,126	235,126	235,126	235,126
		235,126	235,126	235,126	235,126
	Total contributed equity			**235,126**	**235,126**

(b) **Movements in ordinary share capital:**

Date	Details	Number of shares	Issue price	$'000
1 July 2004	Opening balance	91,751		91,751
	Share Capital issued during the year	143,375	$1.00	143,375
30 June 2005	**Balance**	**235,126**		**235,126**
1 July 2005	Opening balance	235,126		235,126
30 June 2006	**Balance**	**235,126**		**235,126**

(c) **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.

Note 27 Reserves and retained earnings

	Consolidated		Parent	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
(a) Reserves				
Asset revaluation reserve	123,123	123,123	123,123	123,123
	123,123	**123,123**	**123,123**	**123,123**
Movements:				
Asset revaluation reserve				
Balance 1 July	123,123	53,780	123,123	53,780
Revaluation - gross note (16) and note (18)	-	99,061	-	99,061
Deferred tax note (17)	-	(29,718)	-	(29,718)
Balance 30 June	**123,123**	**123,123**	**123,123**	**123,123**

(b) Retained earnings

Movements in retained earnings were as follows:

	Consolidated		Parent	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Retained earnings	726,587	554,210	725,809	553,688
Profit for the year	348,591	174,032	348,292	173,776
Actuarial gains(losses) on defined benefit plans recognised directly in retained earnings	2,286	(1,655)	2,286	(1,655)
Balance 30 June	**1,077,464**	**726,587**	**1,076,387**	**725,809**

(c) Nature and purpose of reserves

(i) Asset revaluation reserve

Refer to Note 16 and Note 18

Note 28 Directors' and Key Management Personnel disclosures

(a) **Directors**

The following persons were Directors of ARTC during the financial year:

(i) Chairman - non-executive

B K Murphy

(ii) Executive Director

D W Marchant (Chief Executive Officer)

(iii) Non-executive Directors

A H D Budd

R I McCutcheon

G D Walters

R B Maher

M D F Pop

(b) **Key Management Personnel**

The following persons were Key Management Personnel of ARTC during the financial year:

Chief Operating Officer	G W James
Chief Financial Officer	A J Bishop
Chief Development and Information Officer	L J Welsby
General Manager Asset Management	T F Ryan
General Manager Corporate Services	G Atkinson
General Manager Country Regional Network	A D Mackenzie
General Manager Operations and Customer Service	D McMillan-Hall
General Manager Risk and Safety	A W Kitto
Company Secretary	S R Gray

(c) **Remuneration of Directors and Key Management Personnel**

	Consolidated		Parent	
	2006	2005	2006	2005
	$	$	$	$
Short-term employee benefits	2,241,827	1,898,305	2,241,827	1,898,305
Post-employment benefits	371,181	308,900	371,181	308,900
	2,613,008	**2,207,205**	**2,613,008**	**2,207,205**

Remuneration of Directors and Key Management Personnel

The list of Directors and Key Management Personnel 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 above. The total of all remuneration paid, or due and payable, directly or indirectly, from the Group to the Directors and Key Management Personnel was $2,613,008 (2005: $2,207,205).

Note 29 Remuneration of auditors

		Consolidated 2006 $	Consolidated 2005 $	Parent 2006 $	Parent 2005 $
(a)	**Assurance services**				
	Audit services				
	The following total remuneration was received or is due and receivable, by the Australian National Audit Office in respect of services performed by their contractors Ernst & Young:				
	Auditing the financial report of the entity in the consolidated group; Corporations Act 2001	180,400	161,366	180,400	161,366
	Total remuneration for audit services	**180,400**	**161,366**	**180,400**	**161,366**
	Other assurance services				
	The following total remuneration was received or is due and receivable, by the Australian National Audit Office in respect of services performed by their contractors Ernst & Young:				
	Assistance with the transition to AIFRS	12,300	48,740	12,300	48,740
	Total remuneration for other assurance services	12,300	48,740	12,300	48,740
	Total remuneration for assurance services	**192,700**	**210,106**	**192,700**	**210,106**

(b) **Taxation services**

Preparation and completion of income tax returns, including advice in preparation of Division 58 claim in relation to leased NSW assets and general taxation advice as provided by Ernst and Young.

