Queensland Rail Limited

ABN 71 132 181 090

Financial report for the year ended 30 June 2022

Queensland Rail Limited
ABN 71 132 181 090
Financial report - 30 June 2022

Contents

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 2022.

Directors

D Marchant AM, Chair
S Cantwell
M Goss
R Peters
H Watson
T Winters

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;
- Regional above and below rail services including Travel and Tourism Services; and
- Construction and maintenance of rail transport infrastructure.

Review of operations

The profit of the group for the financial year amounted to $195.6 million (2021: $186.5 million).

The group's shared purpose is to connect communities with a vision to deliver world-class rail services for our customers by achieving these performance outcomes:
- Safety;
- Efficiency and sustainability;
- Reliability;
- Valued by customers; and
- Supporting communities.

In the current reporting period the group continued to focus 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 2022, a dividend of $195.6 million was declared to the holders of fully paid ordinary shares (2021: $186.5 million). This dividend will be paid on or before 30 November 2022. 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 incidents, investigations and other matters as required.

A clean-up notice was issued by the Department of Environment & Science in February 2019 in association with the inundation of a third-party operator train during flooding upon the Mt Isa Line, which resulted in the release of transported products to the environment. The notice has been complied with and a request to close out was lodged with the regulator in early FY2021/22. Liaison with affected stakeholders is ongoing, including actions to mitigate stakeholder business impacts as a result of the incident.

Localised environmental remediation following the derailment of a third-party operator train at Traveston has progressed and is nearing completion.

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 and People, Culture and Remuneration Committee. Mr Marchant is also a Chair of the Port Authority of New South Wales, Chair of its Nominations Committee, and a member of its Audit and Risk Committee and People and Culture 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, and an *ex-officio* member of its Audit, Risk and Compliance Committee, Major Projects Committee and People, Safety and Environment Committee. Mr Cantwell is also a Director of Port of Brisbane Pty Ltd and a member of its People and Performance Committee; and a Director of Lindsay Australia Limited and Chair of its Health and Safety Committee.

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 non-executive director and experienced chair with more than 30 years as a private lawyer and partner in regional and metropolitan practice in Queensland.

Ms Watson's governance experience, both as an advisor and director, includes organisations with large workforces, multiple locations, significant property interests, business model transitions and digital transformations, subsidiary structures and complex stakeholder interests.

Ms Watson's industry experience covers aged care, health and community services, affordable housing and Indigenous communities.

Ms Watson is currently a Member of Children's Health Queensland Hospital and Health Service Board; Chair of Uniting (NSW & ACT) Board; Director of Uniting (Victoria and Tasmania); Director of Australian Regional and Remote Community Services Ltd; Director of National Affordable Housing Ltd; Director of Home Care Heroes Pty Ltd trading as Like Family; Chair of Epic Good Foundation; Advisory Council Member of Queensland Family and Child Commission (QFCC) and Chair of its Audit and Risk Committee; and Advisory Board Member of Australian Charities and Not for Profit 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 35 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 2022, and the number of meetings attended by each Director were:

	Board		Audit and Risk Committee		People, Safety and Environment Committee		Major Projects and Procurement Committee	
	A	B	A	B	A	B	A	B
D Marchant AM	14	14	4	4	3	3	4	5
S Cantwell	13	14	-	-	3	3	4	5
M Goss	14	14	4	4	3	3	-	-
R Peters	13	14	4	4	-	-	5	5
H Watson	14	14	4	4	3	3	-	-
T Winters	13	14	-	-	2	3	5	5

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

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
29 August 2022

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 2022, 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 2022

	Notes	**2022 $'000**	2021 $'000
Revenue from operations	1	**2,305,308**	2,218,925
Other income		**3,048**	3,570
Total revenue and other income		**2,308,356**	2,222,495
Supplies and services		**(477,897)**	(432,059)
Reimbursement of employee costs		**(1,005,295)**	(974,968)
Depreciation and amortisation		**(417,427)**	(395,913)
Other expenses		**(15,719)**	(20,098)
Total expenses		**(1,916,338)**	(1,823,038)
Operating profit		**392,018**	399,457
Finance income		**99**	112
Finance expenses	2	**(117,562)**	(136,353)
Net finance costs		**(117,463)**	(136,241)
Profit before income tax		**274,555**	263,216
Income tax expense	3	**(78,947)**	(76,752)
Profit for the year		**195,608**	186,464
Other comprehensive income			
Items that may be reclassified to profit or loss			
Changes in the fair value of cash flow hedges		**(683)**	(170)
Income tax relating to components of other comprehensive income	3	**205**	51
Other comprehensive expense for the year		**(478)**	(119)
Total comprehensive income for the year		**195,130**	186,345

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

Consolidated balance sheet
as at 30 June 2022

	Notes	2022 $'000	2021 $'000
ASSETS			
Current assets			
Cash and cash equivalents		**235,976**	1,282
Trade and other receivables		**43,548**	22,901
Prepayments		**19,577**	15,698
Inventories	4	**109,943**	107,202
Total current assets		**409,044**	147,083
Non-current assets			
Prepayments		**6,894**	3,325
Inventories	4	**42,034**	38,427
Property, plant and equipment	5	**8,253,476**	7,955,393
Intangible assets	6	**59,695**	99,445
Right-of-use assets	7	**81,797**	92,117
Deferred tax assets	8	**-**	-
Other assets		**1,375**	22,412
Total non-current assets		**8,445,271**	8,211,119
Total assets		**8,854,315**	8,358,202
LIABILITIES			
Current liabilities			
Trade and other payables	9	**955,039**	752,563
Borrowings		**-**	8,814
Lease liabilities	7	**13,048**	12,896
Provisions	10	**2,806**	3,741
Other liabilities		**12,864**	8,236
Total current liabilities		**983,757**	786,250
Non-current liabilities			
Trade and other payables	9	**34,297**	37,178
Borrowings		**4,020,000**	3,710,000
Lease liabilities	7	**77,934**	87,730
Provisions	10	**6,286**	5,859
Deferred tax liabilities	11	**474,588**	470,819
Other liabilities		**51,441**	41,004
Total non-current liabilities		**4,664,546**	4,352,590
Total liabilities		**5,648,303**	5,138,840
Net assets		**3,206,012**	3,219,362
EQUITY			
Contributed equity	12	**3,083,918**	3,083,918
Reserves		**(459)**	19
Retained earnings		**122,553**	135,425
Total equity		**3,206,012**	3,219,362

