

# **Queensland Rail Limited**

ABN 71 132 181 090

## **Financial report for the year ended 30 June 2021**

**Queensland Rail Limited**  
ABN 71 132 181 090  
**Financial report - 30 June 2021**

**Contents**

	Page
Directors' report	1
Financial statements	
Consolidated statement of comprehensive income	7
Consolidated balance sheet	8
Consolidated statement of changes in equity	9
Consolidated statement of cash flows	10
Notes to the consolidated financial statements	11
Directors' declaration	48
Independent auditor's report	49

## Directors' report

The Directors present their report on the consolidated entity (referred to hereafter as the group) consisting of Queensland Rail Limited and the entity it controlled at the end of, or during, the year ended 30 June 2021.

### Directors

D Marchant AM, Chair  
S Cantwell  
M Goss (appointed 1 October 2020)  
R Peters  
H Watson  
T Winters (appointed 1 October 2020)

Information relating to Directors' remuneration is contained in note 23 of the financial report.

### Principal activities

During the year the principal activities of the group consisted of:

- South East Queensland (SEQ) above and below rail services; and
- Regional above and below rail services including Travel and Tourism Services.

### Review of operations

The profit of the group for the financial year amounted to \$186.5 million (2020: \$119.4 million).

The group's vision is 'connecting communities through a modern, world-class rail service' with a focus on:

- Providing excellent customer experience;
- Building capable people for the future; and
- Creating value for our stakeholders.

The group's purpose is to provide a rail service that is: safe, customer-focused, reliable, on-time, integrated with the public transport system and benefits the community, supports industry and demonstrates value for money.

In the current reporting period the group focused on driving cultural and structural changes in the business to deliver a more integrated public transport structure for Queensland.

### Dividends

In respect of the financial year ended 30 June 2021, a dividend of \$186.5 million was declared to the holders of fully paid ordinary shares (2020: \$119.4 million). This dividend will be paid on or before 30 November 2021. Refer to note 13.

### Significant changes in the state of affairs

No significant changes in the state of affairs of the group occurred during the financial year.

### Matters subsequent to the end of the financial year

No matters or circumstances have arisen since the end of the financial year which significantly affected, or may significantly affect, the operations of the group, the results of those operations, or the state of affairs of the group in future financial years.

### Likely developments and expected results of operations

The group will continue to work collaboratively with the Queensland State Government in achieving major deliverables which include:

- European Train Control System; and
- Cross River Rail.

The new infrastructure will increase the group's capacity to meet the demand for rail services in South East Queensland, one of the fastest growing regions in Australia.

### Environmental regulation

The group is required to comply with relevant environmental legislation. Exposure in this area is primarily related to air, land and water pollution, management of flora and fauna, environmental approvals associated with works, reporting of energy and greenhouse gas emissions, management of contaminated land, and managing waste.

## Directors' report (continued)

### Environmental regulation (continued)

It is not possible for the group to provide an estimate of the future expenditure in these areas due predominantly to integration of obligations into existing business process and the variability of ad hoc obligation application dependant on activity scope and timeframe. Furthermore, expenditure associated with responding to matters such as environmental incidents are unpredictable.

Primary legislation and regulations to which the group is subject are as follows:

- *Environmental Protection Act 1994 and Regulation 2019 (Qld)*
- *Environment Protection and Biodiversity Conservation Act 1999 and Regulations 2000 (Commonwealth)*
- *Ozone Protection and Synthetic Greenhouse Gas Management Act 1989 and Regulations 1995 (Commonwealth)*
- *National Greenhouse and Energy Reporting Act 2007 and Regulations 2008 (Commonwealth)*
- *Fisheries Act 1994 and Regulation 2019 (Qld)*
- *Planning Act 2016 and Regulation 2017 (Qld)*
- *Biosecurity Act 2014 and Regulation 2016 (Qld)*
- *Coastal Protection and Management Act 1995 and Regulation 2017 (Qld)*
- *Nature Conservation Act 1992 and Regulations (Animals 2020, Plants 2020, and Koala Conservation Plan 2017) (Qld)*
- *Vegetation Management Act 2012 and Regulation 2012 (Qld)*
- *Waste Reduction and Recycling Act 2011 and Regulation 2011 (Qld)*
- *Water Act 2000 and Regulation 2000 and Regulation 2016 (Qld)*
- *Wet Tropics World Heritage Protection and Management Act 1993 and Wet Tropics Management Plan 1998 (Qld)*

All compliance reporting obligations were met during the period.

The group coordinates with the Department of Environment & Science (DES) and other regulators on relevant environment investigations and other matters as required.

Following unprecedented flooding inundating a third party operator's stowed train upon the Mt Isa Line in February 2019, resulting in release of transported product to the environment, Queensland Rail Limited continues to work closely with the Department of Environment & Science (DES), the third party operator and the product owner to progress requirements under the Clean-up Notice as issued to the three parties by DES under the provisions of the *Environmental Protection Act 1994*. Assessments to monitor any temporal changes, and consequent risk exposures following the completion of clean-up activities show no ongoing impact or migration. Request to close out Clean-up Notice will be lodged early FY2021/22. Liaison with affected stakeholders is ongoing, including actions to mitigate stakeholder business impacts as a result of the incident.

Queensland Rail Limited continues to maintain liaison with DES regarding a third party abandoned pipeline that traverses the rail corridor, with repairs conducted by a third party in May 2021.

### Information on Directors and officers

#### **D Marchant AM GAICD** Chair

Mr Marchant was appointed as a Non-Executive Director on 7 October 2015, Interim Chair on 15 October 2018 and Chair on 29 March 2019. Mr Marchant has extensive Board experience and has held a number of executive and non-executive roles across a range of sectors including road, rail, water, gas, electricity, logistics and supply chain management. Mr Marchant is a former Chief Executive Officer of the Australian Rail Track Corporation and Director and Chair of the Australasian Railway Association. Mr Marchant also served as a Director of the Rail Industry Safety and Standards Board.

Mr Marchant has worked as Managing Director of Lend Lease Engineering and Managing Director of Lend Lease Infrastructure Services, and as a Director of the Hunter Valley Coal Chain Coordination Company Pty Ltd.

Mr Marchant was appointed a Member of the General Division of the Order of Australia in 2013 for significant service to the rail industry through national structural reform and infrastructure upgrades and has been a member of the Australian Institute of Company Directors since 2000.

Mr Marchant is a non-executive Director of Airservices Australia, Chair of its Technology and Investment Committee and a member of the Audit and Risk Committee, Safety Committee and Remuneration and Human Resources Committee. Mr Marchant is also a non-executive Director of the Port Authority of New South Wales and a member of its Audit and Risk Committee.

## Directors' report (continued)

### Information on Directors and officers (continued)

**S Cantwell** *MBus, BBus, Grad Dip Transport & Logistics Management, FCILT, FCIEAM, GAICD* Director

Mr Cantwell was appointed as a Non-Executive Director on 1 October 2016. Mr Cantwell has more than 40 years' experience in a broad range of strategic, functional and customer-facing roles within multi-billion dollar national and international business environments. In his executive career, Mr Cantwell has worked in a range of C-suite and Chief Executive Officer roles in both the private and public sector.

During six years at publicly listed Bradken, Mr Cantwell managed a global network of steel foundries and sales offices supplying differentiated consumable and capital products to markets in the resources, freight rail and power generation sectors in Australasia, Africa, China, India; as well as North and South America.

In his 33-year career at Queensland Rail, Mr Cantwell worked across various functions from entry level roles through to Chief Executive Officer. Mr Cantwell led what was then Australia's largest transportation company through significant restructuring and change, delivering growth and innovation across a broad portfolio of activities. As a result, he has established a reputation as a national leader in freight and passenger transport, and in supply chain innovation.

Mr Cantwell is Chair of Tasmanian Railway Pty Ltd, Chair of its Governance and Nomination Committee, and participates as an *ex-officio* member of its Safety and Environment, Audit and Risk and People and Remuneration Committees. Mr Cantwell is also a Director of Port of Brisbane Pty Ltd, a member of its People and Performance Committee and a Member of the Townsville Industrial Development Board.

**M Goss** *LLB* Director

Mr Goss was appointed as a Non-Executive Director on 1 October 2020. Mr Goss has over 30 years' experience as a lawyer in large and mid-tier Australian law firms and now practises in his own legal consultancy and holds a diverse range of Board positions.

Mr Goss has practised primarily in commercial law, agribusiness, banking and finance, and residential aged care.

Mr Goss is currently a Director of Metro South Hospital and Health Service (MSHHS) Board and member of its Audit and Risk Committee; Finance Committee; and Capital Works and Assets Committee; and a Non-Executive Director of Beaumont Care Group of companies.

**R Peters** *B.Arch (Hons), B.App.Sci, Grad Dip Project Management, Registered Architect, FAICD* Director

Ms Peters was appointed as a Non-Executive Director on 1 October 2016. Ms Peters was appointed as the Vice President (Campus Infrastructure and Services) at Monash University in October 2018. Prior to this, Ms Peters was the Director for South East Queensland at AECOM and a Director at Conrad Gargett and has more than 25 years of infrastructure experience, including senior executive roles with Leighton Contractors, Brisbane Airport and Visionstream.

Experienced in building high performance teams to deliver results, Ms Peters has contributed to many significant infrastructure projects such as Brisbane's Eastern Busway and Inner Northern Busway.

Ms Peters has worked on many major precincts / projects and is known for her ability to offer innovative approaches to complex and sensitive tasks. An outspoken advocate for delivering more to communities when delivering infrastructure, Ms Peters highlights the importance of weaving infrastructure back into the urban fabric, creating added economic benefits and engagement with the community.

Ms Peters has contributed to the development of Queensland and Brisbane through Board and committee roles such as the Queensland Government Precinct Advisory Committee (Chair), Brisbane City Council Infrastructure Committee (Chair), the Urban Land Development Authority and the University of Queensland Senate.

Ms Peters contributions are sought by government and industry to address key industry and state wide issues such as skill development, innovation and collaboration. She has worked closely with Chief Executive Officers, Board members, Ministers and Directors General to establish shared understanding of industry macro and micro economic impacts. Ms Peters is currently a Director of Monash Accommodation Services.

## Directors' report (continued)

### Information on Directors and officers (continued)

#### H Watson LLB, GradCertBus, MAICD Director

Ms Watson was appointed as a Non-Executive Director on 6 June 2018. Ms Watson is a lawyer and governance consultant bringing more than 30 years' experience as a private sector lawyer and partner in regional and metropolitan practice in Queensland. For the last decade her specialist focus has been providing legal and governance strategic advice across charitable, non-profit and public sectors.

Ms Watson's industry expertise covers aged care, health and community services, affordable housing and Indigenous communities. Ms Watson's governance experience, both as an advisor and Director, includes organisations with large workforces, multiple locations, significant property interests, business model transitions, subsidiary structures and complex stakeholder interests.

Ms Watson is currently a Board member of Children's Health Queensland Hospital and Health Service, Uniting (NSW & ACT) (Chair), Uniting (VIC & TAS), Australian Regional and Remote Community Services Ltd, Community Services Industry Alliance Ltd Reform Council (Chair), National Affordable Housing Consortium Ltd and Epic Good Foundation (Chair). Ms Watson is also an Advisory Council member of Queensland Family and Child Commission and an Advisory Board member of Australian Charities and Not-for-profits Commission.

#### T Winters BSc Director

Ms Winters was appointed as a Non-Executive Director on 1 October 2020. Ms Winters is a senior executive with more than 30 years' experience in the resources and energy sectors. She has held senior corporate roles in issues management, government and regulatory affairs, media and communications, environment, land access, project commercialisation and construction, and asset management.

Ms Winters held a senior role in Federal public policy and politics for seven years and, for more than a decade, built and ran a successful government approvals and environmental management consultancy serving some of Australia's biggest resources companies and projects.

Ms Winters joined Santos in 2017 as Strategic Adviser External Affairs, responsible for government engagement and strategic communications.

Prior to joining Santos, Ms Winters was an adviser to Caltex Australia on public affairs and strategic issues management and was also a member of the QGC Executive Management team which developed the QCLNG Project in Queensland between 2011 and 2016.

#### P McNamara BCom Company Secretary

Mr McNamara was appointed as Company Secretary on 29 August 2011. Mr McNamara holds a Bachelor of Commerce and has more than 20 years' experience in managerial and senior governance roles within public and private entities operating in the property, transport and financial services industries.