Note 30 Contingencies

(a) **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 and or other recoveries have not been recognised at year end, as their ultimate collection is not considered certain.

Note 31 Commitments

(a) Capital commitments

At 30 June 2006, the Group has commitments in the order of $944.1m relating to the substantial investment program that the Group will be undertaking in the North-South interstate corridor in the coming years.

The scope of the work is over a range of projects along the corridor, with the focus on repairing, renovating and rebuilding the rail infrastructure assets to address rail's performance on the corridor.

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

	Consolidated		Parent	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Property, plant and equipment Payable:				
Within one year	475,169	-	475,169	-
Later than one year but not later than five years	468,943	-	468,943	-
Later than five years	-	-	-	-
Commitments not recognised in the financial statements	**944,112**	**-**	**944,112**	**-**

(b) Lease commitments: Group company as lessee

The Group leases various offices and warehouses under operating leases expiring within one to eight years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

The Group also leases motor vehicles under operating leases.

The Group also has a 15 year lease with Victrack for the lease of the interstate rail network in Victoria.

	Consolidated		Parent	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities. are payable as follows:				
Within one year	5,746	4,384	5,652	4,384
Later than one year but not later than five years	20,509	19,590	20,509	19,590
Later than five years	9,474	12,376	9,474	12,378
Commitments not recognised in the financial statements	**35,729**	**36,350**	**35,635**	**36,352**

Note 31 Commitments (continued)

(c) **Lease commitments : where the Group is the lessor**

The Group has entered into various property leases with terms of the lease ranging from 1 year to indefinite.

The future minimum lease payments receivable under operating leases are as follows:

	Consolidated		Parent	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Within one year	2,483	2,649	2,483	2,649
Later than one year and not later than five years	8,425	8,976	8,425	8,976
Later than five years	9,520	11,453	9,520	11,453
Commitments not recognised in the financial statements	**20,428**	**23,078**	**20,428**	**23,078**

Note 32 Related party disclosures

(a) **Ultimate controlling entity**

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

(b) **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.

The 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 Directors' 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 the Group has a commercial relationship with. This consultancy work does not relate to matters associated with the Group. The Group 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 the Group has a commercial relationship with. This representational role does not relate to matters associated with the Group. The Group deals with Mercer Human Resource Consulting under normal commercial terms and conditions.

There were no loans to Directors at year end (2005:$nil).

(c) **Other related parties transactions including shareholders**

There were no other related party transactions.

Note 33 Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(c):

Name of entity	Country of incorporation	Equity holding ** 2006 %	Equity holding ** 2005 %
ARTC Services Company Pty Ltd	Australia	100	100
Standard Gauge Company Pty Ltd	Australia	100	100

Note 34 Economic dependency

A significant level of the Group'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 35 Reconciliation of profit after income tax to net cash inflow from operating activities

	Consolidated		Parent	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Profit for the year (before special government grant)	78,591	74,032	78,292	73,776
Depreciation and amortisation	20,542	15,069	20,495	15,027
Doubtful debts	22	-	22	-
Movement in provisions	8,068	58,473	8,217	58,362
Decrease (Increase) in trade debtors and other receivables	(11,492)	(58,041)	(11,392)	(58,077)
Decrease (Increase) in inventories	(19,911)	(4,407)	(19,911)	(4,706)
Decrease (Increase) in other financial assets	(2,479)	(1,055)	(2,479)	(1,054)
(Decrease) Increase in trade creditors	22,173	33,537	22,450	33,743
(Decrease) Increase in other operating liabilities	(578)	2,018	(577)	2,018
Increase (decrease) in provision for deferred income tax	(19,427)	(29,718)	(19,427)	(29,718)
Net cash (outflow) inflow from operating activities	**75,509**	**89,908**	**75,690**	**89,371**