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 2022

	Notes	Contributed equity $'000	Reserves $'000	Retained earnings $'000	Total equity $'000
Balance at 1 July 2021		**3,083,918**	**19**	**135,425**	**3,219,362**
Adjustment for change in accounting policy	19	-	-	(12,872)	(12,872)
Restated total equity at the beginning of the financial year		**3,083,918**	**19**	**122,553**	**3,206,490**
Profit for the year		-	-	195,608	195,608
Other comprehensive expense		-	(478)	-	(478)
Total comprehensive income / (expense) for the year		**-**	**(478)**	**195,608**	**195,130**
Transactions with owners in their capacity as owners:					
Dividends provided	13	-	-	(195,608)	(195,608)
		-	**-**	**(195,608)**	**(195,608)**
Balance at 30 June 2022		**3,083,918**	**(459)**	**122,553**	**3,206,012**
Balance at 1 July 2020		**3,083,918**	**138**	**135,425**	**3,219,481**
Profit for the year		-	-	186,464	186,464
Other comprehensive expense		-	(119)	-	(119)
Total comprehensive income / (expense) for the year		**-**	**(119)**	**186,464**	**186,345**
Transactions with owners in their capacity as owners:					
Dividends provided	13	-	-	(186,464)	(186,464)
		-	**-**	**(186,464)**	**(186,464)**
Balance at 30 June 2021		**3,083,918**	**19**	**135,425**	**3,219,362**

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 2022

	Notes	2022 $'000	2021 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**354,140**	362,112
Receipts from Transport Service Contract (inclusive of GST)		**2,270,992**	2,123,347
Interest received		**103**	115
Payments to suppliers and employees (inclusive of GST)		**(1,562,528)**	(1,528,757)
Interest and other costs of finance paid		**(145,437)**	(163,687)
Net GST paid		**(142,327)**	(133,785)
Net cash inflow from operating activities	14	**774,943**	659,345
Cash flows from investing activities			
Payments for property, plant and equipment and intangibles		**(604,272)**	(608,778)
Proceeds from the disposal of property, plant and equipment and intangibles		**17,347**	25,756
Repayments of loans to related parties		**(57,170)**	(55,825)
Net cash (outflow) from investing activities		**(644,095)**	(638,847)
Cash flows from financing activities			
Proceeds from borrowings	16	**301,186**	88,814
Repayments of principal element of lease liabilities	16	**(10,876)**	(10,100)
Dividends paid	13	**(186,464)**	(119,358)
Net cash inflow / (outflow) from financing activities		**103,846**	(40,644)
Net increase / (decrease) in cash and cash equivalents		**234,694**	(20,146)
Cash and cash equivalents at the beginning of the financial year		**1,282**	21,428
Cash and cash equivalents at end of year		**235,976**	1,282

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

Notes to the consolidated statement of comprehensive income

1 Revenue from operations

	2022 $'000	2021 $'000
Revenue from contracts with customers		
Rail Transport Service Contract revenue	**1,997,965**	1,912,421
Network access revenue	**172,412**	202,498
Other revenue from customer contracts	**55,314**	33,496
Passenger transport revenue	**52,159**	45,707
Operating lease revenue	**26,397**	23,899
Other revenue		
Other revenue	**1,061**	904
	2,305,308	2,218,925

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

The previous Rail Transport Service Contract (TSC) was entered into between Queensland Rail Limited and the State of Queensland on 20 July 2015 and expired on 30 June 2022. Queensland Rail and the Department of Transport and Main Roads (DTMR) have entered into a new TSC, executed on 30 June 2022, with an initial four-year term and two extensions up to maximum term of seven years.

As the performance obligations of the TSC are satisfied progressively, revenue is recognised over time. For the financial year as a whole, the practice of recognising revenue generated on a straight-line basis (over time) with periodic adjustments is consistent with the requirements of the Australian Accounting Standards.

Revenue for the provision of agreed services is fixed under the contract. This contract covers revenue to Queensland Rail Limited from 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 are the separately identifiable performance obligations for Citytrain, while the maintenance of infrastructure to a safe and fit for purpose standard throughout the year is the separately identifiable performance obligation the City Network.
- 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 over time as the services are provided. Take or pay revenue is recognised at a point in time.

1 Revenue from operations (continued)

(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 a point in time, when 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.