### Meetings of Directors

The number of meetings the company's Board of Directors and each Board committee held during the year ended 30 June 2021, and the number of meetings attended by each Director were:

	Board		Audit and Risk Committee		People and Safety Committee		Major Projects and Procurement Committee	
	A	B	A	B	A	B	A	B
D Marchant AM	10	10	4	4	4	4	4	4
S Cantwell	10	10	-	-	4	4	4	4
M Goss <sup>1</sup>	8	8	3	3	3	3	-	-
R Peters	9	10	4	4	-	-	4	4
H Watson	10	10	4	4	4	4	-	-
T Winters <sup>1</sup>	8	8	-	-	3	3	2	2

A = Number of meetings attended

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

<sup>1</sup> Appointed as a Director on 1 October 2020

## **Directors' report (continued)**

### **Indemnification and insurance of officers**

During the financial year, Queensland Rail Limited paid a premium in respect of an insurance contract to indemnify officers against liabilities that may have arisen from their position as officers of the parent and its controlled entity. Officers indemnified include the Company Secretary, Directors and all executive officers participating in the management of the group.

Further disclosure required under section 300 of the *Corporations Act 2001* is prohibited under the terms of the contract.

### **Proceedings on behalf of the company**

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the group, or to intervene in any proceedings to which the group is a party, for the purpose of taking responsibility, on behalf of the group, for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the group with leave of the Court under section 237 of the *Corporations Act 2001*.

### **Auditor's independence declaration**

The auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 6.

### **Auditor**

The Auditor-General of Queensland continues in office in accordance with section 327B(2) of the *Corporations Act 2001*, the Auditor-General is appointed in accordance with the *Auditor-General Act 2009*.

This report is made in accordance with a resolution of Directors.

D Marchant AM  
Chair

Brisbane, Qld  
30 August 2021

**Auditor's independence declaration**

To the Directors of Queensland Rail Limited

This auditor's independence declaration has been provided pursuant to s.307C of the *Corporations Act 2001*.

**Independence declaration**

As lead auditor for the audit of Queensland Rail Limited for the year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Queensland Rail Limited and the entities it controlled during the period.

Vaughan Stemmett  
as delegate of the Auditor-General

Queensland Audit Office  
Brisbane



**Consolidated statement of comprehensive income  
for the financial year 30 June 2021**

	Notes	2021 \$'000	2020 \$'000
Revenue from operations	1	2,218,925	2,111,705
Other income		3,570	3,305
<b>Total revenue and other income</b>		<b>2,222,495</b>	2,115,010
Supplies and services		(432,059)	(427,243)
Reimbursement of employee costs		(974,968)	(931,720)
Depreciation and amortisation		(395,913)	(399,122)
Other expenses		(20,098)	(24,096)
<b>Total expenses</b>		<b>(1,823,038)</b>	(1,782,181)
<b>Operating profit</b>		<b>399,457</b>	332,829
Finance income		112	196
Finance expenses	2	(136,353)	(162,468)
<b>Net finance costs</b>		<b>(136,241)</b>	(162,272)
<b>Profit before income tax</b>		<b>263,216</b>	170,557
Income tax expense	3	(76,752)	(51,199)
<b>Profit for the year</b>		<b>186,464</b>	119,358
<b>Other comprehensive income</b>			
<i>Items that may be reclassified to profit or loss</i>			
Changes in the fair value of cash flow hedges		(170)	(298)
Income tax relating to components of other comprehensive income	3	51	89
<b>Other comprehensive expense for the year</b>		<b>(119)</b>	(209)
<b>Total comprehensive income for the year</b>		<b>186,345</b>	119,149

*The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.*

**Consolidated balance sheet  
as at 30 June 2021**

	Notes	2021 \$'000	2020 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		1,282	21,428
Trade and other receivables		22,901	38,979
Prepayments		15,698	11,921
Inventories	4	107,202	107,956
Other assets		-	61
<b>Total current assets</b>		<b>147,083</b>	<b>180,345</b>
<b>Non-current assets</b>			
Prepayments		3,325	5,039
Inventories	4	38,427	32,236
Property, plant and equipment	5	7,955,393	7,690,570
Intangible assets	6	99,445	90,069
Right-of-use assets	7	92,117	97,630
Deferred tax assets	8	-	-
Other assets		22,412	17,169
<b>Total non-current assets</b>		<b>8,211,119</b>	<b>7,932,713</b>
<b>Total assets</b>		<b>8,358,202</b>	<b>8,113,058</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	9	752,563	652,562
Borrowings	17	8,814	-
Lease liabilities	7	12,896	12,334
Provisions	10	3,741	3,422
Other liabilities		8,236	7,884
<b>Total current liabilities</b>		<b>786,250</b>	<b>676,202</b>
<b>Non-current liabilities</b>			
Trade and other payables	9	37,178	29,753
Borrowings	17	3,710,000	3,630,000
Lease liabilities	7	87,730	92,616
Provisions	10	5,859	3,908
Deferred tax liabilities	11	470,819	446,914
Other liabilities		41,004	14,184
<b>Total non-current liabilities</b>		<b>4,352,590</b>	<b>4,217,375</b>
<b>Total liabilities</b>		<b>5,138,840</b>	<b>4,893,577</b>
<b>Net assets</b>		<b>3,219,362</b>	<b>3,219,481</b>
<b>EQUITY</b>			
Contributed equity	12	3,083,918	3,083,918
Reserves		19	138
Retained earnings		135,425	135,425
<b>Total equity</b>		<b>3,219,362</b>	<b>3,219,481</b>

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

**Consolidated statement of changes in equity**  
for the financial year 30 June 2021

	Notes	Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	Total equity \$'000
<b>Balance at 1 July 2020</b>		<b>3,083,918</b>	<b>138</b>	<b>135,425</b>	<b>3,219,481</b>
Profit for the year		-	-	186,464	186,464
Other comprehensive expense		-	(119)	-	(119)
<b>Total comprehensive income / (expense) for the year</b>		<b>-</b>	<b>(119)</b>	<b>186,464</b>	<b>186,345</b>
<b>Transactions with owners in their capacity as owners:</b>					
Dividends provided	13	-	-	(186,464)	(186,464)
		-	-	<b>(186,464)</b>	<b>(186,464)</b>
<b>Balance at 30 June 2021</b>		<b>3,083,918</b>	<b>19</b>	<b>135,425</b>	<b>3,219,362</b>
<b>Balance at 1 July 2019</b>					
		<b>3,083,918</b>	<b>347</b>	<b>142,274</b>	<b>3,226,539</b>
Adjustment on adoption of AASB 16 <i>Leases</i>	7	-	-	(6,849)	(6,849)
<b>Restated total equity at the beginning of the financial year</b>		<b>3,083,918</b>	<b>347</b>	<b>135,425</b>	<b>3,219,690</b>
Profit for the year		-	-	119,358	119,358
Other comprehensive expense		-	(209)	-	(209)
<b>Total comprehensive income / (expense) for the year</b>		<b>-</b>	<b>(209)</b>	<b>119,358</b>	<b>119,149</b>
<b>Transactions with owners in their capacity as owners:</b>					
Dividends provided	13	-	-	(119,358)	(119,358)
		-	-	<b>(119,358)</b>	<b>(119,358)</b>
<b>Balance at 30 June 2020</b>		<b>3,083,918</b>	<b>138</b>	<b>135,425</b>	<b>3,219,481</b>

*The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.*

**Consolidated statement of cash flows**  
for the financial year 30 June 2021

	Notes	2021 \$'000	2020 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		362,112	361,152
Receipts from Transport Service Contract (inclusive of GST)		2,123,347	1,960,117
Interest received		115	189
Payments to suppliers and employees (inclusive of GST)		(1,528,757)	(1,492,133)
Interest and other costs of finance paid		(163,687)	(180,022)
Net GST paid		(133,785)	(120,749)
<b>Net cash inflow from operating activities</b>	14	<u>659,345</u>	<u>528,554</u>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment and intangibles		(608,778)	(527,763)
Proceeds from the disposal of property, plant and equipment and intangibles		25,756	8,895
Repayments of loans to related parties		(55,825)	(43,456)
<b>Net cash (outflow) from investing activities</b>		<u>(638,847)</u>	<u>(562,324)</u>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings	16	88,814	203,552
Repayments of principal element of lease liabilities	16	(10,100)	(10,276)
Dividends paid	13	(119,358)	(141,524)
<b>Net cash (outflow) / inflow from financing activities</b>		<u>(40,644)</u>	<u>51,752</u>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(20,146)</b>	17,982
Cash and cash equivalents at the beginning of the financial year		<u>21,428</u>	3,446
<b>Cash and cash equivalents at end of year</b>		<u>1,282</u>	<u>21,428</u>

*The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.*

## Contents of the notes to the consolidated financial statements

	Page
<b>Notes to the consolidated statement of comprehensive income</b>	12
1 Revenue from operations	12
2 Finance expenses	13
3 Income tax expense	13
<b>Notes to the consolidated balance sheet</b>	15
4 Inventories	15
5 Property, plant and equipment	16
6 Intangible assets	21
7 Leases	22
8 Deferred tax assets	25
9 Trade and other payables	25
10 Provisions	26
11 Deferred tax liabilities	27
12 Contributed equity	28
13 Dividends	28
<b>Notes to the consolidated statement of cash flows</b>	29
14 Reconciliation of profit after income tax to net cash inflow from operating activities	29
15 Non-cash investing and financing activities	29
16 Reconciliation of liabilities arising from financing activities	29
<b>Risk</b>	30
17 Financial risk management	30
18 Capital risk management	33
19 Correction of errors and revision of estimates	33
<b>Unrecognised items</b>	34
20 Contingencies	34
21 Commitments	34
22 Events occurring after the reporting period	35
<b>Other items</b>	35
23 Key management personnel disclosures	35
24 Related party transactions	41
25 Subsidiary	42
26 Remuneration of auditors	43
27 Superannuation expenses	43
28 Climate change	43
29 Parent entity financial information	44
30 Summary of other significant accounting policies	45

## Notes to the consolidated statement of comprehensive income

### 1 Revenue from operations

	2021 \$'000	2020 \$'000
<i>Revenue from contracts with customers</i>		
Rail Transport Service Contract revenue	1,912,421	1,794,252
Network access revenue	202,498	200,283
Passenger transport revenue	45,707	59,150
Other revenue from customer contracts	33,496	31,953
Operating lease revenue	23,899	23,127
<i>Other revenue</i>		
Other revenue	904	2,940
	<u>2,218,925</u>	<u>2,111,705</u>

The group recognises revenue as performance obligations are satisfied and it is probable that future economic benefits will flow to the group. Revenue shall be measured at an amount that reflects the fair value of the consideration received or receivable.

#### (a) Rail Transport Service Contract

A Rail Transport Service Contract (TSC) was entered into between Queensland Rail Limited and the State of Queensland on 20 July 2015. This was a three year contract with two extension options of 12 to 24 months each. The second of these options was executed in June 2020 for a period of 24 months commencing 1 July 2020.

Revenue for the provision of agreed services is fixed under the contract. This contract covers revenue to Queensland Rail Limited from the Department of Transport and Main Roads (DTMR), on behalf of the State of Queensland, for services provided by Queensland Rail Limited associated with:

- **Citytrain and City Network Services**  
Queensland Rail Limited earns revenue for the delivery of train services on the City Network in accordance with the timetable and for maintenance of the City Network infrastructure. Scheduled services and non-scheduled services for Citytrain are the separately identifiable performance obligations for Citytrain and City Network services. The maintenance of the City Network infrastructure are ancillary costs of providing reliable and safe Citytrain services.
- **Travel and Tourism Services**  
Queensland Rail Limited earns revenue associated with travel services provided to the public on Travel and Tourism Services. Scheduled services are the separately identifiable performance obligations for Travel and Tourism Services.
- **Regional Infrastructure Services**  
Queensland Rail Limited earns revenue for the maintenance of the Regional Network infrastructure. The separately identifiable performance obligation for Regional Network is the continued maintenance of the regional infrastructure to a safe and fit for purpose standard throughout the year. Revenue generated is recognised as the services are provided over time.

#### (b) Network access

Revenue generated from rail network access is calculated based on a number of operating parameters (such as tonnage hauled) applied to either regulator approved tariffs or negotiated access agreements. In some circumstances where paths are not utilised by customers, a take or pay fee is charged. This fee is subject to individual access contracts. Revenue generated from the utilisation of the Access Rights is recognised as the services are provided. Take or pay revenue is recognised at a point in time.

#### (c) Passenger transport

Other train passenger service revenue comprises ticket and related sales on Travel and Tourism Services. Traveltrain and Tourist train revenues are recognised at the time the service is provided and income relating to future services is accounted for as a liability. The sale of catering items is recognised when the goods have been transferred to the customer.