Note 36 Explanation of transition to Australian Equivalents to IFRS

(a) At the date of transition to AIFRS: 1 July 2004

	Notes	Consolidated Previous AGAAP $'000	Consolidated Effect of transition to AIFRS $'000	Consolidated AIFRS $'000	Parent Previous AGAAP $'000	Parent Effect of transition to AIFRS $'000	Parent AIFRS $'000
ASSETS							
Current assets							
Cash and cash equivalents		665,461	-	665,461	665,084	-	665,084
Inventories		3,303	-	3,303	3,004	-	3,004
Trade and other receivables		10,432	-	10,432	10,811	-	10,811
Other current assets		1,763	-	1,763	1,763	-	1,763
Total current assets		**680,959**	**-**	**680,959**	**680,662**	**-**	**680,662**
Non-current assets							
Property, plant and equipment	3 (c)	193,040	(547)	192,493	192,783	(547)	192,236
Intangible assets	3 (c)	-	547	547	-	547	547
Other financial assets		-	-	-	123	-	123
Total non-current assets		**193,040**	**-**	**193,040**	**192,906**	**-**	**192,906**
Total assets		**873,999**	**-**	**873,999**	**873,568**	**-**	**873,568**
LIABILITIES							
Current liabilities							
Provisions		17,751	-	17,751	17,589	-	17,589
Trade and other payables		11,790	-	11,790	12,191	-	12,191
Total current liabilities		**29,541**	**-**	**29,541**	**29,780**	**-**	**29,780**
Non-current liabilities							
Provisions		1,341	-	1,341	1,193	-	1,193
Total non-current liabilities		**1,341**	**-**	**1,341**	**1,193**	**-**	**1,193**
Total liabilities		**30,882**	**-**	**30,882**	**30,973**	**-**	**30,973**
Net assets		**843,117**	**-**	**843,117**	**842,595**	**-**	**842,595**
EQUITY							
Contributed equity		235,126	-	235,126	235,126	-	235,126
Reserves	3 (d)	76,830	(23,049)	53,781	76,830	(23,049)	53,781
Retained earnings	3 (d)	531,161	23,049	554,210	530,639	23,049	553,688
Parent entity interest		**843,117**	**-**	**843,117**	**842,595**	**-**	**842,595**
Total equity		**843,117**	**-**	**843,117**	**842,595**	**-**	**842,595**

(b) **At the end of the last reporting period under previous AGAAP: 30 June 2005**

	Notes	Consolidated Previous AGAAP $'000	Consolidated Effect of transition to AIFRS $'000	Consolidated AIFRS $'000	Parent Previous AGAAP $'000	Parent Effect of transition to AIFRS $'000	Parent AIFRS $'000
ASSETS							
Current assets							
Cash and cash equivalents		822,643	-	822,643	822,104	-	822,104
Inventories		7,710	-	7,710	7,710	-	7,710
Trade and other receivables		68,425	-	68,425	68,490	-	68,490
Other current assets		2,818	-	2,818	2,818	-	2,818
Total current assets		**901,596**	**-**	**901,596**	**901,122**	**-**	**901,122**
Non-current assets							
Property, plant and equipment	3(c)	315,913	(657)	315,256	315,673	(657)	315,016
Intangible assets	3(c)	-	657	657	-	657	657
Trade and other receivables		48	-	48	48	-	48
Other financial assets		-	-	-	123	-	123
Total non-current assets		**315,961**	**-**	**315,961**	**315,844**	**-**	**315,844**
Total assets		**1,217,557**	**-**	**1,217,557**	**1,216,966**	**-**	**1,216,966**
LIABILITIES							
Current liabilities							
Deferred income- government grants		-	-	-	-	-	-
Provisions		65,795	-	65,795	65,567	-	65,567
Trade and other payables	3(b)	56,734	(11,469)	45,265	57,340	(11,469)	45,871
Other current liabilities		2,020	-	2,020	2,020	-	2,020
Total current liabilities		**124,549**	**(11,469)**	**113,080**	**124,927**	**(11,469)**	**113,458**
Non-current liabilities							
Deferred income government grants	3(b)	-	15,006	15,006	-	15,006	15,006
Provisions		2,980	-	2,980	2,789	-	2,789
Defined benefit liability	3(a)	-	1,655	1,655	-	1,655	1,655
Total non-current liabilities		**2,980**	**16,661**	**19,641**	**2,789**	**16,661**	**19,450**
Total liabilities		**127,529**	**5,192**	**132,721**	**127,716**	**5,192**	**132,908**
Net assets		**1,090,028**	**(5,192)**	**1,084,836**	**1,089,250**	**(5,192)**	**1,084,058**

