

Building a strong
future for rail

Annual

report

2004-05

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Letter to the voting shareholders

31 October 2005

The Hon. Morris Iemma, MP
Premier and Treasurer
Minister for Citizenship
Level 40,
Governor Macquarie Tower
1 Farrer Place
Sydney NSW 2000

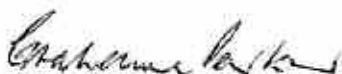
The Hon John Della Bosca, MLC
Assistant Treasurer
Special Minister of State, Minister for
Commerce, Minister for Industrial
Relations, Minister for Ageing,
Minister for Disability Services,
Vice-President of the Executive Council
Level 30
Governor Macquarie Tower
1 Farrer Place
Sydney NSW 2000

Dear Treasurer and Assistant Treasurer,

We have pleasure in submitting, for your information and presentation to Parliament, the Rail Infrastructure Corporation Annual Report for the year ended 30 June 2005.

The report has been prepared in accordance with the *Annual Reports (Statutory Bodies) Regulation 2000*, the *Annual Reports (Statutory Bodies) Act 1984*, the *Public Finance and Audit Act 1983*, and exemptions under those Acts.

Yours sincerely,



Grahame Parker
Chairman



Robert W Pentecost, AM
Chief Executive Officer

Our profile

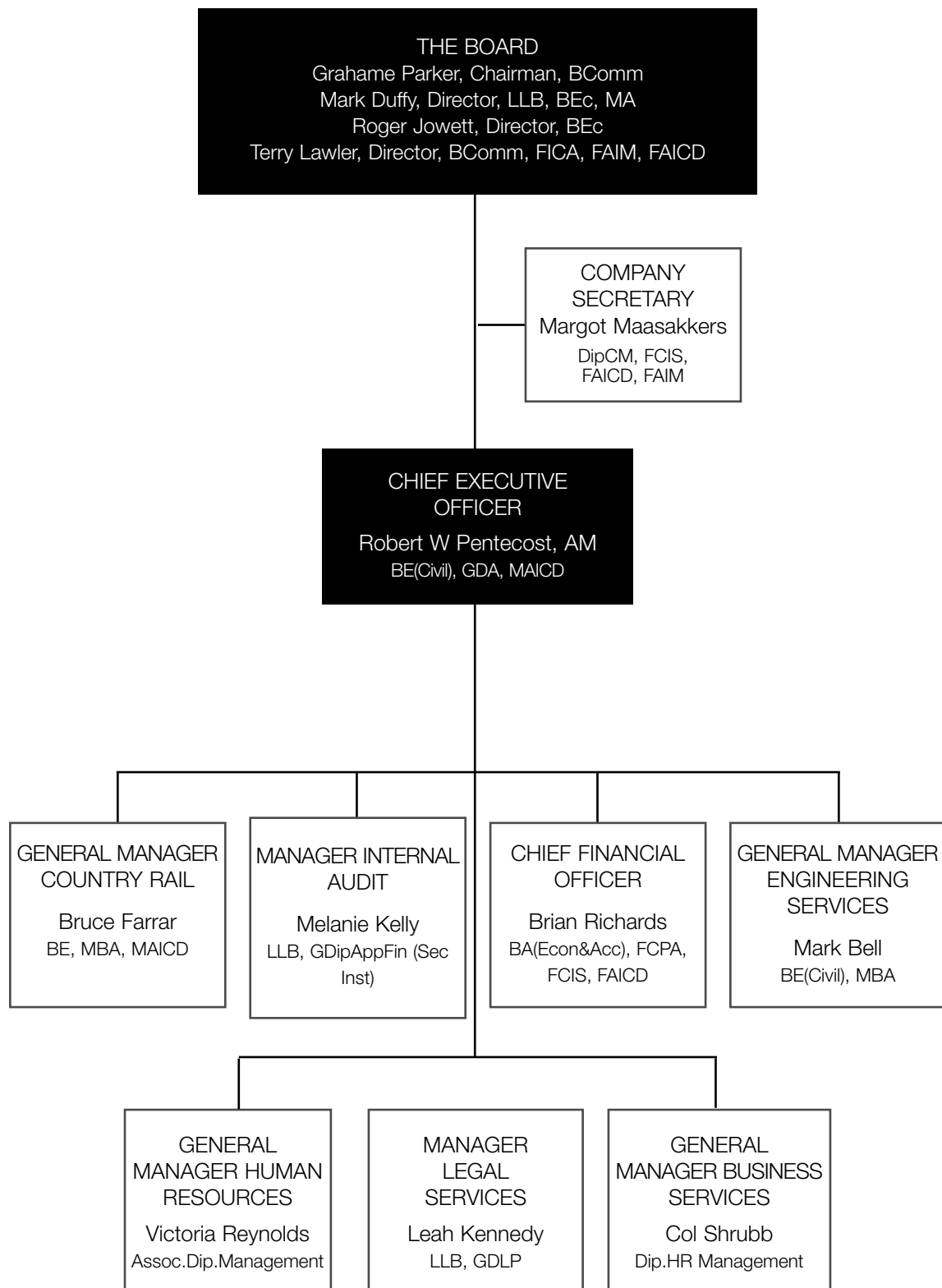
Rail Infrastructure Corporation (RIC) was established on 1 January 2001 as a statutory State Owned Corporation under the *Transport Administration Amendment (Rail Management) Act 2000*.

As part of the reform to NSW rail, in 2003-04 the metropolitan functions of RIC were transferred to the new Rail Corporation New South Wales.

On 5 September 2004, the functions of RIC underwent further change. RIC now owns the NSW rural network and manages the lease and contract arrangements for managing and maintaining country lines with the Commonwealth's Australian Rail Track Corporation Ltd (ARTC).

RIC's principal objective is to ensure that those parts of the NSW rural network under its responsibility enable safe and reliable passenger and freight services to be provided in an efficient, effective and financially responsible manner.

Our Structure



Message from the Chairman

Rail Infrastructure Corporation (RIC) further advanced the reforms to rail in NSW during 2004-05, with the successful management of the transition to the new contractual arrangements with Australian Rail Track Corporation Ltd (ARTC).

These arrangements commenced on 5 September 2004 and include the 60-year Lease of the Interstate and Hunter Valley Coal Networks, and the 60-year Country Regional Network Management Agreement (CRNMA) over the remaining country rail corridors.

RIC also managed the sale, or vesting to Rail Corporation New South Wales (RailCorp), of various assets and liabilities and operations, and provided a number of shared business services to RailCorp and StateRail through the Business Services Group, which will vest to RailCorp on 1 July 2005.

As a result of the ARTC take-up, and the establishment of RailCorp in 2004, there have been a number of displaced employees. The Board and management have worked hard to ensure that these employees are managed sensitively. The Board was particularly pleased with the outcomes achieved in the seven Career Transition Centres set up to assist country-based displaced staff.

Corporate governance

The Board is committed to the principles of good Corporate Governance. Details of our Corporate Governance structure are on page 13 of this report.

Due to the changes to the organisation, the Board reviewed the terms of reference of its Board Committees to ensure their relevance to the new arrangements with the ARTC. Also, it was decided to disband the Human Resources Board Committee and move all human resources issues onto the Board's monthly agenda.

In addition, the Board undertook a review of the key arrangements with the ARTC to identify issues facing RIC and its employees and to ensure that proper monitoring was in place to address these issues. In this regard, RIC has worked closely and co-operatively with the ARTC through the Alliance Board established under the CRNMA.

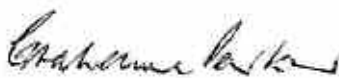
A major focus of the Board and management during this year of transition has been on the safety of all those who work on and use the rail network. The Safety & Environment Board Committee has worked diligently to monitor safety performance throughout the Country Regional Network and promote a safety culture through education and active observation processes, which are designed to lead to continuous improvement in safety outcomes.

The future

In 2005-06, RIC's primary role will continue to be to monitor and manage ARTC's performance under the various Agreements to ensure consistent, safe and reliable rail services are provided to rural NSW. RIC will also continue to manage staff that are affected by the ongoing restructure of the rail entities, as well as those business operations that remain RIC's responsibility.

Thank you

On behalf of the Board of Directors, I would like to thank all RIC employees for their contribution and commitment during the year.



Grahame Parker
Chairman

Message from the Chief Executive Officer

The 2004-05 year was one of substantial change for both RIC and what became the Country Regional Network. It was a year with three distinct phases.

In the first phase, from 1 July to 4 September 2004, RIC owned the entire NSW rural network. On 5 September 2004, ARTC took up the Lease and operation of the Lease Network (Interstate and Hunter Valley coal lines) and commenced the initial period of the Country Regional Network Management Agreement (CRNMA).

The period from 5 September 2004 to 4 March 2005 was the second phase for RIC, as the new arrangements defined the Country Regional Network (CRN) as all branch, restricted and disused lines not included in the ARTC Lease or the Metropolitan Network. For the first time, this network was serviced by its own specific funding and management, instead of being a very small part of the overall NSW network. During this period, ARTC conducted network operations to RIC's rules, standards and access agreements while familiarising itself with the condition of the network and the service it was to provide.

In the third phase, from 5 March to 30 June 2005, ARTC developed management plans for the network for both this period and the 2005-06 year. Also, it became apparent that the CRN should operate with the same rules, standards and access arrangements that applied to the Lease Network, in order to ensure a consistent operating environment for rural rail services in NSW with improved safety, reliability and efficiency. Accordingly, the CRN adopted ARTC standards, which follow the National Code.

The new ARTC arrangements had a significant impact on RIC staff, who were either seconded to ARTC under a Labour Services Agreement, transferred to RailCorp or displaced.

Under the Labour Services Agreement, employment is provided for RIC infrastructure workers on both the Lease Network and CRN as secondees to ARTC. The terms and conditions of employment are governed by RIC's Enterprise Agreement with the Unions, while the day to day management and work direction are provided by ARTC. Some 909 RIC staff were seconded under this arrangement.

A total of 2,945 RIC staff were transferred or vested to RailCorp during the year to continue to provide service to the Metropolitan Network vested to RailCorp on 1 January 2004.

A further 872 staff were displaced during the year and were managed by RIC's Career Transition Centres. The Centres have a structured 10-week programme for displaced staff, providing them with career counselling, additional training and job matching programmes, all designed to support and assist displaced staff as they deal with the issues of transition.

Safety of railway operation on the CRN and for seconded employees remains a clear priority for RIC. Rail safety is addressed through an Alliance Board, which meets monthly, where incidents are reported and remedies dealt with. The Alliance Board comprises representatives of RIC, ARTC and Unions NSW.

Overall, I am pleased to report that despite the challenges presented to RIC during the year, the management and staff have continued to operate with a high level of professionalism, which has enabled RIC to smoothly move to the new paradigm.



Robert W Pentecost, AM
Chief Executive Officer

Map of NSW Rail Network



Country Rail

Key Result Areas

- Reliable and Capable Network
- Efficient Operations
- Safety
- Financial Responsibility
- Effective Operations

Highlights

- Successful transition to ARTC
- Safety Accreditation for RIC approved by ITSRR
- Established RIC/ARTC Alliance Management Board and Alliance Management Team
- Secured new five-year funding agreement with Ministry of Transport for Country Regional Network
- Agreed Management Services Plans and Budgets with ARTC for 2004-05 and 2005-06
- Delivered, through ARTC, unit rate savings of more than 5%

Country Rail Division (CRD) was established in July 2004, principally to manage RIC's agreements with ARTC.

In 2004-05, CRD's focus was on providing a smooth transition for ARTC taking up its new role on the Lease and Country Regional Networks.

The commencement of the ARTC Agreements on 5 September 2004 effectively separated the NSW rail system into three networks (see map).

- The Sydney Metropolitan Network, operated by RailCorp.
- The Lease Network (Lease), comprising the Interstate and Hunter Valley Coal Networks, operated by ARTC under a sixty-year Lease.
- The Country Regional Network (CRN), consisting of the lines not included in the Metropolitan and Lease Networks, operated by ARTC on behalf of RIC under a sixty-year alliance agreement.

Together, the Lease and CRN make up the NSW Rural Network.

Under the *Transport Administration Act 1988*, ARTC is the owner of all rail infrastructure facilities that are subject to the Lease. ARTC holds separate accreditation from ITSRR for the Lease Network and is responsible for compliance with various legislative requirements, including the *Rail Safety Act 2002*. Performance on the Lease Network from 5 September 2004 is not included in this Report.

During the first two months of the year, RIC was committed to achieving a successful transfer of the rail corridors to ARTC, safely and with minimal disruption to current operations.

To allow ARTC to take orderly control and assume management responsibility of the Lease Network, caretaker protocols were agreed. These allowed for both ARTC and RIC to tailor resources accordingly, with RIC still managing the corridors under caretaker arrangements. Under these arrangements within the Lease Network, RIC carried out normal safety routine maintenance but consulted with ARTC before committing to more significant maintenance works.

RIC carried out maintenance on the CRN in accordance with asset management plans. The delivery of the infrastructure management plan and operational control of the CRN was transferred to ARTC under the terms and conditions of the Country Regional Network Management Agreement (CRNMA) from 5 September 2004.

Prior to start-up, the skills needed at each location on the CRN and Lease were defined, with RIC employees matched to positions under a consultative process with Unions NSW. The matching process was completed under the direction of a working party comprising RIC, ARTC and Unions NSW.

Workplace safety

Under the Labour Services Agreement, ARTC meets the costs of employment of staff and fulfils the majority of RIC's employer obligations.

RIC retains responsibility for the Occupational Health & Safety of employees seconded to ARTC.

The level of injuries to RIC secondees in 2004-05, as measured by Lost Time Injury Frequency Rate (LTIFR), was 29 against a RIC target of 10. Of the injuries, 50 % were sprains and strains and 30 % involved muscular stress.

There were no prosecutions under the *Occupational Health and Safety Act 2000* in 2004-05.

Both RIC and ARTC recognise that this level of injury is too high, as Rail industry best performance suggests that LTIFRs of 5 to 10 are being achieved in similar operations. To reduce current levels, ARTC drafted strategic improvement plans to reduce injuries and embed a safety culture throughout its organisation. Major initiatives included a review of risk assessment tools, a contractor audit programme, formalised communications processes through work-place safety committees and more rigorous incident reporting. There are encouraging early signs of improvement.

Systems safety

In August 2004, ITSRR approved safety accreditation for RIC and ARTC on the CRN. This framework formalised RIC's accountability for engineering standards and safe working rules and ARTC's accountability for the safe delivery of rail operations.

To reduce the risk of having different safety arrangements on the CRN and Lease, RIC agreed to adopt ARTC's Lease engineering standards, safe working rules and commercial agreements on the CRN.

RIC and ARTC will continue to work with ITSRR to ensure that systems safety on the CRN is effectively managed through clear accountabilities and rigorous compliance programmes.

Engineering

Prior to the separation of the NSW Rural Network, the level of maintenance was heavily influenced by the caretaker protocols agreed between RIC and ARTC. During the first two months of the year, \$50 million was spent on maintenance, which included 30,000 new sleepers, 25km of new rail, 316km of resurfacing, replacement of 14 bridges and the upgrading of 13 level crossings.

Under the CRNMA, RIC retains ownership responsibilities for the CRN and approves the annual infrastructure scope of works and budget, based on recommendations from ARTC. However, from September 2004 to February 2005, ARTC's role was to deliver the scope and budget provided by CRD. From March to June 2005, ARTC took on the accountability of drafting and delivering the infrastructure plan.