## 1 Revenue from operations (continued)

### (d) Income in advance from contracts with customers

2021	Passenger transport revenue \$'000	Other revenue from customer contracts \$'000	Total \$'000
Opening balance	3,538	1,904	5,442
Revenue recognised from the opening balance as performance obligations are satisfied	(3,538)	(1,904)	(5,442)
Income in advance recognised as performance obligations not yet satisfied	40,755	61,038	101,793
Revenue recognised as performance obligations are satisfied	(37,285)	(41,728)	(79,013)
Closing balance	<u>3,470</u>	<u>19,310</u>	<u>22,780</u>
2020			
Opening balance	5,329	2,823	8,152
Adjustment on adoption of AASB 16 <i>Leases</i>	-	(131)	(131)
Restated opening balance	<u>5,329</u>	<u>2,692</u>	<u>8,021</u>
Revenue recognised from the opening balance as performance obligations are satisfied	(5,329)	(2,692)	(8,021)
Income in advance recognised as performance obligations not yet satisfied	54,223	10,696	64,919
Revenue recognised as performance obligations are satisfied	(50,685)	(8,792)	(59,477)
Closing balance	<u>3,538</u>	<u>1,904</u>	<u>5,442</u>

## 2 Finance expenses

	2021 \$'000	2020 \$'000
Interest and finance charges on borrowings	134,437	160,767
Interest on lease liabilities	1,819	1,598
Other interest	97	103
	<u>136,353</u>	<u>162,468</u>

## 3 Income tax expense

Income tax expense comprises current and deferred tax and is recognised in the consolidated statement of comprehensive income except to the extent that it relates to items recognised directly in equity. The income tax expense or benefit for the period is the tax payable or receivable on the current period's taxable income based on the income tax rate, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

### 3 Income tax expense (continued)

#### (a) Income tax expense

	Notes	2021 \$'000	2020 \$'000
Current tax		57,846	47,765
Deferred tax		19,281	3,548
Adjustments for current tax of prior periods		(2,266)	(8)
Utilisation / (recognition) of capital tax loss		1,891	(106)
		<u>76,752</u>	<u>51,199</u>

Deferred income tax expense / (benefit) included in income tax expense comprises:

(Increase) / decrease in deferred tax assets	8	6,357	(14,269)
Increase in deferred tax liabilities	11	12,924	17,817
		<u>19,281</u>	<u>3,548</u>

#### (b) Numerical reconciliation of income tax expense to prima facie tax payable

		2021 \$'000	2020 \$'000
Profit from continuing operations before income tax expense		263,216	170,557
Tax at the Australian tax rate of 30% (2020: 30%)		78,965	51,167
Tax effect of amounts which are not deductible / (taxable) in calculating taxable income:			
Entertainment		3	5
Capital gains not recognised		-	1
Luxury car tax		49	32
Other		1	2
Adjustments for current tax of prior periods		(2,266)	(8)
		<u>(2,213)</u>	<u>32</u>
Total income tax expense		<u>76,752</u>	<u>51,199</u>

#### (c) Amounts recognised directly in equity

	Notes	2021 \$'000	2020 \$'000
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity:			
Net deferred tax - debited / (credited) directly to equity	8, 11	(51)	(89)
		<u>(51)</u>	<u>(89)</u>

#### (d) Income tax consolidation

Queensland Rail, parent entity and the head entity and its wholly owned Australian subsidiaries consisting of Queensland Rail Limited and On Track Insurance Pty Ltd are entities which are members of the Queensland Rail National Tax Equivalents Regime (NTER) income tax consolidated group. Income tax equivalent payments are made to the Queensland Government.

In accordance with Interpretation 1052 the specified subsidiary members each recognise the tax effect of their own transactions in their financial statements and the head entity recognises the aggregate current income tax liability of the group and the benefit of any tax losses arising in the group in its financial statements.



### 3 Income tax expense (continued)

#### (d) Income tax consolidation (continued)

The group compensates Queensland Rail for any current tax payable assumed and is compensated by Queensland Rail for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Queensland Rail under income tax consolidation legislation. The funding amounts are recognised as non-current inter-company receivables or payables.

### Notes to the consolidated balance sheet

#### 4 Inventories

	2021			2020		
	Current \$'000	Non- current \$'000	Total \$'000	Current \$'000	Non- current \$'000	Total \$'000
Raw materials and stores	118,756	38,427	157,183	120,707	32,236	152,943
Work in progress	380	-	380	289	-	289
Less: allowance for inventory obsolescence	(11,934)	-	(11,934)	(13,040)	-	(13,040)
	<b>107,202</b>	<b>38,427</b>	<b>145,629</b>	107,956	32,236	140,192

Inventory recognised as expense during the year ended 30 June 2021 amounted to \$69.4 million (2020: \$59.9 million). Inventory capitalised to property, plant and equipment during the year ended 30 June 2021 amounted to \$69.1 million (2020: \$61.6 million).

#### *Judgements and estimates*

The value of inventories reported includes items held in centralised stores, workshops and infrastructure and rollingstock depots. Cost comprises cost of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition. Inventories are valued at the lower of cost and net realisable value. Cost is determined using an average cost methodology. Items expected to be consumed after more than one year are classified as non-current.

The allowance for inventory obsolescence is based on assessments by management of particular inventory classes and relates specifically to infrastructure and rollingstock maintenance items. The amount of the allowance is based on a proportion of the value of damaged stock, slow moving stock and stock that has become obsolete during the reporting period.

## 5 Property, plant and equipment

### (a) Movements in property, plant and equipment

	Work in progress \$'000	Land \$'000	Leased property \$'000	Buildings \$'000	Plant and equipment \$'000	Major plant and equipment \$'000	Infrastructure \$'000	Total \$'000
<b>At 1 July 2020</b>								
Cost	577,432	101,375	17,295	830,878	418,931	2,100,900	7,036,463	11,083,274
Accumulated depreciation and impairment losses	-	(690)	(16,516)	(296,157)	(172,460)	(1,132,201)	(1,774,680)	(3,392,704)
Net book amount	577,432	100,685	779	534,721	246,471	968,699	5,261,783	7,690,570
<b>Year ended 30 June 2021</b>								
Opening net book amount	577,432	100,685	779	534,721	246,471	968,699	5,261,783	7,690,570
Additions	670,290	-	-	-	153	-	-	670,443
Transfers between asset classes	(307,442)	-	12	5,879	(4,872)	59,419	247,004	-
Transfers to supplies and services	(11,594)	-	-	-	-	-	-	(11,594)
Transfers to State Government	-	(7,924)	-	-	-	-	-	(7,924)
Disposals	-	(4)	-	315	(3,896)	(348)	(14,192)	(18,125)
Depreciation expense	-	-	(251)	(30,030)	(28,447)	(77,916)	(231,333)	(367,977)
Closing net book amount	928,686	92,757	540	510,885	209,409	949,854	5,263,262	7,955,393
<b>At 30 June 2021</b>								
Cost	928,686	93,447	13,738	826,162	395,691	2,053,634	7,256,110	11,567,468
Accumulated depreciation and impairment losses	-	(690)	(13,198)	(315,277)	(186,282)	(1,103,780)	(1,992,848)	(3,612,075)
Net book amount	928,686	92,757	540	510,885	209,409	949,854	5,263,262	7,955,393

## 5 Property, plant and equipment (continued)

### (a) Movements in property, plant and equipment (continued)

	Work in progress \$'000	Land \$'000	Leased property \$'000	Buildings \$'000	Plant and equipment \$'000	Major plant and equipment \$'000	Infrastructure \$'000	Total \$'000
<b>At 1 July 2019</b>								
Cost	469,590	103,022	19,129	790,194	402,035	2,208,003	6,733,879	10,725,852
Accumulated depreciation and impairment losses	-	(690)	(16,389)	(264,819)	(175,110)	(1,183,192)	(1,570,356)	(3,210,556)
Net book amount	469,590	102,332	2,740	525,375	226,925	1,024,811	5,163,523	7,515,296
Adjustment on adoption of AASB 16 Leases	-	-	(262)	-	-	-	-	(262)
Restated net book amount	469,590	102,332	2,478	525,375	226,925	1,024,811	5,163,523	7,515,034
<b>Year ended 30 June 2020</b>								
Restated opening net book amount	469,590	102,332	2,478	525,375	226,925	1,024,811	5,163,523	7,515,034
Additions	592,824	-	-	-	-	-	-	592,824
Transfers between asset classes	(463,070)	-	-	46,113	60,929	27,076	328,952	-
Transfers to supplies and services	(21,912)	-	-	-	-	-	-	(21,912)
Disposals	-	(1,647)	-	(3,672)	(9,862)	(313)	(6,690)	(22,184)
Depreciation expense	-	-	(1,699)	(33,095)	(31,521)	(82,875)	(224,002)	(373,192)
Closing net book amount	577,432	100,685	779	534,721	246,471	968,699	5,261,783	7,690,570
<b>At 30 June 2020</b>								
Cost	577,432	101,375	17,295	830,878	418,931	2,100,900	7,036,463	11,083,274
Accumulated depreciation and impairment losses	-	(690)	(16,516)	(296,157)	(172,460)	(1,132,201)	(1,774,680)	(3,392,704)
Net book amount	577,432	100,685	779	534,721	246,471	968,699	5,261,783	7,690,570

## 5 Property, plant and equipment (continued)

### (b) Initial recognition

Items of expenditure which are expected to provide future economic benefits are recognised as an item of property, plant and equipment, when in excess of:

- \$1 for land
- \$5,000 for plant and equipment and major plant and equipment
- \$10,000 for infrastructure and building assets and
- \$20,000 for capital spares.

Expenditure that does not meet the definition of an asset is treated as an operating expense in the period in which the expenditure is incurred. If capital spares cost less than \$20,000, the item is recorded in inventory.

Property, plant and equipment is measured at cost less accumulated depreciation.

#### *Work in progress*

The cost of property, plant and equipment constructed by the group includes the cost of all materials used in construction, direct labour, site preparation, interest and foreign currency gains and losses incurred where applicable and an appropriate proportion of variable and fixed overheads based on direct labour hours.

The transfers between asset classes represents property, plant and equipment commissioned during the period.

The transfers to supplies and other services represent expenditure incurred over the life of capital projects that are expensed in the current year on the basis that they are operational in nature or comprise expenditure on capital works on behalf of third parties in accordance with the group's capitalisation policy.

#### *Land*

The *Transport Infrastructure Act 1994* stipulates that the group only retains ownership of its non-corridor land. As such, only non-corridor land is recorded in these accounts. Ownership of corridor land remains with the Department of Resources on behalf of the State. This land is leased to the Department of Transport and Main Roads and subsequently sub-leased to the group for no cost. The sub-lease term is for an initial term of 100 years with a renewal option for an additional 100 years.

#### *Major plant and equipment*

Rollingstock is considered to be major plant and equipment.

#### *Gifted and donated assets*

Assets received from government at no cost are measured at fair value and recognised as income in advance which is subsequently amortised to government grants revenue over the useful life of the asset. Fair value means the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

### (c) Subsequent and maintenance costs

Costs related to repairs and maintenance activities are expensed when performed. Subsequent costs are only recognised as property, plant and equipment when there is an increase in the original assessed capacity or service potential of an asset, it is probable that future economic benefits associated with the item will flow to the group and the cost can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced.

### (d) Depreciation

Assets are depreciated from the date of acquisition, or, in respect of internally constructed or manufactured assets, from the time an asset is completed and held ready for use.

Where assets have separately identifiable components that are subject to regular replacement, these components are assigned useful lives distinct from the asset to which they relate.

Buildings, plant and equipment, major plant and equipment and infrastructure are depreciated on a straight-line basis over the useful life net of the residual value. Motor vehicles are depreciated using the diminishing value basis (percentages range from 13.64% to 35.00%).

Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

## 5 Property, plant and equipment (continued)

### (d) Depreciation (continued)

Major spares purchased specifically for particular assets are recognised as an item of property, plant and equipment and depreciated in line with standard asset class lives.

Land and work in progress are not depreciated.

The depreciation rates used during the year were based on the following range of useful lives:

Infrastructure 6 - 100 years including:

Rail	45 - 50 years
Sleepers	17 - 70 years
Ballast	30 years
Civil works	20 - 100 years
Bridges	20 - 100 years
Electrification	15 - 50 years
Field signals	15 - 40 years
Telecommunications	6 - 20 years

Buildings 5 - 50 years including:

Structures	25 - 50 years
Lifts and escalators	10 - 50 years
Air conditioning units	10 - 25 years
Fire and security equipment	5 - 30 years
Fit-outs	15 years

Major plant and equipment 10 - 40 years including:

Country and suburban cars	35 - 40 years
Locomotives	30 - 40 years
Overhauls	10 years

Plant and equipment 4 - 25 years

Remaining useful lives of assets are reviewed annually.

