

2019-2020 ANNUAL REPORT

General information

This is the consolidated Annual and Financial Report 2019-2020 (“the report”) of Queensland Rail (ABN 68 598 268 528) and its subsidiaries, Queensland Rail Limited (ABN 71 132 181 090) (QRL) and On Track Insurance Pty Ltd (ABN 18 095 032 670) (OTI). Queensland Rail is a statutory authority established under the *Queensland Rail Transit Authority Act 2013 (Qld)* (QRTA Act) and is a statutory body for the purposes of the *Financial Accountability Act 2009 (Qld)* and the *Statutory Bodies Financial Arrangements Act 1982 (Qld)*.

Queensland Rail’s functions are detailed in Section 9 of the QRTA Act. Queensland Rail discharges its statutory functions through its wholly owned subsidiary QRL. QRL does not employ any personnel, but owns all non-employee related assets and contracts. It performs the role of rail transport operator under the *Transport (Rail Safety) Act 2010 (Qld)*.

OTI is a wholly-owned subsidiary of QRL. It provides insurance cover for claims on Queensland Rail, QRL and the Aurizon group of companies in respect of events up until 30 June 2010.

Unless the context otherwise requires, Queensland Rail together with its subsidiaries QRL and OTI, are collectively referred to as “Queensland Rail” for the purposes of the report. A general description of the nature of Queensland Rail’s operations and principal activities is included in the report.

This report is available, along with other useful resources, via the Queensland Rail website: queenslandrail.com.au

For further information on Queensland Rail:

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Registered Office

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Queensland Rail ABN 68 598 268 528

Translation and interpreting assistance

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If you have difficulty in understanding the report, please contact Queensland Rail on 13 16 17 and we will arrange an interpreter to share the report with you.



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The Honourable Cameron Dick MP
Treasurer
Minister for Infrastructure and Planning
Member for Woodridge
1 William Street
Brisbane Qld 4000

The Honourable Mark Bailey MP
Minister for Transport and Main Roads
Member for Miller
1 William Street
Brisbane Qld 4000

Dear Treasurer and Minister

Queensland Rail Annual and Financial Report 2019-2020

I am pleased to submit for presentation to Parliament the Queensland Rail Annual and Financial Report 2019-2020.

I certify that this annual report complies with:

- the prescribed requirements of the *Financial Accountability Act 2009 (Qld)* and the Financial and Performance Management Standard 2019 (Qld), the *Queensland Rail Transit Authority Act 2013 (Qld)* and the *Corporations Act 2001 (Cth)*, and
- the detailed requirements set out in the Annual Report requirements for Queensland Government agencies.

A checklist outlining the annual reporting requirements can be found on pages 49-50 of this annual report. As outlined in the report, a dividend of \$119.4 million was declared for the year ended 30 June 2020.

The Board unanimously endorses the Queensland Rail Annual and Financial Report 2019-2020.

Yours sincerely

David Marchant AM
Chair

16 September 2020

cc: Neil Scales
Director-General
Department of Transport and Main Roads

Rachel Hunter
Under Treasurer
Queensland Treasury

Nick Easy
CEO
Queensland Rail

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About us

Founded in 1865, Queensland Rail has a proud history of connecting Queensland communities and supporting local jobs, industries and economies. We are committed to providing a customer-focused, safe, modern and world-class rail service for Queenslanders.

With total assets of \$8.0 billion, and a network that extends more than 6,600 kilometres across the state, we are also focused on providing customers and Queenslanders with an efficient and value for money service.

Our 7,500 strong workforce delivers services across our South East Queensland and Regional networks, including Travel and Tourism services and Regional Freight.

Our South East Queensland team provides 8,322 services each week, supporting our customers to reach their destination safely and on-time. In 2019-2020, 44 million passenger trips were taken on the South East Queensland network (a decrease of approximately 20 per cent compared to 2018-2019, associated with COVID-19).

The regional commuter and rail tourism markets are serviced by the Travel and Tourism products. These comprise of eight services connecting regional communities across Queensland with other regional centres and the South East Queensland corner. These services support the Queensland tourism industry through the provision of unique rail tourism experiences including special events and charters through the operation of a small fleet of heritage services.

Our Regional Network and Freight team provides rail access for freight operators and other Queensland Rail supply chain customers to enable the critical transport of resources and general freight across the state.

We are proud of the role we play in providing vital passenger and freight services and we are dedicated to ensuring that our systems, procedures and practices reflect the highest standards of corporate governance.

Established under the *Queensland Rail Transit Authority Act 2013 (Qld) (QRTA Act)*, Queensland Rail is a statutory authority for the purposes of the *Financial Accountability Act 2009 (Qld)* and the *Statutory Bodies Financial Arrangements Act 1982 (Qld)*.

The *QRTA Act* sets out the functions of Queensland Rail. These include:

- Management of railways
- Provision of rail transport services, including passenger services
- Construction and maintenance of rail transport infrastructure.

Access to some of our network is regulated through an access undertaking given to the Queensland Competition Authority (QCA).

Chair's report

In 2019-2020, Queensland Rail focused on improving the customer experience and strengthening the resilience, reliability and safety of our network. As a transport provider that supports local communities and industries, our team members continued to demonstrate the critical role we play in connecting Queenslanders during what was a productive, but challenging year.

As with the Queensland community generally, we are cautiously moving through the COVID-19 pandemic.

Queensland Rail South East Queensland services delivered today are greater than any time in the history of Queensland Rail and exceed the October 2016 levels.

This year floods disrupted the Mount Isa line. Queensland Rail employees quickly mobilised to repair and recover the line and \$60 million was invested in planned maintenance to strengthen the resilience of the line, including \$20 million for capital renewal works.

On the South East Queensland network, 1,599,429 hours were invested in maintaining the network and 151,338 hours in maintaining its fleet to ensure the ongoing safety and reliability of services for customers.

This year, we continued to deliver improvements to our stations and facilities to assist all customers to travel safely on our network. The State Government's rolling \$357 million investment for station accessibility upgrades made good progress, with projects completed at Morayfield, Boondall and Strathpine stations. These upgrades will make it easier and safer for many customers to access our public transport system. In addition, we partially raised the platform at the assisted boarding points at a number of South East Queensland stations including at Yeerongpilly, Deagon, Banyo, Darra, Cleveland, Wacol, Woolloowin and Zillmere, to improve safety for customers using the assisted boarding point.

Queensland Rail has entered into a Memorandum of Understanding with Downer Group to develop a collaborative contracting framework for heavy rollingstock maintenance on Queensland Rail's fleet over the coming decade.

On the West Moreton line, a \$28 million project to enhance the reliability of the network by replacing timber rail bridges with more durable structures was completed. Signalling upgrades were also delivered in Bundaberg to modernise and improve the safety of the region's level crossings.

I would like to thank my fellow Board members and management for their ongoing support with the strategic direction, governance and performance of Queensland Rail. A particular focus for the Board during the year was the planning for, and embedding of, the organisation's new operating model, and it is pleasing to see early signs that these changes are driving further improvements for our customers and supporting the continued growth of the business.

Queensland Rail is now restructured into two business lines, focused around our differing customer needs in South East and Regional Queensland.

As we continue to work closely with the Queensland Government and the Department of Transport and Main Roads, I would like to thank our responsible Ministers for their ongoing advice and look forward to continuing to work together to provide a safe and efficient service to our customers and communities.

The Board also recognises the leadership of Chief Executive Officer Nick Easy, and the important role the Executive Leadership Team has played in driving outcomes for the organisation throughout the year. We've seen some terrific achievements and strong progress made towards realising our vision to be a world-class, customer-focused organisation.

We look forward to the year ahead and building on the great progress Queensland Rail has made this year.

David Marchant AM
Chair

CEO's report

Financial year 2019-2020 was an important one for our organisation. We continued to deliver customer-focused improvements to our infrastructure, facilities and services and invested in our extensive network to ensure its ongoing safety and reliability. Critically, we implemented a series of timetable improvements for South East Queensland customers and are now offering more seats across our network than ever before. Restoring the timetable was the culmination of several years of hard work and focus from teams right across our organisation. The complexity of this task cannot be underestimated, and the innovation, learnings and processes embedded along the way are critical to building disciplined planning and data-driven decision making into our day-to-day operations.

We have not only recovered but built upon the 2016 service levels and are now operating 8,322 services weekly across the South East Queensland network, the highest level of services in Queensland Rail's history.

In early 2020, the resilience of our business and team members was tested through the arrival of the global COVID-19 pandemic. As a public transport provider and maintainer of the network, Queensland Rail played an important role in supporting our customers and communities during this unprecedented time. We continued to run our full timetable in South East Queensland for those who needed to travel and made rapid adjustments to our operations and service model to prioritise the health and safety of our customers and employees. This included introducing increased cleaning regimes throughout our operations and implementing new ways of working for our teams. While our regional network provided a critical path to move freight, including groceries, to communities throughout the state, unfortunately, our Travel and Tourism services were impacted by COVID-19 restrictions. By financial year end, as restrictions eased, it was pleasing to see the phased reinstatement of our long-distance and tourism trains and the steady return of customers travelling again.

Operationally, I'm pleased to report we achieved improvements in the majority of our Key Performance Indicators during the financial year. We demonstrated our ability to deliver increased service levels reliably and safely, consistently meeting our contractual targets for on-time running and reliability throughout the period. At the same time, we partnered with TransLink to improve customer research and feedback and, since introducing the Citytrain Customer Index, we consistently exceeded targets. Our Travel and Tourism services also performed well throughout the year, with more than 83.20 per cent of trains arriving at their destination on time, and customer satisfaction exceeding targets.

The safety of our employees and customers is our number one priority. This enduring focus and commitment resulted in a solid safety performance during the period, including consistently recording fewer Signals Passed at Danger incidents than target. While this is pleasing to see, there is more work to be done to maintain these results. Customer injuries recorded for the year were also consistently better than target and we continue to implement a range of initiatives to further improve this result.

Another key focus for our business in 2019-2020 was investing in new technologies and innovative engineering solutions to drive continuous improvement and enable informed decision making across our operations. In South East Queensland, works were undertaken to boost the reliability of the network's power supply during unplanned electrical disruptions through the ongoing installation of strategically positioned electrical substations. We also rolled out bridge strike protection systems equipped with sensors and CCTV to help improve Queensland Rail's response times to incidents. To improve track maintenance, state-of-the-art track and overhead recording machines are now operating across the entire Queensland Rail network, bolstering our predictive maintenance capabilities.

During the year, we engaged with our employees about the future design of our organisation and, as a result, implemented changes to our business model. This involved creating two operating businesses, South East Queensland and Regional, to improve service delivery and business efficiencies and continue to drive targeted improvements for customers in these areas.

We installed 36 new Passenger Information Displays at five stations, four additional bike enclosures, and introduced a new online booking system for cyclists. Additionally, three South East Queensland stations were upgraded, delivering new lifts and audible loops, as well as raised platforms. We also completed partial platform upgrades at a further seven stations to provide a step-free boarding point. We continued to modernise our fleet and welcomed the introduction of the 75th New Generation Rollingstock train into service.

Engaging with our customers, and listening to their feedback, is important to ensuring we deliver the services Queenslanders need and deserve. This year, we reached a key milestone for our Commuter Catch-Up events, which have now taken place across all 152 stations on the South East Queensland network. Along with other valuable feedback mechanisms, these events continue to inform improvements to our service offering.

It was exciting to see Cross River Rail come to life this year with operational readiness activities in full swing and preliminary works and demolition commencing on the Roma Street Transit Centre, as well as Mayne Yard. As the project has gained momentum, we've continued to work closely with the Cross River Rail Delivery Authority, TransLink and Department of Transport and Main Roads to plan, communicate and support its delivery. This is the largest rail infrastructure project in Brisbane and, while we know it will have impacts on our South East Queensland operations during construction, it will also transform our network and enable us to provide a world-class experience for our customers. I look forward to seeing the project continue to take shape as work ramps up in the year ahead.

On behalf of the Executive Leadership Team, I would like to thank our employees for their hard work and dedication over the past year. Together, we have made good progress in unlocking efficiencies in our operations, improving our ways of working and providing a more connected customer experience. I also want to thank our Board for providing strategic guidance and oversight and my Executive Leadership Team colleagues for their continued commitment and support.

Nick Easy
Chief Executive Officer

Year in review

July

- Queensland Rail introduced an extra 430 services and upgraded 59 existing services from three-carriages to six-carriages, adding 200,000 seats across the South East Queensland network each week
- The \$2 million Police Railway Squad outpost at Northgate station opened and body worn cameras were rolled out to Queensland Rail Authorised Officers.

August

- The *High Voltage Can Jump* electrical safety campaign was launched during Rail Safety Week, warning of 25,000 volts and the dangers of overhead line equipment
- Queensland Rail invited Queenslanders to celebrate the retirement of Queensland's first electric train, EMU01, following 40 years of service, with a community event at Ferny Grove station.

September

- The \$21.8 million signaling upgrade in Bundaberg was completed, improving the safety and functionality of the regions rail crossings
- Queensland Rail joined forces with local businesses as part of a bridge strike safety campaign to remind motorists to know their vehicle height, following 65 instances of over-height vehicles colliding with rail bridges in 2018-2019.

October

- Queensland Rail's contribution to heritage conservation was acknowledged at the National Trust of Australia (Queensland) Heritage Awards, winning three awards
- A new and seamless online bike storage booking system was launched for customers.

February

- The Mount Isa line was impacted by severe weather and flooding, requiring significant repairs while the line was closed for two weeks
- The \$17 million investment was announced for new track maintenance machines
- Works on the Toowoomba Range Clearance Upgrade project were completed.

January

- Queensland Rail employees hosted bushfire relief fundraising events across the state
- Approximately \$14,000 in Coles/Myer gift cards were donated to Givit on behalf of Queensland Rail's Travel and Tourism employees to support families affected by the Queensland bushfires.

December

- The Commuter Catch-Up program reached a milestone, with all 152 stations hosting an event to engage with customers
- Queensland Rail partnered with RizeUp for the annual Christmas Appeal to collect donations for families affected by domestic or family violence.

November

- Early works on the Shorncliffe station restoration project unearthed hundreds of heritage artefacts
- The \$28 million timber rail bridge project was completed, replacing 18 bridges with more durable structures between Rosewood and Chinchilla.

March

- An extra 32 weekly services were added to the South East Queensland timetable, in addition to five service extensions
- Queensland Rail employees and customers raised more than \$17,000 to support the RSPCA Queensland, the Rural Fire Brigades Association Queensland and the Australian Red Cross
- More than \$1.8 million was committed to install an additional bridge strike protection beam at Muriel Avenue in Rocklea.

April

- Queensland Rail completed a \$6.8 million project to upgrade the rail infrastructure at Maryborough
- Extra freight trains were facilitated across the regional network to ensure essential supplies and household goods could be delivered to regional communities during the COVID-19 pandemic
- Construction commenced at Dakabin as part of our Station Accessibility Upgrade Program.

May

- Works to install a new 40-space bicycle storage enclosure at Toombul station commenced
- A \$20 million investment in rail upgrades on the Mount Isa line was announced
- The \$6.8 million Maryborough track upgrades works were completed
- Station accessibility upgrades were completed at Boondall, Morayfield and Strathpine stations.

June

- Two North Coast line timber bridges were replaced with more durable structures as part of a \$46 million project
- Queensland Rail announced a \$9.9 million project to upgrade timber structures on the Central West and Blair Athol lines to improve safety and reliability.

Operational performance

Summary of non-financial measures

	Unit	2019-2020 Actual	2019-2020 Target
Signal Passed At Danger per MTK - Operator	Rate	1.73	1.78
Customer injuries per million passenger journeys	Rate	5.77	9.02
Total Recordable Injury Frequency Rate	Rate	7.12	7.80
Safeworking Breaches as a Rail Infrastructure Manager - 12MTD	Count	99.0	63.0
Unscheduled absence (Days/FTE)	Rate	12.75	10.25
Operational cost per Revenue Train Kilometres - South East Queensland Above Rail	\$	31.92	34.41
Operational cost per Revenue Train Kilometres - South East Queensland Below Rail	\$	16.35	15.05
Operational cost per Revenue Train Kilometres - Travel and Tourism	\$	74.89	62.98
Operational cost per thousand GTK - Regional	\$	12.24	12.90
Capital Expenditure	\$M	610.64	656.94
Capital Plan Scheduling	%	80.75	80.00
On-time running - Citytrain 24/7 (adjusted for Force Majeure)	%	96.33	95.00
Reliability - Citytrain 24/7 (adjusted for Force Majeure)	%	99.71	99.50
On-time arrival - Traveltrain (adjusted for Force Majeure)	%	83.20	75.00
Citytrain Customer Index	Index	4.22	4.10
Customer satisfaction - Traveltrain	Index	88.94	81.00

Financial summary

Consolidated income statement for the year ended 30 June 2020

	2019-2020 Actual \$M	2018-2019 Actual \$M
Revenue	2,115.0	2,107.4
Operating expenses	(1,383.1)	(1,345.4)
Earnings before interest, tax, depreciation and amortisation (EBITDA)	732.0	762.0
Depreciation and amortisation expense	(399.1)	(386.2)
Earnings before interest and tax (EBIT)	332.8	375.8
Net finance costs	(162.3)	(174.0)
Income tax expense	(51.2)	(60.3)
Net profit	119.4	141.5

Numbers include rounding.

The Queensland Rail consolidated entities' EBIT decreased by \$43.0 million.

Revenue increase on the prior year was mainly attributable to higher Access revenue and Transport Service Contract revenue, partly offset by lower passenger services revenue, external works revenue and property lease revenue.

Operating expenses increased by 2.8 per cent on the prior year, as a result of higher labour costs due to an increase in full time equivalents and a decrease in capitalised labour, partially offset by a decrease in supplies and services.

Depreciation and amortisation expense increased 3.3 per cent mainly as a result of higher depreciation of infrastructure, property and the depreciation of right-of-use assets associated with leases capitalised onto the balance sheet.

A dividend of \$119.4 million was declared in respect of the year ended 30 June 2020. This dividend will be paid during 2020-2021.

Financial performance measures compared to the 2019-2020 Operational Plan

	Unit	2019-2020 Actual	2019-2020 Target
Earnings before interest and tax	\$M	332.8	331.8
Net profit after tax	\$M	119.4	102.4
Return on operating assets	%	4.42	4.25
Debt to debt plus equity	%	52.40	53.04

The performance indicators listed above are as per those included in the Queensland Rail Operational Plan.

Financial summary (cont)

Consolidated balance sheet as at 30 June 2020

	2019-2020 Actual \$M	2018-2019 Actual \$M
Current assets	180.3	162.9
Non-current assets	7,915.5	7,645.7
Total assets	8,095.9	7,808.6
Current liabilities	673.7	720.1
Non-current liabilities	4,125.0	3,784.2
Total liabilities	4,798.7	4,504.3
Net assets	3,297.2	3,304.2
Contributed equity	3,068.2	3,068.2
Reserves	0.1	0.3
Retained earnings	228.8	235.7
Total equity	3,297.2	3,304.2

Numbers include rounding.

The consolidated entities' current assets increased 10.7 per cent to \$180.3 million as a result of an increase in cash assets and current inventory, partially offset by a decrease in trade and other receivables.

Non-current assets increased 3.5 per cent to \$7,915.5 million due primarily to a net increase in property, plant and equipment and right-of-use assets, after allowing for depreciation and amortisation.

The consolidated entities' current liabilities decreased 6.4 per cent to \$673.7 million as a result of a decrease in short term borrowings, dividend payable, current tax liability and income in advance, partially offset by increased current provisions, lease liabilities and trade payables.

The consolidated entities' non-current liabilities increased 9 per cent to \$4,125.0 million as a result of an increase in long term borrowings and non-current lease liabilities.

The consolidated entities' retained earnings decreased 2.9 per cent to \$228.8 million as a result of the adjustment required on the adoption of the new leasing standard.

Consolidated cash flows for the year ended 30 June 2020

	2019-2020 Actual \$M	2018-2019 Actual \$M
Net cash inflow from operating activities	485.1	589.4
Net cash (outflow) from investing activities	(518.9)	(544.6)
Net cash inflow/(outflow) from financing activities	51.8	(65.8)
Net increase/(decrease) in cash and cash equivalents	18.0	(21.0)

The decrease in cash inflows from operating activities in the current year is due to an increase in payments to suppliers and employees and income tax paid, partially offset by an increase in receipts from customers, a decrease in interest and other costs of finance and an increase in Rail Transport Service contract revenue.

The decrease in cash outflows from investing activities in the current year is a result of decreased expenditure on property, plant and equipment.

The increase in cash inflows from financing activities is attributable to increased borrowings, partially offset by the payment of the principal elements of leases.

COVID-19

As the COVID-19 pandemic impacted our state, Queensland Rail played a critical role in ensuring public transport remained safe. Our services continued to operate for Queenslanders who needed to travel, and we supported the movement of critical supplies, including groceries, to regional communities.

The health and safety of our customers and employees is our number one priority. As the pandemic evolved and the situation changed, we took the advice of health experts, other professionals and government agencies and acted quickly to implement appropriate precautions and safety measures across all of our stations and sites to protect our customers and employees.

Maintaining our services

Throughout the pandemic, we maintained our full timetable in South East Queensland with many of our customers, including healthcare workers, relying on our services to travel safely to and from work each day.

With the state's borders closed and Queenslanders instructed to only travel for essential reasons, our long-distance and tourism services were temporarily reduced or suspended. As travel restrictions eased and Queenslanders were given permission to travel within the state by the end of the financial year, long-distance and tourism services were gradually reinstated from 13 June 2020.

Our regional freight network continued to operate during the period, ensuring the critical movement of household goods between Brisbane and Far North Queensland.

Additional cleaning and social distancing

To keep our employees and customers healthy and safe, Queensland Rail ramped up its cleaning activities on South East Queensland and long-distance trains, at stations, depots and worksites throughout the network.