Notes to the Financial Statements

30 June 2006

Note 36 Explanation of transition to Australian Equivalents to IFRS (continued)

	Notes	Consolidated Previous AGAAP $'000	Consolidated Effect of transition to AIFRS $'000	Consolidated AIFRS $'000	Parent Previous AGAAP $'000	Parent Effect of transition to AIFRS $'000	Parent AIFRS $'000
EQUITY							
Contributed equity		235,126	-	235,126	235,126	-	235,126
Reserves	3(d)	175,891	(52,768)	123,123	175,891	(52,768)	123,123
Retained earnings	3(a),(b),(c)	679,011	47,576	726,587	678,233	47,576	725,809
Total equity		**1,090,028**	**(5,192)**	**1,084,836**	**1,089,250**	**(5,192)**	**1,084,058**

(1) **Reconciliation of profit for the year ended 30 June 2005**

	Notes	Consolidated Previous AGAAP $'000	Consolidated Effect of transition to AIFRS $'000	Consolidated AIFRS $'000	Parent Previous AGAAP $'000	Parent Effect of transition to AIFRS $'000	Parent AIFRS $'000
Revenue	3(b)	389,898	(3,536)	386,362	389,859	(3,536)	386,323
Depreciation and amortisation expense		(15,069)	-	(15,069)	(15,027)	-	(15,027)
Employee benefits expense		(116,230)	-	(116,230)	(113,818)	-	(113,818)
Incident costs		(9,424)	-	(9,424)	(9,424)	-	(9,424)
Infrastructure maintenance		(138,575)	-	(138,575)	(142,775)	-	(142,775)
Insurance		(9,232)	-	(9,232)	(9,230)	-	(9,230)
Legal fees		(2,128)	-	(2,128)	(2,128)	-	(2,128)
Motor vehicle expenses		(4,353)	-	(4,353)	(3,726)	-	(3,726)
Operating lease expense		(5,664)	-	(5,664)	(5,652)	-	(5,652)
Project and development expenses		(8,376)	-	(8,376)	(8,375)	-	(8,375)
Service agreements		(3,710)	-	(3,710)	(3,710)	-	(3,710)
Train control communications		(1,964)	-	(1,964)	(1,964)	-	(1,964)
Communications expenses		(5,131)	-	(5,131)	(5,077)	-	(5,077)
Other expenses		(22,192)	-	(22,192)	(21,359)	-	(21,359)
Profit before income tax		**47,850**	**(3,536)**	**44,314**	**47,594**	**(3,536)**	**44,058**
Income tax (expense)/benefit	3(d)	-	29,718	29,718	-	29,718	29,718
Profit from continuing operations		47,850	26,182	74,032	47,594	26,182	73,776
Special government grant		100,000	-	100,000	100,000	-	100,000
Profit attributable to members of Australian Rail Track Corporation Ltd		**147,850**	**26,182**	**174,032**	**147,594**	**26,182**	**173,776**

(2) **Reconciliation of cash flow statement for the year ended 30 June 2005**

The adoption of AIFRS has not resulted in any material adjustments to the cash flow statement.