#### *Judgements and estimates*

On initial recognition management estimates the useful lives and residual value of property, plant and equipment. The useful life is based on the expected period of time over which economic benefits from use of the asset will be derived and the residual value is based on the consideration that may be received from a willing buyer at the end of the asset's useful life. Management reviews useful life and residual value assumptions on an annual basis having given consideration to variables including historical and forecast usage rates, technological advancements, changes in legal and economic conditions, condition of the asset and movement in market indices and prices. Any change in useful lives and residual values of property, plant and equipment is accounted for prospectively.

The rollout of the New Generation Rollingstock (NGR) fleet is expected to take several years. Management have been monitoring the transition to the NGR and existing Queensland Rail Limited owned rollingstock are gradually being retired. The NGR assets are provided by the Department of Transport and Main Roads and operated by the group in accordance with the Rail Transport Service Contract.

All asset classes are capitalised at their optimum componentised level to reflect current business replacement forecasts.

### (e) Impairment

Assets (including work in progress) are tested for impairment annually to determine if there are indications that the carrying amount exceeds the recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset or cash generating unit (CGU).

For the purposes of assessing impairment, assets are grouped into CGUs at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets. The group identified three CGUs being South East Queensland, Regional and Mt Isa.

An impairment assessment on all CGUs was undertaken prior to reporting date. No impairment was recognised in the current or prior reporting period.

## 5 Property, plant and equipment (continued)

### (e) Impairment (continued)

#### *Judgements and estimates*

Value in use calculations require the use of assumptions. These assumptions include the allocation of management's assessment of future cash flows for the next five years for the group to each CGU and the discounting of nominal amounts using the weighted average cost of capital applicable to that CGU. The cash flows include a terminal value which is determined using a perpetuity calculation after adjusting for annual growth.

Management has adopted an expected cash flow approach when assessing future cash flows in accordance with accounting standards. The expected cash flow approach represents expectations about possible future cash flows. Probabilities were assigned to transport service contract revenue and were weighted in accordance with their likelihood. This approach has provided management certainty in determining the recoverable amount of the group's assets.

### (f) Non-current assets pledged as security

No assets have been pledged as security by the group.

### (g) Cross River Rail

In the 2018/19 financial year the Queensland Government announced the delivery of the Cross River Rail (CRR) program comprising three major packages of work which will be delivered by a Consortia. This program includes:

- Tunnel, Stations and Development (TSD);
- Rail, Integration and Systems (RIS); and
- European Train Control System (ETCS) Level 2.

The CRR program will provide vital infrastructure to support the group's growth and transformation to a modern, customer-focused, world-class rail service and to cater for future public transport demand. CRR is a 10.2 kilometre rail line which includes 5.9 kilometres of twin tunnels under the Brisbane River and Central Business District (CBD). The CRR program includes four new high capacity underground stations along with upgrades to existing Queensland Rail Limited owned stations.

Delivery of the program is led by the Cross River Rail Delivery Authority (CRRDA), established under the *Cross River Rail Delivery Authority Act 2016*. Upon completion of this program the group will operate the CRR network and provide passenger rail services for Queensland. This will require the safe and efficient delivery and integration of the CRR infrastructure into the existing South East Queensland rail network and operations.

#### *Judgements and estimates*

The group will own and manage a portion of the assets associated with the CRR program including the ETCS Inner City network and RIS. Queensland Rail Limited, CRRDA and the Department of Transport and Main Roads are working collaboratively on the financial governance associated with this program. The balance of Work in Progress includes costs incurred directly associated with this program that is expected to generate future economic benefits to the group. Expenditure that does not meet the asset recognition criteria under the accounting standards and policies of the group is recognised as capital works expense when incurred.

As at the reporting date, the composition of all the CRR assets and their legal ownership was still to be determined by the Queensland Government.

## 6 Intangible assets

	Software under development \$'000	Software \$'000	Total \$'000
<b>At 1 July 2020</b>			
Cost	22,980	187,597	210,577
Accumulated amortisation and impairment losses	-	(120,508)	(120,508)
Net book amount	<u>22,980</u>	<u>67,089</u>	<u>90,069</u>
<b>Year ended 30 June 2021</b>			
Opening net book amount	22,980	67,089	90,069
Additions	25,772	-	25,772
Transfers between asset classes	(15,188)	15,188	-
Transfers to supplies and services	(558)	-	(558)
Disposals	-	(34)	(34)
Amortisation expense	-	(15,804)	(15,804)
Closing net book amount	<u>33,006</u>	<u>66,439</u>	<u>99,445</u>
<b>At 30 June 2021</b>			
Cost	33,006	199,303	232,309
Accumulated amortisation and impairment losses	-	(132,864)	(132,864)
Net book amount	<u>33,006</u>	<u>66,439</u>	<u>99,445</u>
<b>At 1 July 2019</b>			
Cost	17,181	188,015	205,196
Accumulated amortisation and impairment losses	-	(108,620)	(108,620)
Net book amount	<u>17,181</u>	<u>79,395</u>	<u>96,576</u>
<b>Year ended 30 June 2020</b>			
Opening net book amount	17,181	79,395	96,576
Additions	10,179	-	10,179
Transfers between asset classes	(2,275)	2,275	-
Transfers to supplies and services	(2,105)	-	(2,105)
Amortisation expense	-	(14,581)	(14,581)
Closing net book amount	<u>22,980</u>	<u>67,089</u>	<u>90,069</u>
<b>At 30 June 2020</b>			
Cost	22,980	187,597	210,577
Accumulated amortisation and impairment losses	-	(120,508)	(120,508)
Net book amount	<u>22,980</u>	<u>67,089</u>	<u>90,069</u>

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits are recognised as intangible assets. Costs recognised as intangible assets include external direct costs of materials and service and direct payroll related costs of employees' time spent on the project. Software under development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where the group has an intention and ability to use the asset. Software has a finite useful life and is carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the useful life which varies from 4 to 20 years.

Intangible assets have a threshold of \$100,000. If intangibles are under \$100,000, expenditure is not recognised as an intangible asset and is treated as an operating expense in the period in which the expenditure is incurred.

## 7 Leases

### (a) Details of leasing arrangements as lessee

The group routinely enters into leases for land and buildings, telecommunication infrastructure and plant and equipment. Lease terms for leases that are recognised on balance sheet can range from 1 to 30 years. Several leases have renewal or extension options. The options are generally exercisable at market prices and are not included in the right-of-use (ROU) asset or lease liability unless the group is reasonably certain it will renew the lease.

The group is also party to specific arrangements which would satisfy the criteria for recognition as a lease under AASB 16 *Leases*. However, the consideration for these arrangements amount to, in most cases, \$1 per annum. These arrangements are commonly referred to as “peppercorn leases”. These include access to corridor land from the Department of Transport and Main Roads (TMR). As the group recognises the ROU assets at cost, these leases are immaterial and therefore no ROU assets or lease liabilities are recognised.

Contracts may contain both lease and non-lease components. The group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Lease terms are negotiated on an individual basis and contain a range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

The group recognises right-of-use assets and corresponding liabilities for all operating leases, except for short-term and low-value leases, at the date at which the leased asset is available for use by the group, in accordance with AASB 16.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the group under residual value guarantees;
- the exercise price of a purchase option if the group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

Lease payments to be made, under reasonably certain extension options, are also included in the measurement of the liability.

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the group’s incremental borrowing rate is used, being the Queensland Treasury Corporation’s (QTC) Fixed Loan Rates that correspond with the lease commencement month and lease term.

The group is exposed to potential future increases in variable lease payments based on an index or rate. When the rate or index is unknown and are not implicit in the contract, they are not included in the lease liability until they take effect. The group’s exposure is primarily due to market reviews or consumer price indexation. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period based on a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs, and
- restoration costs.

Right-of-use assets are depreciated over the lease term on a straight-line basis.

Payments associated with short-term leases and all leases of low-value assets are recognised as a direct expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. The group’s low-value asset threshold is \$10,000. This threshold is applied to the value of the asset when new, regardless of the age of the asset when being leased.



## 7 Leases (continued)

### (a) Details of leasing arrangements as lessee (continued)

When the group subleases any of the right-of-use assets, an assessment is made to classify the sublease as either a finance lease or an operating lease. Where the sublease is for the major part of the remaining economic life of the underlying asset (the lease term), the sublease is classified as a finance lease. The group uses the interest rate implicit in the lease, or if unattainable the discount rate used for the head lease, to measure the net investment in the lease. The right-of-use asset is derecognised and the net investment in the sublease is recognised at the commencement of the sublease.

#### *Judgements and estimates*

The determination of the right-of-use assets and lease liability is dependent on a number of judgements including:

- whether a contract is, or contains, a lease;
- expected payment terms, for example monthly in advance;
- the index or rate in determining lease payments;
- costs incurred in connection with a lease that are not part of the cost of the right-of-use asset; and
- reasonably certainty of exercising options.

#### (i) *Movements in right-of-use assets and lease liabilities*

##### *Right-of-use assets*

	Land and buildings \$'000	Infrastructure \$'000	Plant and equipment \$'000	Total \$'000
<b>At 1 July 2020</b>	<b>82,035</b>	<b>15,595</b>	-	<b>97,630</b>
Additions	3,577	-	287	3,864
Remeasurement	4,561	(877)	(26)	3,658
Depreciation / amortisation expense	(10,618)	(1,489)	(25)	(12,132)
Derecognised	(903)	-	-	(903)
<b>At 30 June 2021</b>	<b>78,652</b>	<b>13,229</b>	<b>236</b>	<b>92,117</b>
<b>At 1 July 2019</b>	<b>49,511</b>	<b>17,286</b>	-	<b>66,797</b>
Additions	10,017	-	-	10,017
Remeasurement	32,037	128	-	32,165
Depreciation / amortisation expense	(9,530)	(1,819)	-	(11,349)
<b>At 30 June 2020</b>	<b>82,035</b>	<b>15,595</b>	-	<b>97,630</b>

##### *Lease liabilities*

	Land and buildings \$'000	Infrastructure \$'000	Plant and equipment \$'000	Total \$'000
<b>At 1 July 2020</b>	<b>91,980</b>	<b>12,970</b>	-	<b>104,950</b>
Additions	3,364	-	287	3,651
Remeasurement	4,561	(877)	(26)	3,658
Lease payments	(11,132)	(1,322)	(23)	(12,477)
Interest expense	1,572	247	-	1,819
Derecognised	(975)	-	-	(975)
<b>At 30 June 2021</b>	<b>89,370</b>	<b>11,018</b>	<b>238</b>	<b>100,626</b>
<b>At 1 July 2019</b>	<b>61,127</b>	<b>14,348</b>	-	<b>75,475</b>
Additions	10,017	-	-	10,017
Remeasurement	32,037	128	-	32,165
Lease payments	(10,852)	(1,784)	-	(12,636)
Interest expense	1,320	278	-	1,598
Derecognised	(1,669)	-	-	(1,669)
<b>At 30 June 2020</b>	<b>91,980</b>	<b>12,970</b>	-	<b>104,950</b>

## 7 Leases (continued)

### (a) Details of leasing arrangements as lessee (continued)

#### (ii) Net investment in subleases

	Land and buildings \$'000	Infrastructure \$'000	Plant and equipment \$'000	Total \$'000
<b>At 1 July 2020</b>	-	-	-	-
Remeasurement	-	-	-	-
Amortised interest	-	-	-	-
Payments received	-	-	-	-
Derecognised	-	-	-	-
<b>At 30 June 2021</b>	-	-	-	-
<b>At 1 July 2019</b>	<b>1,867</b>	-	-	<b>1,867</b>
Remeasurement	(23)	-	-	(23)
Amortised interest	11	-	-	11
Payments received	(785)	-	-	(785)
Derecognised	(1,070)	-	-	(1,070)
<b>At 30 June 2020</b>	-	-	-	-

#### (iii) Amounts recognised in the consolidated statement of comprehensive income

	2021 \$'000	2020 \$'000
<b>Depreciation charge of right-of-use assets</b>		
Land and buildings	10,618	9,530
Infrastructure	1,489	1,819
Plant and equipment	25	-
	<b>12,132</b>	<b>11,349</b>
Lease liability - interest expense	1,819	1,598
Other - rental expense*	597	894

\* includes short-term, low value and variable lease payments

#### (iv) Amounts recognised in the consolidated statement of cash flows

The total cash outflow for leases in 2021 was \$10.6 million (2020: \$12.6 million).

### (b) Details of leasing arrangements as lessor

The group routinely leases out land and buildings and telecommunication infrastructure. The lease terms are up to 30 years and are non-cancellable. Refer to note 21(b).