In South East Queensland, this included tripling the size of cleaning teams at high-traffic stations, focused on the anti-bacterial wiping of hard touchpoints, such as buttons, handrails and seats; enhanced surface cleaning of trains throughout the day at depots and turn-back locations, prior to their next service; and a regular disinfectant fogging service spraying walls, doors seating and windows. We also added directional and social distancing markings in front of fare gates across the network. Customers were reminded to practise social distancing where possible and maintain good hygiene practices, including regular hand washing.

On long-distance services, our onboard team increased the frequency of cleaning common touch points and maintained existing strict processes around food preparation and the replacement of linen after each customer journey. Patronage

onboard the Tilt Trains and Spirit of Queensland services was capped to allow for customers to be seated 1.5 metres apart, in line with social distancing, and customers were reminded to practise good hygiene, including regular hand washing, while travelling.

A dedicated team of employees

As a public transport service provider, Queensland Rail's frontline employees, including train crew, train control, station staff, onboard teams, maintenance and signalling teams, continued to deliver services for our customers from their usual locations. However, many of our enabling teams began working from home in line with the Government's Home Confinement Direction. For our frontline employees, appropriate precautionary safety measures were implemented, including social distancing, restricting lift occupancy and additional cleaning measures in common areas, including kitchens and lunchrooms.

Together, both frontline and enabling employees worked collaboratively to maintain our services for customers' essential travel needs.

Other COVID-19 response measures

For the safety of customers and employees, Queensland Rail introduced cashless ticketing to reduce cash handling. Customers were encouraged to use EFTPOS facilities at ticket windows or onboard long-distance services, while self-service ticket machines continued to accept cash. Our Lost Property Office, located at Central station, continued assisting customers with their misplaced items, however, at reduced operating hours.

In recognition of the financial impacts of the unprecedented pandemic, and the effects on many businesses, we worked with the Queensland Government in relation to requests from tenants for rent relief.

Ongoing recovery efforts

Queensland Rail continues to work closely with health authorities and government to ensure appropriate safety measures are in place across our network and the organisation. By the end of the financial year, we saw customers returning to our South East Queensland and long-distance services and continued to operate in line with the COVID-safe public transport plan to help keep Queenslanders moving.

Customer focus

Queensland Rail is committed to building a culture that puts our customers at the heart of everything we do. This year, we continued to deliver customer-focused initiatives and improvements, including upgrading our stations, infrastructure and facilities; increasing our timetabled services; extending the hours our stations are attended and employing more customer-facing team members. Additionally, we introduced a new, five-year Customer Strategy, which shapes how we will define and deliver an exceptional customer experience across both the South East Queensland and Regional networks.

Key highlights in 2019-2020 included:

- the completion of upgrades at three stations as part of a \$357 million Station Accessibility Upgrade Program
- the completion of partial platform raising works at Yeerongpilly, Deagon, Banyo, Darra, Cleveland, Wacol, Woolloowin and Zillmere stations
- the extension of hours stations are attended and the employment of more station customer service staff
- 54 Commuter Catch-Up events held across the South East Queensland and Regional network
- the installation of 36 new Customer Information Screens at five stations across the South East Queensland network
- the launch of a new customer satisfaction tracker in partnership with TransLink
- the installation of four additional bike enclosures across the South East Queensland network and introduction of a new online booking system
- responding to more than 14,487 pieces of customer feedback with a turnaround time of 3.24 days and responding to 8,542 social media enquiries assisting with 39,564 calls at our Ipswich Contact Centre.

Station Accessibility Upgrade Program

Improving the accessibility of our stations to ensure all customers can travel safely is a key priority for Queensland Rail. During the year, upgrades were completed at Morayfield, Boondall and Strathpine stations as part of the \$357 million Station Accessibility Upgrade Program. These upgrades delivered new lifts and raised platforms at the assisted boarding points of all three stations, providing safer access for customers throughout the station precincts. Further improvements included upgrades to the audible loops, improved signage and CCTV and new shelters and seating. Additionally, a new station building, and toilet facilities were built at Morayfield station, and Boondall station received a new ticket window.

Through this important program, we are upgrading our stations and facilities to allow all customers to travel safely and easily. These upgrades significantly improve access for those living with disabilities, seniors, parents with prams, people recovering from injury and those carrying luggage.

Partial platform raising works

Queensland Rail is continuing to improve accessibility across our South East Queensland stations through a \$17 million partial platform raising project. This has involved raising the height of station platforms at the assisted boarding points, making it safer and easier for our customers to board and disembark our trains. During the year, platforms at a number of stations were raised - Yeerongpilly, Deagon, Banyo, Darra, Cleveland, Wacol, Woolloowin and Zillmere. This has significantly reduced the horizontal and vertical gaps between the platforms and trains.

Extended station hours to improve the customer experience

During the year, we employed 212 extra customer service employees to support the extended hours of operation of at many of our stations across the South East Queensland network. These new employees assisted with the continued rollout of New Generation Rollingstock (NGR) trains across the South East Queensland network and complemented our existing team of 526 dedicated customer service staff members.

The new, modern NGR trains now operate on the Gold Coast, Airport, Shorncliffe, Cleveland, Doomben, Caboolture, Sunshine Coast (to Nambour) and Ipswich lines. Train guards and station employees are available on each NGR service to help our customers, particularly those who need assistance with boarding and disembarking a train.

Improved customer engagement

An important component of connecting with our customers is our Commuter Catch-Up program. This involves employees from across our organisation visiting stations and engaging with our customers to collect their feedback. During the year, we spoke to 3,418 customers through the Commuter Catch-Up program and collected 9,455 pieces of valuable feedback.

Customer insights collected from Commuter Catch-Ups have been used to inform operational and strategic decision making and have enabled the delivery of several customer improvements to the network, such as the installation of new Customer Information Screens, bike enclosures and lockers, and the introduction of a new online booking system for bike riders.

Since its establishment in 2017, 187 Commuter Catch-Ups have taken place across all 152 stations on the South East Queensland network – a key milestone which was reached in December 2019.

Commuter Catch-Ups are also held across our Regional network and, during the year, we visited 29 stations to engage with customers travelling on our long-distance services. Due to the coronavirus pandemic, the last Commuter Catch-Up event in the 2019-2020 financial year was held in February 2020.

Our Customer Reference Group continued to meet quarterly during the year, either face-to-face or online, to provide us with insights and advice and to also hear from leaders and project teams across our business.

Queensland Rail's Accessibility Reference Group (ARG) provides a forum to engage with, and receive feedback from, representatives of Queensland's peak disability sector organisations on customer-facing initiatives. Two ARG meetings were held during 2019-2020. The ARG also participated in State Government-led consultation forums on broader accessibility program planning with disability sector representatives.

Bike facility improvements

We appreciate that many of our customers travel by bike to stations and we are committed to providing them with safe, secure facilities to store their bikes. During the year, we worked with bike user groups across Brisbane to introduce a range of improvements across the rail network, including the installation of secure bike enclosures, casual bike racks, a bike repair centre and the introduction of a new online booking system.

An additional four bike storage facilities were installed across the network at Toombul, Boondall, Morayfield and Strathpine stations. While an additional 44 bike racks were installed across five South East Queensland stations - Bowen Hills, Darra, Boondall, Morayfield and Strathpine.

The new online system streamlines the booking process, offering customers the ability to search the availability of bike

storage spaces at their preferred station and book and pay the refundable deposit online. Through the system, customers can also review and action current bookings, modify their details, and report any maintenance issues, as well as lost keys or fobs. When demand is high, customers can access a more efficient waitlist online, which will notify them as soon as spaces become available, which is something customers have been asking for.

In addition, on 1 July 2019, our first bike repair centre was installed within the bike enclosure at Eagle Junction station, giving bike riders a variety of tools to service their bikes, from replacing or pumping up tyres to tightening loose parts.

Queensland Rail currently provides secure facilities for more than 3,400 bikes at 118 South East Queensland stations, including more than 2,490 individual lockers at 106 stations and space for 1,058 bikes in shared enclosures at 29 stations.

Improving customer information

We are committed to providing customers with easy access to reliable information about our services to help them make informed travel decisions. To support this 36 Customer Information Screens were fitted across five South East Queensland stations: Alderley, Newmarket, Yeerongpilly, Strathpine and Morayfield. These screens have enabled the provision of accurate information to customers about the next services departing each station. A further 15 stations will receive these new screens over the next 18 months as part of a broader program of work to improve customer information.

In addition to investing in screen infrastructure, Queensland Rail also created new teams within our operations centre to focus on improving the way information is channelled throughout the organisation and to customers. These teams will continue to support communication to customers and notifications to TransLink.

South East Queensland Customer Index improvements

A key component of our customer-centric culture is understanding how satisfied customers are with our services. During the year, we introduced changes to the way we collect, measure and report South East Queensland customer satisfaction – a Key Performance Indicator (KPI) for our organisation. In partnership with TransLink, a shorter, mobile-friendly survey was implemented for our customers with a simple 1-5 scale. This provided a less complicated KPI calculation and a target score for the organisation of 4.10/5. Surveys are distributed to customers shortly after their journey on the South East Queensland network and can be completed on mobile devices. These changes have provided the opportunity for more customers to complete our surveys, allowing more robust analysis and insights.

While the concept of surveying customers is not new, this is an easier survey experience for customers, and provides better quality data, visibility and insights to drive improvements in service delivery. In particular, it has allowed us to take a more data-driven approach to making continuous improvements aligned with customers' experiences on the South East Queensland network.

Since this revised survey came into effect, Queensland Rail has consistently exceeded customer satisfaction targets, with the full year Citytrain Customer Index scoring 4.22 against a target of 4.10.

South East Queensland

In 2019-2020, we proudly delivered the largest number of services in the organisation's history, with 8,322 services operating on the South East Queensland network each week and 44 million passenger trips taken. Safety and reliability remained a primary focus with continued investment in the network with the roll-out of 16 New Generation Rollingstock (NGR) trains and support for the start of construction of the Cross River Rail (CRR) and European Train Control System (ETCS) projects.

Key highlights in 2019-2020 included:

- introducing an additional 462 weekly services with three-carriage to six-carriage upgrades on an existing 59 services, adding more than 200,000 seats across the South East Queensland network each week
- an investment of 1,599,429 hours in maintaining the South East Queensland network and 151,338 hours in maintaining our fleet to ensure the ongoing safety and reliability of our services for customers
- the roll-out of 16 NGR trains onto the network increasing the NGR fleet size to 75 whilst also introducing the new fleet on the Sunshine Coast line, travelling between Brisbane and Nambour
- the permanent positioning of medics at key stations to ensure a faster response time for customers requiring medical assistance
- support for the start of construction on the CRR and ETCS projects.

Service improvements across South East Queensland

The delivery of a series of timetable improvements for our South East Queensland customers was a key highlight and achievement for Queensland Rail in 2019-2020. The first tranche was one of the largest service increases in our long history and involved the introduction of 430 extra weekly services and the upgrade of three-carriage trains to six-carriage trains across 59 existing services. These changes provided more than 200,000 extra seats across the network each week and added 85 extra trains in peak travel times. This increase also restored an extra 142 services each Friday to provide a consistent Monday to Friday timetable for our South East Queensland customers.

Queensland Rail subsequently implemented an additional 32 weekly services and five service extensions in March 2020. These service improvements added a further 12,000 extra seats across the network each week and were guided by customer feedback to ensure services were deployed to where they were needed most. Through careful planning, collaboration and data-driven decision making, these changes have resulted in the largest number of weekly services South East Queensland has ever seen, with 8,322

services now operating each and every week.

More New Generation Rollingstock trains hit the tracks

To accommodate the extra services introduced, more NGR trains were rolled out across the South East Queensland network, with the 75th train entering service in January 2020.

An additional 16 NGR trains were rolled out across the South East Queensland network in 2019-2020, including on the Sunshine Coast line for the first time. The NGR trains now operate on ten of Queensland Rail's 12 South East Queensland lines and have travelled more than 13,232,085 million kilometres, with over 170,723 customer journeys taken since the first NGR trains commenced service in December 2017. As part of its customer service model for the NGR trains, Queensland Rail strengthened its staff presence at stations on lines serviced by the new fleet.

Cross River Rail and European Train Control System

CRR and the ETCS will transform our network, shape our city and equip us to offer a world-class experience for our customers. Working alongside the Cross River Rail Delivery Authority (CRRDA) and its delivery partners, Queensland Rail has an important role to play in supporting the construction and successful integration of this project. During the year, construction commenced on the CRR program across a number of sites, and the CRRDA announced upgrades to six South East Queensland stations: Fairfield, Yeronga, Yeerongpilly, Moorooka, Rocklea and Salisbury as part of the scope of works.

A key part of our involvement in the delivery of these projects is facilitating closures of parts of our network to ensure vital CRR works can be undertaken. During the year, we assisted with more than 600 CRR and ETCS associated activities within the Queensland Rail corridor. This involved managing the physical closure, providing track access, and also engaging with our customers and network neighbours to ensure they have advanced notice of any changes to services and work in the corridor.

Throughout 2019-2020 and ahead of the commencement of CRR construction works, a number of our teams relocated from key sites and depots across South East Queensland,

including Roma Street, Dutton Park and Mayne North. This required numerous teams across our organisation to coordinate and manage multiple movements of employees, equipment and machinery. It also involved the creation of new purpose-built depots at Yeerongpilly, Fairfield and Eagle Farm, and the refurbishment of existing depots at Banyo and Sunshine. This was a significant program of work to ensure the right teams, machinery and equipment were in the right locations across our network to enable the continued efficient delivery of maintenance work across South East Queensland.

The CRR program also includes ETCS - a new generation signalling system that will modernise the inner-city rail network and provide Automatic Train Protection. During the year, work commenced on the construction of the ETCS pilot project on the Shorncliffe line. We continue to work closely with the CRRDA and its ETCS delivery partner, Hitachi, to support the successful construction and integration of ETCS into our business and network.

Commitment to providing safe and reliable services

Our customers are key to everything we do, and we know they rely on us to reach their destination safely, on-time, every-time. That is why we are committed to investing in initiatives and projects that improve the ongoing safety and reliability of our services.

As part of an \$88.3 million investment, work to install and commission four electrical hubs across the South East continued. Stage one of a new substation at Northgate was completed in early 2020, while a 32.1 tonne track sectioning cabin at Yeerongpilly was commissioned in June 2020. Work to install a new electrical hub at Mayne is scheduled to take place later in 2020 and work is also ongoing at Moolabin. These electrical facilities will improve our ability to respond to and isolate the network's power supply during unplanned electrical disruptions.

The safety and security of our customers and employees remains our number one priority. During 2019-2020, we invested almost \$2 million to construct a new Queensland Police Service Railway Squad outpost at Northgate station to enable a rapid response for security incidents at northern stations. This is the eighth outpost in South East Queensland, joining Robina, Roma Street, Manly, Beenleigh, Petrie, Ipswich and Redbank. These outposts are vital in deploying crews to incidents on the network and help minimise any flow-on impacts.

Our commitment to the delivery of reliable services for Queenslanders was validated by our on-time running results, with 96.33 per cent of services running on-time adjusted for force majeure (where NGR is not considered force majeure) and 96.90 per cent adjusted for Transport Services Contract

(where NGR is considered force majeure). Additionally, we had a service cancellation rate of 0.29 per cent across South East Queensland. This is a significant achievement for Queensland Rail given the number of service increases successfully managed during this period.

Maintaining the South East Queensland network

The safe running of our services and network requires a coordinated and consistent approach to maintenance. In 2019-2020, our teams spent 1,599,429 hours on track maintenance, 151,388 hours on fleet maintenance and 49,030 hours on fleet presentation.

To assist with our extensive maintenance program, Queensland Rail invested almost \$17 million in three new monitoring systems and state-of-the-art analysis software to enable us to more accurately predict track and overhead line issues across the network, and subsequently minimise impacts to customers. This included a 63-tonne track and overhead recording machine, replacing our existing track monitoring machine and helping to maintain our 6,600-kilometre state-wide network.

Rapid response crews minimising delays across the network

Like any rail network, unplanned disruptions, including weather events, can sometimes impact our services. To quickly respond in the event of a disruption, we strategically position crews and equipment across our network, particularly in peak times. Our Rail Operations Response Unit (RORU) was deployed 623 times in 2019-2020 from rapid response hubs located across the network from Gympie to the Gold Coast. RORU's role is to investigate, monitor and resolve a variety of unplanned issues as quickly as possible.

Following a successful trial on the South East Queensland network, we also deployed medics to key CBD stations in peak times on a permanent basis this year, to assist customers requiring medical assistance and to limit delays as a result of medical emergencies. This initiative has seen an effective reduction in train delays by having specialist services immediately available to assist customers requiring medical attention and allowing trains to resume sooner.

These initiatives have ensured the safe and reliable running of the Queensland Rail network throughout 2019-2020, with approximately 412,962 services operated (including non-timetabled and Airtrain services).

Shorncliffe station restoration

The restoration of our iconic Shorncliffe station continued throughout 2019-2020 and, in the initial stages of the investigative works, hundreds of historic objects were

uncovered in the subfloor of the station building.

More than 400 items were unearthed, from train tickets, newspapers, gas lamps, water cans, clothing and bottles dating back to the 1950s. When these items were found by Queensland Rail workers, specialist heritage consultants were engaged to assist us to safely remove and catalogue them.

Due to the historical value of the items found, we are undertaking an archaeological dig at the site in consultation with the Department of Environment and Science. We are currently in the early stages of this process and, once the archaeological work is completed, station restoration works will commence. As a result of the COVID-19 pandemic, plans to showcase the historical items were temporarily put on hold. However, Queensland Rail is committed to ongoing engagement with the Shorncliffe community and will ensure the items will be put on display when it is safe to do so.

Regional

Spanning more than 5,700 kilometres of track, Queensland Rail's regional network plays a vital role in connecting communities and supporting regional jobs, industries and economies. Our network, which comprises seven rail systems, facilitated the transport of 15.7 billion gross tonne kilometres of freight and delivered more than 1900 passenger services between Quilpie, Wallangara, Brisbane, Longreach, Mount Isa and Cairns in 2019-2020.

During the period, we continued to invest in maintaining our vast network to ensure the ongoing safety and reliability of passenger and freight services. We also invested in new projects to grow capacity, increase potential volumes of freight travelling by rail, open up new markets and future-proof our network.

Key highlights in 2019-2020 included:

- support for the transportation of approximately 15.7 billion gross tonnes of freight across the state
- more than 1,900 passenger services operated
- investment of more than \$226.2 million in maintenance to ensure the ongoing reliability of the network
- completion of critical infrastructure works on four major projects to upgrade the capacity of the network's infrastructure.

Supporting local industries

During the year, our regional network transported a number of essential commodities across the state, including intermodal and general freight, bulk minerals, acid, fertiliser, mining inputs, coal, sugar, grain and livestock.

Volumes on the network increased by 8.8 per cent in 2019-2020, with more than 1.3 billion gross tonne kilometres of freight hauled by third party operators than the previous year. To support the unprecedented community demand for supplies during the COVID-19 pandemic, we partnered with operators to introduce additional freight services across the regional network to ensure essential groceries and household items continued to be delivered to communities.

We also partnered with three new freight rail operators during the period to grow the volume and frequency of freight travelling on the network and support regional economies. Heavy haulage rail freight company Southern Shorthaul Railroad commenced operating on the regional network, hauling track inspection cars on the freight line in Brisbane. One Rail Australia (formerly Genesee and Wyoming Australia) undertook rollingstock repositioning services on the North Coast line to support its new Central Queensland coal haulage operations. Additionally, as part of a statewide contract

to provide bulk grain haulage services across the regional network, Watco Australia also commenced operations in North Queensland.

Investing in the Mount Isa line

Queensland Rail is proud of its connection and contribution to North West Queensland and employs 83 team members dedicated to maintaining the safety and reliability of the Mount Isa line. During the year, we invested \$60 million in planned maintenance to strengthen the resilience of the network, including \$20 million for capital renewal works on the Mount Isa line. As part of this maintenance program, and to improve water flow during floods, we increased the width and number of culverts at key locations. Planning is also underway to further future-proof the line through the installation of four new bridges at Corella Creek, Eastern Creek, Gilliat River and Gidyea Creek, and the replacement of culverts at two bridges at Chatfield Creek.

Severe weather in the north and north west of our state again provided challenges for the line this year, with flood waters damaging track and two rail bridges. As a result, the line closed for two weeks as approximately 60 employees mobilised to repair the damaged infrastructure and restore this critical supply chain for local communities and businesses as quickly as possible. Queensland Rail is currently examining opportunities to further improve the flood immunity of the line to ensure its ongoing reliability into the future.

Given the expanse of our network, we continue to look at ways to improve our predictive maintenance capability through innovative solutions and have introduced a number of new technologies. These include weather monitoring stations, overload and imbalance detectors, a new wheel impact load detector, hot box detectors and dragging equipment detectors.

Toowoomba Range Clearance Upgrade

Growing the volume of freight on rail is a strategic priority for Queensland Rail and supports local jobs, economies and industries. In February 2020, we completed work on the Toowoomba Range Clearance Upgrade project, unlocking capacity and efficiencies for rail freight operators and supporting the ongoing growth of Queensland's agricultural sector. The project involved lowering 11 heritage rail tunnels along the Toowoomba and Little Liverpool Ranges, allowing

9'6" containerised freight to travel along the line for the first time to grow the volume of freight on rail in the Darling Downs.

As part of the project, crews completed more than 4.3 kilometres of track work, including rail replacement and lowering works on the ramps on approach to the tunnels, as well as upgrading the ramps' drainage infrastructure to improve waterflow on the Toowoomba Range during the wet season. Pre-cast concrete track slabs were also laid in eight of the 11 tunnels, eliminating the need for ballast to secure the tracks and requiring less ongoing maintenance than traditional train tracks. In addition to providing a safer and more efficient freighting solution for operators, the improved infrastructure strengthens rail as a competitive alternative to road freight and has the potential to reduce the number of heavy vehicles travelling on the Warrego Highway.