(3) **Notes to the reconciliations**

(a) Retirement benefit obligations

Australian Rail Track Corporation Ltd is a member of a superannuation plan with a defined benefit section and a defined contribution section. Under previous AGAAP, cumulative actuarial gains and losses on the defined benefit section were not recognised on the balance sheet. Under AIFRS for defined benefit plans, AASB 119 Employee Benefits requires the net surplus or deficit in the scheme to be recognised as an asset or liability in the balance sheet. For the defined benefit plan, adjustments were required to recognise the surplus and deficit on balance sheet in accordance with AASB 119. The Group has decided to adopt the retained earnings approach, whereby actuarial gains and losses are recognised directly in retained earnings in accordance with the early adoption of AASB 119 (Dec 2004). At the date of transition, a liability was recognised in the accounts of ARTC. It was measured as the difference between the present value of the employees' accrued benefits at that date and the net market value of the superannuation fund's assets at that date.

The effect of this is:

(i) At 1 July 2004

For the Group there is no impact as at 1 July 2004.

(ii) At 30 June 2005

For the Group, there has been recognition of $1,654,691 in defined benefit liability and a decrease in retained earnings of $1,654,691. The effect is the same for the parent entity.

(iii) For the year ended 30 June 2005

For the Group there has been no effect to profit.

(b) Government grants

Under AGAAP the fair value of the government grant was recognised as revenue when the entity gained control of the grant. Under AASB 120 Accounting for Government grants and Disclosure of Government assistance, when the government grant relates to an asset, the fair value of the grant is credited to a deferred income account and is released to the profit or loss over the expected useful life of the relevant asset by equal instalments.

The government grants received by the Group, which had previously been recognised as income, were adjusted so that they are now recognised over the useful life of the related asset.

(i) At 1 July 2004

For the Group there is no impact as at 1 July 2004.

(ii) At 30 June 2005

For the Group there has been a decrease in retained earnings of $3,535,705 and recognition of government grants (deferred income) of $15,005,058. This is comprised of the $3,535,705 transferred from income and the transfer of $11,469,353 previously recognised as a liability under creditors to deferred income government grant. The effect is the same for the parent entity.

(iii) For the year ended 30 June 2005

For the Group there has been a decrease in profit of $3,535,705.

Note 36 Explanation of transition to Australian Equivalents to IFRS (continued)

(c) Intangible assets

Under AGAAP computer software was classified as Property, plant & equipment. Under AIFRS standard AASB 138 Intangible Assets, computer software is classified as an intangible asset. Therefore computer software has been reclassified from Property, plant and equipment to Intangible assets.

(i) At July 2004

For the Group there has been a decrease in Property, plant & equipment and an increase to intangibles of $547,000. Net effect is nil. For the Group there is nil profit effect.

(ii) At 30 June 2005

For the Group there has been a decrease in Property, plant and equipment and an increase to intangibles of $657,000. Net effect is nil.

(iii) For the year ended 30 June 2005

For the Group there is nil profit effect.

(d) Deferred tax liability

Under previous AGAAP, income tax expense was calculated by reference to the accounting profit after allowing for permanent differences. Deferred tax was not recognised in relation to amounts recognised directly in equity. The adoption of AIFRS has resulted in a change in accounting policy. The application of AASB 112 has resulted in the recognition of deferred tax assets and deferred tax liabilities in the Group's accounts.

(i) At 1 July 2004

The effect of the application of AASB 112 is as follows (tax rate of 30%):

At 1 July 2004 a reduction in asset revaluation reserve of $23,049,000 and an increase in retained earnings of $23,049,000. The effect is the same for the parent entity.

(ii) At 30 June 2005

The effect of the application of the AASB 112 is as follows:

At 30 June 2005, a reduction in asset revaluation reserve of $52,767,300 and an increase in retained earnings of $23,049,000. The effect is the same for the parent entity.