(d) Income in advance from contracts with customers

2022	**Passenger transport revenue $'000**	**Other revenue from customer contracts $'000**	**Rail Transport services contract revenue $'000**	**Total $'000**
Opening balance	3,470	19,310	-	22,780
Revenue recognised from the opening balance as performance obligations are satisfied	(3,470)	(19,310)	-	(22,780)
Income in advance recognised as performance obligations not yet satisfied	50,258	13,688	956	64,902
Revenue recognised as performance obligations are satisfied	(45,188)	6,075	-	(39,113)
Closing balance	5,070	19,763	956	25,789
2021				
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	3,470	19,310	-	22,780

2 Finance expenses

	2022 $'000	2021 $'000
Interest and finance charges on borrowings	**115,717**	134,437
Interest on lease liabilities	**1,683**	1,819
Other interest	**162**	97
	117,562	136,353

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	2022 $'000	2021 $'000
Current tax		**77,674**	57,846
Deferred tax		**3,021**	19,281
Adjustments for current tax of prior periods		**58**	(2,266)
Utilisation / (recognition) of capital tax loss		**(1,806)**	1,891
		78,947	76,752
Deferred income tax expense / (benefit) included in income tax expense comprises:			
(Increase) / decrease in deferred tax assets	8	**(1,259)**	6,357
Increase in deferred tax liabilities	11	**4,280**	12,924
		3,021	19,281

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

	2022 $'000	2021 $'000
Profit from continuing operations before income tax expense	**274,555**	263,216
Adjustment for change in accounting policy	**(12,872)**	-
Adjusted profit from continuing operations before income tax expense	**261,683**	263,216
Tax at the Australian tax rate of 30% (2021: 30%)	**78,505**	78,965
Tax effect of amounts which are not deductible / (taxable) in calculating taxable income:		
Entertainment	**4**	3
Research and development	**349**	-
Luxury car tax	**30**	49
Other	**1**	1
Adjustments for current tax of prior periods	**58**	(2,266)
	442	(2,213)
Total income tax expense	**78,947**	76,752

(c) Amounts recognised directly in equity

	Notes	2022 $'000	2021 $'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	**(205)**	(51)
		(205)	(51)

(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 *Tax Consolidation Accounting* 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

	2022			2021		
	Current $'000	**Non-current $'000**	**Total $'000**	Current $'000	Non-current $'000	Total $'000
Raw materials and stores	**116,618**	**42,034**	**158,652**	118,756	38,427	157,183
Work in progress	**2,031**	**-**	**2,031**	380	-	380
Less: allowance for inventory obsolescence	**(8,706)**	**-**	**(8,706)**	(11,934)	-	(11,934)
	109,943	**42,034**	**151,977**	107,202	38,427	145,629

Inventory recognised as expense during the year ended 30 June 2022 amounted to $69.6 million (2021: $69.4 million). Inventory capitalised to property, plant and equipment during the year ended 30 June 2022 amounted to $58.6 million (2021: $69.1 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
At 1 July 2021								
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
Year ended 30 June 2022								
Opening net book amount	928,686	92,757	540	510,885	209,409	949,854	5,263,262	7,955,393
Additions	723,105	-	-	-	70	2,118	-	725,293
Transfers between asset classes	(538,820)	-	7,961	45,960	38,947	24,832	421,120	-
Transfers from intangible assets	-	-	-	-	-	-	3,191	3,191
Transfers to supplies and services	(10,895)	-	-	-	-	-	-	(10,895)
Transfers to State Government	-	-	-	(396)	-	-	(4,660)	(5,056)
Disposals	-	(1,653)	-	(1,034)	(5,776)	(424)	(13,126)	(22,013)
Depreciation expense	-	-	(4,419)	(31,965)	(30,151)	(94,883)	(231,019)	(392,437)
Closing net book amount	1,102,076	91,104	4,082	523,450	212,499	881,497	5,438,768	8,253,476
At 30 June 2022								
Cost	1,102,076	91,613	21,700	867,678	415,336	2,015,262	7,631,937	12,145,602
Accumulated depreciation and impairment losses	-	(509)	(17,618)	(344,228)	(202,837)	(1,133,765)	(2,193,169)	(3,892,126)
Net book amount	1,102,076	91,104	4,082	523,450	212,499	881,497	5,438,768	8,253,476

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
At 1 July 2020								
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
Year ended 30 June 2021								
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
At 30 June 2021								
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)

(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 33.00%).

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	15 - 50 years
Lifts and escalators	10 - 50 years
Air conditioning units	10 - 25 years
Fire and security equipment	5 - 30 years
Fit-outs	10 - 15 years
Major plant and equipment 8 - 40 years including:	
Country and suburban cars	35 - 40 years
Locomotives	30 - 40 years
Overhauls	8 - 16 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.

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.

The group bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the group’s CGUs to which the individual assets are allocated.

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.

(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.

Following an independent review of the ETCS Program, commissioned by the Project Sponsor the Department of Transport and Main Roads (DTMR), it was decided that a new delivery model be established for rolling out ETCS Level 2 across the SEQ Rail Network. The ETCS Program Alliance was established and became effective in January 2022 charged with designing, developing and delivering the rollout of ETCS Level 2 across the SEQ Rail Network with the first phase of works to support the successful delivery of the CRR Project.

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 group recognises capitalisable costs associated with the CRR RIS and ETCS programs in work in progress progressively as the costs incurred are transferred to the group. 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.

Assets delivered under the RIS and ETCS programs are commissioned and transferred from work in progress to the Fixed Assets Register progressively as they are available for use and capable of operating in the manner intended by management.

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.

Management has formed the view that all of the CRR assets funded by the group will ultimately be owned by the group and therefore are recognised as an asset in the balance sheet.

6 Intangible assets

	Software under development $'000	Software $'000	Total $'000
At 1 July 2021			
Cost	33,006	199,303	232,309
Accumulated amortisation and impairment losses	-	(132,864)	(132,864)
Net book amount	33,006	66,439	99,445
Adjustment for change in accounting policy	(10,533)	(8,715)	(19,248)
Restated net book amount	22,473	57,724	80,197
Year ended 30 June 2022			
Restated opening net book amount	22,473	57,724	80,197
Additions	10,018	-	10,018
Transfers between asset classes	(7,142)	7,142	-
Transfers to property, plant and equipment	-	(3,191)	(3,191)
Transfers to supplies and services	(13,946)	-	(13,946)
Disposals	-	(445)	(445)
Amortisation expense	-	(12,938)	(12,938)
Closing net book amount	11,403	48,292	59,695
At 30 June 2022			
Cost	11,403	173,492	184,895
Accumulated amortisation and impairment losses	-	(125,200)	(125,200)
Net book amount	11,403	48,292	59,695
At 1 July 2020			
Cost	22,980	187,597	210,577
Accumulated amortisation and impairment losses	-	(120,508)	(120,508)
Net book amount	22,980	67,089	90,069
Year ended 30 June 2021			
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	33,006	66,439	99,445
At 30 June 2021			
Cost	33,006	199,303	232,309
Accumulated amortisation and impairment losses	-	(132,864)	(132,864)
Net book amount	33,006	66,439	99,445

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.