Over the ten months that ARTC carried out maintenance on the CRN, \$87 million was spent on maintenance, which included 185,000 new sleepers, 735km of resurfacing, repair/renewal of 48 bridges and 35 level crossings. Unit rate savings of more than 5% were achieved.

During 2004-05, RIC, through the ARTC, continued to review bridge management systems and standards development.

Following detailed analysis and discussions with industry in April, the Minister for Transport announced additional funding of \$13 million to ensure that 11 of the 15 Restricted Grain Lines would be able to service the 2005 summer grain harvest. Services were, or are to be, suspended on the Gwabegar to Binnaway, Burcher to West Wyalong, Wilbriggie to Yanco and Rankin Springs to Barmedman Lines. Significant additional funding for these lines in the 2005-06 year was being finalised.

Operations

With the continued impact of drought across much of NSW, especially in the South and West, train numbers on the CRN were below the historic average for the year.

Discussions commenced with ARTC regarding upgrading CRN systems in line with ARTC's plans for the Lease Network. As a general principle, CRD will adopt the systems ARTC introduces on the Lease Network, to ensure that only one system of safe working is applied throughout country NSW.

Commercial

For the CRN in 2004-05, the NSW Government provided 92% of funding for works and services. The remaining 8% was received from above rail operators through access charges. In May, the Ministry of Transport (MoT) and RIC executed a new five-year funding agreement for the CRN.

The agreement established a funding mechanism whereby outcomes being sought by Government are clearly defined. It also provides a reporting regime to measure the effectiveness of outcome delivery.

This new framework assisted the process for RIC to secure additional funding for the Restricted Grain Lines.

Under the CRNMA, the Alliance Management Board (AMB) and Alliance Management Team (AMT) were established. The AMT oversees the drafting of detailed plans for works and services and reviews progress. The AMB, comprising executive management representatives from RIC, ARTC and Unions NSW, provides strategic direction and approves the annual management services plan and budget.

The Country Regional Network in NSW now has, for the first time, dedicated government funding, along with a management board and team, delivery contracts and reporting exclusively focused on its operations.

Property

Following start-up, ARTC took on the role as agent for RIC and StateRail to manage an extensive property portfolio, comprising over 2,000 leases and more than 2,800km of disused rail corridor. Many of the buildings are heritage-listed, with environmental management also being a significant challenge.

Outlook

Based on approved funding and forecast access revenues, CRD's 2005-06 expenditure budget is \$165 million. Maintenance expenditure on the Passenger and Freight Branch Lines will be \$98 million, enabling existing services to be maintained. \$49 million will be spent on the Restricted Grain Lines, delivering a significant improvement in safety and reliability.

Further unit rate savings are targeted for 2005-06, but may be offset by significant increases in labour, steel sleeper and ballast cost inputs.

The remainder of the budget will be allocated to train control and property management services.

Following certification of the new RIC/StateRail/RailCorp Enterprise Agreement, approximately 240 StateRail employees, currently seconded to ARTC in train control roles, will be vested to RIC, bringing the total number of RIC employees seconded to ARTC up to nearly 1,050.

Engineering Services

Key Result Areas

- Divestment of non-core and surplus assets and activities

Highlights

- Successful sale of several surplus assets
- The winding up of a number of non-core business activities without adverse impact on operations, industrial relations or safety

The Engineering Services Division was established in September 2004 to manage the divestment of a mixture of business units, employee groups and infrastructure assets that were declared non core and surplus to the requirements of RailCorp, ARTC, and RIC.

In the period from 5 September 2004 to 30 June 2005 the following results were achieved:

Business groups

The Ardglan Quarry was sold to a private entity in April 2005 and RIC's share in the Track Australia Joint Venture was sold to its joint venture partner in December 2004.

The operations of the Scientific Services Group Redfern were curtailed during February and March 2005. Most employees accepted voluntary redundancy and the surplus assets were advertised for sale in June 2005 and subsequently sold.

A review of the Taree Boradze Depot with RailCorp resulted in RailCorp accepting the transfer of this unit on 1 July 2005.

Both the Victorian and South Australian Track Monitoring operations were wound up in December 2004 and June 2005 respectively, and the track recording vehicle utilised for the Victorian operation was sold to the Victorian Government in December 2004.

Options are being developed for the long term future of the Transfield-RSA Electromechanical Workshop Joint Venture and the Goulburn Railway Workshops.

Employee groups

The operations of the Electrical and Building Trades section were wound up during the period between March and May 2005, with some employees being redeployed and the remainder accepting voluntary redundancy.

The Logistics Section continued to supply services to RailCorp while it finalised its own Logistics Section's structure. It is envisaged that RailCorp will have its own Section established early in the new financial year, potentially

offering employment to some RIC employees. Once the RailCorp Section is established, the RIC operation will be wound up.

The operation of the Right of Way Section ceased in May 2005, and the RIC employees were redeployed or accepted the offer of voluntary redundancy.

Infrastructure assets

A RIC owned siding at Clyde Yard and the Cooks River Goods Yard infrastructure were transferred to RailCorp prior to the end of the financial year.

Options for the long term ownership of the remaining Metropolitan RIC infrastructure have been developed and will be progressed during 2005-06.

Outlook

In 2005-06, the Engineering Services Division will continue to manage the sale or transfer to RailCorp of the remaining operations, after which the Division will close.

Business Services

Key Result Areas

- Efficiency savings
- Cost reduction

Highlights

- Implemented key recommendations of Deloitte's review to achieve improvements in productivity and cost savings
- Achieved net saving of 8.6% on budget

The Business Services Group provided financial, payroll, procurement, road fleet, personnel, records management, injury and claims management and other services to RIC, RailCorp and StateRail.

During the year, the Group underwent structural change as a result of the new ARTC arrangements, with a number of assets and functions being migrated to ARTC. This resulted in the closure of offices in Wagga Wagga, Dubbo, Bathurst, Cootamundra and Goulburn. The migration of these assets and functions was completed smoothly.

In preparation for the Group's ultimate transition to RailCorp, in October 2004 an independent review of the Group's functions and activity costs was undertaken by Deloitte to assess the resources required to undertake the integrated functions within RailCorp. The key recommendations of this review, which was completed on time and within budget, were implemented in order to drive a major cost reduction initiative and as the blue print for identifying resources required for transition of the Group to RailCorp.

In addition, the business services functions of RIC and StateRail were successfully integrated. This involved the co-location of functions, the development of organisational structures and the nomination of managers for each functional unit.

The Business Services Group created a continuous improvement mindset among managers aimed at the identification and implementation of business process improvements, enhanced service delivery and cost reduction opportunities. A safe and healthy work environment was maintained, with a Lost Time Injury Frequency Rate of less than ten.

Operationally, the Group's functions were managed within budgeted revenue and expenditure and achieved a net saving of \$2.7 million (8.6%) on the budget for the year.

The transition of functions and a significant number of staff to RailCorp will occur on 1 July 2005.

Financial Management

Key Result Areas

- Efficiency savings
- Cost reduction

Outputs

- Sustain financial performance

The 2004-05 financial year was a year of deconsolidation as a result of RIC's Metropolitan Network being vested to RailCorp and the NSW Rural Network being leased and/or maintained by ARTC.

Revenue was derived principally from the NSW Government to meet Community Service Obligations on the Country Regional Network.

The major portion of the loss from ordinary activities for the year of \$145.8 million was attributable mainly to the depreciation charge on infrastructure assets amounting to \$131.2 million.

Financial position

The main changes in the Corporation's Statement of Financial Position as at 30 June 2005 compared to the position as at 30 June 2004 are:

- A reduction of \$622.2 million in the value of property, plant and equipment arising principally from the transfer of assets to RailCorp.
- A \$92.5 million reduction in cash reserves due to a lower level of CSO funding being received just prior to balance date.
- Receivables reduced by \$176.4 million predominantly due to the vesting of project receivables to Transport Infrastructure Development Corporation (TIDC).
- Payables reduced by \$133.4 million reflecting lower activity levels. This follows from the vesting of RIC's metropolitan, Hunter Valley and interstate operations.
- Provisions (Current and Non-current) were \$111.2 million lower following the vesting of staff to RailCorp and other staff leaving RIC as a consequence of the restructure of the rail industry.
- Interest bearing liabilities reduced by \$340.7 million following the transfer of borrowings to TIDC associated with the Parramatta Transport Interchange and the Epping Chatswood rail link.
- The recorded loss of \$263.3 million and the vesting of assets to TIDC and RailCorp resulted in equity decreasing by \$359.7 million.

Corporate Governance

Rail Infrastructure Corporation (RIC) commenced operating as a statutory State Owned Corporation on 1 January 2001. Legislation under which RIC operates includes the *Transport Administration Act 1988*, the *State Owned Corporations Act 1989* and the *Rail Safety Act 2002*.

RIC has a Board of Directors responsible and accountable to the Voting Shareholders who each hold one share for and on behalf of the NSW Government.

During the year, the two Voting Shareholders representing the New South Wales Government were the then Premier, the Hon Robert J Carr, MP and Treasurer, the Hon Andrew J Refshauge, MP.

From 3 August 2005, the Voting Shareholders are the Treasurer and Premier, the Hon Morris Iemma, MP and the Assistant Treasurer, the Hon John J Della Bosca, MLC.

The Portfolio Ministers in 2005 were the Hon Michael Costa, MLC, former Minister for Transport Services, to 21 January 2005, and the Hon John A Watkins MP, Minister for Transport, from that date.

The Board

The Board is responsible for the achievement of the shareholders' objectives of ensuring the rail network enables safe and reliable passenger and freight services to be provided in an efficient, effective and financially responsible manner.

The role of the Board is to set the strategic direction of the Corporation and oversee its implementation, establish clear performance targets as set out in the Statement of Corporate Intent document that is negotiated annually between RIC and the Voting Shareholders, and monitor, at reasonable intervals, the Corporation's progress in achieving its targets.

The Board has a Corporate Governance Charter that reflects current legislation and best practice principles. It provides a framework for the Board decision-making processes and addresses the key factors that affect Board effectiveness and efficiency. The Board also has a Code of Conduct.

Board Membership

The *Transport Administration Act 1988* and the *State Owned Corporations Act 1989* allows for a minimum of three and a maximum of seven Directors. The Board of Directors is appointed by the Governor on the recommendation of the Voting Shareholders, following consultation with the Portfolio Minister. The term of each Director's appointment is determined by the Voting Shareholders, following consultation with the Portfolio Minister, for a period not exceeding five years. Appointments may be renewed. The

remuneration of each non-executive Director is determined by the Voting Shareholders.

The Chief Executive Officer is appointed by the Board, following the concurrence of the Voting Shareholders and the Portfolio Minister.

The Board is required to meet at least 10 times per year, or additionally, as special circumstances require.

Directors have access to management and to independent advice. Such advice would normally be sought after consultation with the Chairman or Company Secretary.

Directors' Accountabilities

Part 4 of the *State Owned Corporations Act 1989* outlines the accountabilities of Directors.

In summary, Directors must:

- Supply to Voting Shareholders such information relating to the affairs of RIC as they may from time to time request.
- Agree with the Voting Shareholders on the annual Statement of Corporate Intent.
- Report to the Voting Shareholders on the operations of RIC on a half yearly basis.
- Deliver an Annual Report, including audited financials, within four months of the end of the financial year.

Board Committees

During the year, the Board had two standing committees to assist in the good governance of the Corporation, allow for detailed consideration of major issues, provide advice on sensitive matters to the Board and examine matters that may be referred to it by the Board. These were the Audit & Risk Board Committee and the Safety & Environment Board Committee. All Human Resources issues are dealt with by the Board.

Audit & Risk Board Committee

The Audit & Risk Board Committee supports the Board in discharging its Corporate Governance responsibilities in relation to:

- Financial reporting practices, including accounting policies;
- Business ethics and corruption prevention policies and practices;
- Risk management and internal controls;
- Compliance with laws, regulations, standards and best practice guidelines;
- Providing a forum for communication between the Board, senior management and both the internal and external auditors; and
- Ensuring the integrity of the internal audit function.

Safety & Environment Board Committee

The Safety & Environment Board Committee supports the Board in discharging its responsibilities for the safety of that part of the NSW rail network vested in or owned by RIC and of the passengers, employees, contractors and public who work on and use the network, and for environmental protection.

In discharging its responsibilities the Committee:

- Ensures the Corporation has effective safety and environment policies, systems and programs in place to meet all legislative responsibilities and to develop and sustain a safety and environment culture across all areas of operation.
- Ensures programs are in place to effectively identify and manage safety and environmental risks across all operations.
- Monitors and reviews performance through comprehensive reporting relating to environmental management and the safety of infrastructure, train operations and OH&S.
- Monitors safety and environment audit and investigation reports and the implementation of actions arising from such reports.
- Takes other actions which it sees as appropriate to meet the Corporation's safety and environment objectives.

Meetings of the Board

Board meetings are held monthly or more often if special circumstances require. Board Committee meetings are generally held quarterly.

	Board Meetings		Audit & Risk Board Committee Meetings		Safety & Environment Board Committee Meetings	
	Eligible*	Attended	Eligible*	Attended	Eligible*	Attended
Grahame Parker**	13	13	2	2	-	-
Mark Duffy**	13	11	4	3	4	4
Roger Jowett**	13	13	-	-	4	4
Terry Lawler**	13	13	4	4	4	3
Ross Bunyon***	1	1	1	1	-	-
Arthur Butler***	1	1	1	1	-	-
Liza Carver***	1	1	-	-	-	-
Vince Graham***	1	1	-	-	-	-
Paul Moy***	1	1	1	1	-	-
Bob Plain***	1	1	-	-	-	-
Dean Pritchard***	1	1	-	-	-	-

* Reflects the maximum number of meetings the Directors were eligible to attend.

** Appointed 28 July 2004

***Resigned 28 July 2004

Conflicts of Interest

A register of Directors' interests is maintained and Directors disclose any material contract in which they have an interest. Directors do not take part in any decision-making processes considered by the Board if they have any personal interest in the matters.

Board of Directors

The current Board comprises four non-executive Directors:

Grahame Parker

Chairman/Non-executive Director

Mark Duffy

Non-executive Director

Roger Jowett

Non-executive Director

Terry Lawler

Non-executive Director

Changes to the Board

On 28 July 2004, the following Directors resigned:

- Mr Ross Bunyon, Mr Arthur Butler, Ms Liza Carver, Dr Paul Moy, Mr Bob Plain and Mr Dean Pritchard resigned as Non-executive Directors and Mr Vince Graham resigned as an Executive Director;

and the following appointments were made:

- Mr Grahame Parker, Mr Mark Duffy, Mr Roger Jowett and Mr Terry Lawler were appointed as non-executive Directors. Mr Grahame Parker was also appointed Chairman.

Board of Directors

Grahame Parker, BComm

Appointed Chairman on 28 July 2004 for a term of 4 years

Member of Audit & Risk Board Committee

Mr Parker has over 36 years experience in the steel industry having held senior executive positions with The Broken Hill Proprietary Company Limited including Group General Manager of Port Kembla Steel Works. He is a former Chairman of Bekaert-BHP Steel Cord Pty Ltd, and a former Director of Tubemakers of Australia Pty Ltd, Vinidex-Tubemakers Pty Ltd and Steel and Tube Holdings Pty Ltd in New Zealand.