(iii) For the year ended 30 June 2005

For the Group, an increase in the income tax benefit of $29,718,300 in the Income Statement. The effect is the same for the parent entity.

Directors' Declaration

30 June 2006

In the Directors' opinion:

(a) the financial statements and notes set out on pages 4 to 50 are in accordance with the Corporations Act 2001, including:

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

  (ii) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2006 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the financial year ended on that date; 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; and

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

BK Murphy
Director

Signed in Adelaide

On the 30th August 2006

Australian National
Audit Office

INDEPENDENT AUDIT REPORT

To the members of the Australian Rail Track Corporation Ltd

Matters relating to the Electronic Presentation of the Audited Financial Report

This audit report relates to the financial report of the Australian Rail Track Corporation Ltd and the consolidated entity for the year ended 30 June 2006. The Australian Rail Track Corporation Ltd's directors are responsible for the integrity of both the annual report and its web site.

The audit report refers only to the financial report named below. It does not provide an opinion on any other information which may have been hyperlinked to/from the audited financial report.

If the users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report in the Australian Rail Track Corporation Ltd's annual report.

Scope

The financial report and directors' responsibility

The financial report comprises:

- Directors' Declaration;
- Income Statement, Balance Sheet and Cash Flow Statement;
- Statement of Changes in Equity; and
- Notes to and forming part of the Financial Report

for both the Australian Rail Track Corporation Ltd and the consolidated entity, for the year ended 30 June 2006. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company and the consolidated entity, and that complies with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia. The directors of the company are also responsible for the maintenance of adequate accounting records

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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 the financial report in order to express an opinion on it to the members of the company. 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.

I have 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 Australian Rail Track Corporation Ltd's and the consolidated entity's financial position, and of its 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 my audit, I have complied with the independence requirements of the *Corporations Act 2001*. I confirm that an independence declaration required by the *Corporations Act 2001* dated the same date this audit report was signed has been provided to the directors of the Australian Rail Track Corporation Ltd and included in the Directors' Report.

Independent Audit Report

Audit Opinion

In my opinion, the financial report of the Australian Rail Track Corporation Ltd and the consolidated entity is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Australian Rail Track Corporation Ltd's and the consolidated entity's financial position as at 30 June 2006 and of its performance for the year ended on that date; and

(b) complying with Accounting Standards and other mandatory financial reporting requirements in Australia and the Corporations Regulations 2001.

Australian National Audit Office

Michael J. Watson
Group Executive Director

For the Auditor-General

Canberra
31 August 2006

East West Corridor

Period Ending	Sep QTR	Dec QTR	Mar QTR	Jun QTR	Total
All Services					
No of Services	1,705	1,575	1,550	1,503	6,333
No of Force Majeure Services	16	28	20	21	85
No of Services On Time Entry	954	780	843	712	3,289
% All Services Entering on Time	56.5%	50.4%	55.1%	48.0%	52.6%
% All Services Exiting on Time	54.1%	47.3%	51.0%	45.7%	49.7%
Healthy Services					
Number of Healthy Services	951	782	809	699	3,241
% Services that are Healthy	56.3%	50.5%	52.9%	47.2%	51.9%
On Time Exit Healthy Services	913	732	781	677	3,103
% Healthy Trains Exiting on Time	96.0%	93.6%	96.5%	96.9%	95.7%
Unhealthy Services					
Number of Unhealthy Services	738	765	721	783	3,007
% Services that are Unhealthy	43.7%	49.5%	47.1%	52.8%	48.1%
Number of Late Entry	410	497	426	525	1,858
% Services That Enter Late	24.3%	32.1%	27.8%	35.4%	29.7%
Number of Unhealthy Enroute	328	268	295	258	1,149
Number of Services Deteriorated	115	109	144	66	434
% Unhealthy Services Undeteriorated	84.4%	85.8%	80.0%	91.6%	85.6%
ARTC Delays					
Train Management	4,984	3,828	4,992	3,206	17,010
ARTC Communications	290	204	412	43	949
ARTC Signalling	8,394	13,791	10,537	4,594	37,316
ARTC Track Fault	12,828	13,156	18,494	9,144	53,622
Total:	26,496	30,979	34,435	16,987	108,897
Operator Delays					
Late Entry	52,503	68,980	57,521	71,711	250,715
Crew/Personnel	18,914	20,380	20,592	15,362	75,248
Terminal	18,473	21,128	21,128	21,902	82,631
Operator Run	145,015	150,194	136,152	129,060	114,511
Slow Run	27,317	26,740	30,854	29,600	114,511
Operator Preference	6,113	6,361	6,564	9,356	28,394
Rolling Stock Failure	18,333	20,092	15,558	17,889	71,872
Total:	286,668	313,875	288,369	294,880	1,183,792
Neither Delays					
3rd Party Delay	9,847	10,861	14,650	9,908	45,266
Force Majeure	17,163	66,784	49,708	46,949	180,604
Total:	27,010	77,645	64,358	56,857	225,870
Total Delays					
Total Delays	340,174	422,499	387,162	368,724	1,518,559
Delays Per Service - All	600	1,408	752	1,488	240