With additional clearance delivery through the upgrade project, the Westlander passenger train has been able to retire the M-series power car, which is over 60 years old, with a QPB power car of 2003 vintage.

Toowoomba Range Slope Stabilisation Project

Queensland Rail commenced work on another key project in the Darling Downs corridor during the year aimed at enhancing the safety and reliability of this geographically challenging section of the rail network. The \$21 million Toowoomba Range Slope Stabilisation Project aims to make the range more resilient in wet weather conditions and during unplanned disruptions. It involves upgrading culverts at two sites near Spring Bluff, where embankments will also be excavated and rebuilt, to improve drainage and stability and enhance the safety and reliability of the rail corridor. The project due for completion in late-2020.

Timber Bridge replacement program

The West Moreton line is a major freight artery for the Darling Downs and South West Queensland regions, transporting approximately 7,000 freight and passenger trains each year between Brisbane and Charleville. To boost the capacity and reliability of the line, we invested \$28 million this year to replace 18 timber rail bridges with more durable structures between Rosewood and Chinchilla. The project, which involved the replacement of 830 metres of combined bridge length at 18 locations across Rosewood, Grandchester, Laidley, Helidon, Murphy's Creek, Toowoomba, Dalby and Warra, supported 200 jobs during construction.

North Coast line improvements

The North Coast line plays a significant role in connecting communities and transporting passengers and freight, running the length of coastal Queensland from Nambour

to Cairns. During the year, we commenced a number of key projects to boost the capacity of the line and ensure its ongoing reliability and safety. One of these projects is a \$100 million investment in eight passing loops between Rockhampton and Townsville. These loops allow the length of freight trains travelling in the area to increase by up to 45 per cent (from 650 metres currently to 950 metres), providing a more flexible and cost-effective asset for operators in the region. Construction of the loops commenced in July 2019. Four of the passing loops are scheduled to be completed in 2020 and the other four are expected to be in operation in the first half of 2021. This significant project is expected to support more than 300 construction jobs.

Another key investment in the line that progressed during the year is a more than \$80 million project to replace 20 ageing timber bridges with more durable structures. This involves replacing 16 rail bridges between Townsville and Cairns and another four timber bridges between Gympie and Gladstone. As well as supporting approximately 280 jobs, this project will help future-proof the North Coast line.

Yeppoon Branch line

The re-establishment of the Yeppoon Branch line opened the door for improved cattle movements in the region and reduces the reliance on heavy road vehicles, preserving local roads. During the year, we completed a \$5 million project to reinstate a disused section of the Yeppoon Branch line, providing a direct livestock rail connection to the JBS meat processing facility in Rockhampton. The works included doubling the length of the rail siding, allowing more efficient offloading at the facility and delivering important supply chain benefits for the Central Queensland beef industry. In addition, our crew reinstated 1.9 kilometres of track, ballast, and structures to restore the disused line.

Bundaberg re-signalling project

During the year, works were completed on the \$21.8 million project to modernise Bundaberg's rail signalling systems, improving the safety and functionality of the region's rail crossings and reducing traffic impacts for motorists during unplanned rail disruptions.

The new system isolates the individual crossings, enabling them to operate independently of one another, which has the potential to reduce unnecessary wider impacts to Bundaberg road traffic, should there be an unplanned disruption. As part of the signalling upgrade works, the Hanbury and Perry Street level crossings were upgraded to include new flashing lights and a pedestrian crossing, improving pedestrian safety in the area.

Pedestrian mazes were upgraded at the Walker and Bourbong Street level crossings, providing paved footpaths, flashing

lights, audible alarms and locking gates, as well as the Thabeban Street, Maynard Street and Verdant Siding Road level crossings, which received minor upgrades as part of the signalling works. The project supported approximately 150 local jobs during construction and the new infrastructure will have lasting safety benefits for the Bundaberg community.

Downer Memorandum of Understanding and Maryborough track upgrades

During the year, Queensland Rail signed a Memorandum of Understanding to develop a strategic partnership agreement with Downer, a forecasted valued of up to \$300 million of Rollingstock overhaul projects over the next 10 years. Major rollingstock maintenance works, such as the upcoming overhauls of Queensland Rail's electric and diesel Tilt Trains and the mid-life overhauls of the IMU160 and SMU260 fleet for South East Queensland, will also be undertaken.

To support the safer and more efficient movement of NGR trains entering and departing the Downer Maryborough facility, our team completed track upgrades during the year. The track upgrades, part of a \$6.8 million investment, will also allow multiple trains to be upgraded simultaneously. Our crews replaced three sections of track during the period, paving the way for the next phase of works, which will involve replacing sleepers and ballast, road resurfacing, and track electrification of the Maryborough West Yard. As part of this project, additional upgrades will be undertaken at the Kent Street and Lennox Street level crossings, with our crews installing new track, a mix of concrete and fully recyclable fibre-composite sleepers and resurfacing the paths with asphalt for greater durability.

Travel and Tourism

With more than 4,200 kilometres of regional track and 72 stations across the state, Queensland Rail's Travel and Tourism business offers the largest network of long distance and tourist trains in Australia. During the year, we focused on enhancing the experience for our customers through a range of initiatives, including refreshed menus and improvements to onboard comfort, and we demonstrated our strong support for outback and Indigenous tourism through marketing campaigns and promotions.

Unfortunately, our services were impacted by COVID-19 travel restrictions, with some services temporarily suspended and others reduced by approximately 50 per cent. During this time, the state's borders were closed and Queenslanders were instructed to only travel for essential reasons. We maintained a reduced timetable for customers who needed to travel to and from Brisbane, Bundaberg, Rockhampton and Cairns and partnered with TransLink to support customers travelling in the western regions. Fortunately, with the easing of travelling restrictions in Queensland in June, the majority of our services were able to recommence ahead of the important school holiday period.

Key highlights in 2019-2020 included:

- more than 602,210 customers travelled on the Travel and Tourism network
- more than 82 per cent of Travel and Tourism trains arrived at their destination on time
- consistently exceeded Customer Satisfaction targets, achieving a score of 88.94
- investment of \$23.4 million in targeted customer service improvements
- more than 1,900 services operated across the Travel and Tourism network throughout the year.

Improving customer experience

The comfort and experience of our customers is a key priority for Queensland Rail and, during the year, we continued to invest in a range of initiatives to improve our offering. We completed the Spirit of Queensland seat comfort upgrade projects and refreshed menus for First Class and rail bed customers on the Spirit of the Outback and Spirit of Queensland services. The customer lounge and new ticketing and check-in area at Roma Street station were completed, and access was also improved with the opening of the new interstate coach terminal. Customer satisfaction improved across the Travel Network during the year, with the team achieving average scores of 88.94 against a target of 81.

Year of Indigenous Tourism

Queensland Rail is proud of to support the Year of Indigenous Tourism in 2020. As an opportunity for Queenslanders to get behind Indigenous tourism businesses and experience the wide array of cultural events and initiatives throughout the state, we offered 60 per cent off Bundaberg and Rockhampton Tilt Train services in February 2020. More than 3,000 journeys were sold, transporting customers to attractions such as the Dreamtime Cultural Centre in Rockhampton, the 'Tradelines' exhibition in Bundaberg featuring First Nation artists and walking and cruise tours focused on sharing local Aboriginal knowledge, offered by Hervey Bay Eco Marine Tours.

Year of Outback Travel

During 2019, Queensland Rail participated in The Year of Outback Tourism to show support for regional communities and local industries in the far corners of the state. Customers travelled on our western services to and from many of the outback events. From the Outback Festival in Winton in September, to the Roma races in October, The Year of Outback Tourism offered our customers the opportunity to discover the Aussie Outback and all it has to offer.

The Westlander celebrates 65 years of service

The Westlander was introduced in August 1954 as an air-conditioned train, the first offering of this kind on the route to Charleville and Cunnamulla. It has since become a great way for travellers to take in the vast outback scenery on a journey west, following in the path of Queensland's famed explorers from Brisbane across the Great Dividing Range, through the rich farmlands of the Darling Downs to Charleville. This iconic train celebrated 65 proud years of service in August 2019.

Travel Awards

Our iconic Gulflander was awarded 'Highly Commended' at the 2019 Queensland Tourism Awards in the Cultural Tourism category. Operated out of Normanton, the Gulflander is a unique cultural tourism experience that authentically represents the railway's rich history and heritage. Through the awards, our Normanton team was recognised for their tremendous effort and delivery of this unique customer experience.

Safety and security

The safety and security of our customers and employees is our number one priority. During the year, we introduced an engaging safety campaign and implemented a number of innovative new safety measures to demonstrate our unwavering commitment to our core value - Safety Comes First. Always.

Key highlights in 2019-2020 included:

- assisting with more than 600 Railway Squad operations
- more than 1,648 operational deployments undertaken across the rail network by Authorised Officers
- more than 108,000 guardian train patrol hours through the guardian train initiative
- launching the innovative *High Voltage Can Jump* safety campaign
- announcing a more than \$1.8 million project as part of the bridge strike protection program to assist in reducing the likelihood, and impact, of bridge strikes
- conducting nine security and emergency preparedness exercises, including one in North Queensland with more than 120 emergency services personnel
- delivering a further reduction in Queensland Rail's Signal Passed at Danger (SPAD) rate through the SPAD Prevention Working Group
- winning the TrackSAFE Award at the 2019 Australasian Railway Association (ARA) Awards for the 2018 *Heavy Metal Stops for No One* safety campaign.

Safety

High Voltage Can Jump safety campaign

In late 2018, two alarming incidents occurred on our network involving four teenage males who ignored warning signage and trespassed in the rail corridor, exposing themselves to danger. The youths then came in close contact with overhead power line equipment (OHLE) carrying 25,000 volts. As a result, they suffered severe and life-threatening injuries.

Determined to raise awareness of the dangers of OHLE, and prevent future incidents, we engaged advertising agency Clemenger to develop an electrical awareness safety campaign targeting males aged between 15 and 24 years.

The *High Voltage Can Jump* campaign capitalised on the 'sneaker culture' of this target demographic and communicated that an electric shock, or worse, electrocution, could occur without direct contact with the overhead lines. The campaign's key message was that 25,000 volts of

electricity can arc, destroying not just sneaker soles, but friendships, relationships, lives, and families.

The campaign launched on 9 August 2019 in the Queensland Rail pavilion at the Brisbane Ekka (Royal Queensland Show), coinciding with Rail Safety Week. The pavilion attracted more than 30,000 visitors during the Ekka alone. After this successful launch, the campaign continued in market until March 2020.

It captured a collective audience of more than 7.23 million through paid and unpaid advertising, engagement via social media, station promotions and educational school sessions. Social media engagement jumped from 3 per cent to 6.4 per cent during the period, with 77 per cent positive sentiment and a total reach of 6.2 million views.

Importantly, the number of people charged with trespassing on the railway fell 23 per cent in 2019, compared to 2018 figures. The campaign continues to be effective and we are achieving our goal of increasing awareness of the dangers of high voltage equipment in the corridor to prevent future incidents.

SPAD prevention

Safety comes first at Queensland Rail and every SPAD incident is taken very seriously.

SPAD incidents are an industry-wide issue, faced by rail operators across the world and Queensland Rail maintains a dedicated focus on managing the rate of SPADs on our network.

The SPAD rate per million train kilometres (12 months to date) for June 2020 was 1.73 which was better than the target of 1.78.

The organisation continued its focus on the five SPAD prevention work streams:

1. End-to-end review of SPAD management with a specific focus on driver training and maintenance of competence processes placing greater emphasis on SPAD avoidance, following the Heads of Agreement with unions.
2. Effective management of latent SPAD risk via proactive event recorder analysis to identify and manage at risk driving behaviours before a SPAD eventuates.
3. Tailored psychometric testing and professional

development of critical non-technical skills.

4. Enhanced engagement, trust and safety culture through in-cab engagement and increased Train Service Delivery oversight.

5. Enhancing signalling and safe operations via a rolling improvement program.

This follows the introduction of a dedicated SPAD Prevention Taskforce in late 2017, which brought together key areas across the business to implement a targeted strategy based on investigations, research, benchmarking and industry best practice.

Additional measures introduced across the business include, improved post-incident management, increased one-on-one engagement with drivers, mandatory competency assessments at 18-month intervals, physical changes to infrastructure at locations, including Normanby, Northgate and Bowen Hills, and the appointment of an organisational psychologist to assist in the SPAD management program.

This adds to measures already in place, including the design of our signalling infrastructure, warnings for drivers of approaching red signals on-track and within the driver's cabin, and automated alarm systems within our train control centre when a SPAD occurs.

The progressive rollout of the European Train Control System, as part of the Cross River Rail Project, will further assist Queensland Rail with the prevention of SPADs, providing automated engineering controls that will ensure trains stop within the limits of their authority.

The SPAD Taskforce has already delivered significant improvements and there is strong commitment to maintaining its focus in this area.

Bridge strike protection program

Queensland Rail is committed to reducing the likelihood, and impact, of bridge strikes through signage, engineering solutions, and working with the Queensland Police Service on enforcement.

Since 2016-17, we have invested \$14 million on the installation of protection beams at nine locations in South East Queensland and, most recently, \$1 million to install bridge strike detection systems at seven new locations across the South East Queensland network following a spate of bridge strike incidents.

Equipped with sensors and CCTV, there are now 39 bridge impact detection systems installed across the South East

Queensland network, helping improve our response times to incidents.

In March 2020, we announced we would be investing more than \$1.8 million to install an additional bridge strike protection beam at one of our most frequently struck bridges, Muriel Avenue, Rocklea. This followed 68 recorded incidents in South East Queensland of over-height vehicles colliding with either the bridge or the protection beams attached to it in 2019. Construction on the protection beam is due for completion in late-2020.

During the year, we increased engagement with the trucking industry and sent a survey to trucking operators and professional drivers to better understand driver awareness, behaviour, and level of preparedness. More than 300 drivers and businesses completed the survey. We have also reached out to more than 100 trucking and rental truck, caravan and campervan companies, as well as universities, to educate and remind drivers of the importance of knowing their vehicle's height and load, especially when travelling under rail bridges.

Queensland Rail wins ARA safety award

In August 2019, we were proud to receive the TrackSAFE Award at the 2019 ARA Awards for our 2018 *Heavy Metal Stops for No One* safety campaign.

A heavy metal band was used to represent an oncoming train (up to 120 tonnes of heavy metal) and warn road users of the dangers of level crossings and the importance of being alert at these locations. This achievement reflects our ongoing commitment to the safety and security of our network, employees and customers.

Security

Queensland Police Service Railway Squad

We continued our longstanding partnership with the Queensland Police Service (QPS) in 2019-2020 to ensure the ongoing safety and security of customers and employees on the rail network.

The Railway Squad provides a highly visible uniform presence on our rail network to deter offenders and works closely with Queensland Rail's security team to detect, investigate and charge offenders.

The Railway Squad includes 80 officers who operate from eight strategically located Police Outposts at Ipswich, Redbank, Robina, Beenleigh, Manly, Roma Street, Petrie and Northgate stations. During the year, we signed a new Memorandum of Understanding with QPS, including the provision of two new Railway Squad officers.

In the past year, the Railway Squad has actioned more than 600 targeted operations across the network to deter anti-social behaviour and target crime. While these operations were put on hold in March 2020 due to COVID-19, the team continued its efforts through remote-surveillance and subsequent intervention.

The Railway Squad was supported by a range of other security personnel teams, including Authorised Officer Security Guards, Mobile Security and TransLink Senior Network Officers.

Security personnel campaign

Queensland Rail put the spotlight on security throughout October 2019, rolling out an educational safety campaign to improve the wellbeing of customers and staff.

The *We're Here for You* campaign aimed to increase awareness of the many security units and personnel who regularly patrol the network to keep our customers and employees safe from harm. Our commitment to customer-focused safety initiatives, including core zones on platforms, Emergency Help Phones, Guardian Trains, and a 24-hour security monitoring facility – was also a focus of the campaign. Customers were introduced to these teams and initiatives through posters and videos on our trains, at stations, and online via our website and social media pages.

The campaign shed light on security initiatives in place to improve customer safety and reduce anti-social behaviour on trains and at stations.

Emergency Preparedness and Exercise Molis

To maintain our comprehensive Emergency Management

Framework, Queensland Rail conducts regular testing of our processes and procedures to ensure we are adequately prepared for emergency situations. In 2019-2020 we undertook nine security and emergency preparedness exercises across the organisation.

In October 2019 we joined forces with 120 emergency services personnel for a large-scale regional exercise to test crews' response to a simulated train incident along the rugged terrain of the Kuranda Range. Exercise Molis simulated the Kuranda Scenic Railway train becoming impacted by a landslide while positioned between two rail tunnels near Redlynch. It provided a unique opportunity for Queensland Rail and emergency services to test their response plans for the Kuranda Range, including accessing one of the range's most remote locations.

The staged incident was responded to in real time and treated as a genuine emergency, with emergency services being transported to the site by our employees in high-rail vehicles and via the QG-Air Lifeflight helicopter. The exercise provided an opportunity for response crews to familiarise themselves with the Kuranda Range and its challenges.

Another successful emergency preparedness exercise was also conducted this year in Longreach. The exercise simulated a vehicle striking the Spirit of the Outback train at a level crossing and involved employees from our Travel and Tourism, Train Service Delivery, Supply Chain North and Emergency Preparedness teams.

Local emergency services personnel also came together for exercise 'Ark Express', which was part of a broader exercise being undertaken by Longreach Regional Council to test its response to multiple incidents. The wider exercise involved a number of different phases, with the rail phase designed to put extra pressure on the Local Disaster Management Group in dealing with a rail incident as well as other incidents that were impacting the community.

People and culture

At Queensland Rail we believe in investing in our most valuable asset – our people. Whether it's building a pipeline of future talent, or enriching the skillsets and diversity of our workforce, we recognise our people are what sets our organisation apart.

As at 30 June 2020, Queensland Rail had 7,389.16 full-time equivalents equating to 7,537 employees of which:

- 89 per cent were employed in our South East Queensland and Regional functions
- the top three occupations were Station Manager and Officer (12 per cent), Train Driver (11 per cent), and Guard (nine per cent)
- 24 per cent identified as women (20 per cent in South East Queensland and Regional functions and 55 per cent in enabling functions)
- two per cent identified as being First Nations people
- three per cent identified as having a disability
- seven per cent came from a non-English speaking background
- 93 per cent were employed on a permanent basis
- the average length of service was 13.1 years and the average age of employees was 44.8 years.

Skilling future talent via the Graduate Program

Queensland Rail's Graduate Program is a two-year, rotational program focused on supporting the professional development of university graduates and developing their technical and leadership skills for the future.

Graduates take part in a formal soft-skills development program in addition to gaining valuable on-the-job experience throughout their rotations in different areas of the organisation.

We offer graduates the opportunity to gain vital hands-on skills and experience in operations, logistics, project management and business improvement, workforce planning and development, safety and risk management, customer experience and customer service – working with some of the industry's best.

We are now recognised as one of the top 75 graduate employers within Australia. This recognition is based on graduate feedback provided via the Australian Association of Graduate Employers annual survey.

Currently, we have 31 graduates across two cohorts, 17 from the 2019 cohort (where 24 started and seven have since obtained full time roles) and 14 graduates that commenced in 2020.

Skilling apprentices and trainees

Queensland Rail's apprentice and trainee development programs aim to equip apprentices and trainees with on-the-job skills and experience and nationally recognised trade qualifications.

As at 30 June 2020, we had 37 apprentices and two trainees in South East Queensland, with eight apprentices and two trainees in Queensland Rail's regional business. Our apprentices work in electrical and mechanical trades and are key to helping fill future workforce technical and trade needs.

Nurturing young talent

Two new mentoring program pilots launched at Queensland Rail in 2019-2020, aimed at connecting and developing young professionals and graduates across our organisation.

Around 30 pairs of participants from the Young Professionals and the Graduate Development Program attended launch sessions in February, which included interactive workshops and matching days.

The new programs are designed to support young professionals and second year graduates by providing professional and personal development and guidance from an experienced mentor within the business.

Queensland Rail's largest driver and guard recruitment campaign

Following the largest driver and guard recruitment campaign in our history, Queensland Rail proudly welcomed our 200th additional driver into service on the South East Queensland network in November 2019, since 4 October 2016.

This marked a major milestone for our organisation, achieving the Strachan Report recommendation of an additional 200 drivers (gross) with the recommendation of an additional 200 guards (gross) already achieved in June 2018.

We are continuing to deliver a pipeline of talent for the future, with a further 60 drivers and 21 guards currently in training as at 30 June 2020.

Station customer service recruitment drive

With 190,000 customers boarding trains from 152 stations on the South East Queensland network each weekday, our station customer service staff play a critical role in ensuring station operations run smoothly. They are generally the first point of contact for our travelling customers.

In 2019-2020, Queensland Rail's station customer service recruitment drive delivered a strengthened team and a group well-prepared to represent our organisation and keep station operations running smoothly across our network.

The first of four station customer service training schools commenced in August 2019, and the new starters are deployed across the network, equipped with knowledge and skills to perform all aspects of the role.

Commitment to ending domestic and family violence

Queensland Rail believes all of our employees have the right to a safe and respectful workplace. Queensland Rail's participation in the White Ribbon accreditation program has strengthened our organisation's ability to:

- recognise the signs of domestic and family violence (DFV)
- respond to disclosures
- support affected employees with leave provisions
- work with affected employees to develop safety plans
- connect affected employees with support, including to Benestar or specialist DFV support services.

Queensland Rail is committed to play its part to end DFV and will continue to implement the Prevention of Domestic and Family Violence Operational Plan over the next three years.

Participation in events such as White Ribbon Night in July 2019, Not Now, Not Ever. Together Day in November and RizeUp's Christmas Appeal, as well as acknowledging Domestic and Family Violence Prevention Month in May 2020, are some of the ways we play an active role in our communities to show our commitment to ending domestic and family violence.