Mark Duffy, LLB, BEc, MA

Appointed on 28 July 2004 for a term of 3 years

Member of the Audit & Risk Board Committee

Member of the Safety & Environment Board Committee

Mr Duffy is consulting to the Natural Resources Commission following a period as the Assistant Director General, Department of Infrastructure Planning and Natural Resources. Formerly, Acting Director General, NSW Ministry of Transport and, prior to that, Director, Sustainable

Transport in the Ministry. He has also worked as a key consultant to the Ministerial Inquiry into NSW Public Transport and to Treasury's Market Implementation Group and provided consultancy services to TransGrid and Frontier Economics. Mr Duffy is a Trustee on the First State Superannuation Board and a former Board member of Pacific Power and the State-Compensation Board.

Roger Jowett, BEc

Appointed on 28 July 2004 for a term of 2 years

Chairman of the Safety & Environment Board Committee

Mr Jowett is National Transport Policy Adviser to the Australian Rail, Tram and Bus Union and former National Secretary. He was a member of the Australian Council of Trade Union Executive and former National Secretary of the Australian Railways Union. He has represented the union on a number of union/employer consultative committees at both State and National Level.

Terry Lawler, BComm, FICA, FAIM, FAICD

Appointed on 28 July 2004 for a term of 3 years

Chairman of the Audit & Risk Board Committee

Member of the Safety & Environment Board Committee

Mr Lawler established the Hunter based accounting firm Lawler Partners in 1977, which provides specialist skills and services to the private sector and government. He has served on National, State and local boards providing business, internal audit, operational and strategic advice. He is Chairman of Life Without Barriers Ltd, and a Member of the Advisory Board of Newcastle University Graduate School of Business. He is a director of a number of private companies including New South Wales Native Title Services Limited, Powerdown Australia Pty Limited, Stamford Tyres Australia Pty Limited and Ampcontrol Pty Limited. He is a former Director and Chairman of internal audit of Newcastle Port Corporation, a former Director and Chairman of National Rail Corporation Ltd and former Director and Chairman of the Newcastle Knights.

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GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDIT REPORT RAIL INFRASTRUCTURE CORPORATION

To Members of the New South Wales Parliament

Audit Opinion

In my opinion, the financial report of Rail Infrastructure Corporation:

- (a) presents fairly the Corporation's financial position as at 30 June 2005 and its financial performance and cash flows for the year ended on that date, in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia, and
- (b) complies with section 41B of the *Public Finance and Audit Act 1983* (the Act).

The opinion should be read in conjunction with the rest of this report.

The Board's Role

The financial report is the responsibility of the members of the Board of the Rail Infrastructure Corporation. It consists of the statement of financial position, the statement of financial performance, the statement of cash flows and the accompanying notes.

The Auditor's Role and the Audit Scope

As required by the Act, I carried out an independent audit to enable me to express an opinion on the financial report. My audit provides *reasonable assurance* to Members of the New South Wales Parliament that the financial report is free of *material* misstatement.

My audit accorded with Australian Auditing and Assurance Standards and statutory requirements, and I:

- evaluated the accounting policies and significant accounting estimates used by the Board in preparing the financial report, and
- examined a sample of the evidence that supports the amounts and other disclosures in the financial report.

An audit does not guarantee that every amount and disclosure in the financial report is error free. The terms 'reasonable assurance' and 'material' recognise that an audit does not examine all evidence and transactions. However, the audit procedures used should identify errors or omissions significant enough to adversely affect decisions made by users of the financial report or indicate that Board members had failed in their reporting obligations.

My opinion does not provide assurance:

- about the future viability of the Corporation,
- that it has carried out its activities effectively, efficiently and economically, or
- about the effectiveness of its internal controls.

Audit Independence

The Audit Office complies with all applicable professional independence requirements of Australian professional ethical pronouncements. The Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General, and
- mandating the Auditor-General as auditor of public sector agencies but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office are not compromised in their role by the possibility of losing clients or income.

A T Whitfield
Deputy Auditor-General

SYDNEY
26 September 2005

Start of Audited financial Report

Statement of Financial Performance for the year ended 30 June 2005

	Note	2005 \$000	2004 \$000
Revenue from ordinary activities	1(e),2	553,156	1,235,826
Employee benefits expense (excluding Superannuation)	3(a)	(225,213)	(421,052)
Superannuation net effect recognised	14(d)	(42,689)	(19,590)
Depreciation & amortisation expense	3(b)	(131,153)	(419,783)
Writedown of Assets leased to ARTC	22	(15,369)	(2,956,711)
Other expenses from ordinary activities	3(c)	(282,043)	(607,381)
Borrowing cost expense	1(r),3(d)	(2,551)	(2,321)
Share of net profit of joint ventures accounted for using the equity method	21(c)	72	345
Loss from Ordinary Activities before Income Tax Expense		(145,790)	(3,190,667)
Income Tax Expense relating to Ordinary Activities	1(i)	-	-
Loss from Ordinary Activities after Related Income Tax Expense		(145,790)	(3,190,667)
Net Loss	15 (c)	(145,790)	(3,190,667)
Net decrease in asset revaluation reserve	15 (b)	(117,480)	(8,177)
Total revenues, expenses and valuation adjustments recognised directly in equity		(117,480)	(8,177)
Total changes in equity other than those resulting from transactions with owners as owners		(263,270)	(3,198,844)

The above Statement of Financial Performance should be read in conjunction with the accompanying notes.

Statement of Financial Position as at 30 June 2005

	Note	2005 \$000	2004 \$000
Current Assets			
Cash assets	5	3,402	95,936
Receivables	6	42,299	218,744
Inventories	7	2,740	29,835
Tax Assets	8	574	15,630
Other	9	1,252	3,659
Total Current Assets		50,267	363,804
Non-Current Assets			
Property, plant and equipment	10	2,327,490	2,949,660
Inventories	7	-	11,715
Investment accounted for using equity method	21	867	2,077
Total Non Current Assets		2,328,357	2,963,452
TOTAL ASSETS		2,378,624	3,327,256
Current Liabilities			
Payables	11	62,543	195,942
Interest bearing liabilities	13	12,900	11,000
Tax liabilities	12	616	4,258
Provisions	14	43,388	110,078
Total Current Liabilities		119,447	321,278
Non-Current Liabilities			
Interest bearing liabilities	13	21,288	363,892
Provisions	14	132,440	176,950
Total Non-current Liabilities		153,728	540,842
TOTAL LIABILITIES		273,175	862,120
NET ASSETS		2,105,449	2,465,136
EQUITY			
Contributed equity	15(a)	3,224,331	3,320,748
Asset revaluation reserve	15(b)	421,235	650,861
Accumulated losses	15(c)	(1,540,117)	(1,506,473)
TOTAL EQUITY		2,105,449	2,465,136

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Cash Flows for the year ended 30 June 2005

	Note	2005 \$000	2004 \$000
Cash flows from operating activities			
<i>Cash received</i>			
Receipts from customers and others		431,802	784,788
NSW Government CSO/Government contributions/social programs		202,913	365,111
Proceeds for operator & Government funded projects		-	29,956
Interest received		841	2,098
<i>Total cash received</i>		635,556	1,181,953
<i>Cash used</i>			
Payments to suppliers and employees		(696,909)	(1,101,449)
Interest and other costs of finance paid		(2,892)	(2,709)
Refunds to Ministry of Transport (MOT)		(1,342)	-
<i>Total cash used</i>		(701,143)	(1,104,158)
Net cash inflow/(outflow) provided by operating activities (Refer to (b) below)		(65,587)	77,795
Cash flows from investing activities			
<i>Cash received</i>			
Proceeds from sale of property, plant and equipment		2,331	6,783
Proceeds from the disposal of investments in joint venture entities		1,272	570
Dividends received from joint venture entities		100	-
Repayment of loans by joint venture entities		-	3,983
<i>Total cash received</i>		3,703	11,336
<i>Cash used</i>			
Payment for property, plant and equipment		(27,944)	(260,306)
Payment for operator & government funded projects		-	(17,992)
<i>Total cash used</i>		(27,944)	(278,298)
Net cash used in investing activities		(24,241)	(266,962)
Cash flows from financing activities			
<i>Cash received</i>			
Proceeds from borrowings		48,000	199,058
<i>Cash used</i>			
Repayment of borrowings		(46,100)	-
Net cash inflow provided by financing activities		1,900	199,058
Net increase/(decrease) in cash held		(87,928)	9,891
Cash at beginning of the financial year		95,936	86,045
Cash vested to RailCorp & TIDC as a result of rail industry restructure		(4,606)	-
Cash at the end of the financial year (refer to (a) below)		3,402	95,936

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Statement of Cash Flows For the Year Ended 30 June 2005

	2005 \$000	2004 \$000
(a) Reconciliation of cash		
The cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position in Note 5.		
Cash on hand and held at bank	3,355	8,126
Short term interest bearing deposits	47	87,810
	3,402	95,936
(b) Reconciliation of loss from ordinary activities after related income tax to net cash flow from operating activities		
Loss from ordinary activities after related income tax	(145,790)	(3,190,667)
Non-cash items:		
Loss from sales of property, plant and equipment	4,095	7,297
Depreciation & amortisation	131,153	419,783
Share of profits of joint ventures not received as dividends or distributions	(72)	(345)
(Profit) on divestment of joint venture entity	(90)	(145)
Writedown of assets leased to ARTC	15,369	2,956,711
Increase/ (decrease) in Environmental Restoration Allowance	(6,089)	5,311
Doubtful & Bad debts	2,646	(770)
Net movement in assets and liabilities:		
(Increase)/decrease in receivables	50,710	(129,156)
(Increase)/decrease in inventories	(1,023)	10,870
Decrease in other assets	17,463	859
Increase/(decrease) in payables and provisions	(133,959)	(1,953)
Net cash from/(used in) operating activities	(65,587)	77,795

(c) Non-cash financing and investing activities

On 1 January 2004, the Minister for Transport Services transferred assets and liabilities to RailCorp and the Transport Infrastructure Development Corporation from Rail Infrastructure Corporation. The net transfers during 2003/04 represented a non-cash equity payment of \$4.478 billion and \$261.465 million respectively.

Further assets and liabilities were vested in September 2004 to RailCorp and Transport Infrastructure Development Corporation. The net transfers represent a non-cash equity payment of \$319.413 million to RailCorp and non-cash equity receipt of \$218.796 million from Transport Infrastructure Development Corporation.

Land valued at \$4.2 million was also vested to RIC from State Rail Authority of NSW (SRA) in May 2005.

The above Notes to the Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to and forming part of the Financial Report

Note 1 Statement of Significant Accounting Policies

a) Background – The Reporting Entity

The Rail Infrastructure Corporation (RIC) was established on 1 January 2001 as a statutory State Owned Corporation under the State Owned Corporations Act 1989 by merging the Rail Access Corporation (RAC) and Rail Services Australia (RSA). The assets, rights and liabilities of RAC and RSA were transferred to RIC, pursuant to amendments to the Transport Administration Act 1988. The principal functions of RIC initially were:

- To hold, manage, maintain and establish rail infrastructure facilities on behalf of New South Wales, and
- To provide persons with access to the NSW rail network under the NSW Rail Access Regime.

The NSW rail industry is in the process of being restructured. On 1 January 2004 Rail Corporation New South Wales (RailCorp) commenced operations by merging the functions of the State Rail Authority of New South Wales (SRA) and the metropolitan arm of the Rail Infrastructure Corporation (RIC). Certain assets, rights, liabilities and staff have been transferred to Australian Rail Track Corporation (ARTC) and the Transport Infrastructure Development Corporation (TIDC).

Following amendment of the *Transport Administration Act* during December 2003 the principal objective of RIC is “to ensure that the part of the NSW rail network vested in or owned by RIC enables safe and reliable passenger and freight services to be provided in an efficient, effective and financially responsible manner”.

In July 2004 new Board members were appointed for this Corporation.

In order to ensure that there was appropriate sharing of assets, personnel and resources during the restructure of the rail entities a Memorandum of Understanding (MOU), effective 1 January 2004, has been signed by RIC, Rail Corporation New South Wales (RailCorp) and State Rail Authority of New South Wales (SRA).

b) Basis of Accounting

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group consensus views, the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2000* and specific directions issued by the Treasurer.

The financial report has been prepared on an accrual accounting basis using historical cost conventions except for property, plant and equipment, (which are recorded at fair value) and certain provisions (which are measured at present value).

The financial report has been prepared on a going concern basis which assumes that the Corporation is expected to be able to pay its debts as and when they fall due and continue in operation without any intention or necessity to liquidate or otherwise wind up its operations. In addition, the NSW Treasury has advised that the Government clearly recognises its responsibility for ensuring the capacity of the business to meet its financial obligations and ensuring the integrity and viability of those operations.

c) Transition to new accounting standards

New, Australian Equivalents to International Financial Reporting Standards (AIFRS) apply from 1 July 2005.

The transition to the new standards is being managed by a senior accountant who has analysed the new standards and interpretations and identified the key policy, procedure, system and financial impacts. Implementation is well advanced.

The significant accounting policy differences between AIFRS and existing AASB requirements (AGAAP) have been identified.

Had the 2004-05 financial statements been prepared under AIFRS, only one new requirement would have had a financial impact on the operating result or equity:

- AASB 119 *Employee Benefits* requires defined benefit obligations to be discounted using the government bond rate as at each reporting date rather than the long-term expected rate of return on plan assets. In 2004-05 this would have decreased the amount of the unfunded superannuation liability and changed the amount of employee benefits expense.
- AASB 116 *Property Plant and Equipment* only permits the carrying amount of property, plant and equipment to be reduced by revaluations, impairments or depreciation. In 2004-05 this would have necessitated the reclassification of the Environment Restoration Allowance as an asset revaluation decrement and the reversal of movements in the allowance during the year.

Notes to and forming part of the Financial Report

Note 1 Statement of Significant Accounting Policies (continued)

(c) Transition to new accounting standards (continued)

The Corporation's best estimate of the 2004-05 financial impact of this requirement is as follows:

Reconciliation of equity	Standard	30.6.2005 \$000	1.7.2004 \$000
Total equity under AGAAP		2 105 449	2 465 136
Increase in superannuation provision	AASB 119	(29 644)	(38 610)
Increase in property, plant and equipment	AASB 116	62	
Total equity under AIFRS		2 075 867	2 426 526

Reconciliation of operating result	Standard	2004-05 \$000
Net loss under AGAAP		(145 790)
Decrease in employee benefits expense	AASB 119	8 966
Reversal of net writeback of Environmental Restoration Allowance	AASB 116	(6 027)
Net loss under AIFRS		(142 851)

However, the actual effects of the transition may differ from this estimate because of pending changes to AIFRS and/or emerging accepted practice in their interpretation and application.

The adoption of AIFRS will also necessitate reclassifying a number of items in the Financial Report.

In addition, AASB 139 *Financial Instruments: Recognition and Measurement* requires the recognition of financial instruments that were previously not reported, including derivatives. A mixed measurement model is adopted requiring financial instruments held for trading and available for sale to be measured at fair value (rather than cost) and valuation changes to be recognised. This may increase the volatility of the operating result. The standard also includes stricter rules for the adoption of hedge accounting, and where these are not satisfied, movements in fair value will impact the operating result. AASB 1 permits the adoption of AASB 139 to be effectively deferred until 1 July 2005 and the presentation of the comparative information for 2004-05 to be presented on a pre-AIFRS basis.

Accounting policies may also be affected by a proposed standard to harmonise accounting standards with Government Finance Statistics (GFS). However, the impact is uncertain, because it depends on when this standard is finalised and whether it can be adopted in 2005-06.