6 Intangible assets (continued)

Software-as-a-Service (SaaS) arrangements are service contracts which provide the right to access the cloud provider's application software over the contract period. Costs incurred to access the application software are recognised as an expense in profit or loss over the period the services are provided. Costs incurred for configuration and customisation are usually expensed in profit or loss, except where these costs are for the development of software code that enhances or creates additional capability to existing systems or development costs of bridging modules and are recognised as an intangible asset when the recognition criteria are met.

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 (DTMR). 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.

7 Leases (continued)

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

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.

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
At 1 July 2021	**78,652**	**13,229**	**236**	**92,117**
Additions	666	691	412	1,769
Remeasurement	180	39	-	219
Depreciation / amortisation expense	(10,669)	(1,242)	(141)	(12,052)
Derecognised	(256)	-	-	(256)
At 30 June 2022	**68,573**	**12,717**	**507**	**81,797**
At 1 July 2020	**82,035**	**15,595**	**-**	**97,630**
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)
At 30 June 2021	**78,652**	**13,229**	**236**	**92,117**

7 Leases (continued)

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

Lease liabilities

	Land and buildings $'000	Infrastructure $'000	Plant and equipment $'000	Total $'000
At 1 July 2021	**89,370**	**11,018**	**238**	**100,626**
Additions	666	691	412	1,769
Remeasurement	180	39	-	219
Lease payments	(11,526)	(1,311)	(163)	(13,000)
Interest expense	1,453	228	2	1,683
Derecognised	(315)	-	-	(315)
At 30 June 2022	**79,828**	**10,665**	**489**	**90,982**
At 1 July 2020	**91,980**	**12,970**	**-**	**104,950**
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)
At 30 June 2021	**89,370**	**11,018**	**238**	**100,626**

(ii) Amounts recognised in the consolidated statement of comprehensive income

	2022 $'000	2021 $'000
Depreciation charge of right-of-use assets		
Land and buildings	**10,669**	10,618
Infrastructure	**1,242**	1,489
Plant and equipment	**141**	25
	12,052	12,132
Lease liability - interest expense	**1,683**	1,819
Other - rental expense*	**550**	597

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

(iii) Amounts recognised in the consolidated statement of cash flows

The total cash outflow for leases in 2022 was $11.4 million (2021: $10.6 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).

The total cash inflow for leases in 2022 was $5.8 million (2021: $22.3 million).

8 Deferred tax assets

	Notes	**2022 $'000**	2021 $'000
The balance comprises temporary differences attributable to:			
Accrued expenses		**6,335**	4,625
Capital losses		**1,806**	-
Provisions		**6,190**	7,988
Lease liabilities		**27,295**	30,188
Unearned revenue		**15,856**	12,115
Cash flow hedges		**197**	-
Total deferred tax assets		**57,679**	54,916
Set-off of deferred tax liabilities pursuant to set-off provisions	11	**(57,679)**	(54,916)
Net deferred tax assets		**-**	-
Movements:			
Opening balance		**-**	-
Prior year adjustments		**(499)**	894
Credited / (charged) to the consolidated statement of comprehensive income	3	**1,259**	(6,357)
Cash flow hedges		**197**	-
Utilisation of capital losses		**-**	(1,891)
Recognition of unused Capital Tax Loss		**1,806**	-
Set-off of deferred tax liabilities pursuant to set-off provisions	11	**(2,763)**	7,354
Closing balance at 30 June		**-**	-

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

	2022			2021		
	Current $'000	**Non-current $'000**	**Total $'000**	Current $'000	Non-current $'000	Total $'000
Trade payables	**454,466**	**-**	**454,466**	245,848	-	245,848
Inter-company payables	**308,663**	**34,297**	**342,960**	314,030	37,178	351,208
Dividend payable	**195,608**	**-**	**195,608**	186,464	-	186,464
Other payables	**(3,698)**	**-**	**(3,698)**	6,221	-	6,221
	955,039	**34,297**	**989,336**	752,563	37,178	789,741

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

	2022 Current $'000	2022 Non-current $'000	2022 Total $'000	2021 Current $'000	2021 Non-current $'000	2021 Total $'000
Litigation provision	**2,806**	**1,192**	**3,998**	1,910	849	2,759
Land remediation provision	**-**	**5,058**	**5,058**	1,831	4,975	6,806
Make good provision	**-**	**36**	**36**	-	35	35
	2,806	**6,286**	**9,092**	3,741	5,859	9,600

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 remediation provision

This provision recognises the estimated costs to remediate potential contaminated land in accordance with the group's constructive obligations. These estimated costs have arisen as a result of historical land use and activities with potential for contamination.