QRWomen program

Queensland Rail's Diversity and Inclusion Strategy 2018-23 focuses on ways we can, as an organisation, increase diversity, including gender, and start to better represent our customers and the communities in which we operate.

Building a diverse workforce is key to transforming our organisation into a modern, customer-focused, world-class rail service. Greater diversity brings the benefits of fresh

thinking and new perspectives.

In March, we joined millions of people across the globe to acknowledge the achievements of women for International Women's Day, as well as continuing celebrations during Queensland Women's Week.

We continue to support and build our female workforce with specialised programs and training and recruitment practices. During 2020, our QRWomen Program entered its second year, bringing together more than 80 women across the organisation to help us identify, sponsor and inspire the next generation of aspiring women within mid-level, frontline, high potential and non-traditional pipelines.

NAIDOC and National Reconciliation Week

Queensland Rail continues to recognise the important role of, and relationship it has with, its First Nations employees and customers in the community. Queensland Rail was proud to recognise both NAIDOC Week and National Reconciliation Week and hosted a number of employee events in partnership with our employee Aboriginal and Torres Strait Islander Reference Group.

In July 2019, we hosted a number of events and celebrations to acknowledge NAIDOC Week and the importance of Aboriginal and Torres Strait Islander people working within Queensland Rail and in the communities we support and operate in.

The week commenced with events in Brisbane, followed by co-hosting a NAIDOC celebration with the Djabugay people at Kuranda. Around 200 employees gathered in Brisbane to see a traditional Welcome Ceremony and smoking ceremony, including some traditional dances of the Turrbal and Yuggera peoples. We also partnered with Communities for Children (Mission Australia) for the annual NAIDOC celebration event at Inala.

Our organisation was proud to support National Reconciliation Week in May 2020 to recognise the achievements and contributions of First Nations peoples across our organisation. Although the acknowledgement of this important week looked different in 2020 due to the COVID-19 pandemic, there were still many ways Queensland Rail and its employees were able to engage in the theme 'In this Together'.

Human Rights Act 2019 (Qld)

Queensland Rail is proud to support the objectives of the *Human Rights Act 2019 (Qld) (HRA)* which are to protect, promote and build a culture within Queensland that respects human rights.

The *HRA* came into effect on 1 January 2020 and provides for the protection of 23 human rights.

During this financial year Queensland Rail:

- reviewed our decision-making processes for matters covered by the *HRA*, with a goal of ensuring human rights are appropriately considered
- made good progress on the task of reviewing our relevant policies and procedures for compatibility with the *HRA*, making changes where necessary
- ran an awareness-raising campaign to educate employees about the *HRA* and its effect on Queensland Rail's operations.
- created and implemented an *HRA* complaints handling procedure
- conciliated one human rights complaint that was combined with a discrimination complaint via the Australian Human Rights Commission conciliation process.

In the community

Queensland Rail has a long and proud history of working with, and supporting, local communities throughout our state. We are committed to making a positive impact in the towns we live and work in and, during the year, invested in several programs and initiatives to help Queenslanders most in need. This included working with our top five charity partners to support their fundraising and awareness activities, assisting communities impacted by natural disasters and providing community education and rail safety programs.

Key highlights in 2019-2020 included:

- the provision of in-kind partnership opportunities valued at more than \$700,000
- more than 20,000 children, students and community members educated about rail safety
- more than 5,000 items donated to charities, including Lifeline, Link Vision, St Vincent De Paul's, Endeavour Foundation and the Salvation Army
- support for more than 100 not-for-profit events and initiatives
- more than \$26,000 raised in donations from customers and employees
- support for Queensland bushfire victims by fundraising and donating gift cards valued at \$14,000 to national not-for-profit organisation GIVIT.

Supporting Queensland Rail's top five charity partners

During the year, we continued to support our top five charity partners: Cancer Council Queensland, Guide Dogs Queensland, RSPCA Queensland, The Starlight Children's Foundation and Youngcare.

Through these partnerships, we provided opportunities for the charities to raise awareness and collect donations at train stations, in addition to in-kind promotion and advertising opportunities across the rail network. Several events and initiatives across the year also provided opportunities for our employees to engage with, and support, these charitable organisations.

A scheduled review of our charity partner framework is currently in progress, with a new framework expected to be in place by the end of 2020.

Rail Smart Safety Presentations

In addition to rail safety orientation days, Queensland Rail continued to promote and educate communities and students about the importance of rail safety through presentations at schools, youth and early learning centres,

and community groups across South East Queensland during the year. More than 100 rail safety presentations were delivered, engaging more than 20,880 children, students and community members about the importance of obeying warning signs and signals at level crossings, as well as the risks of trespassing in the rail corridor.

At these presentations, we also delivered our *High Voltage Can Jump* campaign, reminding the community about the dangers of the overhead power lines across the rail network. Between August 2019 and February 2020, our team presented to more than 14,500 students, youth and community members across South East Queensland.

Bushfire appeal

In January 2020, our employees, like all Australians, were deeply affected by the loss of lives, wildlife, and homes caused by devastating bushfires. To demonstrate our support, teams from across Queensland Rail rallied together, launching an appeal to raise funds for not-for-profit groups at the forefront of the national response to the crisis.

Through the appeal, we raised more than \$13,000 for the Australian Red Cross, RSPCA Queensland and the Rural Fire Brigades Association Queensland.

Endeavour Rail Safety Days

In January 2020, our team partnered with TransLink and the Queensland Police Service (QPS) Railway Squad to deliver rail safety education sessions to approximately 440 employees at the Endeavour Foundation's Geebung and Wacol facilities.

These sessions were aimed at educating employees, including those with accessibility requirements, on how to safely and confidently travel on the Queensland Rail network, as many Endeavour Foundation employees rely on the network to commute to and from work.

RizeUp Christmas Appeal

At the end of 2019, Queensland Rail collected gifts to support the RizeUp Australia Christmas Appeal for families displaced by domestic violence across Queensland.

Almost 11,000 gifts were donated by employees and

customers with hundreds of these gifts transported to recipients at domestic violence shelters in Nambour, Rockhampton, Gladstone, Mackay, Townsville and Cairns via Queensland Rail's long-distance services.

Heritage awards

Queensland Rail has a proud history of connecting communities across Queensland and, in October 2019, took out three awards at the National Trust of Australia (Queensland) Heritage Awards.

For more than 25 years, the Heritage Awards have recognised best practice, innovation and achievement in Queensland's heritage. Queensland Rail was awarded honours in the following categories:

- Heritage Reports and Planning Documents category (The Type Study for Timber Railway Stations) – GOLD AWARDED
- Heritage Reports and Planning Documents category (Kuranda Station Conservation Management Plan) – SILVER AWARDED
- Conservation Works category (Normanton and Blackbull Water Tanks Project) – SILVER AWARDED

Retirement of EMU01

Forty years after Queensland Rail flicked the switch to electrify its South East Queensland network, this year it was time to farewell the state's first electric train as the fleet commenced its gradual decommissioning.

The introduction of the Electric Multiple Units (EMUs) in 1979 changed public transport in South East Queensland. A total of 88 units were manufactured between 1979 and 1987 at Walkers in Maryborough. With the fleet progressively reaching the end of their service life, the state's first EMU train (EMU01) took its final journey in 2019.

To celebrate, EMU01 embarked on a farewell tour from 9-11 August, with customers and the community welcomed to travel onboard special services across three days.

Celebrations culminated in a special event held at Ferny Grove station, where EMU01 paired with EMU04 re-enacted its first passenger service, travelling from Ferny Grove to Darra station.

EMU01 was retained by the state government, to ensure this important piece of rail history was appropriately preserved for future generations. The remainder of the fleet is continuing to gradually retire to make way for the New Generation Rollingstock trains.

A small number of EMU trains will also be put aside for commemorative purposes, and community members will have the chance to participate in an Expression of Interest prior to the full fleet's retirement. Each EMU train has travelled almost 12 million kilometres across the South East Queensland network since commencing operation, with the fleet transporting customers during the Brisbane 1982 Commonwealth Games, World Expo '88, and most recently, the Gold Coast 2018 Commonwealth Games.

Multicultural Month

During the year, we once again supported Multicultural Month with an in-kind partnership agreement.

As part of the agreement, we provided in-kind advertising on Passenger Information Display screens and promoted the month via social media. In addition, a three-car train was wrapped with artwork which then travelled more than 10,855 kilometres over 260 trips throughout the year.

Queensland Rail brings safety message to Townsville

To raise the Townsville community's understanding of the importance of taking rail safety seriously, our team attended the Watpac 400 Supercars event in early-July to share the safety message behind the *Heavy Metal Stops for No One* campaign.

With around 125,000 visitors at the event across three days, it was an excellent opportunity to talk to people about how near miss incidents can be prevented by obeying the signs and signals in place.

Australia's Biggest Morning Tea

This year Queensland Rail helped launch the Cancer Council Queensland's major annual fundraiser for 2020 - Australia's Biggest Morning Tea.

Embarking on a 26-hour train trip on board the Spirit of Queensland, our Travel and Tourism employees delivered giant mugs to five regions across the state, with volunteers and supporters meeting the train at each stop.

We are proud to support our charity partner, Cancer Council Queensland, with the important work it does in the community to support those impacted by cancer through research, patient care, prevention and early detection.

Rail Safety Orientation Days

During the year, Queensland Rail hosted Milpera State High School students and various members from the accessibility sector at Roma Street station for quarterly Rail Safety Orientation Days. These events helped more than

275 immigrant students and customers with accessibility requirements learn to safely navigate the train network. They also gave attendees confidence in utilising onboard safety devices, such as the passenger emergency intercoms and provided the opportunity to participate in train etiquette-based scenarios.

Gatton Community Visits

During the year, we teamed up with the Queensland Police Service to deliver vital rail safety messages to the Gatton community to help promote safer behaviour and warn of the dangers of trespassing on the rail network.

The safety blitz followed a spate of incidents in the region, including people illegally crossing rail tracks or leaving objects on the tracks in front of oncoming trains. We visited local schools, businesses and shopping centres in a bid to remind the community of the importance of taking care around the train network.

RizeUp donations from Travel and Tourism sleeping quarters

As our Travel and Tourism onboard services team prepared to relocate from their crew sleeping quarters out of the Roma Street precinct, an opportunity arose for existing furniture to be donated.

RizeUp jumped at the chance to secure some household goods to help set up homes for families. The donations included furniture from 13 rooms, including double beds, side tables, lamps, chairs and televisions.

Historical Engagement

Queensland Rail prides itself on its rich history. This is why we place great importance in preserving the story of the railways in Queensland and educating our communities about our proud heritage.

During the year, we continued to support the community by recognising significant milestones and anniversaries through the story of the Queensland railways. Our long-running heritage was supported by numerous displays and presentations, interpretive signage for tourism and historical locations and material provided for local history publications telling the story of Queensland Rail.

Storyboard displays were provided to regional communities during the year to maintain their connection to the Queensland Rail story. In addition we provided ongoing historical engagement, assistance with theming/display advice, acknowledgment of milestones and celebrations, cultural heritage and community history activities.

Positive pARTnerships program

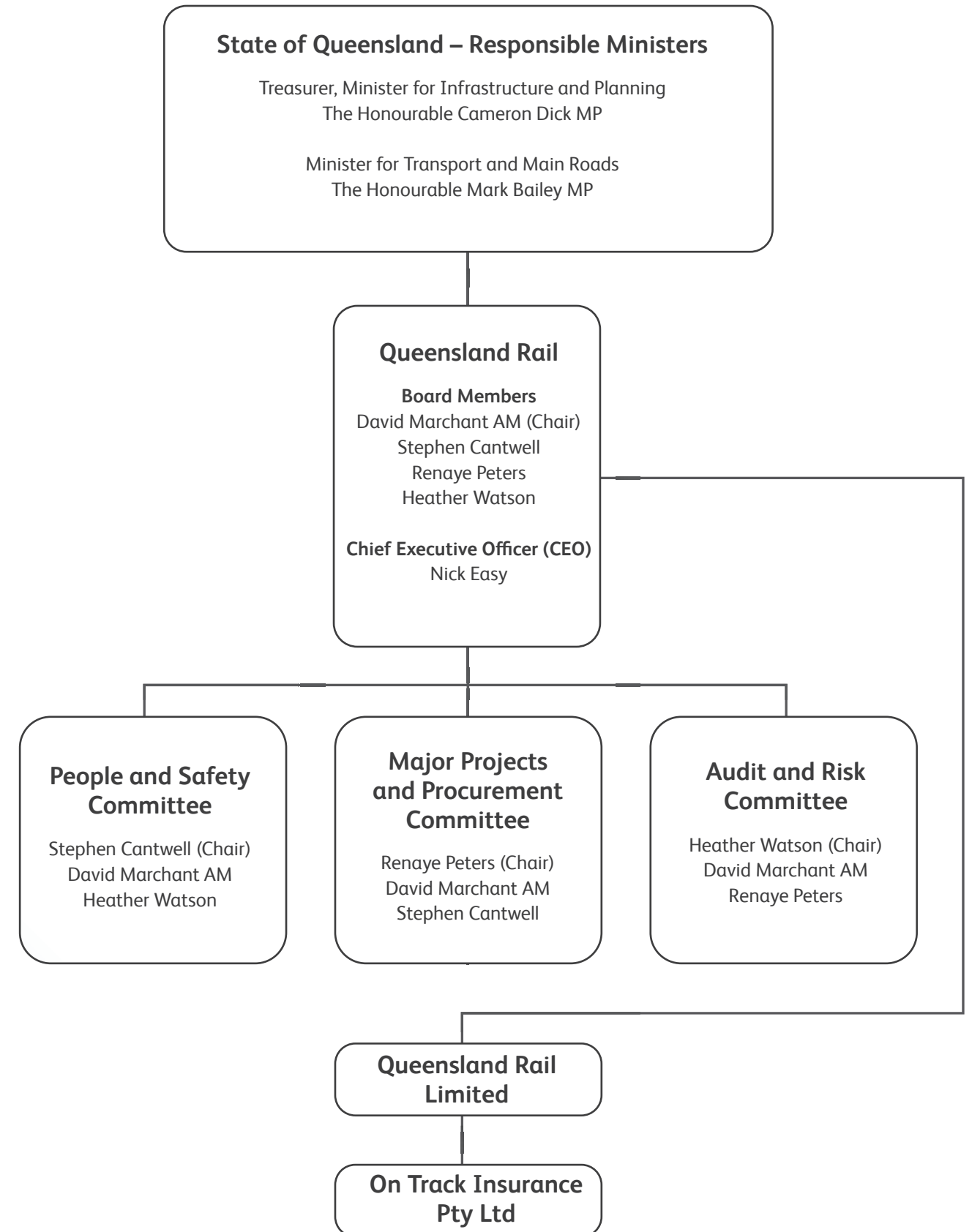
Queensland Rail's Positive pARTnerships program aims to produce high quality public artwork, foster community pride in rail infrastructure and reduce graffiti and vandalism.

To date, the Positive pARTnerships program has delivered 178 projects across 147 stations, covering more than 25,000 square metres of the Queensland Rail network including other high-profile locations, such as the Pillars Project series beneath the Merivale Bridge in South Brisbane and the Airport line mural, seen by almost one million people each year.

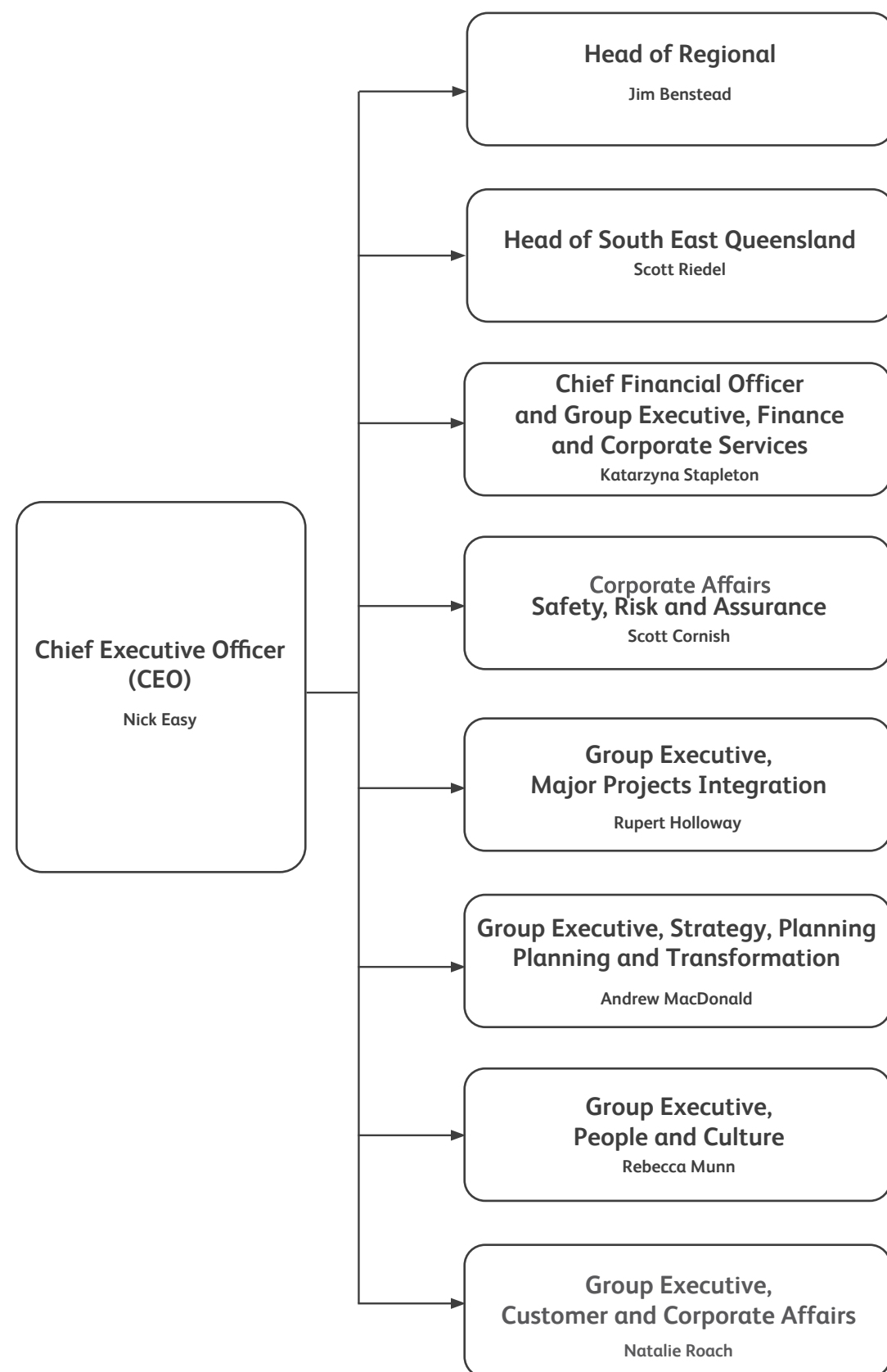
Notable art installations from 2019-2020 included Indooroopilly's 150-metre long mural by Yannick Blattner, which was inspired by the surrounding gum trees and local environment.

Rocklea station was also transformed with large bold strokes of green and blue paint across the carpark wall by local renowned street artist Simon Degroot and Art from the Margins, a creative initiative of Wesley Mission which aims to bridge the gap between artists living in isolation and the wider community.

Governance structure (as at 30 June 2020)



Organisational structure (as at 30 June 2020)



Board

David Marchant AM

Chair, Independent Non-Executive Director
Appointed 7 October 2015
Appointed Chair 15 October 2018

Experience: David has extensive Board experience and has held a number of executive and non-executive roles across a range of sectors, including rail, road, water, gas, electricity, logistics and supply chain management.

He is a former Chief Executive Officer of the Australian Rail Track Corporation and Director and Chair of the Australasian Railway Association. David also served as a Director of the Rail Industry Safety and Standards Board.

He 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.

David 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.

Qualifications: GAICD

Member of: Audit and Risk Committee, People and Safety Committee, Major Projects and Procurement Committee

Other Board and Committee Memberships: Non-executive Director of Airservices Australia and Chair of its Technology and Investment Committee and a member of the Audit and Risk Committee, Safety Committee and Remuneration and Human Resources Committee.

Stephen Cantwell

Independent Non-Executive Director
Appointed 1 October 2016

Experience: Stephen 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, Stephen has worked in a range of C-suite and CEO roles in both the private and public sector.

During six years at publicly listed Bradken, he 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, Stephen worked across various functions from entry level roles through to Chief Executive Officer. He 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.

Qualifications: MBus, BBus, Grad Dip Transport and Logistics Management, FCILT, FCIEAM, GAICD

Member of: People and Safety Committee (Chair), Major Projects and Procurement Committee

Other Board and Committee Memberships: Chair of Tasmanian Railway Pty Ltd, Chair of its Governance and Nomination Committee, and an ex-officio member of its Safety and Environment, Audit and Risk and People and Remuneration Committees, Director of Port of Brisbane Pty Ltd and a member of the Townville Industrial Development Board.

Renaye Peters

Independent Non-Executive Director
Appointed 1 October 2016

Experience: Renaye was appointed as Vice President Campus, Infrastructure and Services, at Monash University in October 2018. Prior to this, Renaye was the Director for South East Queensland, AECOM, and a Director at Conrad Gargett. She 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, Renaye has contributed to many significant infrastructure projects, such as Brisbane's Eastern Busway and Inner Northern Busway. She 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, she highlights the importance of weaving infrastructure back into the urban fabric, creating added economic benefits and engagement with the community.

Renaye 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.

Her 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 CEOs, board members, Ministers and Directors General to establish shared understanding of industry macro and micro economic impacts.

Qualifications: B. Arch (Hons), B. App.Sci, Grad Dip Project Management, Registered Architect, FAICD

Member of: Major Projects and Procurement Committee (Chair), Audit and Risk Committee

Other Board and Committee Memberships: Member – Division Councillor – Property Council Australia (Vic Division).