In the prior reporting period, the group subleased floor space within 295 Ann Street Brisbane which expired September 2020. This sublease was originally for the remaining term of the head lease and recognised as a net investment in sublease. The head lease was renegotiated to a 5-year agreement and subsequently, the sublease was then classified as an operating lease.

The total cash inflow for leases in 2021 was \$22.3 million (2020: \$9.4 million).

## 8 Deferred tax assets

	Notes	2021 \$'000	2020 \$'000
<b>The balance comprises temporary differences attributable to:</b>			
Accrued expenses		4,625	18,299
Capital losses		-	997
Provisions		7,988	7,444
Lease liabilities		30,188	31,485
Unearned revenue		12,115	3,989
Foreign exchange gains		-	55
Total deferred tax assets		<u>54,916</u>	<u>62,269</u>
Set-off of deferred tax liabilities pursuant to set-off provisions	11	<u>(54,916)</u>	<u>(62,269)</u>
Net deferred tax assets		<u>-</u>	<u>-</u>
<b>Movements:</b>			
Opening balance		-	-
Adjustment on adoption of AASB 16 Leases		-	21,378
Prior year adjustments		894	2,805
Credited / (charged) to the consolidated statement of comprehensive income	3	(6,357)	14,269
Utilisation of capital losses		(1,891)	-
Recognition of unused Capital Tax Loss		-	106
Set-off of deferred tax liabilities pursuant to set-off provisions	11	<u>7,354</u>	<u>(38,558)</u>
Closing balance at 30 June		<u>-</u>	<u>-</u>

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends to either settle on a net basis, or to realise the assets and settle the liability simultaneously.

### *Judgements and estimates*

The group's accounting policy for taxation requires management's judgement as to the types of arrangements considered to be subject to a tax. Judgement is also required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the consolidated balance sheet. Deferred tax assets, including those arising from unrecouped tax losses, capital losses and temporary differences, are recognised only when it is considered probable that they will be recovered. Recoverability is dependent on the generation of sufficient future taxable profits.

## 9 Trade and other payables

	2021			2020		
	Current \$'000	Non- current \$'000	Total \$'000	Current \$'000	Non- current \$'000	Total \$'000
Trade payables	245,848	-	245,848	195,606	-	195,606
Inter-company payables	314,030	37,178	351,208	327,275	29,753	357,028
Dividend payable	186,464	-	186,464	119,358	-	119,358
Other payables	6,221	-	6,221	10,323	-	10,323
	<u>752,563</u>	<u>37,178</u>	<u>789,741</u>	<u>652,562</u>	<u>29,753</u>	<u>682,315</u>

Trade and other payables represent liabilities for goods and services provided to the group prior to the end of financial year which are unpaid. Trade and other payables are measured initially at the transaction price and subsequently at amortised cost due to the current nature of these liabilities. The amounts are unsecured and are usually paid within the terms set by the supplier.

## 10 Provisions

	2021			2020		
	Current \$'000	Non- current \$'000	Total \$'000	Current \$'000	Non- current \$'000	Total \$'000
Litigation provision	1,910	849	2,759	1,238	535	1,773
Land rehabilitation provision	1,831	4,975	6,806	2,184	3,373	5,557
Make good provision	-	35	35	-	-	-
	<b>3,741</b>	<b>5,859</b>	<b>9,600</b>	<b>3,422</b>	<b>3,908</b>	<b>7,330</b>

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

### (a) Land rehabilitation provision

This provision recognises the estimated costs to remediate contaminated land in accordance with the group's constructive obligations per the environmental sustainability policy. These estimated costs have arisen as a result of past events.

The provision for land rehabilitation is the present value of management's best estimate of the expenditure required to settle the land rehabilitation present obligation at the reporting date. The provision was originally recognised in 2010 based on advice from external consultants and management's best estimate of likely remediation costs. In the current reporting period external consultants were engaged to provide updated valuations. Management gave consideration to the most recent valuation and the likelihood of their remediation within the foreseeable future.

#### *Judgements and estimates*

The determination of the provision required is dependent on estimations of the expenditure required to settle the land rehabilitation obligation.

### (b) Litigation provision

Provision is made for the estimated liability for litigation claims. Litigation claims are assessed separately for common law, statutory and asbestos claims.

#### *Judgements and estimates*

The determination of the provision required is dependent on a number of assumptions including the total future cost to finalise existing open claims.

## 10 Provisions (continued)

### (c) Movements in provisions

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

2021	Litigation provision \$'000	Land rehabilitation provision \$'000	Make good provision \$'000	Total \$'000
<b>Current and non-current</b>				
Carrying amount at start of year	1,773	5,557	-	7,330
Charged / (credited) to profit or loss				
- additional provisions recognised	1,443	1,156	35	2,634
- unwind discount	-	93	-	93
Amounts used during the year	(457)	-	-	(457)
Carrying amount at end of year	<u>2,759</u>	<u>6,806</u>	<u>35</u>	<u>9,600</u>

## 11 Deferred tax liabilities

	Notes	2021 \$'000	2020 \$'000
<b>The balance comprises temporary differences attributable to:</b>			
Accrued income		596	-
Supplies and other services and spare parts		7,619	10,851
Property, plant and equipment		489,687	468,848
Right-of-use assets		27,635	29,289
Prepayments		190	136
Cash flow hedges		8	59
Total deferred tax liabilities		<u>525,735</u>	509,183
Set-off of deferred tax liabilities pursuant to set-off provisions	8	<u>(54,916)</u>	(62,269)
Net deferred tax liabilities		<u>470,819</u>	446,914
	Notes	2021 \$'000	2020 \$'000
<b>Movements:</b>			
Opening balance		446,914	447,223
Adjustment on adoption of AASB 16 Leases		-	20,600
Prior year adjustments		3,678	(79)
Charged to the consolidated statement of comprehensive income	3	12,924	17,817
Cash flow hedges		(51)	(89)
Set-off of deferred tax liabilities pursuant to set-off provisions	8	7,354	(38,558)
Closing balance at 30 June		<u>470,819</u>	446,914
Deferred tax liabilities expected to be settled within 12 months		(6,705)	(16,090)
Deferred tax liabilities expected to be settled after more than 12 months		477,524	463,004

## 12 Contributed equity

### (a) Share capital

	2021 \$'000	2020 \$'000
Ordinary shares		
Fully paid	3,083,918	3,083,918
Total contributed equity	<u>3,083,918</u>	<u>3,083,918</u>

### (b) Movements in ordinary share capital

Details	Number of shares	\$'000
Opening balance 1 July 2020	100	3,083,918
Closing balance 30 June 2021	<u>100</u>	<u>3,083,918</u>
Opening balance 1 July 2019	100	3,083,918
Closing balance 30 June 2020	<u>100</u>	<u>3,083,918</u>

### (c) Ordinary shares

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

Ordinary shares are classified as equity.

Equity injections are treated as an increase in the value of issued shares.

## 13 Dividends

	2021 \$'000	2020 \$'000
Dividend declared	186,464	119,358
Dividend paid	119,358	141,524

A dividend of 1,864,645 dollars per share (2020: 1,193,577) was declared by the Board for the year ended 30 June 2021. All dividends declared / paid were unfranked.

## Notes to the consolidated statement of cash flows

### 14 Reconciliation of profit after income tax to net cash inflow from operating activities

	2021 \$'000	2020 \$'000
Profit for the year	186,464	119,358
Depreciation and amortisation	395,913	399,122
Losses on sale of non-current assets	2,844	10,357
Unrealised gain on derivatives	(184)	(36)
Impairment of trade receivables	781	2,814
Inventory obsolescence	(17)	891
Change in operating assets and liabilities:		
Decrease in trade debtors	12,780	12,313
(Increase) in inventories	(5,419)	(20,429)
(Increase) / decrease in other operating assets	(2,917)	21,863
(Decrease) in trade creditors	(37,007)	(28,093)
Increase in other liabilities	103,871	11,373
Increase / (decrease) in other provisions	2,236	(979)
Net cash inflow from operating activities	<u>659,345</u>	<u>528,554</u>

### 15 Non-cash investing and financing activities

Non-cash investing and financing activities disclosed in other notes are:

- transfer of property, plant and equipment to State Government (note 5(a)); and
- acquisition of right-of-use assets (note 7(a)(i)).

### 16 Reconciliation of liabilities arising from financing activities

	Borrowings \$'000	Leases \$'000	Total \$'000
At 1 July 2020	3,630,000	104,950	3,734,950
Cash flows	88,814	(10,100)	78,714
Non-cash lease swaps	-	(558)	(558)
Acquisitions - finance leases	-	3,651	3,651
Revaluations - finance leases	-	3,658	3,658
Release - finance leases	-	(975)	(975)
At 30 June 2021	<u>3,718,814</u>	<u>100,626</u>	<u>3,819,440</u>
At 1 July 2019	3,426,448	-	3,426,448
Adjustment on adoption of AASB 16 Leases	-	75,475	75,475
	<u>3,426,448</u>	<u>75,475</u>	<u>3,501,923</u>
Cash flows	203,552	(10,276)	193,276
Non-cash lease swaps	-	(762)	(762)
Acquisitions - finance leases	-	10,017	10,017
Revaluations - finance leases	-	32,165	32,165
Release - finance leases	-	(1,669)	(1,669)
At 30 June 2020	<u>3,630,000</u>	<u>104,950</u>	<u>3,734,950</u>

## Risk

### 17 Financial risk management

#### (a) Financial instruments categories

Financial instruments are categorised into one of three measurement bases - amortised cost (AC), fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL).

Financial assets and financial liabilities are recognised in the consolidated balance sheet when the group becomes party to the contractual provisions of the financial instrument. The group has the following categories of financial assets and financial liabilities:

	2021 \$'000	2020 \$'000
<b>Financial assets</b>		
<i>Financial assets at AC</i>		
Cash and cash equivalents	1,282	21,428
Trade and other receivables	22,901	38,979
<i>Financial assets at FVOCI</i>		
Derivative assets	42	63
<b>Total financial assets</b>	<b>24,225</b>	<b>60,470</b>
<b>Financial liabilities</b>		
<i>Financial liabilities at AC</i>		
Trade and other payables	789,741	682,315
Borrowings	3,718,814	3,630,000
Lease liabilities	100,626	104,950
<i>Financial liabilities at FVOCI</i>		
Derivative liabilities	14	51
<b>Total financial liabilities</b>	<b>4,609,195</b>	<b>4,417,316</b>

#### (b) Risks arising from financial instruments

The group's activities expose it to a variety of financial risks including market risk, credit risk and liquidity risk.

Financial risk management is carried out by the group under policies approved by the Board of Directors (the Board).

The carrying amounts of trade receivables and payables are assumed to approximate their fair values due to their short-term nature.

##### (i) Market risk

##### Foreign exchange risk

The group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar (USD), the Euro (EUR) and the Japanese Yen (JPY).

The group's exposure to foreign exchange risk at reporting date was as follows:

	30 June 2021			30 June 2020		
	USD \$'000	EUR €'000	JPY ¥'000	USD \$'000	EUR €'000	JPY ¥'000
Cash and cash equivalents	39	176	315	224	123	37,509
Forward exchange contracts (qualifying for hedge accounting)	97	-	897,170	1,192	1,790	-
Net exposure	<b>136</b>	<b>176</b>	<b>897,485</b>	<b>1,416</b>	<b>1,913</b>	<b>37,509</b>

The group uses derivative financial instruments such as foreign exchange contracts to hedge risk exposures. The derivative financial assets and liabilities held by the group have been classified as level 2 on the fair value hierarchy as values are indirectly derived from market indices. Trading for profit is strictly prohibited.



## 17 Financial risk management (continued)

### (b) Risks arising from financial instruments (continued)

The group's foreign exchange risk management policy dictates the level of hedging to be undertaken within the Board approved limits.

Derivatives are recognised at fair value. The group applies hedge accounting to transactions which are highly probable.

#### *Interest rate risk*

The group's main interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the group to fair value interest rate risk. The Queensland Treasury Corporation (QTC) has been authorised to manage the interest rate risk of the group within limits in accordance with the risk profile approved by the Board.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

#### Financial liabilities at amortised cost

The fair value of borrowings is provided from the QTC. Fair value is calculated using the market value of the underlying debt portfolio, or in the case of fixed rate loans on a discounted cash flow basis. The carrying amounts and fair values of borrowings at reporting date are:

	2021		2020	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
<i>Non-traded financial liabilities</i>				
Current lease liabilities (unsecured)	12,896	12,896	12,334	12,334
Non-current lease liabilities (unsecured)	87,730	87,730	92,616	92,616
Current borrowings (unsecured)	8,814	8,814	-	-
Non-current borrowings (unsecured)	3,710,000	4,084,281	3,630,000	4,138,068
	<b>3,819,440</b>	<b>4,193,721</b>	<b>3,734,950</b>	<b>4,243,018</b>
Weighted average interest rate	4.0%		5.0%	

The carrying amount of current borrowings in the current year of \$8.8 million represents the drawdown of funds from the working capital facility with QTC. In the prior period the working capital facility was in credit to the amount of \$18.6 million and is included in cash and cash equivalents.