The provision for land remediation is the present value of management's best estimate of the expenditure required to remediate and / or manage potentially affected land at the reporting date. The provision was originally recognised in 2010 based on expert external advice and management's best estimate of likely remediation costs. In the prior reporting period external experts were engaged to provide updated estimate of costs in consideration of risk and remediation options, and no changes are made to the value of the base position at the reporting date. 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 remediation 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:

2022	Litigation provision $'000	Land remediation provision $'000	Make good provision $'000	Total $'000
Current and non-current				
Carrying amount at start of year	2,759	6,806	35	9,600
Charged / (credited) to profit or loss				
- additional provisions recognised	1,760	-	-	1,760
- unused amounts released	-	(1,905)	-	(1,905)
- unwind discount	-	157	1	158
Amounts used during the year	(521)	-	-	(521)
Carrying amount at end of year	3,998	5,058	36	9,092

11 Deferred tax liabilities

	Notes	**2022 $'000**	2021 $'000
The balance comprises temporary differences attributable to:			
Accrued income		**(355)**	596
Supplies and other services and spare parts		**8,526**	7,619
Property, plant and equipment		**24,539**	489,687
Right-of-use assets		**497,487**	27,635
Prepayments		**2,070**	190
Cash flow hedges		**-**	8
Total deferred tax liabilities		**532,267**	525,735
Set-off of deferred tax liabilities pursuant to set-off provisions	8	**(57,679)**	(54,916)
Net deferred tax liabilities		**474,588**	470,819

	Notes	**2022 $'000**	2021 $'000
Movements:			
Opening balance		**470,819**	446,914
Prior year adjustments		**2,260**	3,678
Charged to the consolidated statement of comprehensive income	3	**4,280**	12,924
Cash flow hedges		**(8)**	(51)
Set-off of deferred tax liabilities pursuant to set-off provisions	8	**(2,763)**	7,354
Closing balance at 30 June		**474,588**	470,819
Deferred tax liabilities expected to be settled within 12 months		**(6,482)**	(6,705)
Deferred tax liabilities expected to be settled after more than 12 months		**481,070**	477,524

12 Contributed equity

(a) Share capital

	2022 $'000	2021 $'000
Ordinary shares		
Fully paid	**3,083,918**	3,083,918
Total contributed equity	**3,083,918**	3,083,918

(b) Movements in ordinary share capital

Details	**Number of shares**	**$'000**
Opening balance 1 July 2021	100	3,083,918
Closing balance 30 June 2022	100	3,083,918
Opening balance 1 July 2020	100	3,083,918
Closing balance 30 June 2021	100	3,083,918

(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

	2022 $'000	2021 $'000
Dividend declared	**195,608**	186,464
Dividend paid	**186,464**	119,358

A dividend of 1,956,084 dollars per share (2021: 1,864,645) was declared by the Board for the year ended 30 June 2022. 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

	2022 $'000	2021 $'000
Profit for the year	**195,608**	186,464
Depreciation and amortisation	**417,427**	395,913
Losses on sale of non-current assets	**10,581**	2,844
Unrealised gain on derivatives	**-**	(184)
(Writeback) / impairment of trade receivables	**(2,197)**	781
Inventory obsolescence	**1,914**	(17)
Change in operating assets and liabilities:		
(Increase) / decrease in trade debtors	**(18,865)**	12,780
(Increase) in inventories	**(8,262)**	(5,419)
(Increase) in other operating assets	**(1,529)**	(2,917)
Increase / (decrease) in trade creditors	**86,967**	(37,007)
Increase in other liabilities	**93,807**	103,871
Increase / (decrease) in other provisions	**(508)**	2,236
Net cash inflow from operating activities	**774,943**	659,345

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 2021	3,718,814	100,626	3,819,440
Cash flows	301,186	(10,876)	290,310
Non-cash lease swaps	-	(441)	(441)
Acquisitions - finance leases	-	1,769	1,769
Revaluations - finance leases	-	219	219
Release - finance leases	-	(315)	(315)
At 30 June 2022	4,020,000	90,982	4,110,982
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	3,718,814	100,626	3,819,440

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:

	2022 $'000	2021 $'000
Financial assets		
Financial assets at AC		
Cash and cash equivalents	**235,976**	1,282
Trade and other receivables	**43,548**	22,901
Financial assets at FVOCI		
Derivative assets	**-**	42
Total financial assets	**279,524**	24,225
Financial liabilities		
Financial liabilities at AC		
Trade and other payables	**989,336**	789,741
Borrowings	**4,020,000**	3,718,814
Lease liabilities	**90,982**	100,626
Financial liabilities at FVOCI		
Derivative liabilities	**656**	14
Total financial liabilities	**5,100,974**	4,609,195

(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 2022			30 June 2021		
	USD $'000	**EUR €'000**	**JPY ¥'000**	USD $'000	EUR €'000	JPY ¥'000
Cash and cash equivalents	**57**	**27**	**288,942**	39	176	315
Forward exchange contracts (qualifying for hedge accounting)	**-**	**-**	**598,120**	97	-	897,170
Net exposure	**57**	**27**	**887,062**	136	176	897,485

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:

	2022 Carrying amount $'000	**2022** Fair value $'000	2021 Carrying amount $'000	2021 Fair value $'000
Non-traded financial liabilities				
Current lease liabilities (unsecured)	**13,048**	**13,048**	12,896	12,896
Non-current lease liabilities (unsecured)	**77,934**	**77,934**	87,730	87,730
Current borrowings (unsecured)	**-**	**-**	8,814	8,814
Non-current borrowings (unsecured)	**4,020,000**	**3,811,936**	3,710,000	4,084,281
	4,110,982	**3,902,918**	3,819,440	4,193,721
Weighted average interest rate	**3.7%**		4.0%	

The carrying amount of current borrowings in the prior year of $8.8 million represents the drawdown of funds from the working capital facility with QTC. In the current period the working capital facility was in credit to the amount of $232.1 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:

		Interest rate risk			
		-1%		**+1%**	
30 June 2022	**Carrying amount $'000**	**Profit $'000**	**Equity $'000**	**Profit $'000**	**Equity $'000**
Client Specific Debt Pool	3,710,000	2,334	2,334	(2,038)	(2,038)
Total increase / (decrease)		2,334	2,334	(2,038)	(2,038)
30 June 2021					
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)

Debt is drawn from facilities with QTC incorporating fixed and floating debt and is initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost, using the effective interest rate method. Interest is accrued and paid monthly.