Accounting policies may also be affected by proposed changes to accounting for grants as set out in Exposure Draft ED 125 *Financial Reporting by Local Governments*. Instead of recognising all grants when they are controlled (as at present), the proposals would in some cases delay revenue recognition until either goods or services are supplied (where grants are in-substance agreements for the provision of goods or services) or conditions are satisfied. However, at this stage, the applicability and impact of these amendments are uncertain.

d) Foreign Currency Translation

Foreign currency transactions are initially translated into Australian currency at the rate of exchange at the date of the transaction. At balance date amounts payable and receivable in foreign currencies are translated to Australian currency at rates of exchange current at that date. Resulting exchange differences are recognised in determining the profit or loss for the year.

e) Revenue Recognition

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:

Notes to and forming part of the Financial Report

Note 1 Statement of Significant Accounting Policies (continued)

(e) Revenue Recognition (continued)

(i) Access Fees

Access fees recognised comprise the amounts received and receivable by RIC in accordance with agreements for granting access to the rail network.

(ii) Community Services Obligations (CSO)

CSO funding is recognised when receivable in accordance with the contract with the Ministry of Transport to cover the cost of maintaining the non-commercial railway lines operated by RIC.

(iii) Operator Funded Capital Projects

Funds when received from operators relating to capital projects are recognised as developer contributions. Amounts received are credited to the Statement of Financial Performance and capitalised or expensed as applicable when funds are used. Any amounts remaining unspent as at year-end are carried forward to be expended in the subsequent accounting period.

iv) Maintenance and Construction Services

Revenue from operator funded capital projects and from infrastructure maintenance and construction services is recognised when revenue is earned using the percentage of completion method.

v) Redundancy Funding

Contributions received from the Ministry of Transport to fund payments to employees electing to take voluntary redundancy are recognised as Government contributions when received.

vi) Other Revenue

Revenue is recognised by reference to the stage of completion of the relevant contract or on an accrual basis in accordance with the substance of the relevant agreement.

f) Maintenance

Maintenance is expensed as incurred and includes routine maintenance and major periodic maintenance on rail infrastructure. Major periodic maintenance (MPM) is incurred and expensed in accordance with the Corporation's ongoing Asset Management Plans (AMPs).

g) Cash

For the purpose of the statement of cash flows, cash includes cash on hand and highly liquid investments with short periods to maturity which are readily convertible into cash on hand at the investor's option and are subject to an insignificant risk of changes in value. See Note 5.

In the case of funds invested in the NSW Treasury Corporation's "Hour Glass" facility, changes in market value during the year are recognised as interest.

h) Receivables

All trade receivables are recognised at nominal amounts due, less any allowance for doubtful debts.

Collectability of trade receivables is reviewed on a regular and ongoing basis. Debts which are known to be uncollectable are written-off. A provision for doubtful debts is raised when some doubt as to collection exists and that provision is reviewed for adequacy at balance date. The credit risk represents the carrying amount (net of any provision for doubtful debts).

i) Tax Effect Accounting

The Corporation from 2003/04 is subject to the Tax Equivalent Regime (TER), in accordance with Section 20T of the State Owned Corporations Act 1989, under which it is required to pay a taxation equivalent to the NSW Government based on the accounting result in accordance with a methodology agreed with Treasury.

Notes to and forming part of the Financial Report

Note 1 Statement of Significant Accounting Policies (continued)

j) Raw Materials, Stores and Work in Progress

i) Raw Materials

Raw materials are stated at the lower of cost or net realisable value. Cost comprises materials, labour and an appropriate proportion of fixed and variable overheads. Costs are assigned to individual items of inventory on the basis of weighted average costs. Inventory which is expected to be used after more than one year is classified as non-current.

ii) Construction Work in Progress

Construction work in progress, which relates to external infrastructure contracts, is carried at cost, plus profit recognised to date based on the value of work completed, less progress billings and less provision for foreseeable losses. Provision for any loss on a contract is made as soon as the loss is identified.

Cost includes both variable and fixed costs directly related to specific contracts and those which can be generally attributed to contract activity or which can be allocated to specific contracts on a reasonable basis.

Where the outcome of a contract cannot be reliably estimated, contract costs are expensed as incurred. Where it is probable that the costs will be recovered, revenue is only recognised to the extent of costs incurred.

iii) Recognition of profit

Profit on external business is recognised on an individual contract basis using the percentage of completion method when the stage of contract completion can be reliably determined, costs to date can be clearly identified and the following can be reliably estimated:

- i) total contract revenues to be received, and
- ii) costs to complete.

Stage of completion is measured by reference to an assessment of total labour hours and other costs incurred to date as a percentage of estimated total costs for each external contract.

k) Property, plant and equipment

i) Recognition

An item of property, plant and equipment is recognised as an asset if it is controlled by RIC, is expected to be used for more than one year, is likely to produce future economic benefits, and possesses a cost or other value that can be measured reliably.

An item of property, plant and equipment ceases to be recognised when it is disposed of or when it is permanently withdrawn from use and there are no probable future economic benefits from its disposal.

Expenditure on the acquisition, replacement or enhancement of property, plant and equipment is capitalised, provided it exceeds the capitalisation threshold or qualifies for recognition as a capital spare.

The capitalisation threshold for non-infrastructure assets is \$1,000 and \$5,000 for infrastructure assets. A capital spare is only capitalised if it is part of a pool of rotatable spares, primarily held for the overhaul of the asset to which it relates, and significant enough to warrant being individually tracked. Expenditure below the capitalisation threshold or not qualifying for recognition as a capital spare is charged to operating expenses.

ii) Valuation

Property, plant and equipment are measured at fair value. Purchased or constructed assets are initially recorded at their cost of acquisition. Construction cost includes the cost of materials, direct labour and attributable overheads. Property, plant and equipment acquired by grant or transfer from another entity is initially recorded at fair value.

Spares purchased specifically for a particular asset, or a class of assets, and which would become redundant if that asset or class was retired or use of that asset or class was discontinued, are considered to form part of the historical cost (or other value) of that asset or class.

Notes to and forming part of the Financial Report

Note 1 Statement of Significant Accounting Policies (continued)

As the future economic benefits embodied in property, plant and equipment are not primarily dependent on those assets' ability to generate net cash inflows, no item of property, plant and equipment has been written down to its recoverable amount.

Property plant and equipment is revalued, at least once every five years, to its fair value having regard to its highest and best use. Where existing natural, legal or socio-political restrictions on an asset's use or disposal prevent any alternative use being feasible within the next 5 years, its highest and best use is taken to be its existing use.

Fair value is the asset's market price, or, if such a price is not observable or estimable from market evidence, its replacement cost (being the written-down cost of an optimised modern equivalent asset).

Revaluations on the basis of replacement cost are accounted for by separately restating the gross amount and the related accumulated depreciation of each asset within the revalued class.

Upon revaluation of a class of property plant and equipment, a net revaluation increment is credited directly to the Asset Revaluation Reserve for that class and a net revaluation decrement is expensed, except that to the extent it reverses a previous increment or decrement it is debited to the Asset Revaluation Reserve or credited to revenue respectively.

iii) Depreciation

Depreciation of non current assets (except land and capital work in progress which are not depreciated) is calculated on a straight line basis over their estimated useful life commencing when the asset is first put into use or held ready for use.

The expected useful lives, which are reviewed annually, are as follows (noting that the life of any asset may be extended with appropriate expenditure as necessary to meet operational needs):

Buildings	33 years
Trackwork and Infrastructure, comprising:	
Track	8 - 63 years
Turnouts	2 – 40 years
Bridges and Tunnels	1 -100 years
Electrical Overhead Wiring & Structures	2 - 52 years
Substations	2 - 50 years
Signalling Equipment	1 - 32 years
Railway Sidings	20 years
Fences	2 - 50 years
Plant, Machinery & Office Equipment	2 - 15 years
Rolling Stock	25 years
Motor Vehicles (including heavy vehicles)	2-8 years
Quarries	Based on estimated production life of quarry.
Leasehold Improvements (all capitalised)	Based on the shorter of useful life or the period of the lease.

iv) Capital Works in Progress

RIC assets in the course of construction are classified as capital work in progress. Capital work in progress is recorded at cost. RIC assets in the course of construction are not depreciated until the project has been completed and commissioned.

v) Disposals

Upon disposal or retirement, the book value of an item of property, plant and equipment is expensed and any sales proceeds are credited as revenue to the Statement of Financial Performance.

I) Leases

Operating lease assets are not capitalised. Lease payments are expensed in the period in which they are incurred, as this represents the pattern of benefits derived from the leased assets.

Incentives, under a non-cancellable operating lease, received on entering an operating lease are recognised as liabilities and are amortised over the terms of the relevant lease.

Notes to and forming part of the Financial Report

Note 1 Statement of Significant Accounting Policies (continued)

m) Payables

Trade and other payables are recognised for goods and services provided prior to year end that remain unpaid. The amounts are unsecured and are usually settled within 30 days of the date of invoice unless otherwise agreed with the creditor.

n) Employee Benefits

i) Wages, salaries, annual leave and pay in lieu of holidays worked

Liabilities for wages, salaries, annual leave and pay in lieu of holidays expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

ii) Long Service Leave

A liability for long service leave which is not expected to be settled within 12 months is recognised based on an actuarial assessment. This is measured as the present value of estimated future cash outflows to be made by RIC in respect of services provided by employees up to the balance date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Expected future payments are discounted using interest rates on national government securities with terms to maturity that match, as closely as possible, the estimated future cash out flows.

iii) Superannuation

At the reporting date a liability or asset is recognised in respect of defined benefit superannuation funds and is measured as the difference between the present value of the employees' accrued benefits and the net market value of the superannuation funds' assets at that date.

The Corporation's share of the employees' retirement liability or prepaid superannuation in respect of the defined benefits superannuation schemes (State Superannuation Scheme, State Authorities Superannuation Scheme and State Authorities Non-Contributory Superannuation Scheme) is reported as a liability or prepayment as required in the Financial Report.

o) Redundancy

Severance payments and payments in lieu of notice are recognised as Severance Payments expense. Payments for annual leave, long service leave and pay in lieu of holidays worked which are paid on redundancy are charged to the respective provision.

p) Environmental Restoration

The Corporation is potentially liable for claims for environmental damage emanating from its rail infrastructure including any environmental damage directly attributable to operators. Where environmental damage can be attributed to an operator, the Corporation will seek to recover such costs in full.

Allowance is made for the estimated liability arising under specific environmental legislation taking into account the conditions of land and quarrying operations and any future environmental rectification and estimated quarry restoration costs. The liability is based on the current best estimate resulting from site investigations of restoration work required.

q) Insurance

Appropriate insurances are purchased to cover exposures arising out of normal business operations. The insurance policies purchased by the Corporation have varying excess amounts for each policy. In the case of an external legal claim provision is made for the estimated liability for the excess at balance date. Financial responsibilities for minor and predictable losses, which are not cost effective to insure, are retained.

RIC is a licensed self-insurer for workers' compensation claims under the *New South Wales Workers Compensation Act*. Provision is made for future costs associated with workers' compensation and other liability claims occurring in the financial year. The provision is assessed at present value by an independent actuary. All recoverables are set off against the provision.

Notes to and forming part of the Financial Report

Note 1 Statement of Significant Accounting Policies (continued)

r) Interest Bearing Liabilities

In accordance with Treasury directions all loans are valued at Current Capital Value. Current Capital Value is the face value of the debt less unamortised discount or plus unamortised premiums. The discounts or premiums are treated as an interest expense or income, respectively, and amortised over the term of the debt.

Borrowing costs are recognised as expenses in the period in which they are incurred and include (except where they are included in the costs of qualifying assets):

- interest on short term and long term borrowings
- amortisation of discounts or premiums relating to borrowings

s) Equity

RIC was established on 1 January 2001 as a statutory State Owned Corporation. As at 30 June 2005 the Premier and the Treasurer were the voting Shareholders and each has an equal shareholding.

A transfer of assets (or liabilities) from another NSW public sector entity as a result of a Ministerial order to give effect to industry restructuring is treated as a contribution by (or distribution to) the Government and recognised as a direct adjustment to contributed equity.

The components of equity are detailed in Note 15.

t) Joint Ventures

Details of all joint ventures are set out in Note 21 and are categorised as follows:

i) Joint Venture Operations

The proportionate interests in the assets, liabilities, revenue and expenses of any joint venture operation has been included in the Financial Report under the appropriate headings.

ii) Joint Venture Entities

All joint venture entities, including joint venture partnerships, are accounted for using the equity accounting method. Under this method RIC's share of a joint venture entity's net profit or loss after tax is recognised in the Statement of Financial Performance and the appropriate proportion of any movement in reserves is recognised directly in the Corporation's reserves.

u) Accounting for Goods and Services Tax (GST)

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

- the amount of GST incurred that is not recoverable from the Australian Taxation Office (ATO) is recognised as part of the cost of acquisition of an asset or as part of an item of expense.
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to the ATO is included as a current asset or liability in the Statement of Financial Position. Cash Flows are included in the Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

v) Comparatives

Comparative figures are, where appropriate, reclassified so as to provide a meaningful comparison with the current year.

w) Roundings

All amounts have been rounded to the nearest thousand dollars unless indicated otherwise.

x) Segment Reporting

RIC operates predominantly in one business segment being the enabling of safe and reliable passenger and freight services. The operations are in one geographical segment, being that part of the NSW rail network vested in or owned by RIC.