Heather Watson

Independent Non-Executive Director
Appointed 6 June 2018

Experience: Heather is a consultant and former partner with McCullough Robertson Lawyers. She brings more than 30 years' experience as a private sector lawyer and partner in regional and metropolitan practice in Queensland. For the last decade her specialist focus has been providing legal and governance strategic advice across charitable, non-profit and public sectors.

Her industry expertise covers aged care, health and community services, affordable housing and Indigenous communities.

Her governance experience, both as an advisor and director, includes organisations with large workforces, multiple locations, significant property interests, business model transitions, subsidiary structures and complex stakeholder interests.

Qualifications: LLB, GradCertBus, MAICD

Member of: Audit and Risk Committee (Chair), People and Safety Committee

Other Board and Committee Memberships: Board Member - Children's Health Queensland Hospital and Health Service, Chair - Uniting (NSW & ACT), Director - Uniting (Victoria & Tasmania), Director - Australian Regional and Remote Community Services Ltd, Chair - Community Services Industry Alliance Ltd Reform Council, Director - National Affordable Housing Consortium Ltd, Chair - Epic Good Foundation, Advisory Council Member - Queensland Family and Child Commission (QFCC), Chair of the Audit and Risk Committee, QFCC, Advisory Board Member - Australian Charities and Not for Profit Commission.

Executive Leadership Team

Nick Easy Chief Executive Officer (CEO)

An experienced Chief Executive Officer with a record of driving cultural and operational change, Nick has more than three decades of leadership experience in complex organisations across the transport, logistics and emergency services industries.

At Queensland Rail, Nick continues to lead a strategic transformation program focused on delivering a modern, customer-focused, reliable and accessible rail network for customers.

Nick was previously CEO of the Port of Melbourne, Australia's largest container and general cargo port, where he managed \$10 billion of land and sea assets. Nick also served as the CEO of the Metropolitan Fire and Emergency Services Board from June 2011 until February 2014 and was responsible for leading the 2,200 strong organisation through a period of sector reform.

Jim Benstead Head of Regional

Jim has more than 30 years' experience in the transport and logistics industries. Throughout his executive career, he has specialised in driving business improvement, delivering transformational change and leading outcome-focused commercial teams.

As Head of Regional, Jim is responsible for Queensland Rail's Regional operating business, including the valuable services we deliver to our Travel and Tourism and freight customers.

Scott Riedel Head of South East Queensland

Acknowledged as someone who continually strives to build teams and develop leading edge performance underpinned by building people capability with a continuous improvement, customer centric and focused mindset Scott brings more than 30 years' experience in the Australian, Asian and United Kingdom rail industries to Queensland Rail.

Prior to joining the Queensland Rail Executive Leadership Team, Scott was the Vice President Network Operations for Aurizon.

As Head of South East Queensland, Scott is responsible for the operational and strategic management of Queensland Rail's South East Queensland network. His team ensures Queensland Rail provides safe and reliable services for the people of Queensland and delivers efficiencies and commercial outcomes for our stakeholders.

Katarzyna Stapleton Chief Financial Officer (CFO) and Group Executive Finance and Corporate Services

Recognised as a high impact, agile and driven leader, Kat has extensive global and domestic executive experience in finance, commercial and operational roles.

Passionate about customer experience, Kat is recognised for driving strategic change through large scale transformation initiatives in highly complex and challenging environments across public and government organisations.

Prior to commencing at Queensland Rail, Kat held a number of executive roles with nbnCo and was CFO for Bahrain Telecommunications Company.

As CFO Kat is responsible for providing commercial leadership to achieve organisational financial goals, while also ensuring the organisation's compliance to relevant financial regulations, government policies and legislation.

Scott Cornish Group Executive Safety, Risk and Assurance

Scott has over 30 years' experience in the oil and gas, transport and logistics industries for major producers and railway operators across the globe and joined the Queensland Rail team in mid-2018.

He has held senior management roles focused on operations, health, safety and environment, risk management, security and the community.

Scott is a highly experienced leader with an outstanding track record of implementing innovative strategies and initiatives that deliver safety outcomes in high risk operating businesses.

As Group Executive Safety, Risk and Assurance, Scott is responsible for workplace health and safety, rail safety assurance and risk and compliance activities across Queensland Rail.

Rupert Holloway Group Executive Major Projects Integration

Rupert has 25 years' experience in the construction industry, having worked for both client and contractor organisations delivering rail infrastructure and civil engineering projects in the UK, Canada and Australia.

As Group Executive Major Projects Integration, Rupert

is accountable for the performance of Queensland Rail's project delivery, and for leading Queensland Rail's activities in relation to the Cross River Rail and ETCS Projects.

Andrew MacDonald **Group Executive Strategy, Planning and Transformation**

Andrew is an accomplished senior executive with more than 20 years' experience in the transport and logistics industries. He specialises in developing high performing teams in the rail industry and has a strong commitment to safety.

Throughout his senior leadership career, Andrew has focused on driving strategy and transformation, commercial leadership, business development, enterprise-wide project management, mergers and acquisitions and relationship management.

As Group Executive Strategy, Planning and Transformation, Andrew is responsible for providing senior leadership of Queensland Rail's enterprise strategy and strategic operational plans and overseeing the organisation's transformation.

Rebecca Munn **Group Executive People and Culture**

An adaptable, tenacious and experienced executive with more than 20 years' experience, Rebecca has held senior roles, both globally and locally. She has worked across public, government and private organisations and is passionate about building strong, smart and committed teams with a passion for achieving results.

Rebecca has led large-scale change projects, system implementations, complex IR and EA negotiations, organisational restructures and worked across a diverse range of industries, including hospitality, government, education, a statutory authority, law enforcement, manufacturing and mining services.

As Group Executive People and Culture, Rebecca is responsible for people capability, employee relations, people services, planning our future workforce and supporting engagement and wellbeing at Queensland Rail.

Natalie Roach **Group Executive Customer and Corporate Affairs**

A proven leader with over 20 years' global experience in the aviation and travel industries, Natalie joined the Queensland Rail team in 2018 as the Executive General Manager Customer Service and Innovation. Natalie is a motivated and accomplished senior executive with international experience gained across the United Kingdom, Europe, the Caribbean, USA, Mexico, India and Sri Lanka.

Natalie brings to the Queensland Rail Executive Leadership Team a diverse skillset including driving strategic change, transformation, customer experience improvements, operations management, stakeholder engagement, communications and business transformation. Leveraging her experience having worked for Qantas as Head of Customer Experience & Head of Support Services, alongside her role at London's Heathrow Airport where she was Head of Operations, Natalie leads Queensland Rail's strategic focus on improving the customer experience and service levels across Queensland Rail.

As Group Executive Customer and Corporate Affairs, Natalie champions a customer-focused strategy and culture across Queensland Rail. She is responsible for the Customer Experience, Accessibility and Corporate and Government Affairs (including media relations) functions.

Corporate governance

Queensland Rail is committed to ensuring that its systems, procedures and practices reflect the highest standards of corporate governance. Processes have been established to ensure that Queensland Rail's corporate governance practices are reviewed regularly and are continually refined in accordance with its enterprise governance framework.

Guidelines

While Queensland Rail is a statutory authority, it continues to apply the Corporate Governance Guidelines for Government Owned Corporations, issued by the Queensland Government.

The guidelines reference the Australian Securities Exchange (ASX) Corporate Governance Principles and Recommendations and they provide the framework for government owned corporations to develop, implement, review and report on their corporate governance arrangements.

An overview of existing corporate governance practices in line with the above guidelines is set out below.

Corporate governance statement 2019-2020

Principle 1 – Foundations for management and oversight

The roles and responsibilities of the Board and individual members are defined in the Board Charter. These roles and responsibilities are reviewed by the Board at least biennially and a copy of the charter is available on the Queensland Rail website (queenslandrail.com.au).

In accordance with section 15 of the *QRTA Act* the Board's specific functions

include:

- Deciding the strategies and the operational, administrative and financial policies of Queensland Rail
- Ensuring Queensland Rail performs its functions and exercises its powers in a proper, effective and efficient way
- Ensuring that, so far as is practicable, Queensland Rail acts under, and achieves the objectives in its strategic and operational plans
- Accounting to the responsible Ministers, as required under the *QRTA Act*, for the performance of Queensland Rail;
- Reviewing the performance of the Chief Executive Officer on an annual basis.

The Board has delegated responsibility for the day-to-day operation of Queensland Rail to the CEO including the implementation and delivery of the Board's strategic direction. The CEO is supported by the senior executive team with management responsibilities clearly defined

and documented through formal position descriptions, performance plans and the Board approved *Authorities, Approvals and Accountabilities Policy*.

Newly appointed members are taken through a formal induction process to provide them with an overview of business operations, strategies and information in relation to the Board and committee functions. The induction process assists the members to understand their roles and responsibilities within Queensland Rail and includes an overview of key corporate expectations, existing governance arrangements and the culture and values of the organisation. No new members were appointed during the reporting period.

Members are issued with a comprehensive Board handbook that details Queensland Rail and Board operational information, governance requirements and policies. The Board handbook assists with the induction process and also supports existing members with their ongoing governance responsibilities. The handbook is reviewed and updated annually.

Performance evaluations for the CEO and senior executives are carried out each financial year in accordance with Queensland Rail's remuneration framework. The performance evaluation for the CEO is conducted by the Board and is based on the achievement of agreed Key Performance Indicators (KPIs), which are set annually by the Board and are linked to the strategic and operational objectives of Queensland Rail. The performance evaluation for senior executives is carried out in accordance with the same process based on the achievement of agreed KPIs. The evaluation is conducted by the CEO and the Board.

The outcome of annual performance evaluations for the CEO and senior executives are provided to responsible Ministers in accordance with the Policy for Government Owned Corporation Chief and Senior Executives Employment Arrangements.

Principle 2 – Structure the Board to add value

All members of the Board, including the Chair, are non-executive members. Queensland Rail Board members are appointed by the responsible Ministers in accordance with the *QRTA Act*. As such, the size and composition of the Board is determined by the responsible Ministers.

The Board considers that all Board members who held office during the year are independent as defined under the ASX Corporate Governance Principles and Recommendations. In assessing the ongoing independence of each member, the Board considers the assessment criteria outlined in the ASX recommendations. Materiality in relation to independence

Corporate governance (continued)

is considered on a case-by-case basis with reference to each member's individual circumstances.

Board members are required to keep the Board advised, on an ongoing basis, of any business interests and other directorship and employment roles that may conflict with those of Queensland Rail.

In circumstances where a conflict is believed to exist, the member concerned does not take part in any decision or consideration of the issue. In addition, the member will not receive copies of the relevant Board papers. Members must notify the Board via the Company Secretary of changes to business interests and appointments which could potentially conflict with their role as Board member for Queensland Rail.

Details of the current Board members' experience and expertise are disclosed in this annual report as is information on attendance at Board and committee meetings. Information in relation to composition of the Board and terms of appointment for all members who held office during the financial year is set out on pages 37-38 and 41 of the Annual and Financial Report 2019-2020.

A process is in place whereby members, either collectively or individually, may seek independent professional advice where it is considered necessary to fulfil their duties and responsibilities. This is done at Queensland Rail's expense. A member wishing to seek such advice must first obtain approval from the Chair.

Members are encouraged to further their knowledge through participation in industry, governance and government forums and attend seminars hosted by the Australian Institute of Company Directors, Governance Institute of Australia and other peak professional bodies. In addition to peer review, interaction and networking with other directors and industry leaders, Queensland Rail Board members participate in Queensland Rail leadership forums and actively engage with Queensland Rail employees and visit Queensland Rail operations to gain an understanding of operational employee requirements, challenges and issues.

The ongoing provision of timely and relevant information to the Board is of critical importance in enabling the Board to effectively discharge its obligations in accordance with the requirements of the *QRTA Act*. The structure, format and content of Board agendas and Board papers presented to Board members for consideration and approval, along with Board paper quality and timeliness, is reviewed on an ongoing basis.

The Board reviews its own performance and that of the

committees of the Board on a regular basis to ensure they are working effectively. The Board participates in regular Board member-only sessions that provide an opportunity for the Board members to review and analyse their current performance as a Board and discuss any issues that may exist.

The Board undertakes performance evaluations on a periodic basis to achieve and maintain corporate governance best practice and continual improvement. The purpose of the evaluation is to assess the performance of the Board as a whole, the Chair and the effectiveness of the Board committees. Generally, an external independent consultant is engaged every second year to assist the evaluation and provide an independent review of Board performance. The review considers a range of issues including Board role, strategy, monitoring performance, risk and compliance oversight, stakeholder communication, Board structure and processes. The Board evaluation for 2019-2020 was completed in December 2019 with written advice of the outcome provided to responsible Ministers.

Principle 3 – Promote ethical and responsible decision making

Queensland Rail has well established policies, procedures and practices that seek to promote ethical standards of behaviour and a culture of compliance that is risk aware and embraces good governance practices in accordance with corporate, legal and community obligations.

These expected standards of integrity, honesty and accountability are reflected in the formal Code of Conduct, which applies to all Board members, employees, consultants and contractors and is aligned with the organisation's strategic objectives. The Code of Conduct is supported by other policy related documents in relation to ethics, privacy, dealing with conflicts of interest, trading in securities and official misconduct.

While as a statutory authority, Queensland Rail does not issue securities, the organisation has established standards and procedures that set out the legal duties that apply to members and employees in relation to the potential misuse of information including the insider trading prohibition under the *Corporations Act 2001 (Cth)*.

Ongoing training in relation to ethical business practices is provided by the organisation and the Queensland Rail Code of Conduct also forms part of the induction process for new employees, consultants and contractors. A copy of the Code of Conduct is available on the Queensland Rail website.

Queensland Rail also has in place related processes and policy documents setting out the requirements of the *Public*

Corporate governance (continued)

Interest Disclosure Act 2010 (Cth), which facilitates disclosure of public interest information and provides protection for those who make public disclosures.

Principle 4 - Safeguard integrity in financial reporting

The Board has established an Audit and Risk Committee that reviews the integrity of Queensland Rail's financial reporting systems. The committee is governed by its own charter, which is approved by the Board and reviewed biennially. A copy of the Audit and Risk Committee charter is available on the Queensland Rail website. The committee assists the Board by reviewing and monitoring assurance activities over business operations, the effectiveness of internal controls, regulatory reporting, financial risks, compliance issues and enterprise risk management frameworks. The committee is responsible for oversight and monitoring both internal and external audit functions.

The role of the Chair of the committee is not held by the Chair of the Board and all committee members are independent non-executive members. Membership of the committee and details of attendance at meetings is disclosed on pages 45-47 of the Annual Report 2019-2020.

The CEO and CFO certify in writing that the Queensland Rail financial report represents a true and fair view of Queensland Rail's financial position and performance, and that it has been prepared in accordance with the appropriate Australian Accounting Standards, Statement of Accounting Concepts, Interpretations and Framework for the Preparation and Presentation of Financial Statements in all material respects.

Queensland Rail's internal audit function provides independent assurance to key stakeholders including the Audit and Risk Committee, CEO and senior executives regarding the adequacy and effectiveness of the organisation's system of internal controls, risk management procedures and governance processes throughout the organisation.

The internal audit function derives its independence from its direct reporting relationship to the Audit and Risk Committee. The Senior Manager Internal Audit also has unrestricted access to the Committee and to the Committee Chair. The internal audit function is governed by an internal audit charter which is consistent with relevant audit and ethical standards and approved by the Audit and Risk Committee.

Queensland Rail has a detailed internal audit plan that is managed by the Senior Manager Internal Audit. The risk based internal audit plan is developed through extensive internal and external consultation and review of the organisation's enterprise risks. This plan is ultimately

approved and monitored by the Audit and Risk Committee through regular reporting provided by the Senior Manager Internal Audit. In addition to the annual internal audit plan the internal audit function completes management request audits throughout the year.

In accordance with the *Auditor-General Act 2009 (Qld)*, the external audit function of Queensland Rail is performed by the Queensland Audit Office. The Audit and Risk Committee monitors the review and implementation of recommendations made by the internal audit function and external auditors.

Principle 5 – Make timely and balanced disclosure

Queensland Rail has established communication protocols and standards in relation to the disclosure of public information and regularly assesses the information needs of all stakeholders to ensure that they continue to be informed about activities in a timely and accurate manner.

In addition, the organisation has a dedicated Corporate and Government Affairs team to assist with management of government and regulatory relationships and the coordination of information and reporting requests.

Regular communications are initiated with key stakeholders including responsible Ministers and government representatives. The Chair and CEO meet with responsible Ministers and/or their representatives on a regular basis. Queensland Rail management also meets with representatives of the responsible Ministers after each Board meeting to provide an update on the agenda items considered and discuss any relevant governance matters. Information needs of these stakeholders are also discussed at Board meetings. As required by the *QRTA Act*, detailed quarterly reports are provided to responsible Ministers and their representatives, as well as individual ministerial briefings on specific issues. These reports include information regarding financial performance, updates on major capital programs, key operational matters, risk management and governance issues as well as information required to be given in accordance with Queensland Rail's operational and strategic plans.

Principle 6 – Respect the rights of shareholders

Queensland Rail respects the rights of responsible Ministers as the ultimate owners of the business. The Board and senior executives of Queensland Rail engage with responsible Ministers and their representatives on a regular basis. As at 30 June 2020, Queensland Rail's responsible Ministers were the Honourable Cameron Dick, Treasurer and Minister for Infrastructure and Planning; and the Honourable Mark Bailey MP, Minister for Transport and Main Roads. Queensland Rail is

Corporate governance (continued)

committed to ensuring that responsible Ministers and their representatives are provided with information to make informed assessments of Queensland Rail's operational and financial performance and position.

Queensland Rail prepares an operational plan and strategic plan for responsible Ministers' approval in accordance with the *QRTA Act*. The operational plan and strategic plan are formal performance contracts between Queensland Rail and the responsible Ministers detailing proposed undertakings and target performance for the year ahead.

In line with the requirements of the *QRTA Act*, responsible Ministers are advised in a timely manner of all issues likely to have a significant financial, operating, employee, community or environmental impact including those matters that may prevent or significantly affect achievement of the performance objectives outlined in the operational plan.

Approval of responsible Ministers is sought for major investments and expenditure outlays, as well as Queensland Rail's entry into significant supply or customer contracts in accordance with government Investment Guidelines.

Principle 7 – Recognise and manage risk

Queensland Rail recognises that effective risk management and compliance frameworks are a key element of an organisation's corporate governance processes. The Board has approved a Risk Management Policy and associated framework for identifying, assessing and managing Queensland Rail's strategic, operational, financial and reputation risks.

The objectives of the policy are to:

- Maintain an integrated, fit for purpose, leading practice risk management framework which facilitates the effective management of risks and also provides assurance that risks are being effectively managed and controls are effective
- Ensure the risk management system, together with associated risk tools, allow for the consistent and reliable application of the risk management framework
- Ensure that there are clearly defined roles and responsibilities for managing risk within Queensland Rail
- Ensure that risk management related roles and adequate resources are allocated throughout the business to meet the requirements of the Risk Management Policy
- Ensure that risk management is an integral part of Queensland Rail decision making and business planning
- Document all risks, risk assessments and related controls into risk registers in an agreed business system
- Based on the Board's approved risk appetite, apply risk tolerance levels to ensure the appropriate management and

reporting of risk

- Provide risk management training and support to employees to ensure education and awareness of risk management requirements to improve the knowledge, skills and proficiency of risk practitioners, risk champions and others within the organisation
- Assess and continuously improve the effectiveness of the risk management framework and related processes and controls via ongoing monitoring, periodic reviews, communication and consultation
- Promote a culture of accountability and responsibility for risk management by including risk related performance measures in individual performance and development plans.

The approach defined within the Risk Management Policy is consistent with the Australian and New Zealand risk management standards (ISO 31000:2009). Supporting the policy is a framework prepared to guide the various business functions in addressing their particular risks through a structured risk management approach. The framework is designed to ensure risks are regularly identified, assessed, monitored and reported to the Audit and Risk Committee and Board on a periodic basis, along with appropriate risk mitigation and management plans.

The Board evaluates reported risks reaching a defined enterprise risk tolerance level and actively monitors these risks and associated controls, including any additional risk mitigation treatments that are proposed. Assurance activities are undertaken to ensure that the controls are operating effectively.

The Board has charged management with the responsibility for managing risk within the organisation and the implementation of mitigation measures, under the direction of the CEO and supported by senior executives. The group risk management function, led by the Group Executive, Safety, Risk and Assurance has been established to facilitate the process by providing a centralised role in advising the various business functions on executing risk management and mitigation strategies, as well as consolidating risk reporting to senior executives and the Board.

The CEO and CFO have declared in writing to the Board that Queensland Rail's risk management and control system is operating efficiently, effectively and economically in all material respects based on representations by management.

Queensland Rail has established an appropriate fraud control framework for the ongoing monitoring and coordination of fraud control activities. The framework is supported by the Code of Conduct and associated governance principles, standards and procedures that outline employee obligations

Corporate governance (continued)

in relation to ethical behaviour and the process for reporting, recording and investigating allegations of fraud.

A dedicated ethics hotline has been established to enable employees to report any concerns regarding unethical conduct, breaches of the law and suspected fraud or corrupt conduct. A dedicated Crime and Corruption Commission (CCC) Liaison Officer manages the obligations under the *Crime and Corruption Act 2001 (Qld)* in relation to notification of suspected corrupt conduct to the CCC.

Principle 8 – Remunerate fairly and responsibly

The Board has established a People and Safety Committee that, among other things, oversees and monitors Queensland Rail's remuneration framework. The committee is governed by its own charter, which is approved by the Board and reviewed biennially. A copy of the People and Safety Committee charter is available on the Queensland Rail website. The committee assists the Board in the effective discharge of its governance and oversight responsibilities relating to human resource and safety practices. It achieves this, in part, by reviewing, overseeing and providing recommendations on the recruitment, termination, retention, succession planning and annual remuneration and performance review of the CEO and senior executives including the establishment of appropriate performance measures.