The following table summarises the sensitivity of the group's debt with QTC to interest rate risk:

	Carrying amount \$'000	Interest rate risk			
		-1%	Equity \$'000	+1%	Equity \$'000
		Profit \$'000		Profit \$'000	
<b>30 June 2021</b>					
Client Specific Debt Pool	3,710,000	2,781	2,781	(2,480)	(2,480)
Total increase / (decrease)		2,781	2,781	(2,480)	(2,480)
<b>30 June 2020</b>					
Client Specific Debt Pool	3,630,000	3,175	3,175	(2,985)	(2,985)
Total increase / (decrease)		3,175	3,175	(2,985)	(2,985)

The short-term borrowing arrangements with QTC are interest bearing. The borrowing arrangements are subject to annual review.

## 17 Financial risk management (continued)

### (b) Risks arising from financial instruments (continued)

Borrowing costs which are directly attributable to the construction of material qualifying assets are recognised as part of the cost of the asset. Qualifying assets are assets not funded from other sources with a cost of more than \$1.0 million and which take a substantial period of time to prepare for intended use or sale. The rate used to determine the amount of borrowing cost to be capitalised is the QTC interest rate applicable to the group's outstanding borrowings during the year, in this case 4.02% (2020: 5.00%). During the year, interest costs of \$25.0 million were capitalised (2020: \$17.5 million).

#### *(ii) Credit risk*

The maximum exposure to credit risk, excluding the value of any collateral or other security, at reporting date to recognised financial assets is the carrying amount, net of any allowances for impairment of those assets, as disclosed in the consolidated balance sheet and notes to the consolidated financial statements.

Policies are in place to ensure that sales of products and services are only made to customers with an appropriate credit history.

Derivative counterparties and cash transactions are limited to high credit quality financial institutions and are approved by the Board. The group has policies that limit the amount of credit exposure to any one financial institution.

The group utilises a working capital facility with Queensland Treasury Corporation (QTC), investing any surplus daily. QTC has a rating of AA+, therefore the credit risk is minimal unless the ratings decrease significantly.

The group does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the group, other than amounts owing by the State of Queensland.

#### *(iii) Liquidity risk*

Liquidity risk management within the group ensures sufficient cash to meet short-term and long-term financial commitments.

#### *Financing arrangements*

The amount of undrawn working capital facilities with QTC available at reporting date is \$241.2 million (2020: \$150.0 million).

Long-term borrowings are sourced from the Client Specific Debt Pool subject to annual approval of the Queensland State Treasurer. The group may draw up to the amount of the approved borrowing program.

Borrowings are not secured.

#### *Maturity analysis*

The amounts disclosed in the maturity table below are the contractual undiscounted cash flows.

QTC long-term borrowings are interest only with no fixed repayment date for the principal component. For the purposes of completing the maturity analysis, the principal component of this loan has been included in the over five years time band with no interest payment assumed in this time band.

## 17 Financial risk management (continued)

### (b) Risks arising from financial instruments (continued)

	Less than 1 year \$'000	Between 1 and 5 years \$'000	Over 5 years \$'000	Total contractual cash flows \$'000
<b>30 June 2021</b>				
<b>Non-derivatives</b>				
Trade payables	566,099	37,178	-	603,277
Borrowings	125,285	465,516	3,710,000	4,300,801
Lease liabilities	11,632	38,528	10,208	60,368
Total non-derivatives	703,016	541,222	3,720,208	4,964,446
<b>30 June 2020</b>				
<b>Non-derivatives</b>				
Trade payables	533,204	29,753	-	562,957
Borrowings	139,808	558,599	3,630,000	4,328,407
Lease liabilities	11,399	47,020	13,993	72,412
Total non-derivatives	684,411	635,372	3,643,993	4,963,776

## 18 Capital risk management

The group's objectives when managing capital are to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The responsible Ministers advise the appropriate methodology in determining the dividend payable annually.

The group monitors capital on the basis of the total debt to total capital ratio. This ratio is calculated as total debt divided by total capital. Total debt is calculated as borrowings and lease liabilities as shown in the consolidated balance sheet. Total capital is calculated as equity as shown in the consolidated balance sheet plus total debt.

The group's total debt to total capital ratios are as follows:

	2021 \$'000	2020 \$'000
Borrowings	3,718,814	3,630,000
Lease liabilities	100,626	104,950
Total debt	3,819,440	3,734,950
Total equity	3,219,362	3,219,481
Total capital	7,038,802	6,954,431
<b>Total debt to total capital ratio</b>	<b>54%</b>	<b>54%</b>

The group is also required by QTC to maintain an Earnings Before Interest and Tax (EBIT) Interest Coverage of greater than 1.25:1, except where the total debt to total capital is greater than 70%, in which case the EBIT Interest Coverage must be at least 2:1. The group has complied with this requirement for both the current and prior reporting periods.

## 19 Correction of errors and revision of estimates

There have been no corrections of errors in the current reporting period.

There were no material revisions of estimates during the current reporting period.

## Unrecognised items

### 20 Contingencies

Contingencies comprise guarantees either held or issued by the group and assets and liabilities not qualifying for recognition at reporting date. A majority of the guarantees held relate to performance guarantees on construction contracts provided by third parties.

The group had contingencies at reporting date in respect of:

#### (a) Contingent assets

	<b>2021</b>	2020
	<b>Fair value</b>	Fair value
	<b>\$'000</b>	\$'000
Non-qualifying assets	<b>225</b>	13,676
Third party guarantees	<b>81,000</b>	81,000
Bank guarantees	<b>108,541</b>	124,411
Insurance company guarantees	<b>830</b>	830
	<b>190,596</b>	219,917

#### (b) Contingent liabilities

Issues relating to common law claims and product warranties are dealt with as they arise. There were no material contingent liabilities requiring disclosures in the financial statements other than as set out below.

	<b>2021</b>	2020
	<b>Fair value</b>	Fair value
	<b>\$'000</b>	\$'000
Non-qualifying liabilities	<b>39,499</b>	38,119
Bank guarantees	<b>30,405</b>	26,298
	<b>69,904</b>	64,417

#### *Litigation*

A number of common law claims are pending against the group. Provisions are taken up for some of these exposures based on the Board's determination and are included as such in note 10.

### 21 Commitments

The future commitments of the group (excluding GST) at reporting date were as follows:

#### (a) Commitments payable

	<b>2021</b>	2020
	<b>Capital</b>	Capital
	<b>\$'000</b>	\$'000
Within one year	<b>367,584</b>	105,770
Later than one year but not later than five years	<b>74,831</b>	246,680
	<b>442,415</b>	352,450

## 21 Commitments (continued)

### (b) Commitments receivable

	2021 Lease \$'000	2020 Lease \$'000
Within one year	4,159	3,265
Later than one year but not later than five years	12,679	10,720
Later than five years	22,897	23,062
	<u>39,735</u>	<u>37,047</u>

## 22 Events occurring after the reporting period

No matters or circumstances have arisen since the end of the financial year which significantly affected, or may significantly affect the operations of the group, the results of those operations, or the state of affairs of the group.

## Other items

## 23 Key management personnel disclosures

### (a) Responsible Ministers

Ministerial remuneration entitlements are outlined in the Legislative Assembly of Queensland's Members' Remuneration Handbook. The group does not bear any cost of remuneration of Ministers. The majority of Ministerial entitlements are paid by the Legislative Assembly, with the remaining entitlements being provided by Ministerial Services Branch within the Department of the Premier and Cabinet.

The responsible Ministers of Queensland Rail and its subsidiaries during the year ended 30 June 2021 were:

- C Dick MP  
Treasurer and Minister for Investment  
(appointed Treasurer 11 May 2020)
- M Bailey MP  
Minister for Transport and Main Roads

### (b) Directors and specified executives

Compensation and other terms of employment for the specified executives are formalised in service agreements.

Details of the compensation of each specified Director and executive are as follows:

	2021 \$'000	2020* \$'000
Short-term benefits	4,928	4,353
Post-employment benefits	393	487
	<u>5,321</u>	<u>4,840</u>

\* The prior year aggregate includes all compensation provided to individuals who held a key management personnel role, however, the remuneration tables for Directors and specified executives only includes information for individuals holding key management personnel roles during the current reporting period.

Short-term benefits includes cash salary, annual leave paid, fees and non-monetary benefits. Non-monetary benefits represent the value of Exempt and Reportable Fringe Benefits for the respective Fringe Benefits Tax year.

## 23 Key management personnel disclosures (continued)

### (c) Key management personnel compensation

(i) *Directors of Queensland Rail Limited and On Track Insurance Pty Ltd*

2021		Short-term benefits	Post- employment benefits	Total
Directors		Director fees and allowances \$'000	Super- annuation \$'000	\$'000
D Marchant AM	Chair	132	13	145
Reappointment date: 1 October 2018 Reappointment term: 3 years				
S Cantwell*	Director	46	4	50
Reappointment date: 1 October 2019 Reappointment term: 3 years				
M Goss	Director	31	3	34
Appointment date: 1 October 2020 Appointment term: 3 years				
R Peters	Director	46	4	50
Reappointment date: 1 October 2019 Reappointment term: 3 years				
H Watson	Director	46	4	50
Reappointment date: 1 October 2020 Reappointment term: 3 years				
T Winters	Director	31	3	34
Appointment date: 1 October 2020 Appointment term: 3 years				
Total		332	31	363

\* This Director did not receive monetary benefits directly. Payments were made to Sascan Advisory Pty Ltd, of which he was a Director, on his behalf.

2020		Short-term benefits	Post- employment benefits	Total
Directors		Director fees and allowances \$'000	Super- annuation \$'000	\$'000
D Marchant AM	Chair	132	13	145
S Cantwell	Director	46	4	50
R Peters	Director	46	4	50
H Watson	Director	46	4	50

## 23 Key management personnel disclosures (continued)

### (c) Key management personnel compensation (continued)

J Benstead ceased as Managing Director of On Track Insurance Pty Ltd on 25 March 2021. As an employee of Queensland Rail, J Benstead did not receive remuneration in his capacity as Director of On Track Insurance Pty Ltd.

N Jones ceased as Director of On Track Insurance Pty Ltd on 25 March 2021. As an employee of former parent company, Aurizon Operations Limited (formerly QR National Limited), N Jones did not receive remuneration in his capacity as Director of On Track Insurance Pty Ltd.

K Stapleton was appointed as Director of On Track Insurance Pty Ltd on 25 March 2021, with no set appointment term. As an employee of Queensland Rail, K Stapleton did not receive remuneration in her capacity as Director of On Track Insurance Pty Ltd.

S Cornish was appointed as Director of On Track Insurance Pty Ltd on 25 March 2021, with no set appointment term. As an employee of Queensland Rail, S Cornish did not receive remuneration in his capacity as Director of On Track Insurance Pty Ltd.

The above Directors' fees are amounts recharged from Queensland Rail in accordance with the Managed Services Agreement. The amounts were incurred by Queensland Rail on behalf of the company and are also disclosed in the Key Management Personnel note of the Queensland Rail financial statements.

Directors' remuneration and terms of appointment are set by responsible Ministers. Directors' remuneration is subsequently reviewed on a periodic basis by responsible Ministers.

Directors are not entitled to termination payments on termination of their period of service.

#### (ii) Specified executives of the company

2021	Short-term benefits		Post-employment benefits	Total
	Cash salary and fees \$'000	Non-monetary benefits \$'000	Super-annuation \$'000	
<b>Specified executives</b>				
N Easy Chief Executive Officer Appointment date: 3 April 2017 Appointment term: 5 years	799	5	25	829
J Benstead* Head of Regional	453	5	58	516
S Cornish* Group Executive Safety, Risk & Assurance	394	5	50	449
R Holloway* Group Executive Major Projects Integration	476	5	61	542
T Juzwin Acting Group Executive Customer & Corporate Affairs (from 15 March 2021)	66	2	7	75
A MacDonald* Group Executive Strategy, Planning and Transformation	518	5	22	545
R Munn* Group Executive People & Culture	479	5	25	509
S Riedel* Head of SEQ	646	5	25	676
N Roach* Group Executive Customer & Corporate Affairs (until 12 March 2021)	316	4	38	358

## 23 Key management personnel disclosures (continued)

### (c) Key management personnel compensation (continued)

2021	Short-term benefits		Post-employment benefits	Total \$'000
	Cash salary and fees \$'000	Non-monetary benefits \$'000	Super-annuation \$'000	
<b>Specified executives</b>				
K Stapleton* Chief Financial Officer and Group Executive Finance & Corporate Services	403	5	51	459
Total	4,550	46	362	4,958

\* These specified executives are tenured and have no expiry date.