Notes to and forming part of the Financial Report

Note 2 Revenue

	2005 \$000	2004 \$000
Revenue from ordinary activities		
Revenue from operating activities		
Access Fees from operators	49,536	402,088
Maintenance and construction services	31,494	330,715
NSW Government Community Service Obligations (CSOs)	133,000	356,343
Operator and Ministry of Transport (MOT) funded capital projects	7,985	29,937
Traction energy	6,009	32,893
Workshop services	4,804	1,884
Telecommunication services	952	21,035
Management Fees	-	583
Sale of quarry products	2,842	5,853
Total Revenue from operating activities	236,622	1,181,331
Revenue from non-operating activities		
Recoveries from RailCorp	233,767	-
Ministry of Transport - Redundancy funding	69,913	34,000
Proceeds from sale of property, plant and equipment	2,331	6,783
Proceeds from sale of joint ventures	1,272	570
Sale of scrap	70	715
Rental income	1,018	1,533
Commission and rebates	138	711
Advertising	696	1,391
Premium amortisation	15	21
Interest revenue	822	2,066
Other revenue	6,492	6,705
Total Revenue from non-operating activities	316,534	54,495
Total Revenue from Ordinary Activities	553,156	1,235,826

Notes to and forming part of the Financial Report

Note 3 Expenses

	Note	2005 \$000	2004 \$000
(a) Employee benefits (excluding Superannuation)			
Salaries, wages & other employee costs		173,748	349,254
Employee benefit provision movements		11,648	37,798
Severance		39,817	34,000
Total Employee Benefits		225,213	421,052
(b) Depreciation & amortisation expenses			
Buildings		(651)	5,480
Trackwork & Infrastructure		124,991	389,309
Plant, machinery & office equipment		4,810	11,284
Rollingstock		177	1,362
Motor vehicles		855	9,192
Quarries		133	646
Leasehold Improvements		838	2,510
Total Depreciation & Amortisation		131,153	419,783
(c) Other expenses from ordinary activities			
External maintenance costs		90,605	10,922
Materials		57,071	155,411
Subcontractors		47,074	122,014
Network control and communications		6,756	45,173
Plant and equipment		29,633	86,387
Bulk electricity		2,536	36,596
Bussing expenses		(1,800)	21,986
Operating leases		12,205	16,832
Telecommunication expenses		(720)	16,547
Motor vehicle expenses		7,239	14,600
Insurance		6,370	9,812
Environmental Restoration Allowance		(6,089)	5,311
Legal fees		1,508	3,059
Writedown of stock sold to ARTC		106	13,905
Stock obsolescence		141	1,225
Doubtful debts		2,419	(786)
Bad debts		227	16
Auditors Remuneration		302	535
Disposal of joint venture interest		1,182	425
Written down value of equipment sold		6,426	14,080
Other costs		225	24,463
Subtotal of expenses other than provisions		263,416	598,513

Notes to and forming part of the Financial Report

Note 3 Expenses (continued)

	Note	2005 \$000	2004 \$000
Other provisions (amounts provided during the year)			
Workers compensation	14	12,169	12,240
Legal claims arising from incidents (net of recoveries)	14	5,350	(5,241)
New Southern Railway asset replacement	14	1,108	5,309
Warranty	14	-	(1,937)
Environmental rectification	14	-	(129)
Other	14	-	(1,374)
Sub-total of Other Provisions		18,627	8,868
Total other expenses from ordinary activities		282,043	607,381
(d) Borrowing Costs			
Interest and guarantee fees		2,551	15,036
Amount capitalised to asset		-	(4,708)
Amount recoverable from TIDC for 6 months to 30 June 2004		-	(8,007)
Borrowing costs expensed		2,551	2,321
(e) Gain/(Loss) on Sale of Property, Plant & Equipment			
Proceeds from sale of property, plant & equipment	2	2,331	6,783
Carrying amount of property, plant & equipment sold	3(c)	(6,426)	(14,080)
Gain/(Loss) on Sale of Property, Plant & Equipment		(4,095)	(7,297)

Note 4 Dividends

No dividends are payable

Note 5 Cash Assets

Current

Cash at bank	3,353	8,077
Cash on hand	2	49
NSW Treasury Corporation in "Hour Glass" investment at market value	47	87,810
Total Cash Assets	3,402	95,936

Deposits can be withdrawn within 1 day of the request to withdraw.

Note 6 Receivables

Current

Trade receivables	49,660	74,800
Allowance for doubtful debts	(7,990)	(5,324)
	41,670	69,476
TIDC-PRL expenditure for 6 months to 30 June 2004	-	122,140
SRA – Redundancy Funding	-	25,232
Other receivables	629	1,896
Total Current Receivables	42,299	218,744

Notes to and forming part of the Financial Report

Note 7 Inventories

	Note	2005 \$000	2004 \$000
Current			
Raw materials and stores, at cost		2,319	32,151
Provision for Obsolescence		(57)	(4,930)
		2,262	27,221
Work in Progress		478	2,614
Total Current Inventories		2,740	29,835
Non Current			
Raw materials and stores, at cost		-	11,595
Raw materials and stores, at net realisable value		-	120
Total Non-Current Inventories		-	11,715

Note 8 Taxation Assets

Current			
GST Receivable		207	15,630
FBT Receivable		367	-
Total Current Taxation Assets		574	15,630

Note 9 Other Assets

Current			
Prepayments		1,252	3,659
Total Current Other Assets		1,252	3,659

Notes to and forming part of the Financial Report

Note 10 Property, Plant & Equipment

	Note	2005 \$000	2004 \$000
Trackwork and Infrastructure			
At fair value		5,388,357	5,720,258
Accumulated depreciation		(3,129,670)	(3,257,751)
Total Trackwork and Infrastructure		2,258,687	2,462,507
Land			
Land under track – at fair value		45,744	67,190
Other land – at fair value		8,051	157,479
Less: Allowance for Environmental Restoration	1 (p)	(6,032)	(31,238)
Total Land		47,763	193,431
Buildings			
At fair value		23,559	128,385
Accumulated depreciation		(11,921)	(72,622)
Total Buildings		11,638	55,763
Plant, Machinery & Office Equipment			
At fair value		2,237	70,406
Accumulated depreciation		(739)	(30,226)
Total Plant, Machinery & Office Equipment		1,498	40,180
Rollingstock			
At fair value		-	16,715
Accumulated depreciation		-	(3,759)
Total Rollingstock		-	12,956
Motor Vehicles			
At fair value		33	37,816
Accumulated depreciation		(13)	(10,955)
Total Motor Vehicles		20	26,861
Quarries			
At fair value		-	9,718
Accumulated depreciation		-	(1,827)
Total Quarries		-	7,891
Leasehold Improvements			
At fair value		4,217	13,950
Accumulated amortisation		(2,294)	(7,969)
Total Leasehold Improvements		1,923	5,981
Capital Work in Progress – Infrastructure at cost		5,961	60,073
Capital Work in Progress – Non Infrastructure at cost		-	84,017
Subtotal Capital Work in Progress		5,961	144,090
Total Property, Plant & Equipment		2,327,490	2,949,660

Notes to and forming part of the Financial Report

Note 10 Property, Plant & Equipment (continued)

Valuations

The value of assets as at 30 June 2005 is considered to be materially correct having regard to the recency of the valuations as detailed below.

The fair value of land (excluding land under the track) has been determined on the basis of market value for existing use as at 30 June 2003 less an allowance for environmental restoration which has been determined by management. Land under the track was valued on the basis of a valuation completed by Chesterton Corporate Property Advisors, registered valuers, in 2000 which was increased by index factors provided by the State Valuation Office to determine the fair value of such land as at 30 June 2003.

The fair value of buildings was determined on the basis of written down replacement cost by the State Valuation Office as at 30 June 2003.

The fair value of infrastructure has been determined by independent assessment by Currie & Brown, Quantity Surveyors, on the basis of replacement cost as at 1 July 2002 excluding the replacement cost of existing earthworks, tunnels, access roads and other ancillary site work. Tamping machines, used for track maintenance were valued at depreciated optimised replacement cost by RIC management as at 30 June 2003.

Other assets are valued at depreciated historical cost as an estimate of fair value.

Reconciliation

	Carrying Amount at 1 July 2004	Additions	Disposals	Depreciation /Amortisation	Re- valuations	Equity Adjustments (Transfers to RailCorp & from SRA)	Writedown Assets leased or sold to ARTC	Adjustments*	Carrying amount as at 30 June 2005
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Trackwork and Infrastructure	2,462,507	26,144	(4,624)	(124,991)	(101,417)	2,587	(1,519)	-	2,258,687
Land	193,431	133	-	-	(16,063)	(134,025)	(1,739)	6,026	47,763
Buildings	55,763	1,208	(3)	651	-	(39,674)	(6,307)	-	11,638
Plant, Machinery & Office Equipment	40,180	8,604	(714)	(4,810)	-	(37,460)	(4,302)	-	1,498
Rolling Stock	12,956	209	(39)	(177)	-	(12,892)	(57)	-	-
Motor Vehicles	26,861	2,764	(574)	(855)	-	(27,395)	(781)	-	20
Quarries	7,891	9	(472)	(133)	-	(7,295)	-	-	-
Leasehold Improvements	5,981	1,872	-	(838)	-	(4,987)	(105)	-	1,923
Capital WIP	144,090	(23,934)	-	-	-	(113,636)	(559)	-	5,961
Total	2,949,660	17,009	(6,426)	(131,153)	(117,480)	(374,777)	(15,369)	6,026	2,327,490

*Adjustments relate to the allowance for environmental restoration including a write back of \$6.089 million.

Notes to and forming part of the Financial Report

Note 11 Payables

	2005 \$000	2004 \$000
Current		
Trade payables	1,604	37,331
Capital accruals	-	11,193
Other payables and accruals	60,939	147,418
Total Payables	62,543	195,942

Note 12 Tax Liabilities

Current

Fringe Benefits Tax	-	238
Payroll Tax	616	4,020
Total Tax Liabilities	616	4,258

Note 13 Interest Bearing Liabilities

(a) Total Borrowings

Unsecured:

Current Interest Bearing Liabilities	12,900	11,000
Non Current Interest Bearing Liabilities	21,288	363,892

Total Borrowings	34,188	374,892
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All borrowings are valued at current capital value

(b) Maturity Profile

Not later than one year	12,900	11,000
Later than one year, not later than five years	16,476	16,476
Later than five years	4,812	347,416

Total Borrowings	34,188	374,892
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(c) Financing Arrangements

Unrestricted access was available at balance date to the following lines of credit:

Credit Standby Arrangements

	As at 30 June 2005			As at 30 June 2004		
	Total facilities \$'000	Used \$'000	Unused facilities \$'000	Total \$'000	Used \$'000	Unused \$'000
Bank overdraft facility	30,000	-	30,000	100,000	-	100,000
Westpac credit card	8,210	4,000	4,210	8,670	5,250	3,420
Total	38,210	4,000	34,210	108,670	5,250	103,420

Notes to and forming part of the Financial Report

Note 14 Provisions

	Note	2005 \$000	2004 \$000
Current			
Employee Benefits (a)		22,027	47,308
Workers Compensation (b)		6,984	6,809
New Southern Railway Asset Replacement provision (c)		-	14,067
Environmental Restoration	1 (p)	238	779
Severance Provision		5,900	34,390
Legal Claims		8,239	6,725
Total Current Provisions		43,388	110,078
Non-Current			
Employee Benefits (a)		38,191	112,317
Workers Compensation (b)		40,253	34,517
Superannuation (d)		53,996	25,327
Quarry Restoration		-	4,789
Total Non-Current Provisions		132,440	176,950

(a) Employee Benefits

- (i) An actuarial assessment of the liability effective at 30 June 2005 for long service leave was carried out in July 2005 by William M. Mercer Pty Ltd.

Major assumptions made were:

Net future increase in salary and wage rates and interest rate used for discounting (% per annum) 1.1*%

-* i.e the bond rate of 5.1% less 4.0% for the expected increase in salaries & wages.

Period used to measure present values of future payments (years). 10 years

The value of annual leave and pay in lieu of public holidays worked, as determined by RIC, is also included in employee benefits.

- (ii) Aggregate liability for employee benefits including on-costs.

Current liabilities

Employee benefits provision	14	22,027	47,308
Severance provision	14	5,900	34,390
Other payables and accruals – accrued salaries and wages		16,822	33,434
Payroll & fringe benefit taxes	12	616	4,258
Total current employee benefits and related on-costs		45,365	119,390

Non-current liabilities

Employee benefits provisions	14	38,191	112,317
Total employee benefits and related on-costs		83,556	231,707

Aggregate asset for employee benefits included in the financial statements is as follows:

Current asset

Prepaid wages & salaries	576	1,665
Total prepaid wages & salaries	576	1,665

Notes to and forming part of the Financial Report

Note 14 Provisions (continued)

(b) Workers Compensation

Rail Infrastructure Corporation has a self-insurers license issued by the Work Cover Authority pursuant to Section 211 of the *Workers Compensation Act 1987*. As a condition of that license Rail Infrastructure Corporation maintains an "excess of loss" (Workers Compensation) insurance policy for any claims exceeding \$1,000,000. A provision is maintained to cover claims made or likely to be made by employees up to \$1,000,000. The liability at 30 June 2005 has been actuarially assessed by McMahon Actuarial Services Pty Ltd.

The license is current until 31 August 2005 and is renewable subject to satisfactory performance by Rail Infrastructure Corporation in management of Occupational Health, Safety & Rehabilitation and Workers Compensation.

(c) The New Southern Railway (NSR) Asset Replacement Provision (as per vested contract)

The conditions of the contract required Rail Infrastructure Corporation to provide an amount of \$646,936 on a quarterly basis for five years (subject to indexation) after practical completion date of 3 February 2000 of the airport line between Central and Turrella. The distribution of any credit balances of the provision at the termination of the overall 30 year contract will be split equally between Rail Infrastructure Corporation and the maintenance provider.

This provision was vested to Rail Corp in September 2004.

(d) Superannuation

- (i) The Actuary for Pillar Administration as at 30 June 2005 has assessed RIC's liability under the State Authorities Superannuation Scheme (SASS), the State Authorities Non-Contributory Superannuation Scheme (SANCSS) and State Superannuation Scheme (SSS) as detailed below:

	30 June 2005			30 June 2004		
	Reserve \$'000	Liability \$'000	Deficit \$'000	Reserve \$'000	Liability \$'000	Deficit \$'000
SASS	88,682	135,629	(46,947)	312,678	335,186	(22,508)
SANCSS	10,902	17,764	(6,862)	44,545	46,444	(1,899)
SSS	4,518	4,705	(187)	6,144	7,064	(920)
	104,102	158,098	(53,996)	363,367	388,694	(25,327)

The reserve represents the net market value of assets held by the schemes to meet future benefit payments, the liability represents the present value of employees' accrued benefits and the deficit represents the excess of the liability over the reserve.

The 30 June 2005 assessment of the funds satisfies the requirements of AAS25 "Financial Reporting by Superannuation Plans". The assumptions derived independently by the appointed actuary, William M. Mercer Pty Ltd in the assessment were as follows:

	2005/2006	2006/2007	2007/08 and thereafter
	%	%	%
Rate of investment return (after tax and investment-related expenses)	7.0	7.0	7.0
Rate of general salary increase (a promotional scale applies)	4.0	4.0	4.0
Rate of increase in CPI	2.5	2.5	2.5

The statistical assumptions can be provided on request from Pillar Administration. The membership databases used in this year's assessment are those as at 31 March 2005.

	2005 \$'000	2004 \$'000
(ii) Operating Expenses		
Increase/(decrease) in superannuation position	(28,669)	14,076
Superannuation expenses	(14,020)	(33,666)
Net Effect Recognised in the Statement of Financial Performance	(42,689)	(19,590)

As at 30 June 2005 formal advice received from the Pillar Administration Corporation indicated that an underfunded position amounting to \$53.996 million (2004: \$25.327 million) existed.

Notes to and forming part of the Financial Report

Note 14 Provisions (continued)

Movement in Provisions

2005	Workers Compensation \$'000	NSR Asset Replacement \$'000	Environmental Restoration \$'000	Legal Claims \$'000	Total \$'000
Carrying amount at start of year	41,326	14,067	779	6,725	62,897
Additional provisions recognised	12,169	1,108	-	5,350	18,627
Payments	(6,258)	-	-	(3,836)	(10,094)
Reductions from re-measurement	-	-	(65)	-	(65)
Vested to RailCorp		(15,175)	(476)	-	(15,651)
Carrying amount at end of year	47,237	-	238	8,239	55,714

2004	Workers Compensation \$'000	NSR Asset Replacement \$'000	Environmental Restoration \$'000	Legal Claims \$'000	Warranty \$'000	Other \$'000	Total \$'000
Carrying amount at start of year	37,478	8,758	908	27,588	1,937	1,374	78,043
Additional provisions recognised	12,240	5,309	-	(10,291)	-	-	7,258
Payments	(8,392)	-	-	(10,572)	-	-	(18,964)
Reductions from re-measurement	-	-	(129)	-	(1,937)	(1,374)	(3,440)
Carrying amount at end of year	41,326	14,067	779	6,725	-	-	62,897

Note 15 Equity

	2005 \$'000	2004 \$'000
(a) Contributed Equity		
Two issued ordinary shares fully paid held by the Premier and the Treasurer	3,224,331	3,320,748
Movements:		
Contributed Equity		
Contributed equity at beginning of financial year	3,320,748	8,060,224
Vesting of assets and liabilities to RailCorp	(319,413)	(4,478,011)
Vesting of assets and liabilities to TIDC	218,796	(261,465)
Vesting of land from SRA	4,200	-
Contributed equity at end of financial year	3,224,331	3,320,748

Notes to and forming part of the Financial Report

Note 15 Equity (continued)

	2005 \$000	2004 \$000
(b) Asset Revaluation Reserve		
Balance at beginning of financial year	650,861	2,179,180
Revaluation increments/(decrements) on revaluation of:		
- land	(16,065)	(4,829)
- buildings	-	2,087
- infrastructure	(101,415)	(8,330)
- quarries	-	2,895
Transfer of asset revaluation reserve relating to vested or leased assets	(112,146)	(1,520,142)
Balance of asset revaluation reserve at the end of the financial year	421,235	650,861

The asset revaluation reserve includes the net revaluation increments and decrements arising from the revaluation of non current assets measured at fair value in accordance with AASB 1041.