Key Performance Indicators 2005/2006

North South Corridor

Period Ending	Sep QTR	Dec QTR	Mar QTR	Jun QTR	Total
All Services					
Number of Services	1,787	1,715	1,576	1,708	6,786
Number of Force Majeure Services	8	24	7	25	64
Number of Services On Time Entry	1,322	1,061	1,063	1,190	4,636
% All Services Entering on Time	74.3%	62.7%	67.8%	70.7%	69.0%
% All Services Exiting on Time	77.9%	64.1%	63.7%	68.4%	68.7
Healthy Services					
Number of Healthy Services	1,533	1,256	1,155	1222	5,166
% Services that are Healthy	86.2%	74.3%	73.6%	72.6%	76.9%
On Time Exit Healthy Services	1,386	1,084	999	1,152	4,621
% Healthy Trains Exiting on Time	90.4%	86.3%	86.5%	94.3%	89.5%
Unhealthy Services					
Number of Unhealthy Services	246	435	414	461	1,556
% Services that are Unhealthy	13.8%	25.7%	26.4%	27.4%	23.1%
Number of Late Entry	123	305	232	286	946
% Services That Enter Late	6.9%	18.0%	14.8%	17.0%	14.1%
Number of Unhealthy Enroute	123	130	182	175	610
Number of Services Deteriorated	26	50	95	55	226
% Unhealthy Services Undeteriorated	89.4%	88.5%	77.1%	88.1%	85.5
ARTC Delays					
Train Management	1,305	4,199	4,535	4,959	14,99
ARTC Communications	102	20	24	182	328
ARTC Signalling	4,596	3,181	2,863	1,895	12,535
ARTC Track Fault	5,552	8,676	19,081	9,505	42,814
Total:	11,555	16,076	26,503	16,541	70,675
Operator Delays					
Late Entry	21,298	48,337	33,449	46,737	149,821
Crew/Personnel	7,730	10,978	5,999	6,925	31,632
Terminal	7,348	19,934	18,219	16,850	62,351
Operator Run	37,884	63,534	37,200	43,253	171,871
Slow Run	3,794	4,767	10,417	14,913	33,891
Operator Preference	1,644	4,326	2,456	2,391	10,817
Rolling Stock Failure	1,873	4,202	1,949	3,700	11,724
Total:	81,571	156,078	109,689	134,769	482,107
Neither					
3rd Party Delay	6,177	12,886	7,871	12,115	39,049
Force Majeure	2,874	1,191	1,380	4,855	10,300
Total:	9,051	14,077	9,251	16,970	49,349
Total Delays					
Total Delays	102,177	186,231	145,443	168,280	602,131
Delays Per Service - All	57	109	92	99	89

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