17 Financial risk management (continued)

(b) Risks arising from financial instruments (continued)

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

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, acquired from capital projects with a budget of more than $1.0 million and 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 3.74% (2021: 4.02%). During the year, interest costs of $27.1 million were capitalised (2021: $25.0 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 $250.0 million (2021: $241.2 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.

17 Financial risk management (continued)

(b) Risks arising from financial instruments (continued)

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.

30 June 2022	Less than 1 year $'000	Between 1 and 5 years $'000	Over 5 years $'000	Total contractual cash flows $'000
Non-derivatives				
Trade payables	759,431	34,297	-	793,728
Borrowings	118,523	473,984	4,051,003	4,643,510
Lease liabilities	11,841	27,826	8,768	48,435
Total non-derivatives	889,795	536,107	4,059,771	5,485,673
30 June 2021				
Non-derivatives				
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

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:

	2022 $'000	2021 $'000
Borrowings	**4,020,000**	3,718,814
Lease liabilities	**90,982**	100,626
Total debt	**4,110,982**	3,819,440
Total equity	**3,206,012**	3,219,362
Total capital	**7,316,994**	7,038,802
Total debt to total capital ratio	**56%**	54%

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

The group changed its accounting policies in 2021/22 after completing a full analysis of the previously capitalised software in response to the International Financial Reporting Interpretations Committee (IFRIC) agenda decision released in March 2021.

The group's new accounting policy now considers where the software code resides, whether it is identifiable and whether the entity has the power to both obtain economic benefits from the software and restrict the access of others to those benefits.

Configuration or customisation costs that do not qualify for recognition as an intangible asset are further assessed as to the appropriate timing of expense recognition, using the following criteria:

- Where the configuration or customisation is considered a distinct (i.e. separately identifiable) service from the subsequent access to the cloud software, the costs are expensed when the configuration or customisation services are received. This is typically the case when the vendor providing the services is different from the vendor providing access to the software.
- Where the configuration or customisation is not a distinct service from the entity's right to access the software, the costs are expensed over the period of access on a straight-line basis. A prepayment asset is recognised when the payment is made up front. This is usually the case when the same vendor is providing both the configuration or customisation services and the access to the cloud software.

Any software that qualifies as an intangible asset is recognised in accordance with the group's existing accounting policies on software assets, which have not changed.

As the changes do not have a material impact on the financial statements of the group, the statements comparative period has not been adjusted.

(a) Impact of changes

As a result of the change in accounting policy:

- At 1 July 2020 \$6.965 million of capitalised software intangible assets have been expensed through opening retained earnings. A further \$4.034 million of intangible assets have been reclassified to prepayment asset, which required recognising \$0.543 million for the amortisation of the prepayment asset to opening retained earnings.
- For the year ended 30 June 2021, \$3.933 million of capitalised software intangible assets have been expensed through retained earnings. A further \$4.316 million of intangible assets have been reclassified to prepayment asset, which required recognising \$1.431 million for the amortisation of the prepayment asset to retained earnings.

In the statement of cash flows, payments for capitalised configuration and customisation costs in 2020/21 were reported as "payments for property, plant and equipment and intangibles". In the current reporting period, these Software-as-a-Service (SaaS) cash flows are recognised as "payments to suppliers and employees".

The accumulative net impacts are summarised in the table below:

	2021 $'000	1 July 2020 $'000
Consolidated balance sheet		
Intangible assets	(19,248)	(10,999)
Prepayments - current	2,125	873
Prepayments - non-current	4,251	2,618
Net assets	**(12,872)**	**(7,508)**
Retained earnings	12,872	7,508
Total equity	**12,872**	**7,508**

	2021 $'000
Consolidated statement of comprehensive income	
Supplies and services	7,085
Depreciation and amortisation	(1,722)
Profit before income tax	**5,363**

19 Correction of errors and revision of estimates (continued)

(a) Impact of changes (continued)

	2021 $'000
Consolidated statement of cash flows	
Payments to suppliers and employees	(9,970)
Net cash inflow from operating activities	**(9,970)**
Payments for property, plant and equipment and intangibles	9,970
Net cash outflow from investing activities	**9,970**

There have been no other 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

	2022 Fair value $'000	2021 Fair value $'000
Non-qualifying assets	**200**	225
Third party guarantees	**81,000**	81,000
Bank guarantees	**100,755**	108,541
Insurance company guarantees	**830**	830
	182,785	190,596

(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.

	2022 Fair value $'000	2021 Fair value $'000
Non-qualifying liabilities	**42,472**	39,499
Bank guarantees	**39,793**	30,405
	82,265	69,904

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

	2022 Capital $'000	2021 Capital $'000
Within one year	**411,146**	367,584
Later than one year but not later than five years	**12,433**	74,831
	423,579	442,415

(b) Commitments receivable

	2022 Lease $'000	2021 Lease $'000
Within one year	**5,129**	4,159
Later than one year but not later than five years	**12,504**	12,679
Later than five years	**20,995**	22,897
	38,628	39,735

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 2022 were:

- C Dick MP
  Treasurer and Minister for Trade and Investment
- M Bailey MP
  Minister for Transport and Main Roads

23 Key management personnel disclosures (continued)

(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:

	2022 $'000	2021* $'000
Short-term benefits	**4,504**	4,928
Post-employment benefits	**371**	393
	4,875	5,321

* 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.