Where a revalued asset is disposed of, that portion of the asset revaluation reserve, which relates to that asset, is effectively realised, and is transferred to retained profits

(c) Retained Earnings/(Accumulated Losses)

Retained Earnings/(Accumulated Losses) at beginning of financial year	(1,506,473)	164,052
Net loss	(145,790)	(3,190,667)
Transfer from asset revaluation reserve	112,146	1,520,142
Balance of Retained Earnings/(Accumulated Losses) at end of financial year	(1,540,117)	(1,506,473)

Note 16 Commitments

(a) Expenditure Agreements

(i) Operating Lease Commitments

Non-cancellable operating leases:

Payable not later than one year	2,936	15,385
Payable later than one year, not later than five years	10,955	39,243
Payable later than five years	88	1,946
Total Operating Lease Commitments	13,979	56,574

The above operating commitments relate to the rental of properties, computers and other business equipment.

(ii) Finance Lease Commitments

RIC has no commitments under finance leases as at 30 June 2005.

(iii) Capital Expenditure Commitments

Capital expenditure contracted for at balance date is payable as follows:

Payable not later than one year	2,434	16,564
Payable later than one year, not later than five years	-	-
Payable later than five years	-	-
Total Capital Expenditure Commitments	2,434	16,564

Capital expenditure commitments relate to the purchase of major track maintenance, minor plant and equipment and motor vehicles.

Notes to and forming part of the Financial Report

Note 16 Commitments (continued)

	2005 \$000	2004 \$000
(iv) Other Operating Expenditure Commitments		
Other operating expenditure commitments, excluding contracted commitments for supply of inventories are payable as follows:		
Payable not later than one year	153,120	5,578
Payable later than one year, not later than five years	-	19,011
Payable later than five years	-	1,732
Total Other Operating Expenditure Commitments	153,120	26,321

- (a) The above other operating commitments relate to infrastructure maintenance contracts, computer maintenance, software licences and facility agreements.
- (b) The total commitments as per the above note include input tax credits of \$15.412 million (2004: \$9.042 million) that are expected to be recoverable from the Australian Tax Office.
- (c) RIC entered into an agreement with ARTC to maintain the country regional networks which were not leased to ARTC. The Country Regional Network Management Agreement ('CRNMA') signed on 4 June 2004 has a 60 year term with an option to terminate in June 2008. The first year commitment is \$100 million with future funding to be determined on a year to year basis in accordance with the agreement.
- (d) RIC also entered into a tripartite agreement titled "Memorandum between the Commonwealth of Australia & the State of New South Wales & Australian Rail Track Corporation" on 4 June 2004. The NSW Government (through RIC) is committed to pay ARTC:
- i) \$61.9 million to undertake works on the Interstate and Hunter Valley assets on the basis of \$50 million within three years of the commencement of the lease and the balance of \$11.9 million within 4 years of that date
- This is subject to ARTC making satisfactory progress with the Infrastructure Investment Program.
- ii) a further \$30 million (indexed to CPI) on the basis of 3 instalments of \$10 million in each of years 4, 5 & 6 of the lease term.

(b) Revenue Agreements

Community Service Obligation Funding

On 1 January 2002, the Corporation entered into a 5 year 6 month contract with the Ministry of Transport to underwrite the loss of the non-commercial rail lines. As at 30 June 2005, the value of this contract over the remaining 2 years is \$220 million (2004: \$360 million).

Rail Infrastructure Access Agreements

The Corporation has entered into multi-year rail infrastructure access agreement with its customers. The dollar value of the business generated by the agreements to the Corporation each year depends on the rates charged, which are negotiated annually over the life of the agreement, and the annual level of customer usage.

Note 17 Contingent Liabilities

- (a) RIC has secured performance guarantees and letters of credit to customers for maintenance and construction services performed totalling \$0.035 million (2004: \$0.035 million) at 30 June 2005.
- (b) As a result of the partnership arrangements for the Transfield RSA Joint Venture the several liability of RIC in the event of default by Transfield totals \$1.598 million (2004: \$1.333 million).
- (c) RIC has a secured guarantee for \$53.724 million (2004: \$47.212 million) with WorkCover Authority as required for workers compensation self insurance obligations.
- (d) RIC may undertake repair and maintenance of heritage assets and remediate environmental damage on its properties. The cost of these activities cannot be reliably measured at this time.
- (e) RIC may be liable for compensation payments arising from claims and other matters subject to litigation. The amounts involved cannot be accurately determined but are expected to be immaterial.

There are no other contingent liabilities as at 30 June 2005.

Notes to and forming part of the Financial Report

Note 18 Consultants

Consultants are regarded (in accordance with the guidelines issued by the Premier's Department) as temporary engagements of a professional, technical or general management nature where the outcomes are not well defined at the outset and where advice is provided on options to be considered by RIC management for decision making purposes. Expenditure on these services for the year ended 30 June 2005 was \$100,418 (2004: \$627,742).

The definition excludes other professional engagements and short term contract employees and contractors working under direct supervision. These include requirements for specialist tasks where the required expertise is not available within Rail Infrastructure Corporation, for transitional arrangements not requiring permanent staffing, and to assist with major reform and change management programs.

Although Professional Services may be construed as being Consultants those services are separately classified by RIC. Professional Services refer to professional staff who provide assistance on defined and documented tasks that are additional to routine RIC work. Expenditure on those services for the year ended 30 June 2005 was \$9,299,018 (2004: \$13,156,658)

Note 19 Financial Instruments

(a) Interest Rate Risk

The Corporation's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities at the balance date are as follows:

	Variable Interest Rate	Fixed Interest maturing in:			Non Interest Bearing	Total	Weighted Average Effective Interest Rate %
2005	\$000	1 year or less \$000	1 to 5 Years \$000	Later than 5 years \$000	\$000	\$000	
Financial Assets							
Cash Assets	3,402	-	-	-	-	3,402	5.42
Receivables	-	-	-	-	42,299	42,299	N/A
Other	-	-	-	-	-	-	N/A
Total Financial Assets	3,402	-	-	-	42,299	45,701	
Financial Liabilities							
Payables	-	-	-	-	62,543	62,543	N/A
Interest bearing liabilities	-	12,900	16,476	4,812	-	34,188	6.36
Total Financial Liabilities	-	12,900	16,476	4,812	62,543	96,731	
Net Financial Assets/(Liabilities)	3,402	(12,900)	(16,476)	(4,812)	(20,244)	(51,030)	
2004							
Financial Assets							
Cash Assets	95,936	-	-	-	-	95,936	5.15
Receivables	-	-	-	-	218,744	218,744	N/A
Total Financial Assets	95,936	-	-	-	218,744	314,680	
Financial Liabilities							
Payables	-	-	-	-	195,942	195,942	N/A
Interest bearing liabilities	-	11,000	16,476	347,416	-	374,892	6.23
Total Financial Liabilities	-	11,000	16,476	347,416	195,942	570,834	
Net Financial Assets/(Liabilities)	95,936	(11,000)	(16,476)	(347,416)	22,802	(256,154)	

Notes to and forming part of the Financial Report

Note 19 Financial Instruments (continued)

(b) Credit Risk

The credit risk on financial assets which have been recognised in the Statement of Financial Position is generally the carrying amount, net of Provision for Doubtful Debts.

2005	Governments \$'000	Banks \$'000	Other \$'000	Total \$'000
Financial Assets				
Cash	47	3,353	2	3,402
Receivables	32,496	-	9,803	42,299
Total Financial Assets	32,543	3,353	9,805	45,701

2004	Governments \$'000	Banks \$'000	Other \$'000	Total \$'000
Financial Assets				
Cash	87,810	8,077	49	95,936
Receivables	192,642	6	26,096	218,744
Total Financial Assets	280,452	8,083	26,145	314,680

(c) Net Fair Value of Financial Assets & Liabilities

Except as detailed in the following table, the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their net fair values. The net fair value of other monetary financial assets and financial liabilities is based on market value where a market exists or by discounting the expected future cash flows by the current interest rates for assets and liabilities with similar risk profiles.

	2005		2004	
	Carrying Amount \$'000	Net Fair Value \$'000	Carrying Amount \$'000	Net Fair Value \$'000
Financial Liabilities				
Short term borrowings	12,900	12,950	11,000	11,000
Long term borrowings	21,288	21,837	363,892	367,748
Total Financial Liabilities	34,188	34,787	374,892	378,748

Note 20 Events occurring after balance date

On 1 July 2005 further RIC assets, rights, liabilities and staff were vested to RailCorp as part of the continuing restructure of the NSW Rail Industry referred to in Note 1(a). The transferred assets and liabilities are comprised of land, buildings, facilities, infrastructure, plant, equipment, supplies and specified contracts and the employee benefits of 110 transferred staff. As the transfer occurred after the reporting date its financial effect has not been recognised in 2004/05. The net financial effect is estimated to be an increase in net assets of approximately \$1.1 million.

Notes to and forming part of the Financial Report

Note 21 Joint ventures

Rail Infrastructure Corporation (RIC) was a party to three joint ventures operating during the period of this report. The following results were based on management accounts, as audited accounts were not available at the time of completion of the RIC Financial Report.

(a) Transfield-RSA Electromechanical Services Joint Venture

RIC has a 50% interest in Transfield-RSA Electromechanical Services Joint Venture which provides electrical and maintenance services. This Joint Venture was established as a partnership and commenced operations in August 1998.

	2005 \$000	2004 \$000
Equity Accounted Investment		
Equity accounted investment at beginning of financial year	811	849
Less dividend received	(100)	-
Share of operating profit/(loss) - (no income tax due as this is a partnership)	156	(38)
Equity Accounted Amount at End of Financial Year	867	811

(b) Track Australia Pty Limited

RIC had a 50% interest in Track Australia Pty Limited, which is an operator of specialised track maintenance equipment. This Joint Venture commenced operations on 1 January 1999.

RIC's share was sold to Plasser Australia Pty Ltd with effective termination of this joint venture as at 31 December 2004.

Equity Accounted Investment

Equity accounted investment at beginning of financial year	1,266	1,137
Adjustment to 2002/03 profit	-	(656)
Adjustment to 2003/04 profit	(84)	-
Share of operating profit before income tax	-	1,121
Share of income tax	-	(336)
Disposal of Joint Venture Interest	(1,182)	-
Equity Accounted Amount at End of Financial Year	-	1,266

(c) Rail Fleet Services Ltd

RIC had a 50% interest in a joint venture with Alstom Australia Ltd to operate a rolling stock maintenance business. This incorporated joint venture commenced operations in April 2000.

RIC's share was sold to Alstom Australia with effective termination of this joint venture as at 30 September 2003.

Equity Accounted Investment

Equity accounted investment at beginning of financial year. (Total shares of \$50)	-	171
Share of operating profit/(loss) before income tax (a)	-	254
Disposal of joint venture interest	-	(425)
Equity Accounted Amount at End of Financial Period	-	-

Notes to and forming part of the Financial Report

Note 21 Joint ventures (continued)

	2005 \$000	2004 \$000
Summarised Financial Position of RIC's Share of Joint Venture Entities:		
Current assets	1,508	2,192
Current liabilities	(570)	(1,475)
Non-current assets	158	1,572
Non-current liabilities	(229)	(212)
Net assets	867	2,077
Revenue	2,603	4,956
Less expenses	(2,447)	(3,873)
Operating profit/(loss) before income tax	156	1,083
Adjustment to previous years profit	(84)	(656)
Share of operating profit after tax for disposed RFS	-	254
Income tax	-	(336)
Operating Profit after Tax	72	345
RIC's total investment in joint ventures is made up as follows:		
Transfield RSA Electromechanical Services Joint Venture	867	811
Track Australia Pty Limited	-	1,266
	867	2,077
Accumulated profits/(losses) at opening date of reporting period	1,152	(1,769)
Operating Profit after Tax	72	345
Distribution of Profits	(100)	-
Disposal of joint venture interest	(907)	2,576
Accumulated profits at closing date of reporting period	217	1,152
Share of reserves attributable to joint venture entities	Nil	Nil

Contingent liabilities as per Note 17(b) is also relevant to this section.

Note 22 Significant items

The following transactions are considered significant due to their nature;

Increase/(Decrease) in superannuation reserve over superannuation liability	14(d)	(28,669)	14,076
Depreciation on infrastructure assets	3(b)	(124,991)	(389,309)
Writedown of assets leased to ARTC- see note below	10	(15,369)	(2,956,711)
		(169,029)	(3,331,944)

The Australian and NSW Governments have agreed that the Australian Rail Track Corporation (ARTC) will lease the NSW Interstate and Hunter Valley networks for 60 years for \$1. The agreement includes an \$818 million investment program on this infrastructure by ARTC. The lease was signed by the NSW Government and the ARTC on 4 June 2004 and took effect from 4 September 2004. To give effect to the lease legislation was passed in the NSW Parliament in May 2004. In accordance with Treasury Directions the ARTC lease is a finance lease which was to be treated as a sale. Accordingly the relevant infrastructure assets have been written down.

Notes to and forming part of the Financial Report

Note 23 Directors' remuneration

For the period 1 July to 28 July 2004 there were seven Directors of RIC (including six non executive directors, and one executive director who was not remunerated as a director). For the period 29 July 2004 to 30 June 2005 there were four non executive Directors of RIC (including one Director, not remunerated as a director). Total remuneration paid for 2004/05 was \$192,303 (2004: \$386,587).

Note 24 Investment in associated company

Rail Infrastructure Corporation was, for the period 1 July – 31 December 2003, a joint shareholder in the Parramatta Rail Link Company Pty Limited with an allotment of 10 out of 30 shares at \$1 per share. During that period, the Parramatta Rail Link Company Pty Limited acted as agent for the State Rail Authority, Ministry of Transport and Rail Infrastructure Corporation to deliver the Parramatta/Chatswood Rail Link.

From 1 January 2004 the functions of the Parramatta Rail Link Company have been taken over by the Transport Infrastructure Development Corporation (TIDC) which is a new State Owned Corporation formed in accordance with the Transport Administration Act 1988. Accordingly, Capital Work in Progress for the Chatswood to Epping section of the Parramatta Rail link, currently under construction, was transferred to TIDC as at 1 January 2004. Remaining assets and liabilities (including borrowings by RIC to fund its share of the project) were transferred to TIDC in September 2004 .

Note 25 Reporting Exemptions

The following reporting exemptions have been granted to RIC.