Membership of the committee and details of attendance at meetings is disclosed on pages 45-47 of the Annual and Financial Report 2019-2020. Queensland Rail recognises that the achievement of its corporate objectives is dependent on the efforts of its people and has established remuneration policies, procedures and frameworks designed to attract and retain high calibre employees and to align individual and team efforts to agreed KPIs linked to the operational and strategic plans of the organisation.

The senior executive remuneration arrangements are subject to approval or endorsement by the Board in accordance with the Policy for Government Owned Corporation Chief and Senior Executive Employment Arrangements.

Remuneration for Board members is established by the responsible Ministers in accordance with the *QRTA Act*.

Details of the nature and amount of payments to each Queensland Rail Board member and specified Queensland Rail senior executives are set out in the Financial Report 2019-2020.

Government policies and guidelines

Queensland Rail complies with relevant government policies and guidelines in accordance with the requirements of the

responsible Ministers.

Board meetings

The Board determines a schedule of meetings at the beginning of each year. It is the Board's practice that meetings may be held off site where possible to coincide with regional visits. Board meetings of the Authority are held jointly with subsidiary entity, Queensland Rail Limited under a consolidated Board agenda. A private session involving only non-executive Board members is held at the beginning of each Board meeting and is chaired by the Chair. The CEO, CFO, General Counsel and Company Secretary are also present at all Board meetings. Senior executives attend Board meetings when an issue under their area of responsibility is being considered or as otherwise requested by the Board.

Member attendance at 2019-2020 Board meetings is detailed below:

Board Member	Attended	Meetings Eligible to Attend
David Marchant AM (Chair)	14	14
Stephen Cantwell	14	14
Renaye Peters	14	14
Heather Watson	14	14

Board committees

The Board has established three standing committees to assist with meeting its responsibilities: the Audit and Risk Committee, the People and Safety Committee, and the Major Projects and Procurement Committee. Each of these committees is governed by its own charter.

The membership of each Board committee is made up of a minimum of three members from the Board. The CEO and senior executives attend meetings at the discretion of the committee.

Audit and Risk Committee

The Audit and Risk Committee is a Board committee created to assist the Board in the effective discharge of its governance and oversight responsibilities relating to the financial reporting and risk management of Queensland Rail.

The committee oversees and monitors the preparation of financial statements, internal control structures, compliance and risk management frameworks and the internal and external audit functions of Queensland Rail.

Corporate governance (continued)

The Committee observed the terms of its Charter during the reporting period.

Committee member attendance at 2019-2020 Audit and Risk Committee meetings is detailed below:

Board Member	Attended	Meetings Eligible to Attend
Heather Watson (Chair)	4	4
David Marchant	4	4
Renaye Peters	4	4

People and Safety Committee

The People and Safety Committee is a Board committee created to assist the Board in the effective discharge of its governance and oversight responsibilities relating to the human resources and safety practices of Queensland Rail.

The committee oversees and monitors the remuneration and performance framework for Queensland Rail's senior executives and other employees the development of human resources policies and practices to enhance employee engagement and workforce productivity and performance. The committee also provides strategic direction and oversight of Queensland Rail's safety policies, frameworks and practices.

The Committee observed the terms of its Charter during the reporting period.

Committee member attendance at 2019-2020 People and Safety Committee meetings is detailed below:

Board Member	Attended	Meetings Eligible to Attend
Stephen Cantwell (Chair)	4	4
David Marchant AM	4	4
Heather Watson	4	4

Major Projects and Procurement Committee

The Major Projects and Procurement Committee is a Board committee created to assist the Board in the effective discharge of its governance and oversight responsibilities relating to the delivery of major projects and procurement decisions within Queensland Rail.

The Committee is responsible for providing strategic direction and oversight of major projects undertaken by Queensland

Rail to ensure those investments are delivered in an efficient and cost-effective manner while meeting the responsible Ministers' performance and strategic expectations. The Committee is also responsible for high level oversight and monitoring of procurement processes and procedures operating within Queensland Rail

The Committee observed the terms of its Charter during the reporting period.

Committee member attendance at 2019-2020 Major Projects and Procurement Committee meetings is detailed below:

Board Member	Attended	Meetings Eligible to Attend
Renaye Peters (Chair)	4	4
Stephen Cantwell	4	4
David Marchant	4	4

Notifications by Responsible Ministers

1. Queensland Rail Performance payments

By letter dated 8 November 2019, pursuant to section 12 of the *QRTA Act*, the responsible Ministers directed Queensland Rail not to pay any performance payments to Queensland Rail's Chief Executive Officer or Queensland Rail staff for 2018-2019.

2. Queensland Rail dividends

By letter dated 29 June 2020, pursuant to section 56(2) of the *QRTA Act*, the responsible Ministers directed Queensland Rail pay a dividend equal to 100 per cent of Queensland Rail Group's Net Profit after Tax (NPAT) for the 2019-2020 period, subject to confirmation of the financial impact of COVID-19 and Queensland Rail's final audited financial results. The dividend is to be paid to the Consolidated Fund no later than 30 November 2020.

Information Management

The importance of managing Queensland Rail's information continues to grow as digitisation spreads across the organisation and we move towards becoming a world-class, modern, railway. Whilst these changes bring plenty of opportunities they also present risks to the organisation that must be managed in line with the company's legislative and regulatory obligations.

Queensland Rail has continued its development of an Enterprise Information Management Strategy and supporting program of work in areas including:

Corporate governance (continued)

- Information and Data Governance
- Information and Cyber Security
- Digital Engineering
- Business Information Analytics
- Records Management
- Information Culture.

Delivering on these key initiatives over the coming years will support Queensland Rail's ability to:

- Provide a reliable service and information to its customers
- Continue to improve its asset management capabilities with better information systems
- Support the Cross River Rail project
- Undertake integrated planning across network and rail operations
- Leverage its vast information assets through reliable Business Information and data-driven decisions
- Mitigate risks around information that may impact the organisation.

Open data

Information relating to consultancies, overseas travel and Queensland Languages Services Policy is published through the Queensland Government Open Data website (data.qld.gov.au).

Corporate Entertainment and Hospitality

There was one event related to corporate entertainment and hospitality that exceeded \$5,000 during the year. It was: Australia Day 2020 customer barbecue event to encourage locals to visit and promote the Kuranda Scenic Railway - \$7,942.

Summary of FY2019-2020 Operational Plan

The Operational Plan is the formal statement of Queensland Rail's strategic direction, including objectives, strategies and performance outcomes for 2019-2020 and represents the performance agreement between the Board of Queensland Rail and responsible Ministers' departments. The Operational Plan is consistent with Queensland Rail's Strategic Plan and reflects the strategic activity in year one of this planning horizon.

The Annual Report provides a summary of Queensland Rail's performance outcomes against the 2019-2020 Operational Plan relating to the delivery of strategic and operational objectives.

Queensland Rail measures performance against these objectives to focus efforts upon achieving its strategy. Key performance indicator measures and related targets were identified within the Operational Plan to track the success of strategies during this financial year. Key components of the 2019-2020 Operational Plan are summarised below.

Performance Monitoring

The 2019-2020 Operational Plan contains a framework for performance monitoring that ensures the Queensland Rail Board is accountable to its responsible Ministers for Queensland Rail's performance. This framework enables Queensland Rail to report on several mandatory financial and non-financial performance indicators to present a balanced perspective on Queensland Rail's overall performance. Queensland Rail reports to its responsible Ministers on a quarterly basis in relation to performance against each of its Operational Plan KPIs.

Government Revenues and Funding

The Operational Plan reflects funding under the Transport Service Contract agreement for:

- South East Queensland
- Travel and Tourism
- Regional Network (including Freight)

The 2019-2020 Operational Plan highlights Queensland Rail's focus on delivering a customer-focused, safe, reliable, on-time and value for money rail service for South East Queensland that benefits the community, supports industry and is integrated with the public transport system. The primary focus for the product in 2019-2020 is the implementation of the enterprise-wide Customer Strategy which will deliver targeted and timely customer-focused change.

Throughout the year, modern New Generation Rollingstock trains continued to enter service across South East Queensland and further accessibility upgrades progressed

to onboard services, stations, and online. Queensland Rail also continued works associated with the implementation of the European Train Control System which will significantly contribute to improving its Signals Passed At Danger performance, increase inner-city capacity and improve service reliability.

Work in support of the Government's Cross River Rail Project and Rail Network Strategy significantly increased throughout the year, with Queensland Rail continuing to collaborate with relevant stakeholders to provide operational modelling and delivery of required complementary works.

The 2019-2020 Operational Plan also highlights Queensland Rail's focus on Travel and Tourism through the provision of a safe, efficient, sustainable and value for money experience that connects regional communities and supports the economic development of regional Queensland.

Employment and Industrial Relations

The Operational Plan includes an Employment and Industrial Relations Plan, which aligns all related initiatives with the organisation's values and the Government Owned Corporations - Wages and Industrial Relations Policy 2015. The objective of Queensland Rail's E&IR philosophy is:

- to support the achievement of the Queensland Rail vision
- to build a culture that provides opportunities for people to develop, lead, make a difference and perform
- to develop workplace relations instruments (agreements and policies) and positive relationships that promote fairness, employee engagement and high performance.

Modifications to the Operational Plan

The *QRTA Act 2013 (Qld)* requires that Queensland Rail's Annual Report include particulars of any direction given to Queensland Rail to modify its Operational Plan during the relevant year. Queensland Rail did not modify its Operational Plan during this financial year.

Compliance checklist

Summary of requirement	Basis for requirement	Annual report reference
Letter of compliance	<ul style="list-style-type: none"> • A letter of compliance from the accountable officer or statutory body to the relevant Minister/s 	ARRs – section 7 Page 3
Accessibility	<ul style="list-style-type: none"> • Table of content 	ARRs – section 9.1 Page 4
	<ul style="list-style-type: none"> • Glossary 	Pages 51-52
	<ul style="list-style-type: none"> • Public availability 	ARRs – section 9.2 Page 2
	<ul style="list-style-type: none"> • Interpreter service statement 	<i>Queensland Government Language Services Policy</i> Page 2
		ARRs – section 9.3
	<ul style="list-style-type: none"> • Copyright notice 	<i>Copyright Act 1968</i> Page 2
		ARRs – section 9.4
	<ul style="list-style-type: none"> • Information Licensing 	<i>QGEA – Information Licensing</i> N/A
		ARRs – section 9.5
General information	<ul style="list-style-type: none"> • Introductory Information 	ARRs – section 10.1 Page 5
	<ul style="list-style-type: none"> • Machinery of Government changes 	ARRs – section 10.2, 31 and 32 N/A
	<ul style="list-style-type: none"> • Agency role and main functions 	ARRs – section 10.2 Pages 2, 5
	<ul style="list-style-type: none"> • Operating environment 	ARRs – section 10.3 Pages 5, 15, 19-25
Non-financial performance	<ul style="list-style-type: none"> • Government's objectives for the community 	ARRs – section 11.1 Pages 12, 32-34,
	<ul style="list-style-type: none"> • Other whole-of-government plans / specific initiatives 	ARRs – section 11.2 Pages 6-9, 15, 19
	<ul style="list-style-type: none"> • Agency objectives and performance indicators 	ARRs – section 11.3 Pages 12, 16-18, 20, 25
	<ul style="list-style-type: none"> • Agency service areas and service standards 	ARRs – section 11.4 Pages 10, 48
Financial performance	<ul style="list-style-type: none"> • Summary of financial performance 	ARRs – section 12.1 Pages 13-14
Governance – management and structure	<ul style="list-style-type: none"> • Organisational structure 	ARRs – section 13.1 Page 36
	<ul style="list-style-type: none"> • Executive management 	ARRs – section 13.2 Pages 39-40
	<ul style="list-style-type: none"> • Government bodies (statutory bodies and other entities) 	ARRs – section 13.3 Page 2
	<ul style="list-style-type: none"> • Public Sector Ethics 	<i>Public Sector Ethics Act 1994</i> ARRs – section 13.4 N/A
	<ul style="list-style-type: none"> • Human Rights 	<i>Human Rights Act 2019</i> ARRs – section 13.5 Page 31
	<ul style="list-style-type: none"> • Queensland public service values 	ARRs – section 13.6 Pages 16-18, 29-31
Governance – risk management and accountability	Risk management	ARRs – section 14.1 Pages 41-48
	Audit committee	ARRs – section 14.2 Pages 41-47
	Internal audit	ARRs – section 14.3 Pages 41-47
	External scrutiny	ARRs – section 14.4 Pages 41-47
	Information systems and recordkeeping	ARRs – section 14.5 Pages 41-47
Governance – human resources	Strategic workforce planning and performance	ARRs – section 15.1 Pages 29-31
	Early retirement, redundancy and retrenchment	Directive No.04/18 Early Retirement, Redundancy and Retrenchment N/A
		ARRs – section 15.2
Open Data	Statement advising publication of information	ARRs – section 16 Page 47

Summary of requirement	Basis for requirement	Annual report reference
Consultancies	ARRs – section 33.1	Page 47 https://data.qld.gov.au
Overseas travel	ARRs – section 33.2	Page 47 https://data.qld.gov.au
Queensland Language Services Policy	ARRs – section 33.3	Page 47 https://data.qld.gov.au
Financial statements	Certification of financial statements	FAA – section 62 FPMS – sections 38, 39 and 46 ARRs – section 17.1
	Independent Auditor's Report	FAA – section 62 FPMS – sections 46 ARRs – section 17.3

FAA *Financial Accountability Act 2009*

FPMS *Financial and Performance Management Standard 2019*

ARRs *Annual report requirements for Queensland Government agencies*

Glossary and Acronyms

Glossary

Citytrain network

A collective term for the tracks, stations, trains and infrastructure providing train services in south-east Queensland bounded by the Gold Coast in the south, Rosewood in the west and the Sunshine Coast in the north

Customer

A term used for any passenger utilising Citytrain or Travel and Tourism services, or a rail operator in the context of the freight network

Freight

General freight that is not transported in a bulk train and does not include intermodal and industrial products

Network

Queensland's rail system, including all main railway lines, marshalling yards, bulk freight loading and unloading points and customer stations

Positive pARTnerships Program

A Queensland Rail program involving work with community groups, local schools and stakeholders to collaborate and produce high-quality public artwork projects on Queensland Rail property

Return on Assets (ROA)

Defined as EBIT less income from investments, divided by average operating assets

Return on Equity (ROE)

Defined as operating profit after tax divided by average equity

Rollingstock

Rail locomotives and wagons

TransLink

A division of the Department of Transport and Main Roads that facilitates passenger transport services for Queenslanders and aims to provide a single integrated transport network accessible to everyone

Travel and Tourism network

A collective term for Queensland Rail's eight different travel and tourism services

Acronyms

ASX

Australian Securities Exchange

ARA

Australasian Railway Association

CCC

Crime and Corruption Commission

CCTV

Closed Circuit Television

CEO

Chief Executive Officer

CFO

Chief Financial Officer

Corporations Act

Corporations Act 2001 (Cth)

CRR

Cross River Rail

CRRDA

Cross River Rail Delivery Authority

DDA

Disability Discrimination Act 1992 (Cth)

DFV

Domestic and Family Violence

EBIT

Earnings Before Interest and Tax

EBITDA

Earnings Before Interest, Tax, Depreciation and Amortisation

EMU

Electric Multiple Unit

ETCS

European Train Control System

FAA

Financial Accountability Act 2009 (Qld)

FPMS

Financial and Performance Management Standard 2019

FTE

Full-time equivalent (employee)

GTKs

Gross Tonne Kilometres

Glossary and Acronyms (cont)

HRA

Human Rights Act 2019 (Qld)

KPIs

Key Performance Indicators

KSR

Kuranda Scenic Railway

NGR

New Generation Rollingstock

OHLE

Overhead power line equipment

QCA

Queensland Competition Authority

QPS

Queensland Police Service

QRL

Queensland Rail Limited

QRTA Act

Queensland Rail Transit Authority Act 2013 (Qld)

OTI

On Track Insurance Pty Ltd

RORU

Rail Operations Response Unit

SPAD

Signal Passed at Danger

TRIFR

Total Recordable Injury Frequency Rate

Queensland Rail

ABN 68 598 268 528

Financial report for the year ended 30 June 2020

Queensland Rail

ABN 68 598 268 528

Financial report - 30 June 2020

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Statements of comprehensive income for the year ended 30 June 2020

	Notes	Consolidated 2020 \$'000	2019 \$'000	Parent 2020 \$'000	2019 \$'000
Revenue from operations	1	2,111,705	2,104,009	1,151,762	1,109,764
Other income		3,305	3,358	-	-
Total revenue and other income		2,115,010	2,107,367	1,151,762	1,109,764
Supplies and services	2	(427,243)	(458,472)	-	-
Employee benefits expense	3	(931,339)	(854,731)	(1,032,023)	(967,443)
Depreciation and amortisation expense		(399,122)	(386,219)	-	-
Other expenses		(24,477)	(32,182)	(381)	(797)
Total expenses		(1,782,181)	(1,731,604)	(1,032,404)	(968,240)
Operating profit		332,829	375,763	119,358	141,524
Finance income		196	287	-	-
Finance expenses	4	(162,468)	(174,242)	-	-
Net finance costs		(162,272)	(173,955)	-	-
Profit before income tax		170,557	201,808	119,358	141,524
Income tax expense	5	(51,199)	(60,284)	-	-
Profit for the year		119,358	141,524	119,358	141,524
Other comprehensive income					
<i>Items that may be reclassified to profit or loss</i>					
Changes in the fair value of cash flow hedges		(298)	(33)	-	-
Income tax relating to components of other comprehensive income	5	89	10	-	-
Other comprehensive loss for the year		(209)	(23)	-	-
Total comprehensive income for the year		119,149	141,501	119,358	141,524

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

These financial statements cover Queensland Rail and its controlled entities.

Queensland Rail is a statutory body established under the *Queensland Rail Transit Authority Act 2013*.

The statutory body is controlled by the State of Queensland which is the ultimate parent.

The head office and principal place of business of the statutory body is:

Level 14, Rail Centre 1
305 Edward Street
Brisbane Qld 4000

A description of the nature of the statutory body's operations and its principal activities is included in the notes to the financial statements.

Balance sheets for the year ended 30 June 2020

	Notes	Consolidated 2020 \$'000	2019 \$'000	Parent 2020 \$'000	2019 \$'000
ASSETS					
Current assets					
Cash and cash equivalents		21,428	3,446	-	-
Trade and other receivables		38,979	51,174	446,633	441,115
Prepayments		11,921	10,615	-	-
Inventories	6	107,956	97,391	-	-
Other current assets		61	239	-	-
Total current assets		180,345	162,865	446,633	441,115
Non-current assets					
Receivables		-	-	29,753	23,793
Prepayments		5,039	10,500	-	-
Inventories	6	32,236	23,263	-	-
Property, plant and equipment	7	7,690,570	7,515,296	-	-
Intangible assets	8	90,069	96,576	-	-
Right-of-use assets	9	97,630	-	-	-
Deferred tax assets	10	-	-	88,925	84,947
Investment in subsidiary		-	-	2,845,324	2,845,324
Other non-current assets		2	55	3,465	12,836
Total non-current assets		7,915,546	7,645,690	2,967,467	2,966,900
Total assets		8,095,891	7,808,555	3,414,100	3,408,015
LIABILITIES					
Current liabilities					
Trade and other payables	11	369,056	357,467	163,126	174,778
Borrowings	17	-	46,448	-	-
Lease liabilities	9	12,334	-	-	-
Provisions	12	281,299	264,110	277,878	260,699
Current tax liabilities		2,959	25,519	2,959	25,519
Other current liabilities		8,070	26,519	186	194
Total current liabilities		673,718	720,063	444,149	461,190
Non-current liabilities					
Borrowings	17	3,630,000	3,380,000	-	-
Lease liabilities	9	92,616	-	-	-
Provisions	12	33,660	30,500	29,752	23,793
Deferred tax liabilities	13	357,989	362,276	-	-
Other non-current liabilities		10,719	11,469	17,167	-
Total non-current liabilities		4,124,984	3,784,245	46,919	23,793
Total liabilities		4,798,702	4,504,308	491,068	484,983
Net assets		3,297,189	3,304,247	2,923,032	2,923,032
EQUITY					
Contributed equity		3,068,249	3,068,249	2,829,655	2,829,655
Reserves		138	347	-	-
Retained earnings		228,802	235,651	93,377	93,377
Total equity		3,297,189	3,304,247	2,923,032	2,923,032

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

Statements of changes in equity for the year ended 30 June 2020

Consolidated	Notes	Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	Total equity \$'000
Balance at 1 July 2019		3,068,249	347	235,651	3,304,247
Adjustment on adoption of AASB 16 Leases	9	-	-	(6,849)	(6,849)
Restated total equity at the beginning of the financial year		3,068,249	347	228,802	3,297,398
Profit for the year		-	-	119,358	119,358
Other comprehensive income		-	(209)	-	(209)
Total comprehensive income for the year		-	(209)	119,358	119,149
Transactions with owners in their capacity as owners:					
Contributions of equity		-	-	-	-
Dividends provided	14	-	-	(119,358)	(119,358)
		-	-	(119,358)	(119,358)
Balance at 30 June 2020		3,068,249	138	228,802	3,297,189
Balance at 1 July 2018		2,586,959	370	235,651	2,822,980
Profit for the year		-	-	141,524	141,524
Other comprehensive income		-	(23)	-	(23)
Total comprehensive income for the year		-	(23)	141,524	141,501
Transactions with owners in their capacity as owners:					
Contributions of equity		481,290	-	-	481,290
Dividends provided	14	-	-	(141,524)	(141,524)
		481,290	-	(141,524)	339,766
Balance at 30 June 2019		3,068,249	347	235,651	3,304,247

The above statements of changes in equity should be read in conjunction with the accompanying notes.