(c) Key management personnel compensation

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

2022		Short-term benefits	Post-employment benefits	
Directors		**Director fees and allowances $'000**	**Super-annuation $'000**	**Total $'000**
D Marchant AM Reappointment date: 1 October 2021 Reappointment term: 2 years	Chair	132	13	145
S Cantwell* Reappointment date: 1 October 2019 Reappointment term: 3 years	Director	46	5	51
M Goss Appointment date: 1 October 2020 Appointment term: 3 years	Director	44	4	48
R Peters Reappointment date: 1 October 2019 Reappointment term: 3 years	Director	46	5	51
H Watson Reappointment date: 1 October 2020 Reappointment term: 3 years	Director	46	5	51
T Winters Appointment date: 1 October 2020 Appointment term: 3 years	Director	44	4	48
Total		358	36	394

* 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.

23 Key management personnel disclosures (continued)

(c) Key management personnel compensation (continued)

2021		Short-term benefits	Post-employment benefits	
Directors		Director fees and allowances $'000	Super-annuation $'000	Total $'000
D Marchant AM	Chair	132	13	145
S Cantwell	Director	46	4	50
M Goss	Director	31	3	34
R Peters	Director	46	4	50
H Watson	Director	46	4	50
T Winters	Director	31	3	34

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.

23 Key management personnel disclosures (continued)

(c) Key management personnel compensation (continued)

(ii) Specified executives of the company

2022	Short-term benefits		Post-employment benefits	
Specified executives	**Cash salary and fees $'000**	**Non-monetary benefits $'000**	**Super-annuation $'000**	**Total $'000**
N Easy Chief Executive Officer Appointment date: 3 April 2017 Ceased: 17 December 2021	459	3	14	476
K Stapleton Chief Executive Officer Appointment date: 12 April 2022 Appointment term: 5 years Acting Chief Executive Officer (from 18 December 2021 until 18 January 2022) Chief Financial Officer and Group Executive Finance & Corporate Services (until 11 April 2022)	505	6	64	575
R Holloway* Acting Chief Executive Officer (from 19 January 2022 until 20 February 2022) Group Executive Major Projects Integration	494	6	62	562
S Riedel* Acting Chief Executive Officer (from 21 February 2022 until 11 April 2022) Head of SEQ	667	6	27	700
J Benstead* Head of Regional	464	6	59	529
B Clark^ Acting Chief Financial Officer and Group Executive Finance & Corporate Services (from 12 April 2022)	60	1	5	66
S Cornish* Group Executive Safety, Risk & Assurance	436	6	48	490
T Juzwin^ Acting Group Executive Customer & Corporate Affairs (until 31 July 2021)	19	1	2	22
A MacDonald* Group Executive Strategy, Planning and Transformation	507	6	27	540
R Munn* Group Executive People & Culture	488	6	27	521
Total	4,099	47	335	4,481

* These specified executives are tenured and have no expiry date.
^ Non-executive employees, acting in specified executive positions.

23 Key management personnel disclosures (continued)

(c) Key management personnel compensation (continued)

2021	Short-term benefits		Post-employment benefits	
Specified executives	Cash salary and fees $'000	Non-monetary benefits $'000	Super-annuation $'000	Total $'000
N Easy Chief Executive Officer	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	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
K Stapleton Chief Financial Officer and Group Executive Finance & Corporate Services	403	5	51	459

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.

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 (version dated 27 October 2021)*. 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;
- 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 6 months salary.

23 Key management personnel disclosures (continued)

(c) Key management personnel compensation (continued)

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 (version dated 27 October 2021)*, 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 (version dated 27 October 2021)*. Under these provisions, the Board has the discretion to approve annual total fixed remuneration increases to a maximum of 10% per annum, subject to the total fixed remuneration not exceeding the latest market median for the position's work value. The Board should act prudently and take account of the economic climate when considering annual total fixed remuneration increases.

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 Group Executive 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 Rail Transport Service 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.
- 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 11 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.

23 Key management personnel disclosures (continued)

(c) Key management personnel compensation (continued)

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 and prior reporting periods, N Easy, specified executive of Queensland Rail Limited until 17 December 2021, and K Stapleton, specified executive of Queensland Rail Limited, were Directors of Australasian Railway Association and Directors 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 and prior reporting periods, 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, calibration and training services during these periods.

During the current and prior reporting periods, 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 the prior reporting period.

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

All figures displayed below are exclusive of GST.

	2022 $'000	2021 $'000
Electrical works - South East Electrical and Airconditioning	**290**	427
Corporate membership and conferences - Rail Industry Safety and Standards Board	**281**	178
Contribution - TrackSAFE Foundation	**122**	60
Corporate membership and conferences - Australasian Railway Association	**95**	82
Project, calibration and training services - Monash University	**4**	88
Medical services - Metro South Hospital and Health Services	**-**	56
Rental revenue - Move Bank	**(157)**	(127)
Telecommunications revenue - Airservices Australia	**(71)**	(67)
	564	697

24 Related party transactions

(a) Transactions with related parties

The following transactions occurred with related parties:

	2022 $'000	2021 $'000
Purchase of goods and services from Queensland Rail	**1,095,784**	1,072,776
Dividend payable to Queensland Rail	**195,608**	186,464
Payables to Queensland Rail - current	**308,663**	314,030
Payables to Queensland Rail - non-current	**34,297**	37,178

24 Related party transactions (continued)

(b) Loans from / (to) related parties

	2022 $'000	2021 $'000
Loans from / (to) parent		
Beginning of the year	**(18,905)**	(13,702)
Loans advanced	**83,034**	74,728
Loans repayments made	**(62,039)**	(79,931)
End of year	**2,090**	(18,905)

(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	2022 $'000	2021 $'000	Nature of transaction
Revenue from continuing operations	1	**2,066,747**	1,973,382	Rail Transport Service Contract, government concessions and sales
Supplies and other services		**320,177**	219,352	Consumables
Employee benefits expense		**51**	83	Payroll tax
Other expenses		**4,899**	4,787	Land tax and audit fees
Finance income		**5**	3	Interest revenue
Finance expenses	2	**142,832**	159,470	Interest and financing costs
Income tax expense	3	**78,947**	76,752	Income tax
Cash and cash equivalents		**232,103**	-	Short-term investments
Trade and other receivables		**18,277**	(11,836)	Rail Transport Service Contract and other accounts receivables
Current prepayments		**474**	-	Prepaid investigation fees
Trade and other payables	9	**325,869**	88,499	Rail Transport Service Contract, interest, capital works, consumables and payroll tax payables
Current borrowings		**-**	8,814	Short-term borrowings
Other current liabilities		**2,366**	435	Asset funding and other income in advance
Non-current borrowings		**4,020,000**	3,710,000	Long-term borrowings
Other non-current liabilities		**31,147**	20,636	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 2022 %	2021 %
On Track Insurance Pty Ltd	Australia	Ordinary	**100**	100

25 Subsidiary (continued)

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.