Description of Exemption	Act/Regulation Reference
Preparation of manufacturing, profit and loss account	Section 41B(c) Public Finance and Audit Act 1983 (PF&A)
Amounts set aside for renewal or replacement of fixed assets	Item 2, Sch1- Public Finance & Audit Regulation 2000 (PF&A Reg 2000)
Amounts set aside to any provision for known commitments.	Item 4, Sch 1, Part 1 – PF&A Reg 2000
Amount appropriated for repayments of loans/advances/debentures/deposits	Item 6, Sch 1, Part 1 – PF&A Reg 2000
Excess of non current asset value exceeds replacement cost	Item 13 Sch 3, Part 1 – PF&A Reg 2000

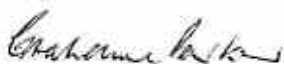
End of Audited Financial Report

Statement by Directors for the year ended 30 June 2005

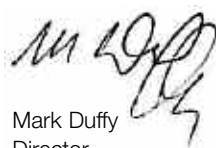
Pursuant to section 41C(1B) and 41B of the Public Finance and Audit Act 1983, in accordance with a resolution of the Board of Rail Infrastructure Corporation, we state that:

- (a) The accompanying Financial Report, read in conjunction with the notes thereto, exhibit a true and fair view of the financial position of Rail Infrastructure Corporation as at 30 June 2005 and its performance for the year ended on that date.
- (b) The accompanying Financial Report has been prepared in accordance with the provisions of the Public Finance and Audit Act 1983, the Public Finance and Audit Regulation 2000, State Owned Corporations Act 1989, Australian Accounting Standards and authoritative pronouncements of the Australian Accounting Standards Board.
- (c) At the date of this statement, there are reasonable grounds to believe that the Corporation will be able to pay its debts as and when they become due and payable.
- (d) We are not aware, as at the date of this statement, of any circumstances which would render any particulars included in the Financial Report to be misleading or inaccurate.

Signed in accordance with a resolution of the Directors.



Grahame Parker
Chairman
23 September 2005



Mark Duffy
Director
23 September 2005

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Appendix 1

Statement of business ethics

Required in dealings between RIC and the private sector

RIC's dealings with the private sector include purchasing goods and services, joint ventures and the contracting out of activities.

Both RIC and private sector employees must always be aware of the ethical standards the public demands when RIC money is used, either directly or indirectly.

This statement sets out the appropriate standards for doing business (between RIC and the private sector). It explains what is expected and what is acceptable. These standards are integral to sound business practice.

All individuals or organisations that deal with RIC must adopt these standards of ethical behaviour. These standards comply with NSW Government guidelines for procurement, contracting and market testing.

The likely reward for maintaining ethical business dealings is public confidence and repeat business, as well as fair and productive working relationships.

If you need more information about these guidelines or any ethical issue, please contact the RIC Ethics Information Line on 1800 629 826.

Business ethics for RIC and the private sector

The role of all parties

RIC employees are involved in purchasing goods and services from the private sector.

RIC expects both its permanent and contract employees to behave ethically and comply with its Code of Conduct and Ethics.

RIC also relies on industry and its employees to maintain similar standards of ethical conduct in their dealings with RIC.

A common understanding between RIC and the private sector on ethical issues will help us develop a productive and mutually beneficial working relationship.

RIC business principles

Three key principles form the basis of RIC business agreements:

Value for Money is determined by considering the impact of factors such as quality, reliability, timeliness, service, and initial and ongoing costs.

It does not mean 'lowest price'. However, the lowest price might offer the best value if it meets other essential criteria such as quality and reliability.

Impartiality means trying to be objective and even-handed. For example, an impartial person will try to objectively

establish the criteria for determining best value for money and then assess each bid against these criteria.

Being impartial includes allowing for practicalities. For example, the principle of impartiality does not entail publicly advertising for bids for items of low monetary value or inviting bids from firms that have performed poorly in the past.

Fairness overlaps with impartiality in the sense of being even-handed. In some circumstances, fairness can also entail taking into account the effects of actions on others. For example, it would be unfair to call tenders when there is no serious intent to award a contract, even if a satisfactory or exceptional offer was received.

Fairness does not mean necessarily pleasing everyone.

Ethics Advice Line

Contact the Ethics Advice Line for:

- Advice on any related issues.
- If you are concerned that a breach of the law or unethical conduct may have occurred. This could include fraud, corrupt conduct, maladministration, or serious and substantial waste.

Call 1800 629 826 for more information

RIC requires its employees and contract staff to:

- Comply with RIC and government policies/procedures.
- Show fairness in their treatment of all individuals or organisations that supply goods or services to RIC.
- Encourage fair and open competition while seeking value for money.
- Try to minimise costs to suppliers participating in the procurement process.
- Protect commercial-in-confidence information.
- Deal honestly with suppliers and pay accounts on time.
- Always be accountable and act in the public interest.
- Avoid situations where private interests conflict with public duty.
- Not solicit or accept financial or other benefits from a supplier for performing official duties.
- Respond to reasonable requests for advice and information without delay.

Tenderers, suppliers, consultants and contractors are expected to:

- Respect the conditions and requirements stated in documents supplied by RIC.
- Present information concisely.
- Comply with any codes of tendering and practice that apply.
- Respect the obligation of RIC staff to comply with government procurement policies.
- Not act fraudulently or secretly.
- Prevent the unauthorised release of privileged or confidential information, such as commercial-in-confidence information.
- Not discuss RIC dealings with the media, without first obtaining RIC approval.
- Respond to reasonable requests for advice and information.
- Not offer RIC employees or contract staff any financial or other inducements which may lead to, or be seen as leading to, an unfair advantage in dealings with the RIC.
- Comply with RIC post separation employment guidelines.

Some practical guidelines

Confidentiality

Information which is marked confidential, or which a reasonable person would expect to be confidential, should be treated as such. The information could be in various formats such as hard copy documents or electronically stored.

Intellectual property rights must be negotiated. No individual or organisation is entitled to acquire any intellectual property rights because they are employed by or have a contract with RIC.

Entertainment

Suppliers should not pay for any form of entertainment for RIC employees. Likewise, RIC employees are generally not entitled to use government funds to pay for entertainment.

Lunches etc.

RIC employees are expected to pay for all their own meals. RIC discourages external parties from providing RIC employees with benefits such as social lunches.

Employee participation is permitted only if a clear underlying business purpose exists and the value and frequency of such functions is not excessive.

Gifts

Gifts must not be given to RIC staff or its agencies and there should be no expectation that any gifts will be provided.

Travel and accommodation

RIC meets all business travel and accommodation costs for its employees. Any variation to this policy must first be agreed

with RIC, not the individual employee affected, and approved by a senior manager. Public liability and insurance requirements must also be considered.

Use of RIC equipment or resources

Where suppliers to RIC are required and authorised to use RIC equipment or resources, such use must only be to conduct RIC work. Such work must be carried out in an efficient, effective and economical manner.

Contracting former RIC employees

Former employees are generally not employed as contractors for at least 12 months after they have left RIC.

Any organisation intending to use a current or former RIC employee for contract work with RIC should first discuss this with RIC.

This policy protects RIC, the individual and the organisation from any potential accusation of impropriety or conflict of interest.

Appendix 2

Board Code of Conduct

The Board has adopted a Code of Conduct based on the Australian Institute of Company Directors' Code of Conduct.

Board Code of Conduct

1. A director must act honestly, in good faith and in the best interests of RIC as a whole.
2. A director has a duty to use due care and diligence in fulfilling the functions of office and exercising the powers attached to that office.
3. A director must use the powers of office for a proper purpose, in the best interests of RIC as a whole.
4. A director must recognise that the primary responsibility is to RIC's shareholders as a whole but should, where appropriate, have regard for the interests of all stakeholders of RIC.
5. A director must not make improper use of information acquired as a director.
6. A director must not take improper advantage of the position of director.
7. A director must not allow personal interests, or the interests of any associated person, to conflict with the interests of RIC.
8. A director has an obligation to be independent in judgement and actions and to take all reasonable steps to be satisfied as to the soundness of all decisions taken by the Board of Directors.

9. Confidential information received by a director in the course of the exercise of directorial duties remains the property of RIC from which it was obtained and it is improper to disclose it, or allow it to be disclosed, unless that disclosure has been authorised by RIC, or the person from whom the information is provided, or is required by law.
10. A director should not engage in conduct likely to bring discredit upon RIC.
11. A director has an obligation, at all times, to comply with the spirit, as well as the letter, of the law and with the principles of this Code.

Appendix 3

Internal audit

RIC maintains an independent internal audit service to help the Corporation meet its objectives by applying a systematic, disciplined approach to evaluating and improving the effectiveness of internal controls and governance processes. The Internal Audit function is authorised by the Board to direct a comprehensive program of internal auditing within the Corporation with full and unrestricted access to all functions, property, personnel records, accounts, files and other documentation.

The internal audit work program is subject to annual endorsement by the Audit & Risk Board Committee, with the results, progress and performance of Internal Audit regularly reviewed by both the Committee and external auditors.

Corruption prevention and investigation services, focused on building RIC's resistance to fraud and corruption, were provided by RailCorp.

Investigations

All reported allegations of corrupt conduct committed by staff members were investigated. Where appropriate, final investigation reports were referred to senior management for information and/or consideration of disciplinary action.

Advice on how to address areas vulnerable to corruption was also provided on a needs basis. All matters of possible corrupt conduct were reported to the Independent Commission Against Corruption under section 11 of the Act, to comply with statutory reporting requirements. Matters involving criminal conduct were referred to the NSW Police for investigation and potential prosecution.

Corruption prevention

Ethics advice, ethics awareness activities and other initiatives were implemented or reinforced to help build a corruption resistant organisation. Advice was provided on issues such as contracting, gifts and benefits, conflicts of interest, secondary employment, sponsorship etc. Newsletter articles and an ethics advice / corruption reporting poster were

produced and seminars for new staff were conducted as part of their induction or for existing staff in response to identified needs.

Appendix 4

Employment relations

RIC staff currently on secondment to ARTC are working to the HR policies of RIC with the exception of the OHS and Recruitment and Selection policies which have been developed and implemented by ARTC. RIC staff on secondment to RailCorp work under the day to day control of RailCorp but are still subject to RIC HR policies.

Appendix 5

Risk management and insurance activities

RIC's risk management policy brings all risk management issues under a consistent framework. RIC's risk register will be reviewed during 2005-06 to reflect changes to RIC's business and regulatory environment.

RIC has a comprehensive commercial insurance program that provides adequate financial protection for its assets and potential liabilities. RIC's insurance program is linked with StateRail's and RailCorp's insurance programs, and as a result of the combined bulk buying power in the insurance market, RIC receives substantial financial savings and enhanced coverage.

Appendix 6

Cost of producing this annual report

A total of 200 annual reports were produced. The total cost of production was \$5 292 (excluding GST). The report is available online at www.ric.nsw.gov.au.

Appendix 7

Land disposal

During 2004-05, two property sales were completed, yielding gross proceeds of \$1.87 million. Funds from properties surplus to operational requirements are paid into RIC's general revenue account. There was no known family connection or business association between either property purchaser and the persons responsible for approving the disposal of the properties.

Applications for access to documents concerning details of properties disposed of during the year may be made in accordance with the *Freedom of Information Act 1989*.

Appendix 8

Investment management performance

RIC invests its surplus short-term funds with NSW Treasury Corporation 'Hour Glass' Investment - Cash Facility. In the year ended 30 June 2005, RIC's rate of return on the investment was 5.67%. The NSW Treasury Corporation's 'Hour Glass' Investment - Cash Facility benchmark is the UBS Bank Bill Index rate of 5.64%.

Appendix 9

Research and development

Following the start-up on 5 September 2004, ARTC has taken over RIC's previous research and development projects and will liaise with RIC on ongoing research as it relates to the CRN.

Appendix 10

Government Energy Management Policy (GEMP)

The Government Energy Management Policy (GEMP) was announced by NSW Government in 1998. It is one of several initiatives aimed at reducing greenhouse gas emissions, detailed in the NSW Greenhouse Action Plan 1998.

RIC is committed to GEMP and compiles and reports energy consumption and cost data to the NSW Ministry of Energy and Utilities (MEU) on an annual basis.

Categories that RIC was required to report under include various building categories, passenger vehicles, and other facilities/transport. For the 2003-04 financial year, data was reported for electricity (kWh), total GJ and cost (\$), number of people occupying buildings area (sq m), and fuel volumes and cost. The data for the 2004-05 report is currently being collated for submission to the MEU by 31 October as required.

Appendix 11

Employee Code of Conduct

There have been no changes to the RIC Code of Conduct published in the 2001-02 RIC Annual Report.

Appendix 12

NSW Government Action Plan for Women (GAMP)

Due to the changes in RIC's activities, there is currently no Government Action Plan for Women in place.

Appendix 13

Funds granted to non-government community organisations

There were no donations made to non-government community organisations during 2004-05.

Appendix 14

Heritage

During the year, RIC continued to maintain and review its heritage register in compliance with section 170 of the *State Heritage Act NSW (1977)*. In line with the Act, RIC heritage items are identified and assessed for inclusion on the register.

A number of items on the main Interstate and Hunter Valley Coal Networks are in the Lease to ARTC and are included on its register. Under the *Transport Administration Act 1988*, ARTC is deemed to be the owner of rail infrastructure on the Lease Network for the purposes of the *Heritage Act 1977*.

A Heritage Impact Statement was prepared for proposed works to Cowra Roundhouse, which formed the basis of a Section 60 application to the NSW Heritage Office.

Appendix 15

Industrial relations policies and practices

RIC worked with unions and other interested stakeholders throughout the financial year to ensure that our industrial relations policies and practices supported our business goals.

This included the development and certification of the combined rail entities Enterprise Bargaining Agreement, staff consultation with respect to the restructure and the integration of seconded staff to ARTC and, where necessary, implementation of effective dispute resolution management practices.

RIC will continue to work constructively with unions and other stakeholders throughout 2005/06.

Appendix 16

Waste Reduction and Purchasing Policy (WRAPP)

The NSW Government's Waste Reduction and Purchasing Policy (WRAPP) requires RIC to assign priority to buying materials with recycled content where they are cost and performance competitive.

During the period from 1 July 2004 to 4 September 2004, RIC continued to purchase significant quantities of recycled content materials such as concrete sleepers and steel products. During this period, RIC reprocessed large quantities of spent ballast and spoil from track reconstruction works through its ballast recycling centre at Chullora to generate materials suitable for use in track, access roads and drainage works in the rail corridor and other construction applications.

From September 2004, RIC's primary function has been to monitor and manage the various Agreements with ARTC. RIC continues to purchase recycled content stationery, particularly paper products. RIC also undertakes the recycling of its used paper products and waste toners.

Appendix 19

Freedom of Information

The 2004-05 reporting period shows that 2 applications were received by RIC for access to documents under the *Freedom of Information Act 1989* (NSW). The statistical report reflects RIC's commitment to the objectives of the Act, displaying an appropriate percentage of applications that resulted in the full disclosure of documents.

The RailCorp FOI and Privacy Office processes FOI applications to RIC and provides assistance to both employees and members of the public with privacy issues.

The FOI and Privacy Office is located in the Communications Group, Level 6, 18 Lee Street Chippendale NSW 2008, and may be contacted on (02) 8202 2323 or (02) 8202 3058 during business hours.