Statements of changes in equity (continued)

Parent	Notes	Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	Total equity \$'000
Balance at 1 July 2019		2,829,655	-	93,377	2,923,032
Adjustment on adoption of AASB 16 Leases	9	-	-	-	-
Restated total equity at the beginning of the financial year		2,829,655	-	93,377	2,923,032
Profit for the year		-	-	119,358	119,358
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		-	-	119,358	119,358
Transactions with owners in their capacity as owners:					
Contributions of equity		-	-	-	-
Dividends provided	14	-	-	(119,358)	(119,358)
		-	-	(119,358)	(119,358)
Balance at 30 June 2020		2,829,655	-	93,377	2,923,032
Balance at 1 July 2018		2,829,655	-	93,377	2,923,032
Profit for the year		-	-	141,524	141,524
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		-	-	141,524	141,524
Transactions with owners in their capacity as owners:					
Contributions of equity		-	-	-	-
Dividends provided	14	-	-	(141,524)	(141,524)
		-	-	(141,524)	(141,524)
Balance at 30 June 2019		2,829,655	-	93,377	2,923,032

The above statements of changes in equity should be read in conjunction with the accompanying notes.

Statements of cash flows for the year ended 30 June 2020

	Notes	Consolidated 2020 \$'000	2019 \$'000	Parent 2020 \$'000	2019 \$'000
Cash flows from operating activities					
Receipts from customers*		361,152	351,798	1,032,404	968,240
Receipts from Rail Transport Service Contract*		1,960,117	1,955,771	-	-
Dividends received from subsidiaries		-	-	141,525	113,461
Interest received		189	350	-	-
Payments to suppliers and employees*		(1,459,124)	(1,382,411)	(999,397)	(942,367)
Interest and other costs of finance paid		(180,022)	(188,286)	-	-
GST input tax credits		91,462	87,005	643	617
GST remitted		(211,569)	(207,824)	-	-
Other		(7)	21	(7)	22
Income taxes paid		(77,100)	(27,020)	(77,100)	(27,020)
Net cash inflow from operating activities	15	485,098	589,404	98,068	112,953
Cash flows from investing activities					
Payments for property, plant and equipment and intangibles		(527,763)	(551,315)	-	-
Proceeds from the disposal of property, plant and equipment and intangibles		8,895	6,720	-	-
Loans to related parties		-	-	-	(701)
Repayments of loans by related parties		-	-	43,456	-
Net cash (outflow) / inflow from investing activities		(518,868)	(544,595)	43,456	(701)
Cash flows from financing activities					
Proceeds from borrowings	16	203,552	46,448	-	-
Repayments of principal element of lease liabilities	16	(10,276)	-	-	-
Dividends paid	14	(141,524)	(112,252)	(141,524)	(112,252)
Net cash inflow / (outflow) from financing activities		51,752	(65,804)	(141,524)	(112,252)
Net increase / (decrease) in cash and cash equivalents					
Cash and cash equivalents at the beginning of the financial year		3,446	24,441	-	-
Cash and cash equivalents at end of year		21,428	3,446	-	-

* Inclusive of goods and services tax (GST).

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

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Notes to the statements of comprehensive income

1 Revenue from operations

	Consolidated		Parent	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
<i>Revenue from contracts with customers</i>				
Rail Transport Service Contract revenue	1,794,252	1,777,911	-	-
Network access revenue	200,283	177,257	-	-
Passenger transport revenue	59,150	72,221	-	-
Other revenue from customer contracts	31,953	41,381	-	-
Operating lease revenue	23,127	29,754	-	-
Managed services revenue	-	-	1,032,404	968,240
<i>Other revenue</i>				
Other revenue	2,940	5,485	-	-
Inter-company dividend revenue	-	-	119,358	141,524
	2,111,705	2,104,009	1,151,762	1,109,764

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

(a) Rail Transport Service Contract

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

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

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

(b) Network access

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

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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 the time the service is provided and income relating to future services is accounted for as a liability. The sale of catering items is recognised when the goods have been transferred to the customer.

(d) Managed Services Agreement

Revenue generated from the provision of personnel services to Queensland Rail Limited includes direct and indirect costs as per the Managed Services Agreement. All employees within the consolidated entity reside in Queensland Rail. The Managed Services Agreement facilitates the invoicing of all employee related costs, including their associated leave entitlement expenses, to Queensland Rail Limited. Revenue generated from the Managed Services Agreement is recognised as the services are provided.

(e) Income in advance from contracts with customers

Consolidated 2020	Passenger transport revenue \$'000	Other revenue from customer contracts \$'000	Total \$'000
Opening balance	5,329	2,823	8,152
Adjustment on adoption of AASB 16 Leases	-	(131)	(131)
Restated opening balance	5,329	2,692	8,021
Revenue recognised from the opening balance as performance obligations are satisfied	(5,329)	(2,692)	(8,021)
Income in advance recognised as performance obligations not yet satisfied	54,223	10,696	64,919
Revenue recognised as performance obligations are satisfied	(50,685)	(8,792)	(59,477)
Closing balance	3,538	1,904	5,442
2019			
Opening balance	5,521	3,344	8,865
Revenue recognised from the opening balance as performance obligations are satisfied	(5,521)	(3,344)	(8,865)
Income in advance recognised as performance obligations not yet satisfied	68,024	14,704	82,728
Revenue recognised as performance obligations are satisfied	(62,695)	(11,881)	(74,576)
Closing balance	5,329	2,823	8,152

The parent entity does not have any income in advance.

2 Supplies and services

	Consolidated 2020 \$'000	2019 \$'000
Materials and consumable items	142,491	152,786
Trade services	95,732	79,940
Professional services and fees	52,606	55,568
Traction electricity and train fuel	36,969	45,589
Lease and hire charges	26,983	38,792
Utilities	25,195	28,543
Capital and external works	18,003	14,822
Vehicle running expenses	15,541	16,569
Other supplies and services	13,723	25,863
	427,243	458,472

The parent entity does not incur any supplies and services expenditure.

3 Employee benefits expense

	Consolidated 2020 \$'000	2019 \$'000	Parent 2020 \$'000	2019 \$'000
Wages and salaries	663,317	601,590	757,953	708,329
Annual leave	71,269	64,943	71,269	64,943
Long service leave	24,119	32,740	24,119	32,740
Superannuation				
Defined benefit superannuation expense	14,640	14,986	14,640	14,986
Defined contribution superannuation expense	71,032	63,140	71,032	63,140
Other employee benefits	31,632	28,844	31,632	28,844
Employee related expenses	55,330	48,488	61,378	54,461
	931,339	854,731	1,032,023	967,443

In accordance with accounting standards and Queensland Rail capitalisation policy, all employee expenses directly attributable to the acquisition or construction of an asset are recognised directly in property, plant and equipment.

The consolidated entity's total employee benefits expense was \$1,052.0 million (2019: \$989.5 million). Of this \$120.7 million (2019: \$134.8 million) was recognised directly in property, plant and equipment leaving \$931.3 million (2019: \$854.7 million) reported as employee benefits expense.

The number of full-time equivalent (FTE) employees as at reporting date was 7,389.2 (2019: 7,164.6). FTEs include full-time, part-time and casual employees based on a thirty-eight hour week.

(a) Enterprise Agreement administrative payment

Six enterprise agreements applying to Queensland Rail employees, excluding traincrew, nominally expired on 28 February 2019. As at reporting date in principal agreement with all Unions had been reached. The agreements were approved by a majority of employees who voted in a ballot in August 2020 and have been lodged for approval with the Fair Work Commission. The agreements include:

- Queensland Rail Network Enterprise Agreement 2016;
- Queensland Rail Rollingstock & Operations Enterprise Agreement 2016;
- Queensland Rail Train Control Enterprise Agreement 2016;
- Queensland Rail Administrative, Professional & Technical Enterprise Agreement 2016;
- Queensland Rail Station Operations Enterprise Agreement 2016; and
- Queensland Rail Travel and Tourism and Other Employees Enterprise Agreement 2016.

3 Employee benefits expense (continued)

(a) Enterprise Agreement administrative payment (continued)

An administrative payment was made to non-traincrew employees in recognition of wage increases applicable from 1 March 2019 and 1 March 2020. This was made in the current reporting period which amounted to \$27.7 million (including associated on-costs).

4 Finance expenses

	Consolidated 2020 \$'000	2019 \$'000
Interest and finance charges on borrowings	160,767	173,959
Interest on lease liabilities	1,598	-
Other interest	103	283
	<u>162,468</u>	<u>174,242</u>

The parent entity does not incur any finance expenses.

5 Income tax expense

Income tax expense comprises current and deferred tax and is recognised in the statements 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.

(a) Income tax expense

	Consolidated 2020 \$'000	2019 \$'000	Parent 2020 \$'000	2019 \$'000
Current tax	51,743	61,238	3,978	10,152
Deferred tax	(430)	230	(3,978)	(10,152)
Adjustments for current tax of prior periods	(8)	(293)	-	-
Recognition of unused capital tax loss	(106)	(891)	-	-
	<u>51,199</u>	<u>60,284</u>	<u>-</u>	<u>-</u>
Deferred income tax expense / (benefit) included in income tax expense comprises:				
(Increase) in deferred tax assets	10 (18,247)	(11,439)	(3,978)	(10,152)
Increase in deferred tax liabilities	13 17,817	11,669	-	-
	<u>(430)</u>	<u>230</u>	<u>(3,978)</u>	<u>(10,152)</u>

5 Income tax expense (continued)

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

	Consolidated 2020 \$'000	2019 \$'000	Parent 2020 \$'000	2019 \$'000
Profit from continuing operations before income tax expense	170,557	201,808	119,358	141,524
Tax at the Australian tax rate of 30% (2019: 30%)	51,167	60,542	35,807	42,457
Tax effect of amounts which are not deductible / (taxable) in calculating taxable income:				
Entertainment	5	-	-	-
Dividends received from subsidiaries	-	-	(35,807)	(42,457)
Capital gains / (losses) not recognised	1	-	-	-
Luxury car tax	32	35	-	-
Other	2	-	-	-
Adjustments for current tax of prior periods	(8)	(293)	-	-
	<u>32</u>	<u>(258)</u>	<u>(35,807)</u>	<u>(42,457)</u>
Total income tax expense	<u>51,199</u>	<u>60,284</u>	<u>-</u>	<u>-</u>

(c) Amounts recognised directly in equity

	Consolidated 2020 \$'000	2019 \$'000	Parent 2020 \$'000	2019 \$'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	10, 13 (89)	(10)	-	-
	<u>(89)</u>	<u>(10)</u>	<u>-</u>	<u>-</u>

(d) Income tax consolidation

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

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

The income tax consolidated 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.

7 Property, plant and equipment
(a) Movements in property, plant and equipment

Consolidated	Work in progress \$'000	Land \$'000	Buildings \$'000	Plant and equipment \$'000	Major plant and equipment \$'000	Infrastructure \$'000	Total \$'000
At 1 July 2019							
Cost	469,590	103,022	809,323	402,035	2,208,003	6,733,879	10,725,852
Accumulated depreciation and impairment losses	-	(690)	(281,208)	(175,110)	(1,183,192)	(1,570,356)	(3,210,556)
Net book amount	469,590	102,332	528,115	226,925	1,024,811	5,163,523	7,515,296
Adjustment on adoption of AASB 16 Leases	-	-	(262)	-	-	-	(262)
Restated net book amount	469,590	102,332	527,853	226,925	1,024,811	5,163,523	7,515,034
Year ended 30 June 2020							
Restated opening net book amount	469,590	102,332	527,853	226,925	1,024,811	5,163,523	7,515,034
Additions	592,824	-	-	-	-	-	592,824
Transfers between asset classes	(463,070)	-	46,113	60,929	27,076	328,952	-
Transfers to supplies and services	(21,912)	-	-	-	-	-	(21,912)
Transfers from State Government	-	-	-	-	-	-	-
Disposals	-	(1,647)	(3,672)	(9,862)	(313)	(6,690)	(22,184)
Depreciation expense	-	-	(34,794)	(31,521)	(82,875)	(224,002)	(373,192)
Closing net book amount	577,432	100,685	535,500	246,471	968,699	5,261,783	7,690,570
At 30 June 2020							
Cost	577,432	101,375	848,173	418,931	2,100,900	7,036,463	11,083,274
Accumulated depreciation and impairment losses	-	(690)	(312,673)	(172,460)	(1,132,201)	(1,774,680)	(3,392,704)
Net book amount	577,432	100,685	535,500	246,471	968,699	5,261,783	7,690,570

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Notes to the balance sheets

6 Inventories

Consolidated	2020			2019		
	Current \$'000	Non-current \$'000	Total \$'000	Current \$'000	Non-current \$'000	Total \$'000
Raw materials and stores	120,707	32,236	152,943	110,538	23,263	133,801
Work in progress	289	-	289	191	-	191
Less: allowance for inventory obsolescence	(13,040)	-	(13,040)	(13,338)	-	(13,338)
	107,956	32,236	140,192	97,391	23,263	120,654

The parent entity does not hold any property, plant and equipment.

(a) Inventory expense

Inventory recognised as expense during the year ended 30 June 2020 amounted to \$59.9 million (2019: \$73.0 million). Inventory capitalised to property, plant and equipment during the year ended 30 June 2020 amounted to \$61.6 million (2019: \$64.6 million).

Judgements and estimates

The value of inventories reported includes items held in centralised stores, workshops and infrastructure and rollingstock depots. Cost comprises cost of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition. Inventories are valued at the lower of cost and net realisable value. Cost is determined on either an average cost or standard cost methodology depending on the inventory location. 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.

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7 Property, plant and equipment (continued)

(b) Initial recognition

From 1 July 2018, 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.

Prior to 1 July 2018, the threshold of \$2,000 was applied to all plant and equipment, infrastructure and building assets.

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 consolidated entity 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 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 consolidated entity's capitalisation policy.

Land

The *Transport Infrastructure Act 1994* stipulates that the consolidated entity 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 Natural Resources and Mines on behalf of the State. This land is leased to the Department of Transport and Main Roads and subsequently subleased to the consolidated entity for no cost. The sublease term is for an initial term of 100 years with a renewal option for an additional 100 years.

Buildings

The make good assets of leased properties previously disclosed under buildings was removed from property, plant and equipment and included in the right-of-use asset on adoption of AASB 16.

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 consolidated entity 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.

7 Property, plant and equipment (continued)

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

Consolidated	Work in progress		Land		Buildings		Plant and equipment		Major plant and equipment		Infrastructure		Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
At 1 July 2018													
Cost	374,161	103,060	708,247	349,535	2,222,554	6,034,390	9,791,947						
Accumulated depreciation and impairment losses	-	(690)	(243,879)	(162,096)	(1,158,862)	(1,350,513)	(2,916,040)						
Net book amount	374,161	102,370	464,368	187,439	1,063,692	4,683,877	6,875,907						
Year ended 30 June 2019													
Opening net book amount	374,161	102,370	464,368	187,439	1,063,692	4,683,877	6,875,907						
Additions	559,726	-	22,692	81,199	51,080	305,278	559,775						
Transfers between asset classes	(460,249)	-	-	-	-	-	-						
Transfers to supplies and services	(4,048)	-	-	-	-	-	(4,048)						
Transfers from State Government*	-	-	70,513	4,042	-	406,735	481,290						
Disposals	-	(38)	(1,084)	(6,219)	(189)	(22,124)	(29,654)						
Depreciation expense	-	-	(28,374)	(39,585)	(89,772)	(210,243)	(367,974)						
Closing net book amount	469,590	102,332	528,115	226,925	1,024,811	5,163,523	7,515,296						
At 30 June 2019													
Cost	469,590	103,022	809,323	402,035	2,208,003	6,733,879	10,725,852						
Accumulated depreciation and impairment losses	-	(690)	(281,208)	(175,110)	(1,183,192)	(1,570,356)	(3,210,556)						
Net book amount	469,590	102,332	528,115	226,925	1,024,811	5,163,523	7,515,296						

* The transfers from State Government represents assets associated with the Moreton Bay Rail Link and also car park assets. The assets were transferred in June 2019 at their carrying amount in exchange for equity in Queensland Rail Limited in accordance with a Transfer Notice under the *Queensland Rail Transit Authority Act 2013*. The parent entity does not hold any property, plant and equipment.

7 Property, plant and equipment (continued)

(d) Depreciation (continued)

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

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

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

Buildings 5 - 50 years including:

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

Major plant and equipment 7 - 50 years including:

Country and suburban cars	35 - 50 years
Overhauls	7 - 15 years
Plant and equipment	4 - 25 years

Remaining useful lives of assets are reviewed annually.

Judgements and estimates

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

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

Management implemented a new framework from 1 July 2018 to improve the management of its property, plant and equipment. All asset classes are capitalised at their optimum componentised level to reflect current business replacement forecasts. The replacement framework drives improved estimation of useful lives and depreciation expense.

The impact of implementing this framework was accounted for prospectively from 1 July 2018. In accordance with paragraph 28(h) of AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* it was deemed impracticable to account for this framework retrospectively, being the current and prior reporting periods.

7 Property, plant and equipment (continued)

(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 to sell 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. Queensland Rail identified three CGUs being South East Queensland, Regional and Mt Isa.

An impairment assessment on all CGUs was undertaken prior to reporting date. No impairment was recognised in the current or prior reporting period. Assets that were damaged beyond repair as a result of the North Queensland flood disaster in the prior reporting period have been disposed of at their carrying amount and their replacement has been recognised as property, plant and equipment. This replacement program has not resulted in an impairment of the assets within the Regional or Mt Isa CGUs.

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 consolidated entity to each CGU and the discounting of nominal amounts using the weighted average cost of capital applicable to that CGU. The cash flows include a terminal value which is determined using a perpetuity calculation after adjusting for annual growth.

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

(f) Non-current assets pledged as security

No assets have been pledged as security by the consolidated entity.

(g) Cross River Rail

In the prior period 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.

CRR program will provide vital infrastructure to support Queensland Rail'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 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 Queensland Rail will operate the CRR network and provide passenger rail services for Queensland. This will require the safe and efficient delivery and integration of the CRR infrastructure into the existing South East Queensland rail network and operations.

Judgements and estimates

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

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

8 Intangible assets

Consolidated	Software under development \$'000	Software \$'000	Total \$'000
At 1 July 2019			
Cost	17,181	188,015	205,196
Accumulated amortisation and impairment losses	-	(108,620)	(108,620)
Net book amount	<u>17,181</u>	<u>79,395</u>	<u>96,576</u>
Year ended 30 June 2020			
Opening net book amount	17,181	79,395	96,576
Additions	10,179	-	10,179
Transfers between asset classes	(2,275)	2,275	-
Transfers to supplies and services	(2,105)	-	(2,105)
Amortisation expense	-	(14,581)	(14,581)
Closing net book amount	<u>22,980</u>	<u>67,089</u>	<u>90,069</u>
At 30 June 2020			
Cost	22,980	187,597	210,577
Accumulated amortisation and impairment losses	-	(120,508)	(120,508)
Net book amount	<u>22,980</u>	<u>67,089</u>	<u>90,069</u>
At 1 July 2018			
Cost	59,971	134,297	194,268
Accumulated amortisation and impairment losses	-	(99,020)	(99,020)
Net book amount	<u>59,971</u>	<u>35,277</u>	<u>95,248</u>
Year ended 30 June 2019			
Opening net book amount	59,971	35,277	95,248
Additions	19,761	-	19,761
Transfers between asset classes	(62,363)	62,363	-
Transfers to supplies and services	(188)	-	(188)
Amortisation expense	-	(18,245)	(18,245)
Closing net book amount	<u>17,181</u>	<u>79,395</u>	<u>96,576</u>
At 30 June 2019			
Cost	17,181	188,015	205,196
Accumulated amortisation and impairment losses	-	(108,620)	(108,620)
Net book amount	<u>17,181</u>	<u>79,395</u>	<u>96,576</u>

The parent entity does not hold any intangible assets.

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 consolidated entity 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.

From 1 July 2018, intangibles have a threshold of \$100,000. If intangibles cost less than \$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. Prior to 1 July 2018, the threshold of \$50,000 was applied.

9 Leases

(a) Details of leasing arrangements as lessee

The consolidated entity routinely enters into leases for land and buildings and telecommunication infrastructure. Some of the land and building leases are short-term. Lease terms for leases that are recognised on balance sheet can range from 5 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 consolidated entity is reasonably certain it will renew the lease.

The consolidated entity is also party to specific arrangements which would satisfy the criteria for recognition as a lease under AASB 16 *Leases*. However, the consideration for these arrangements amount to, in most cases, \$1 per annum. These arrangements are commonly referred to as "peppercorn leases". These include access to corridor land from the Department of Transport and Main Roads (TMR). As the consolidated entity 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 consolidated entity 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.

In prior reporting periods, leases of property, plant and equipment were classified as either finance leases or operating leases. In the prior reporting period, the consolidated entity was not party to any finance leases. Non-cancellable operating leases were disclosed as commitments in the prior period.

Reconciliation of prior period operating lease commitments to the opening balance of lease liabilities on adoption of AASB 16 in the current period.

	Land and buildings \$'000	Infrastructure \$'000	Total \$'000
Operating lease commitments disclosed as at 30 June 2019	24,301	17,782	42,083
(Less): unwind discount	(3,370)	(2,604)	(5,974)
(Less): index variance*	(97)	(231)	(328)
(Less): contract amendments	-	(3,210)	(3,210)
Add: uncommitted options	38,445	2,531	40,976
Add: prepayment adjustment	38	80	118
Add: onerous contracts	1,810	-	1,810
Lease liability recognised as at 1 July 2019	61,127	14,348	75,475

* Index variance - only fixed index rates are used in the measurement of lease liabilities; variable index rates such as CPI are not included.

In the current reporting period, the consolidated entity has recognised 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 consolidated entity, 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 consolidated entity under residual value guarantees;
- the exercise price of a purchase option if the consolidated entity is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the consolidated entity exercising that option.