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:

	2022 $'000	2021 $'000
Queensland Audit Office		
Audit of the financial statements	**508**	473
	508	473

27 Superannuation expenses

	2022 $'000	2021 $'000
Defined benefit superannuation expense*	**13,293**	14,694
Defined contribution superannuation expense*	**79,450**	74,879
	92,743	89,573

* Forms part of reimbursement of employee costs.

28 Climate change

The group acknowledges climate change and is aware of the Queensland Government's Climate Response, inclusive of the Queensland Government's Climate Transition Strategy and Climate Adaptation Strategy.

The group has a broad understanding of the key climate change hazards such as increases in mean temperature and extreme heat events, increased rainfall intensity, prolonged bushfire weather, more intense tropical cyclones and longer droughts, and the potential risks, including physical risks relevant to its operations and asset base. The group is progressing improved processes to embed risk based climate change planning to facilitate effective adaptation and demonstrate delivery of a sustainable, resilient and fit-for-purpose operation.

In addition to an understanding of key physical risk exposures, the group acknowledges that there will be risk and opportunity associated with the global and local transition to a low carbon economy. Key climate change transition drivers have been identified including adoption of net zero emissions policies, and action plans, shifting stakeholder expectations on corporate climate change response, uptake of energy efficiency and low carbon technology and shifts in consumer / customer preferences for travel and freight. Further work is underway to plan and progress action against priority risks and opportunities, including planning a feasible pathway in support of transitioning to net zero emissions.

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.

While the group is progressing the development of more robust processes and plans to manage climate change risk, currently financial risks relating to climate change are able to be considered through extant processes including those for potential change in useful asset life, fair value of assets and provisions or contingent liabilities. The group has not identified any material financial impacts from climate change 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:

Balance sheet	2022 $'000	2021 $'000
Current assets	**414,510**	152,549
Non-current assets	**8,450,271**	8,216,119
Total assets	**8,864,781**	8,368,668
Current liabilities	**983,756**	786,249
Non-current liabilities	**4,682,762**	4,370,806
Total liabilities	**5,666,518**	5,157,055
Net assets	**3,198,263**	3,211,613
Contributed equity	**3,078,114**	3,078,114
Hedging reserves	**(459)**	19
Retained earnings	**120,608**	133,480
Total equity	**3,198,263**	3,211,613
Profit or loss for the year	**195,608**	186,464
Total comprehensive income	**195,130**	186,345

(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 29 August 2022. 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 2021. All new and amended standards mandatory from 1 July 2021 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 2021 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 $574.7 million. The group has access to short-term borrowing facilities up to the amount of $250.0 million of which $250.0 million are undrawn as at reporting date (refer note). The group has also secured approval from the Queensland Government to source additional long-term borrowings in the 2022/23 financial year up to the amount of $440.0 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 prior reporting period. 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 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 48 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 group's financial position as at 30 June 2022 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
29 August 2022

Queensland Audit Office
Better public services

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 2022, 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 2022, 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*, and confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the company, would be in the same terms if given to the directors as at the time of this auditor's report.

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 ($392.4 million)

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

Key audit matter	How my audit addressed the key audit matter
Depreciation expense is a significant balance that requires management to forecast the useful life of assets and their component parts.	My procedures included but were not limited to: Assessing the useful life estimates of assets and their component parts by: • reviewing management's annual assessment of useful lives and condition assessments. This represents a comprehensive review of all assets • for a sample of remaining useful life reviews examining supporting documentation and confirming revised estimates to the fixed asset register • checking the consistency of useful lives compared to the prior year • comparing useful life assessments recorded in the fixed asset register to the disclosed accounting policy • reviewing for evidence of asset obsolescence, failure or disposals that could indicate a need to review useful life assumptions • reviewing for evidence that the entity will use assets for longer than the useful lives estimated for valuation and depreciation purposes • for a sample of assets, recalculating depreciation expense • 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.

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
Management have considered the existence of impairment indicators during 2021-22 and performed an impairment test to ensure that the assets carrying value was greater than its value in use.	My procedures included but were not limited to: • assessing the adequacy of management's review of the impairment process • obtaining an understanding of the methodology used and assessing its design, integrity and appropriateness for the impairment test with reference to common industry practice • challenging the reasonableness of key assumptions based on my knowledge of the entity and industry

Key audit matter	How my audit addressed the key audit matter
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.	• assessing the identification of cash generating units, and input assumptions adopted by management in the value in use model • evaluating the reasonableness of management's documented considerations of indicators of impairment against my knowledge of the entity • reviewing the accuracy of calculations used in the value in use model • 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 • reviewing the asset impairment accounting policies disclosures in the financial statements for consistency with Australian Accounting Standards.

Other information

Other information comprises financial and non-financial information (other than the audited financial report). At the date of this auditor's report, the available other information in the Groups financial report for the year ended 30 June 2022 was the directors' 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.

Queensland Audit Office
Better public services

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.

31 August 2022

Vaughan Stemmett
as delegate of the Auditor-General

Queensland Audit Office
Brisbane