Section A Number of new FOI requests

FOI requests	Personal	Other	Total
A1 New (including transferred in)	0	2	2
A2 Brought forward	0	0	0
A3 Total to be processed	0	2	2
A4 Completed	0	2	2
A5 Transferred out	0	0	0
A6 Withdrawn	0	0	0
A7 Total processed	0	2	2
A8 Unfinished (carried forward)	0	0	0

Appendix 17

Ethnic Affairs Priority Statements (EAPS)

RIC has an Ethnic Affairs Priority Statement (EAPS) for 2005. Throughout its duration, our EAPS has achieved a great deal of progress, particularly in ensuring the delivery of equity and diversity as part of customer service.

Appendix 18

Disability

RIC is committed to providing opportunities and fulfilling the needs of employees with disabilities. The needs of employees with disabilities are assessed and relevant equipment or training provided.

Section B What happened to completed requests?

Results of FOI request	Personal	Other	Total
B1 Granted in full	0	1	1
B2 Granted in part	0	0	0
B3 Refused	0	1	1
B4 Deferred	0	0	0
B5 Completed	0	2	2

Section C Ministerial Certificates

C1 Ministerial Certificates issued	0
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Section D Formal consultations

		Personal	Other	Total
D1	No of requests requiring formal consultation	0	0	0

Section E Amendments of personnel records

E1	Result of amendment - agreed			0
E2	Result of amendment - refused			0
E3	Total			0

Section F Notation of personal records

F1	Number of requests for notation			0
----	---------------------------------	--	--	---

Section G FOI request granted in part or refused

	Basis of disallowing or restricting access	Personal	Other
G1	Section 19 (application incomplete, wrongly directed)	0	0
G2	Section 22 (Deposit not paid)	0	0
G3	Section 25 (1)(a1) Diversion of resources	0	0
G4	Section 25(1)(a) exempt	0	1
G5	Section 25 (1)(a), (b), (c), (d) (otherwise available)	0	0
G6	Section 28(1)(b) (documents not held)	0	0
G7	Section 24(2) - deemed refused, over 21 days	0	0
G8	Section 31(4) (released to Medical Practitioner)	0	0
G9	Totals	0	1

Section H Costs and fees of requests processed

	Assessed costs	FOI fees received
H1	All completed requests	\$240
		\$180

Section I Discounts allowed

Type of discount allowed	Personal	Other
I1	Public interest	0
I2	Financial hardship - pensioner / child	0
I3	Financial hardship - Non profit	0
I4	Totals	0
I5	Significant correction of personal records	0

Section J - Days to process

Elapsed time	Personal	Other
J1 0-21 days	0	1
J2 22-35 days	0	0
J3 Over 35 days	0	1
J4 Totals	0	2

Section K Processing time

Processing hours	Personal	Other
K1 0-10 hours	0	2
K2 11-20 hours	0	0
K3 21-40 hours	0	0
K4 Over 40 hours	0	0
K5 Totals	0	2

Section L Reviews and appeals

L1	Number of internal reviews finalised	0
L2	Number of Ombudsman reviews finalised	0
L3	Number of ADT appeals finalised	0
L4	Number of District cour/ADT appeals finalised	0

Appendix 20

Equal Employment Opportunity (EEO)

RIC continued to support and maintain Equal Employment Opportunity for employees. RIC also continued the implementation of a Diversity Plan that includes the Disability Action Plan, EEO Management Plan and the Ethnic Affairs Priorities Statement. RIC will continue our commitment to EEO throughout next year.

A. Trends in the representation of EEO Groups

EEO Group	Benchmark or Target	% of Total Staff			
		2005	2004	2003	2002
Women	50%	22%	8%	8%	8%
Aboriginal people and Torres Strait Islanders	2%	1%	3.6%	2.8%	2.6%
People whose first language was not English	20%	17%	19%	18%	20%
People with a disability	12%	12%	12%	11%	11%
People with a disability requiring work-related adjustment	7%	4%	3.8%	3.5%	2.3%

B. Trends in the distribution of EEO groups

EEO Group	Benchmark or Target	Distribution index			
		2005	2004	2003	2002
Women	100	99	113	115	114
Aboriginal people and Torres Strait Islanders	100	n/a	60	64	62
People whose first language was not English	100	96	106	97	99
People with a disability	100	92	92	89	92
People with a disability requiring work-related adjustment	100	76	89	86	84

Notes:

1. Staff numbers as at 30 June 2005.
2. Excludes casual staff.
3. A Distribution Index of 100 indicates that the centre of the distribution of the EEO group across salary levels is equivalent to that of other staff. Values less than 100 mean that the EEO group tends to be more concentrated at lower salary levels than is the case for other staff. The more pronounced this tendency is, the lower the index will be. In some cases the index may be more than 100, indicating that the EEO group is less concentrated at lower salary levels. The Distribution Index is automatically calculated by the software provided by the Office of the Director of Equal Employment Opportunity in Public Employment.
4. The Distribution Index is not calculated where EEO group or non-EEO group numbers are less than 20.

Appendix 21

Exemptions from the reporting provisions

Treasury has exempted RIC from reporting on the following annual reporting requirements:

- Exemptions from preparing manufacturing, trading and profit and loss statements Section 41B (c) *Public Finance and Audit Act 1983*
- Amounts set aside for renewal of replacements of fixed assets Schedule 1, Part 1, Item 2, *Public Finance and Audit (General) Regulation 2000 (PFAGA)*
- Amounts set aside to any provisions for known commitments Schedule 1, Part 1, Item 4 PFAGA
- Amount appropriated for repayment of loans/advances/debentures/deposits Schedule 1, Part 1, Item 6, PFAGA
- Excess of non-current asset value exceeds replacement cost Schedule 1, Part 3, Item 13, PFAGA
- Performance in paying accounts, including actions to improve payments performance Schedule 1, Clause 15, *Annual Reports (Statutory Bodies) Regulation 2000 (ARSBR)*
- Reasons for late payments Schedule 1, Clause 15, ARSBR
- Interest paid due to late payments Schedule 1, Clause 15, ARSBR

Appendix 22

Electronic service delivery

RIC publishes its Annual Report and other information through both the Internet (www.ric.nsw.gov.au) and intranet.

Total visitors 2004-05: 28,896

Appendix 23

Changes in acts and subordinate legislation

The *Transport Amendment (General) Amendment (ARTC Provisions) Regulation 2004* commenced on 3 September 2004. The regulation makes amendments to the *Transport Administration (General) Regulation 2000* in relation to the arrangements with Australian Rail Track Corporation (ARTC) for the leasing of the main line network and the management of the country regional network. The amendments exempt ARTC from certain State duties and taxes and limit ARTC's liability for common law damages. They also clarify ARTC's position for the purposes of State workers compensation legislation and in relation to continuity of service for employees who transfer between ARTC and the rail authorities.

The *Transport Amendment (General) Amendment (State Taxes) Regulation 2004* commenced 17 December 2004. This regulation amends the *Transport Administration (General) Regulation 2000* so as to exempt Rail Corporation New South Wales from certain state taxes.

The *Rail Safety (General) Amendment (Miscellaneous) Regulation 2005* commenced 14 January 2005. This regulation amends the *Rail Safety (General) Regulation 2003* by providing for additional requirements in relation to accreditation, in particular, for the purposes of safety interface agreements, passenger security policies and plans and fatigue management programs.

The *Transport Legislation Amendment (Waterfall Rail Inquiry Recommendations) Act 2005* commenced in part on 27 June 2005, with most other sections commencing on 1 July 2005. The Act implements many of the recommendations made in the Final Report of the Special Commission of Inquiry into the Waterfall Rail Accident by effecting changes to a number of pieces of legislation, including the *Rail Safety Act 2002* and the *Transport Administration Act 1988*. The Act removes the Office of Transport Safety Investigation (OTSI) from ITSRR. It also establishes a new, statutory position of the OTSI Chief Investigator who is independent from ITSRR and has powers to initiate investigations into transport accidents or incidents. The Act also provides scope for officers from the federal agency, the Australian Transport Safety Bureau, to be involved in the investigation of rail accidents or incidents in NSW. The Act also includes new provisions designed to reinforce the independence of ITSRR. It also includes a number of additional regulation-making powers in the *Rail Safety Act 2002* and provisions clarifying the obligations of rail operators with respect to their safety management systems.

The *Statute Law (Miscellaneous Provisions) Act 2005* commenced on 1 July 2005. The Act amends the *Transport Administration Act 1988* and the *State Owned Corporations Act 1989 (SOC Act)* to replace references to the Labour Council of New South Wales with references to UnionsNSW. It also amends the SOC Act to include new subsections that state that where the person holding office as Treasurer ceases to hold that office, the share held is taken to be automatically transferred to the person next appointed to that office and statutory SOC's are required to register the transfer. Under the SOC Act, the Treasurer is a Voting Shareholder of a statutory SOC.

Appendix 24

Executive performance and remuneration

In accordance with legislative requirements, the following table shows the remuneration packages of executive officers who earn over \$198 551 per annum. Executive appointments for periods of less than three months have been excluded.

Position title	Officer	Total remuneration package	Performance review summary
Chief Executive Officer (appointed 1 August 2004)	Robert William Pentecost, AM	\$338 000	<ul style="list-style-type: none"> Oversaw the successful implementation of the ARTC arrangements. Negotiated, in conjunction with RailCorp, a new Enterprise Bargaining Agreement covering RIC staff. Formulated, and implemented, structures and budgets for RIC during transition through the rail restructure process. Developed strategies for the structure of RIC post the transition. Oversaw the management of RIC staff displaced by the rail restructure.
Chief Financial Officer	Brian Richards	\$250 000	<ul style="list-style-type: none"> Managed the financial aspects of the transition of the RIC business to RailCorp and ARTC. Achieved a clean audit opinion for RIC's 2004-05 Financial Accounts. Led an orderly wind down of RIC's financial affairs. Provided strategic and commercial support to the RIC management team.
General Manager Country Rail Division	Bruce Farrar	\$233 000	<ul style="list-style-type: none"> Established Country Rail Division to manage the ARTC agreements. Successfully managed the ARTC start-up, as chairman of the RIC/ARTC Alliance Board. Negotiated a new five-year funding agreement with the Ministry of Transport. Achieved, through ARTC, improved performance of the Country Regional Network.
Group General Manager Business Services Group	Col Shrubbs	\$220 000	<ul style="list-style-type: none"> Merged State Rail Authority (StateRail) Shared Services functions with RIC into one Business Services Group, servicing RailCorp, StateRail and RIC Transitioned respective BSG functions and facilities to ARTC including Payroll, Finance, Motor Vehicles, Mobile Phones and Records with the closure of offices at Wagga Wagga, Bathurst and Dubbo. Reduced BSG staff establishment by 9%. Reduced staff establishment in conjunction with the Deloitte activity costing review and reduced BSG staffing establishment by a further 17% post ARTC. Successfully transitioned BSG functions from RIC to RailCorp on 1 July 2005.

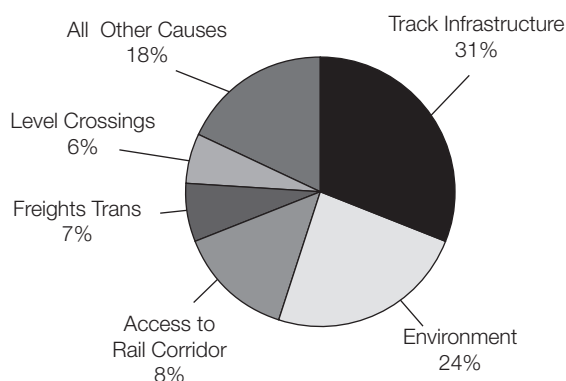
Following is a breakdown of executive staff who earned over \$198 551 per annum in 2004-05, and senior officers who earned over \$190 551 in 2003-04.

Executive staff included in above total	Total staff	Men	Women
2004-05	4	4	0
2003-04	9	4	5

Appendix 25

Consumer response

The main source of lodgement is via the Transport InfoLine (131 500), which now registers all inquiries previously received by RIC's "GreenLine" service.



Appendix 26

Overseas travel

There was no overseas travel undertaken by employees of RIC during the year.

Appendix 27

External committees

- Hunter Valley Coal Chain Steering Committee
- Hunter Valley Coal Chain Rules Committee
- International Accounting Standards Agency Reference Panel (Treasury)
- Level Crossing Strategy Council
- Level Crossing Working Group
- Ministry of Transport and Treasury Liaison Committee
- NSW Government Broadband Tender Contract Management Committee - (Stage 1- Member, Stages 2-5 - Adviser)
- RIC/SRA/ARTC Alliance Board
- RIC/SRA/ARTC Alliance Management Team
- RIC/RTA Issues Quarterly Meeting (with RTA Director Sydney Region)
- TAM Reference Group NSW Treasury
- Track Australia Pty Ltd Board (RIC/Plasser joint venture)
- Transfield / RSA Management Committee (Transfield/RSA joint venture)
- Whole-of-Government Radio - Senior Officer Working Party (Dept of Commerce)

Appendix 28

Publications

RIC published the following during the 2004-05 financial year.

- 2003-04 Annual Report

Appendix 29

Consultants

Supplier Name	Description	Amount \$
PA Consulting Services Pty Ltd	Advise on establishment of Country RIC operations	93,285
Parsons Brinckerhoff Australia Pty Ltd	Conduct a Hazard and Operations Study for Bondi Junction Turnback and Stabling facility	7,133
TOTAL		100,418

Appendix 30

Human resources

Actual Number

Employment basis	Total staff	Staff responded to EEO survey	Men	Women
Permanent full-time	795	414	650	145
Permanent part-time	15	7	1	14
Temporary full-time	61	4	25	36
Temporary part-time	5	0	2	3
Contract – SES	0	0	0	0
Contract – Non SES	34	21	30	4
Training positions	17	2	16	1
Retained staff	0	0	0	0
Casual	0	0	0	0
TOTAL	927	448	724	203

Percent of Total Staff by employment basis

Subgroup as % of total staff in each category

Employment basis	Total staff	Staff responded to EEO survey	Men	Women
Permanent full-time	795	52%	82%	18%
Permanent part-time	15	47%	7%	93%
Temporary full-time	61	7%	41%	59%
Temporary part-time	5	0	40%	60%
Contract – SES	0	0	0	0
Contract – Non SES	34	62%	88%	12%
Training positions	17	12%	94%	6%
Retained staff	0	0	0	0
Casual	0	0	0	0
TOTAL	927	48%	78%	22%

RIC Human resources breakdown

Years	Support services	Argus	Workshops	Engineering and technical
2004-05	577	7	77	117
2003-04	1099	149	177	1068
2002-03	1146	144	198	1017
2001-02	1126	136	186	971

Note that the figure for total number of employees for 2003-04 is correct to 19 June 2004, the last pay period for the financial year.

Weighted estimate

Aboriginal People and Torres Strait Islanders	People from racial, ethnic, ethno-religious minority groups	People whose language first spoken as a child was not English	People with a disability	People with a disability requiring work-related adjustment
8	156	144	100	35
0	0	0	0	0
0	46	31	0	0
0	0	0	0	0
0	0	0	0	0
0	5	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
8	207	175	100	35

Subgroup as estimated % of total staff in each employment category

Aboriginal People and Torres Strait Islanders	People from racial, ethnic, ethno-religious minority groups	People whose language first spoken as a child was not English	People with a disability	People with a disability requiring work-related adjustment
1%	20%	18%	13%	4.3%
0	0	0	0	0
0	75%	50%	0	0
0	0	0	0	0
0	0	0	0	0
0	14%	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0.8%	22%	19%	11%	3.7%

Infrastructure worker and related	Total number of employees
113	891
3135	5628
3138	5688
3283	5701

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Contacting us

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