2020	Short-term benefits		Post-employment benefits	Total \$'000
	Cash salary and fees \$'000	Non-monetary benefits \$'000	Super-annuation \$'000	
<b>Specified executives</b>				
N Easy Chief Executive Officer	727	5	93	825
J Benstead Head of Regional	296	3	35	334
S Cornish Group Executive Safety, Risk & Assurance	387	5	49	441
R Holloway Group Executive Major Projects Integration	449	5	57	511
A MacDonald Group Executive Strategy, Planning and Transformation	62	1	8	71
R Munn Group Executive People & Culture	446	5	57	508
S Riedel Head of SEQ	581	5	25	611
N Roach Group Executive Customer & Corporate Affairs	406	5	52	463
K Stapleton Chief Financial Officer and Group Executive Finance & Corporate Services	333	4	42	379

The above executives' remuneration are amounts recharged from Queensland Rail in accordance with the Managed Services Agreement. The amounts were incurred by Queensland Rail on behalf of the company and are also disclosed in the Key Management Personnel note of the Queensland Rail financial statements.

The above are the key executives representing the group. These executives provide advice in relation to strategy and future direction of the group under the business model adopted. The subsidiary entity does not have any senior executives who are involved in setting strategy or future direction for the entity and no subsidiary executives are disclosed above for this reason.



## 23 Key management personnel disclosures (continued)

### (c) Key management personnel compensation (continued)

Termination of the employment of an executive can be made by Queensland Rail to the specified executive either with notice, without notice or due to the incapacity of the specified executive. The formal policy concerning the termination of employment of Queensland Rail chief and senior executives is the *Policy for Government Owned Corporation Chief and Senior Executive Employment Arrangements v 2.0*. This policy was issued by the Government in the 2014/15 period and is applicable to arrangements issued from this period.

#### Chief Executive provisions

The employment of the Chief Executive may be terminated by the Board at any time in accordance with section 30(3) of the *Queensland Rail Transit Authority Act 2013*.

The employment of the Chief Executive may also be terminated by either party at any time giving the other party 3 months written notice of termination. When such termination occurs, the Chief Executive is entitled to the following:

- any accrued leave; and
- salary for the balance of the notice period (if Queensland Rail elects to make payment in lieu of the notice period).

No other termination or compensation payments are payable to the Chief Executive.

The employment of the Chief Executive may be terminated by Queensland Rail immediately, and without compensation, if the Chief Executive engages in misconduct or other unethical behaviour.

#### Senior Executive provisions

Under the *Policy for Government Owned Corporation Chief and Senior Executive Employment Arrangements v 2.0*, all new appointments to senior executives are on an ongoing (tenured) basis with no specific end date.

Termination by notice can be made by the specified executive or Queensland Rail at any time by either party giving to the other 1 month written notice. When such termination occurs, specified executives that are tenured are entitled to the following:

- any accrued leave;
- salary for the balance of the notice period (if Queensland Rail elects to make payment in lieu of the notice period); and
- if the termination is by Queensland Rail in circumstances other than serious misconduct, a termination payment of 3 months' salary.

Queensland Rail reviews the total fixed remuneration of eligible employees on 1 July each year. Senior Executives' individual remuneration reviews require Board approval under the *Policy for Government Owned Corporation Chief and Senior Executive Employment Arrangements v 2.0*. Under these provisions, the Board has the discretion to approve annual total fixed remuneration increases in accordance with annual performance reviews.

The Chief and Senior Executives participate in the Queensland Rail performance management process based on quarterly and annual performance reviews. Annual performance results of the Executives are assessed and calibrated by the Chief Executive Officer and Executive General Manager People and Culture. The Board is responsible for the assessment of the Chief Executive Officer's performance.

#### *(iii) Performance payments*

There are no Chief or Senior Executive positions that are eligible for Performance Payments.

A residual Performance Payment Scheme operates as a grandfathered arrangement. The framework consists of the following key aspects:

- Organisational Key Performance Indicators (KPIs) are aligned to Operational Plan performance targets including On Time Running (OTR), Reliability - Citytrain, Signals Passed at Danger, Customer injuries, Customer Satisfaction - Citytrain and Customer Satisfaction - Traveltrain. The group must achieve the threshold for all KPIs where a Transport Services Contract (TSC) abatement applies before any performance payment is considered and the group must meet the enterprise wide organisational KPIs (as per measurement determined by the Board).
- The group's businesses and functions must meet the Functional KPIs (as per measurement determined by the Board).
- Individual KPIs set by the employee's manager and approved by the Chief Executive Officer on the recommendation of the relevant executive member.

## 23 Key management personnel disclosures (continued)

### (c) Key management personnel compensation (continued)

- KPI results are reviewed by the Board and the Chief Executive Officer on an annual basis to ensure payments are aligned with the achievement of individual and organisational performance objectives. Individual performance of eligible employees must be assessed at a level above "meets expectations", for the consistent demonstration of the group's Values; and
- Board and Chief Executive Officer discretion is reserved in the payment against the scheme based on consideration of performance as well as community and shareholder expectations.

There remain 12 specified award employees and 1 employee currently on Enhanced Remuneration Package eligible for performance based, at risk, incentive bonus compensation.

Performance bonus compensation paid to employees is granted upon approval by the Chief Executive Officer or in accordance with a subsidiary agreement. The amount of the compensation is determined by performance against key performance indicators set at the start of the year for employees or conditions of a subsidiary agreement for work units.

During the current and prior reporting period, no performance bonus compensation was paid to key management personnel. At the end of the current period, no performance based compensation to key management personnel was accrued for.

### (d) Transactions with key management personnel

During the current and prior reporting periods, S Riedel, specified executive of Queensland Rail Limited, was a Director of Move Bank. The group provided rental accommodation to Move Bank during these periods. During the current and prior reporting periods, the nephew of S Riedel provided electrical works to the group through his company South East Electrical and Airconditioning.

During the current and prior reporting periods, S Cornish, specified executive of Queensland Rail Limited, was an Industry Director at Rail Industry Safety and Standards Board (RISSB). Queensland Rail Limited paid corporate membership and conference fees to RISSB during these periods.

During the current reporting period, R Peters, Director of Queensland Rail Limited, was the Vice President (Campus Infrastructure and Services) of Monash University. Queensland Rail Limited engaged Monash University for project services during the current period.

During the current and prior reporting periods, N Easy, specified executive of Queensland Rail Limited, was a Director of Australasian Railway Association and a Director of TrackSAFE Foundation. Queensland Rail Limited paid corporate membership and conference fees to Australasian Railway Association and a contribution to TrackSAFE Foundation during these periods.

During the current reporting period, M Goss, Director of Queensland Rail Limited from 1 October 2020, was a Director of Metro South Hospital and Health Services. Queensland Rail Limited paid for medical services to Metro South Hospital and Health Services during this period.

During the prior reporting period, C Gregg, specified executive of Queensland Rail Limited from 17 December 2019 until 4 May 2020, was a Director of Tracklogic Pty Ltd that provided consultancy services to Queensland Rail Limited.

During the current and prior reporting periods, D Marchant, Director of Queensland Rail Limited, was a Director of Airservices Australia. Queensland Rail Limited provided telecommunication services to this organisation during these periods.

All figures displayed below are exclusive of GST.

## 23 Key management personnel disclosures (continued)

### (d) Transactions with key management personnel (continued)

	2021 \$'000	2020 \$'000
Electrical works - South East Electrical and Airconditioning	427	153
Corporate membership and conferences - Rail Industry Safety and Standards Board	178	291
Project services - Monash University	88	-
Corporate membership and conferences - Australasian Railway Association	82	120
Contribution - TrackSAFE Foundation	60	60
Medical services - Metro South Hospital and Health Services	56	-
Consultancy fees - Tracklogic Pty Ltd	-	226
Rental revenue - Move Bank	(127)	(121)
Telecommunications revenue - Airservices Australia	(67)	(64)
	<u>697</u>	<u>665</u>

## 24 Related party transactions

### (a) Transactions with related parties

The following transactions occurred with related parties:

	2021 \$'000	2020 \$'000
Purchase of goods and services from Queensland Rail	1,072,776	1,032,404
Dividend payable to Queensland Rail	186,464	119,358
Payables to Queensland Rail - current	314,030	327,275
Payables to Queensland Rail - non-current	37,178	29,753

### (b) Loans from / (to) related parties

	2021 \$'000	2020 \$'000
<i>Loans from / (to) parent</i>		
Beginning of the year	(13,702)	12,836
Loans advanced	74,728	53,886
Loans repayments made	(79,931)	(80,424)
End of year	<u>(18,905)</u>	<u>(13,702)</u>

## 24 Related party transactions (continued)

### (c) Transactions and outstanding balances with State of Queensland controlled entities

The company is limited by shares with all shares held by Queensland Rail. Queensland Rail is owned by the Queensland State Government. All material related party transactions are negotiated under commercial terms.

The company transacted with other State of Queensland controlled entities during the year as set out below:

	Notes	2021 \$'000	2020 \$'000	Nature of transaction
Revenue from continuing operations	1	1,973,382	1,846,439	Rail Transport Service Contract, government concessions and sales
Supplies and other services		219,352	125,535	Consumables
Employee benefits expense		83	4	Payroll tax
Other expenses		4,787	4,912	Land tax and audit fees
Finance income		3	-	Interest revenue
Finance expenses	2	159,470	177,626	Interest and financing costs
Income tax expense	3	76,752	51,199	Income tax
Cash and cash equivalents		-	18,628	Short-term investments
Trade and other receivables		(11,836)	7,010	Rail Transport Service Contract credit note and other accounts receivables
Trade and other payables	9	88,499	72,167	Interest, capital works, consumables and payroll tax payables
Current borrowings	17	8,814	-	Short-term borrowings
Other current liabilities		435	752	Asset funding and other income in advance
Non-current borrowings	17	3,710,000	3,630,000	Long-term borrowings
Other non-current liabilities		20,636	10,719	Asset funding in advance

## 25 Subsidiary

The consolidated financial statements incorporate the assets and liabilities of the subsidiary of Queensland Rail Limited at reporting date and the results of the subsidiary for the year then ended.

Name of entity	Country of incorporation	Class of shares	Equity holding 2021 %	2020 %
On Track Insurance Pty Ltd	Australia	Ordinary	100	100

The principal activities of On Track Insurance Pty Ltd are the provision of insurance coverage for all claims relating to events for both former parent, Aurizon Operations Limited (formerly QR National Limited) and Queensland Rail Limited up until 30 June 2010.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

Non-current inter-company loans may not be demanded by the other entity and do not become payable other than through settlement of obligations associated with the loans or one of the entities exits the wholly-owned group.

## 25 Subsidiary (continued)

The Managed Services Agreement between Queensland Rail and its subsidiary, Queensland Rail Limited, permits all inter-company balances between both entities to be legally offset and settled on a net basis at the end of each reporting period.

Accounting policies have been adopted consistently across the group.

Investment in the subsidiary is accounted for at cost in the financial records of the parent entity.

## 26 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the group:

	2021 \$'000	2020 \$'000
<i>Queensland Audit Office</i>		
Audit of the financial statements	473	448
	<u>473</u>	<u>448</u>

## 27 Superannuation expenses

	2021 \$'000	2020 \$'000
Defined benefit superannuation expense*	14,694	14,640
Defined contribution superannuation expense*	74,879	71,032
	<u>89,573</u>	<u>85,672</u>

\* Forms part of reimbursement of employee costs.

## 28 Climate change

The group is aware of the Queensland Government's Climate Response, inclusive of the Queensland Government's Climate Transition Strategy and Climate Adaptation Strategy. The group's Energy & Emissions Strategy, which is progressively being implemented, recognises and seeks to align with the commitments of the Queensland Government's Climate Response and its Transition Strategy specifically. The group has a broad understanding of the key climate change hazards, including physical and transition risks, relevant to its operations and asset base. Further risk review is currently underway.

The group has not identified any material climate related risks relevant to the financial report at the reporting date.

No adjustments to the carrying value of recorded assets or other adjustments to the amounts recorded in the financial statements were recognised during the financial year.

## 29 Parent entity financial information

The financial information for the parent entity, Queensland Rail Limited, has been prepared on the same basis as the consolidated financial statements, except that investments in subsidiaries are accounted for at cost in the financial statements of Queensland Rail Limited.

### (a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	2021 \$'000	2020 \$'000
<b>Balance sheet</b>		
Current assets	152,549	185,811
Non-current assets	8,216,119	7,937,713
<b>Total assets</b>	<u>8,368,668</u>	<u>8,123,524</u>
Current liabilities	786,249	676,201
Non-current liabilities	4,370,806	4,235,591
<b>Total liabilities</b>	<u>5,157,055</u>	<u>4,911,792</u>
<b>Net assets</b>	<u>3,211,613</u>	<u>3,211,732</u>
Contributed equity	3,078,114	3,078,114
Hedging reserves	19	138
Retained earnings	133,480	133,480
<b>Total equity</b>	<u>3,211,613</u>	<u>3,211,732</u>
<b>Profit or loss for the year</b>	<u>186,464</u>	<u>119,358</u>
<b>Total comprehensive income</b>	<u>186,345</u>	<u>119,149</u>

### (b) Guarantees entered into by the parent entity

The parent entity has not provided financial guarantees in respect of bank overdrafts and loans of subsidiaries.

In addition, there is no cross guarantee given by Queensland Rail Limited to On Track Insurance Pty Ltd.

### (c) Contingent liabilities of the parent entity

Issues relating to common law claims and product warranties are dealt with as they arise. There were no material contingent liabilities requiring disclosures in the financial statements except as outlined in note 20. All provisions except provision for insurance claims relate to the parent entity.

### (d) Contractual commitments for the acquisition of property, plant or equipment

At reporting date, the parent entity had contractual commitments. For information about these commitments please see note 21. All commitments outlined in this note relate to the parent entity.

### 30 Summary of other significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Queensland Rail Limited and its subsidiary, On Track Insurance Pty Ltd.

Queensland Rail Limited is a for-profit corporation limited by shares, incorporated and domiciled in Australia and owned by Queensland Rail. Queensland Rail Limited is a wholly owned subsidiary of Queensland Rail. Queensland Rail is required to carry out its functions as a commercial enterprise, as specified in section 10 of the *Queensland Rail Transit Authority Act 2013*. Queensland Rail may carry out those functions directly, or indirectly via its subsidiary. These financial statements are denominated in Australian dollars.

Queensland Rail Limited is referred to in this financial report as the "company" or the "parent". Queensland Rail Limited together with its subsidiary, On Track Insurance Pty Ltd, are collectively referred to as the "group".

These financial statements were approved for issue by the Directors on 30 August 2021. The Directors have the power to amend and reissue the financial statements.

#### (a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, and the *Corporations Act 2001*.

##### (i) Compliance with Australian Financial Reporting Standards

The consolidated financial statements of the group comply with the Australian Accounting Standards as issued by the Australian Accounting Standards Board (AASB).

##### (ii) New and amended standards adopted by the group

The group has not applied any new standards for the first time for their annual reporting period commencing 1 July 2020. All new and amended standards mandatory from 1 July 2020 are not applicable to or do not impact the financial statements of the group.

##### (iii) Early adoption of standards

Standards and amendments that are available for early adoption for the current financial year beginning 1 July 2020 were not early adopted and are not expected to have a material impact on the accounts of the group in future periods.

##### (iv) Historical cost convention

These financial statements have been prepared under the historical cost convention, except for certain assets which, as stated, are at fair value.

##### (v) Going concern

The financial report for the group is prepared on a going concern basis. Current liabilities exceed current assets by \$639.2 million. The group has access to short-term borrowing facilities up to the amount of \$250.0 million of which \$241.2 million are undrawn as at reporting date (refer note 17(b)(iii)). The group has also secured approval from the Queensland Government to source additional long-term borrowings in the 2020/21 financial year up to the amount of \$480.0 million to fund operational, capital and dividend payments throughout that year. In addition revenue through the Rail Transport Service Contract, adequate interest coverage and a low total debt to total capital ratio provides further assurance of the group's status as a going concern.

#### (b) Foreign currency translation

##### (i) Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates (i.e. the functional currency). The consolidated financial statements are presented in Australian dollars, which is the group's functional and presentation currency.

### **30 Summary of other significant accounting policies (continued)**

#### **(b) Foreign currency translation (continued)**

##### *(ii) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of these transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

#### **(c) Rounding of amounts / comparative restatements**

The company is of a kind referred to in the ASIC Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

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

#### **(d) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of associated GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Trade receivables and trade payables in the consolidated balance sheet are shown inclusive of GST. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the consolidated balance sheet.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing or financing activities, which are disclosed as operating cash flow.

Queensland Rail, parent entity, and its subsidiaries are grouped for GST purposes. This means that any inter-company transactions within the Queensland Rail group do not attract GST. Queensland Rail is the representative member of the GST group and is responsible for reporting all GST liabilities and credits on behalf of the group.

#### **(e) Cash and cash equivalents**

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

#### **(f) Trade and other receivables**

Trade and other receivables are initially recognised at the transaction price and are subsequently measured at and classified as amortised cost. Trade receivables generally have standard payment terms of 7 to 30 days. The group applies the simplified approach to providing for expected credit losses prescribed by AASB 9, which requires the use of the lifetime expected loss provision for all trade receivables.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. An allowance for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the debt. Trade receivables have not had a significant increase in credit risk since they were originated.

Other receivables are classified as current assets unless collection is not expected within the 12 months from the reporting date.

#### **(g) Reimbursement of employee costs**

Queensland Rail Limited does not have any employees. The reimbursement of Queensland Rail employee costs disclosed in the consolidated statement of comprehensive income are amounts recharged by Queensland Rail in accordance with the Managed Services Agreement and external contractors engaged by Queensland Rail Limited.



## **30 Summary of other significant accounting policies (continued)**

### **(h) Insurance**

The group insures against risks which are largely uncontrollable, have significant or catastrophic consequences for assets and / or revenue and the aggregate costs of which would exceed the limit of exposure the organisation is prepared to accept.

Insurance cover has accordingly been effected for a variety of such risks. Other areas of risk exposure include workers' compensation and is self-insured by the group.

Until 30 June 2010, self-insurance and other underwriting activities were performed by Queensland Rail Limited's wholly-owned subsidiary, On Track Insurance Pty Ltd. On Track Insurance Pty Ltd was transferred from Aurizon Operations Limited (formerly QR National Limited) on 6 October 2010 and will continue to provide cover for claims relating to events up until 30 June 2010 for both Queensland Rail Limited and the Aurizon Operations Limited group.

### **(i) Environmental regulation**

The group is subject to a variety of laws and regulations in the jurisdiction in which it operates or maintains land. Where remediation measures are probable and can be reliably measured, such costs incurred in complying with relevant laws and regulations are accounted for in accordance with the policy in note 10.

### **(j) Coronavirus (COVID-19) Impact**

The group continued to operate through the impact of the COVID-19 pandemic in the current and prior reporting periods providing services to passengers with the number one priority being the health and safety of customers and employees. In South East Queensland a full timetable was maintained for Citytrain passengers ensuring customers, such as healthcare workers, could travel safely to and from work each day. Long-distance and tourism services were temporarily reduced or suspended in the prior reporting period and subsequently reinstated gradually with social distancing measures as travel restrictions were eased across the State. The regional freight network continued to operate as normal.

The group worked with the Queensland Government to provide relief arrangements to support businesses as a result of the COVID-19 pandemic in the current and prior reporting periods. This comprised the waiving of property and advertising rental fees for small to medium businesses and not-for-profits, and the extension of payment terms on existing balances for tour operators and tenants facing financial hardship. The impact of these relief measures included a reduction in travel and tourism revenue and rental revenue along with an increase in the provision for doubtful debts. Freight services across the State remained strong despite the COVID-19 pandemic and the group's network access revenue was not impacted.

The reduction in revenue in the current and prior reporting periods has not impacted the group's going concern status as at the end of the reporting period. The impact of the COVID-19 pandemic has not been significant, and the group's assets remain unimpaired at reporting date.

## Directors' declaration

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 7 to 47 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
  - (ii) giving a true and fair view of the company's financial position as at 30 June 2021 and of its performance for the year ended on that date, and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

D Marchant AM  
Chair

Brisbane, Qld  
30 August 2021

## INDEPENDENT AUDITOR'S REPORT

To the Members of Queensland Rail Limited

### Report on the audit of the financial report

#### Opinion

I have audited the accompanying financial report of Queensland Rail Limited and its controlled entities (the group).

In my opinion, the financial report:

- a) gives a true and fair view of the group's financial position as at 30 June 2021, and its financial performance and cash flows for the year then ended
- b) complies with the *Corporations Act 2001*, the *Corporations Regulations 2001* and Australian Accounting Standards.

The financial report comprises the consolidated balance sheet as at 30 June 2021, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the consolidated financial statements including summaries of significant accounting policies and other explanatory information, and the directors' declaration.

#### Basis for opinion

I conducted my audit in accordance with the *Auditor-General Auditing Standards*, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report.

I am independent of the group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code and the *Auditor-General Auditing Standards*. I am also independent of the group in accordance with the auditor independence requirements of the *Corporations Act 2001*.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### Key audit matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial report for the current period. I addressed these matters in the context of my audit of the financial report as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

**Depreciation expense (\$367.9 million)**

*Refer to note 5(a) and 5(d) in the financial report*

Key audit matter	How my audit addressed the key audit matter
<p>Depreciation expense is a significant balance that requires management to forecast the useful life of assets and their component parts.</p>	<p>My procedures included but were not limited to:</p> <p>Assessing the useful life estimates of assets and their component parts by:</p> <ul style="list-style-type: none"> <li>• reviewing management’s annual assessment of useful lives and condition assessments. This represents a comprehensive review of all assets</li> <li>• for a sample of remaining useful life reviews examining supporting documentation and confirming revised estimates to the fixed asset register</li> <li>• checking the consistency of useful lives compared to the prior year</li> <li>• comparing useful life assessments recorded in the fixed asset register to the disclosed accounting policy</li> <li>• reviewing for evidence of asset obsolescence, failure or disposals that could indicate a need to review useful life assumptions</li> <li>• reviewing for evidence that the entity will use assets for longer than the useful lives estimated for valuation and depreciation purposes</li> <li>• for a sample of assets, recalculating depreciation expense</li> <li>• evaluating remaining useful life estimates for reasonableness with reference to management’s documented assessments, historical disposal rates, condition assessments for older assets, and long-term asset management plans and budgets.</li> </ul>

**Indicators of impairment of property, plant and equipment**

*Refer to note 5(e) of the financial report*

Key audit matter	How my audit addressed the key audit matter
<p>Management have considered the existence of impairment indicators during 2020–21 and performed an impairment test to ensure that the assets carrying value was greater than its value in use.</p> <p>The impairment assessment is complex and management adopts assumptions in developing inputs used in the discounted cashflow models to calculate an asset’s value in use.</p>	<p>My procedures included but were not limited to:</p> <ul style="list-style-type: none"> <li>• assessing the adequacy of management’s review of the impairment process</li> <li>• obtaining an understanding of the methodology used and assessing its design, integrity and appropriateness for the impairment test with reference to common industry practice</li> <li>• challenging the reasonableness of key assumptions based on my knowledge of the entity and industry</li> <li>• assessing the identification of cash generating units, and input assumptions adopted by management in the value in use model</li> <li>• evaluating the reasonableness of management’s documented considerations of indicators of impairment against my knowledge of the entity</li> </ul>

Key audit matter	How my audit addressed the key audit matter
	<ul style="list-style-type: none"> <li>• reviewing the accuracy of calculations used in the value in use model</li> <li>• reviewing the impairment model to assess the models used and the reasonableness of key assumptions applied in the assessment against my knowledge of the entity and industry</li> <li>• reviewing the asset impairment accounting policies disclosures in the financial statements for consistency with Australian Accounting Standards.</li> </ul>

### Other information

Other information comprises financial and non-financial information (other than the audited financial report).

Those charged with governance are responsible for the other information.

My opinion on the financial report does not cover the other information and accordingly I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

### Responsibilities of the company for the financial report

The company's directors are responsible for the preparation of the financial report that gives a true and fair view in accordance with the *Corporations Act 2001*, the *Corporations Regulations 2001* and Australian Accounting Standards, and for such internal control as the company's directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

The company's directors are also responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the group or to cease operations, or has no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial report

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the group.
- Conclude on the appropriateness of the group's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. I base my conclusions on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the financial report. I am responsible for the direction, supervision and performance of the audit of the group. I remain solely responsible for my audit opinion.

I communicate with the company's directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

From the matters communicated with the company's directors, I determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Vaughan Stemmett  
as delegate of the Auditor-General

30 August 2021

Queensland Audit Office  
Brisbane