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

9 Leases (continued)

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

For new leases entered from in the current reporting period, the 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 consolidated entity, the consolidated entity'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 consolidated entity 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 consolidated entity's exposure is primarily due to market reviews or consumer price indexation. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

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

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

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

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

On transition, the modified retrospective approach was used, and discounted using the consolidated entity's incremental borrowing rate. Using the modified retrospective approach:

- the right-of-use asset is recognised as the carrying amount as if AASB 16 always applied, using the incremental borrowing rate at the date of transition and assessed for impairment (onerous contract provision) and subleasing impacts; and
- the lease liability is recognised for outstanding payments from 1 July 2019 using the incremental borrowing rate at the date of transition.

The weighted average incremental borrowing rate of 1.72% was used on adoption.

The modified retrospective approach does not require the restatement of comparative information. Instead, the lessee recognises any difference between opening lease liability and right-of-use asset as an adjustment to the opening balance of retained earnings.

	1 July 2019 \$'000
Balance sheets movements on adoption	
Increase in right-of-use assets	66,797
Increase in other assets	18,133
Increase in lease liabilities	75,475
Increase in other liabilities	16,304
Decrease in opening retained earnings	(6,849)

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 consolidated entity'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 consolidated entity 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 consolidated entity 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.

9 Leases (continued)

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

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	Total \$'000
Consolidated			
At 1 July 2019	49,511	17,286	66,797
Additions	10,017	-	10,017
Remeasurement	32,037	128	32,165
Depreciation / amortisation expense	(9,530)	(1,819)	(11,349)
At 30 June 2020	82,035	15,595	97,630

The parent entity does not hold any right-of-use assets.

Lease liabilities

	Land and buildings \$'000	Infrastructure \$'000	Total \$'000
Consolidated			
At 1 July 2019	61,127	14,348	75,475
Additions	10,017	-	10,017
Remeasurement	32,037	128	32,165
Lease payments	(10,852)	(1,784)	(12,636)
Interest expense	1,320	278	1,598
Derecognised	(1,669)	-	(1,669)
At 30 June 2020	91,980	12,970	104,950

The parent entity does not have any lease liabilities.

(ii) Net investment in subleases

	Land and buildings \$'000	Infrastructure \$'000	Total \$'000
Consolidated			
At 1 July 2019	1,867	-	1,867
Remeasurement	(23)	-	(23)
Amortised interest	11	-	11
Payments received	(785)	-	(785)
Derecognised	(1,070)	-	(1,070)
At 30 June 2020	-	-	-

The parent entity does not hold any net investment in subleases.

9 Leases (continued)

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

(iii) Amounts recognised in the statements of comprehensive income

	Consolidated 2020 \$'000	2019 \$'000
Depreciation charge of right-of-use assets		
Land and buildings	9,530	-
Infrastructure	1,819	-
	<u>11,349</u>	<u>-</u>
Lease liability - interest expense	1,598	-
Other - rental expense*	894	-

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

The parent entity does not incur any depreciation charge of right-of-use assets, interest expense or rental expense.

(iv) Amounts recognised in the statements of cash flows

The total cash outflow for leases in 2020 was \$12.6 million.

The parent entity does not have any cash outflow for leases.

(v) Lease liability maturity analysis

	Consolidated 2020 \$'000	2019 \$'000
Lease liabilities		
Less than 1 year	11,399	-
Between 1 and 5 years	47,020	-
Over 5 years	13,993	-
Total contractual cash flows	<u>72,412</u>	<u>-</u>

The parent entity does not have any lease liabilities.

The lease liability disclosed in the maturity analysis are the committed undiscounted contractual amounts. These undiscounted cash flows differ from the amount in the balance sheets because the amount in that statement is based on:

- discounted cash flows;
- uncommitted option periods that the group are reasonably certain to exercise; and
- fixed index rates only (variable index rates such as CPI are not included).

(b) Details of leasing arrangements as lessor

The consolidated entity 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 consolidated entity subleases floor space within 295 Ann Street Brisbane which expires September 2020. This sublease was originally for the remaining term of the head lease and recognised as a net investment in sublease. The head lease was renegotiated to a 5-year head agreement and subsequently, the sublease was then classified as an operating lease.

The total cash inflow for leases in 2020 was \$9.4 million.

The parent entity does not have any cash inflow for leases.

10 Deferred tax assets

	Notes	Consolidated 2020 \$'000	2019 \$'000	Parent 2020 \$'000	2019 \$'000
The balance comprises temporary differences attributable to:					
Accrued expenses		18,842	16,754	543	3,734
Capital losses		997	891	-	-
Provisions		94,281	88,951	86,837	80,759
Lease liabilities		31,485	-	-	-
Superannuation contributions		1,545	454	1,545	454
Unearned revenue		3,989	1,542	-	-
Foreign exchange gains		55	66	-	-
Total deferred tax assets		<u>151,194</u>	<u>108,658</u>	<u>88,925</u>	<u>84,947</u>
Set-off of deferred tax liabilities pursuant to set-off provisions	13	<u>(151,194)</u>	<u>(108,658)</u>	<u>-</u>	<u>-</u>
Net deferred tax assets		<u>-</u>	<u>-</u>	<u>88,925</u>	<u>84,947</u>
Movements:					
Opening balance		-	-	84,947	74,795
Adjustment on adoption of AASB 16 Leases		21,378	-	-	-
Prior year adjustments		2,805	-	-	-
Credited to the statements of comprehensive income	5	18,247	11,439	3,978	10,152
Recognition of unused capital tax loss		106	891	-	-
Set-off of deferred tax liabilities pursuant to set-off provisions	13	<u>(42,536)</u>	<u>(12,330)</u>	<u>-</u>	<u>-</u>
Closing balance at 30 June		<u>-</u>	<u>-</u>	<u>88,925</u>	<u>84,947</u>
Deferred tax assets expected to be recovered within 12 months		-	-	83,852	80,853
Deferred tax assets expected to be recovered after more than 12 months		-	-	5,073	4,094

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 consolidated entity'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 balance sheets. 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.

11 Trade and other payables

	Consolidated		Parent	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Trade payables	229,064	207,388	33,458	33,178
Dividend payable	119,358	141,524	119,358	141,524
Other payables	11,982	1,487	10,317	108
	360,404	350,399	163,133	174,810
GST input tax credits receivable	(8,929)	(11,276)	(7)	(32)
GST payable	17,581	18,344	-	-
	8,652	7,068	(7)	(32)
Total trade and other payables	369,056	357,467	163,126	174,778

Trade and other payables represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year which are unpaid. Trade and other payables are measured initially at the transaction price and subsequently at fair value through profit or loss (FVTPL) due to the current nature of these liabilities. The amounts are unsecured and are usually paid within the terms set by the supplier.

12 Provisions

Consolidated	2020			2019		
	Current \$'000	Non-current \$'000	Total \$'000	Current \$'000	Non-current \$'000	Total \$'000
Employee benefits	271,387	16,911	288,298	254,397	13,647	268,044
Litigation and workers' compensation provision	7,728	13,376	21,104	7,646	10,703	18,349
Land rehabilitation provision	2,184	3,373	5,557	983	4,128	5,111
Make good provision	-	-	-	-	1,297	1,297
Onerous contracts provision	-	-	-	1,084	725	1,809
	281,299	33,660	314,959	264,110	30,500	294,610
Parent	2020			2019		
	Current \$'000	Non-current \$'000	Total \$'000	Current \$'000	Non-current \$'000	Total \$'000
Employee benefits	271,387	16,911	288,298	254,397	13,647	268,044
Litigation and workers' compensation provision	6,491	12,841	19,332	6,302	10,146	16,448
Land rehabilitation provision	-	-	-	-	-	-
Make good provision	-	-	-	-	-	-
Onerous contracts provision	-	-	-	-	-	-
	277,878	29,752	307,630	260,699	23,793	284,492

Provisions are recognised when the consolidated entity 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.

12 Provisions (continued)

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) Employee benefits

Employee obligations are presented as current liabilities in the balance sheets if the entity does not have an unconditional right to defer settlement for at least 12 months after the reporting period, regardless of when the actual settlement is expected to occur. The remaining non-vested employee obligations are included as non-current liabilities. Employee benefits include wages and salaries, annual leave, leave loading, long service leave, retiring allowance and related on-costs (where applicable). Sick leave is not provided for on the grounds that it is non-vesting.

Retirement allowance is payable to employees that retire or are paid according to Voluntary Employee Redundancy Scheme (VERS) or Medical Separation who:

- are not members of a QSuper contributory or defined benefit superannuation fund;
- were employed prior to 1 February 1995;
- have 10 or more years of continuous service; and
- have reached the retirement attainment age of 55.

(i) Short-term employee benefit obligations

Short-term liabilities are benefits expected to be settled wholly within 12 months after the end of the reporting period. These liabilities are in respect of employees' services up to the reporting date and are measured at their vested amount plus on-costs.

(ii) Long-term employee benefit obligations

Long-term liabilities are benefits not expected to be settled wholly within 12 months after the end of the reporting period. These liabilities are measured using the expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Expected future long-term payments are discounted using market yields at the reporting date on Australian high-quality corporate bonds (G100) with terms to maturity that match, as closely as possible, the estimated future cash outflows.

Judgements and estimates

The determination of the provisions required is dependent on a number of assumptions including expected wage increases, probability of meeting the conditions of the benefit and the estimation of the length of time before the benefit is utilised. Wage increases are based on the current agreements in place and both the probability of meeting the conditions and the estimated time until utilised are based on the three year history.

Superannuation

Contributions are expensed as they are made.

The entity pays an employer subsidy to the Government Superannuation Office in respect of employees who are contributors to either the Public Sector Superannuation (QSuper) scheme or State Service Superannuation.

Employer contributions to the Super Defined Benefit Fund are determined by the State Actuary. The rate of employer contribution is reviewed at each triennial actuarial investigation, however the Treasurer announced in the 2015/16 State Budget that investment of employer contributions into the Employer Fund would be suspended for five years until 2019/20 due to there being sufficient funds to meet payment obligations to members of the defined benefit scheme. After that time, the previous arrangements will recommence. No liability is recognised for accruing superannuation benefits as this liability is held on a Whole-of-Government basis and reported in the Whole-of-Government consolidated financial statements. The entity also makes superannuation guarantee payments into the QSuper Accumulation Fund (RailSuper) and QSuper Accumulation Fund (Contributory) administered by the Government Superannuation Office.

No liability / asset is recognised for the entity's share of any potential deficit of the Super Defined Benefit Fund of QSuper.

12 Provisions (continued)

(b) Litigation and workers' compensation provision

Provision is made for the estimated liability for workers' compensation and litigation claims. Independent actuarial valuations are used to estimate the provisions required for self-insured workers' compensation. Litigation claims are assessed separately for common law, statutory and asbestos claims. The outstanding liability is determined after factoring future claims inflation and discounting future claim payments.

Judgements and estimates

The determination of the provisions required is dependent on a number of assumptions including the total future cost to finalise existing open claims, wage increases that will impact existing claims, inflation and the amount of claims that have been incurred but not yet reported. Estimates are made based on the average number of claims and average claim payments over a specified period of time. Claims Incurred But Not Reported (IBNR) are also included in the estimate. Claims are expected to be paid over a period exceeding more than one year.

(c) Land rehabilitation provision

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

The provision for land rehabilitation is the present value of management's best estimate of the expenditure required to settle the land rehabilitation present obligation at the reporting date. The provision was originally recognised in 2010 based on advice from external consultants and management's best estimate of likely remediation costs. In 2014 and 2019 external consultants were engaged to provide updated valuations. Management gave consideration to the most recent valuation and the likelihood of their remediation within the foreseeable future.

Judgements and estimates

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

(d) Onerous contracts provision

On adoption of AASB 16 *Leases*, the right-of-use assets were adjusted by the amount of any previously recognised onerous lease provision.

The prior year provision represented the net unavoidable costs expected to be incurred on commitments for property leases concerning commercial office space in Brisbane. The net unavoidable costs comprise the commitments under the lease contracts for offices that are currently vacated by the consolidated entity less expected revenue to be received from the sublease of office space under the same contracts. The onerous provision is equivalent to the present value of the future net unavoidable costs.

Judgements and estimates

The determination of the provision required is dependent on estimations for the likelihood of whether floors will be utilised by the consolidated entity.

12 Provisions (continued)

(e) Movements in provisions

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

	Litigation and workers' compensation provision \$'000	Land rehabilitation provision \$'000	Make good provision \$'000	Onerous contracts provision \$'000	Total \$'000
Consolidated 2020					
Current and non-current					
Carrying amount at start of year	18,349	5,111	1,297	1,809	26,566
Adjustment on adoption of AASB 16 <i>Leases</i>	-	-	-	(1,809)	(1,809)
Restated carrying amount at start of year	18,349	5,111	1,297	-	24,757
Charged / (credited) to profit or loss					
- additional provisions recognised	8,939	350	-	-	9,289
- unused amounts released	-	-	(1,303)	-	(1,303)
- unwind discount	-	96	6	-	102
Amounts used during the year	(6,184)	-	-	-	(6,184)
Carrying amount at end of year	21,104	5,557	-	-	26,661
Parent 2020					
Current and non-current					
Carrying amount at start of year	16,448	-	-	-	16,448
Adjustment on adoption of AASB 16 <i>Leases</i>	-	-	-	-	-
Restated carrying amount at start of year	16,448	-	-	-	16,448
Charged / (credited) to profit or loss					
- additional provisions recognised	8,630	-	-	-	8,630
- unused amounts released	-	-	-	-	-
- unwind discount	-	-	-	-	-
Amounts used during the year	(5,746)	-	-	-	(5,746)
Carrying amount at end of year	19,332	-	-	-	19,332

13 Deferred tax liabilities

Notes	Consolidated		2019 \$'000
	2020 \$'000		
The balance comprises temporary differences attributable to:			
Accrued income	-		300
Consumables and spare parts	10,851		10,255
Property, plant and equipment	468,848		460,091
Right-of-use assets	29,289		-
Prepayments	136		139
Cash flow hedges	59		149
Total deferred tax liabilities	509,183		470,934
Set-off of deferred tax liabilities pursuant to set-off provisions	10	(151,194)	(108,658)
Net deferred tax liabilities		357,989	362,276
Movements:			
Opening balance		362,276	361,933
Adjustment on adoption of AASB 16 Leases		20,600	-
Prior year adjustments		(79)	1,014
Charged to the statements of comprehensive income	5	17,817	11,669
Cash flow hedges		(89)	(10)
Set-off of deferred tax liabilities pursuant to set-off provisions	10	(42,536)	(12,330)
Closing balance at 30 June		357,989	362,276
Deferred tax liabilities expected to be settled within 12 months		(99,942)	(90,163)
Deferred tax liabilities expected to be settled after more than 12 months		457,931	452,439

The parent entity does not have any deferred tax liabilities.

14 Dividends

	Consolidated		Parent	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Dividend declared	119,358	141,524	119,358	141,524
Dividend paid	141,524	112,252	141,524	112,252

All dividends declared / paid were unfranked.

Notes to the statements of cash flows

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

	Consolidated		Parent	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Profit for the year	119,358	141,524	119,358	141,524
Depreciation and amortisation	399,122	386,219	-	-
Losses on sale of non-current assets	10,357	22,934	-	-
Unrealised (gain) / loss on derivatives	(36)	51	-	-
Impairment of trade receivables	2,814	3	-	-
Inventory obsolescence	891	2,003	-	-
Change in operating assets and liabilities:				
(Increase) / decrease in trade debtors	12,313	(6,025)	22,167	(28,064)
(Increase) in inventories	(20,429)	(12,661)	-	-
(Increase) / decrease in other operating assets	21,863	8,132	(54,540)	(52,539)
Increase / (decrease) in trade creditors	(17,579)	428	10,513	2,128
Increase / (decrease) in other liabilities	(65,735)	25,536	(22,568)	25,480
Increase in other provisions	22,159	21,260	23,138	24,424
Net cash inflow from operating activities	485,098	589,404	98,068	112,953

16 Reconciliation of liabilities arising from financing activities

Consolidated	Borrowings \$'000	Leases \$'000	Total \$'000
At 1 July 2019	3,426,448	-	3,426,448
Adjustment on adoption of AASB 16 Leases	-	75,475	75,475
	3,426,448	75,475	3,501,923
Cash flows	203,552	(10,276)	193,276
Non-cash lease swaps	-	(762)	(762)
Acquisitions - finance leases	-	10,017	10,017
Revaluations - finance leases	-	32,165	32,165
Release - finance leases	-	(1,669)	(1,669)
At 30 June 2020	3,630,000	104,950	3,734,950
At 1 July 2018	3,380,000	-	3,380,000
Cash flows	46,448	-	46,448
Non-cash lease swaps	-	-	-
Acquisitions - finance leases	-	-	-
Revaluations - finance leases	-	-	-
Release - finance leases	-	-	-
At 30 June 2019	3,426,448	-	3,426,448

The parent entity does not have any liabilities arising from financing activities.

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 balance sheets when the consolidated entity becomes party to the contractual provisions of the financial instrument. The consolidated entity has the following categories of financial assets and financial liabilities:

	Consolidated		Parent	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Financial assets				
<i>Financial assets at FVTPL</i>				
Cash and cash equivalents	21,428	3,446	-	-
Trade and other receivables	38,979	51,174	476,386	464,908
<i>Financial assets at FVOCI</i>				
Derivative assets	63	294	-	-
Total financial assets	60,470	54,914	476,386	464,908
Financial liabilities				
<i>Financial liabilities at FVTPL</i>				
Trade and other payables	369,056	357,467	163,126	174,778
<i>Financial liabilities at AC</i>				
Borrowings	3,630,000	3,426,448	-	-
Lease liabilities	104,950	-	-	-
<i>Financial liabilities at FVOCI</i>				
Derivative liabilities	51	20	-	-
Total financial liabilities	4,104,057	3,783,935	163,126	174,778

(b) Risks arising from financial instruments

The consolidated entity's activities expose it to a variety of financial risks including market risk, credit risk and liquidity risk. All cash and cash equivalents, derivative financial instruments and borrowings are held and recognised by Queensland Rail Limited. The Queensland Rail parent entity is not exposed to any market, credit or liquidity risk within the consolidated entity.

Financial risk management is carried out by the consolidated entity under policies approved by the Members of the Board (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 consolidated entity 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 consolidated entity's exposure to foreign exchange risk at reporting date was as follows:

	30 June 2020			30 June 2019		
	USD \$'000	EUR €'000	JPY ¥'000	USD \$'000	EUR €'000	JPY ¥'000
Consolidated						
Cash and cash equivalents	224	123	37,509	189	88	36,171
Forward exchange contracts (qualifying for hedge accounting)	1,192	1,790	-	1,105	4,013	-
Net exposure	1,416	1,913	37,509	1,294	4,101	36,171

17 Financial risk management (continued)

(b) Risks arising from financial instruments (continued)

The consolidated entity uses derivative financial instruments such as foreign exchange contracts to hedge risk exposures. The derivative financial assets and liabilities held by the consolidated entity 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.

The consolidated entity'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 consolidated entity applies hedge accounting to transactions which are highly probable.

Interest rate risk

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

Borrowings are classified as current liabilities unless the consolidated entity 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 by 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:

	2020		2019	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
Consolidated				
<i>Non-traded financial liabilities</i>				
Current lease liabilities (secured)	12,334	12,334	-	-
Non-current lease liabilities (secured)	92,616	92,616	-	-
Current borrowings (unsecured)	-	-	46,448	46,448
Non-current borrowings (unsecured)	3,630,000	4,138,068	3,380,000	3,841,877
	3,734,950	4,243,018	3,426,448	3,888,325

Weighted average interest rate

5.0%

5.5%

The carrying amount of current borrowings in the prior year of \$46.4 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 \$18.6 million and is included in cash and cash equivalents.

17 Financial risk management (continued)

(b) Risks arising from financial instruments (continued)

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

Consolidated 30 June 2020	Carrying amount \$'000	Interest rate risk			
		-1%	Equity \$'000	+1%	Equity \$'000
Client Specific Debt Pool	3,630,000	3,175	3,175	(2,985)	(2,985)
Total increase / (decrease)		3,175	3,175	(2,985)	(2,985)
30 June 2019					
Client Specific Debt Pool	3,380,000	2,866	2,866	(2,649)	(2,649)
Total increase / (decrease)		2,866	2,866	(2,649)	(2,649)

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.

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 with a cost of more than \$1.0 million and which take a substantial period of time to prepare for intended use or sale. The rate used to determine the amount of borrowing cost to be capitalised is the QTC interest rate applicable to the consolidated entity's outstanding borrowings during the year, in this case 5.00% (2019: 5.53%). During the year, interest costs of \$17.5 million were capitalised (2019: \$13.5 million).

(ii) Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at reporting date to recognised financial assets is the carrying amount, net of any allowances for impairment of those assets, as disclosed in the balance sheets 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 consolidated entity has policies that limit the amount of credit exposure to any one financial institution.

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

(iii) Liquidity risk

Liquidity risk management within the consolidated entity 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 \$150.0 million (2019: \$103.6 million).

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

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17 Financial risk management (continued)

(b) Risks arising from financial instruments (continued)

Borrowings are not secured.

Maturity analysis

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

QTC 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.

Consolidated 30 June 2020	Less than 1 year \$'000	Between 1 and 5 years \$'000	Over 5 years \$'000	Total contractual cash flows \$'000
Non-derivatives				
Non-interest bearing*	229,445	-	-	229,445
Variable rate	20,253	-	-	20,253
Duration based	139,808	558,599	3,630,000	4,328,407
Total non-derivatives	389,506	558,599	3,630,000	4,578,105
30 June 2019				
Non-derivatives				
Non-interest bearing*	194,712	-	-	194,712
Variable rate	67,679	-	-	67,679
Duration based	147,188	586,498	3,380,000	4,113,686
Total non-derivatives	409,579	586,498	3,380,000	4,376,077

* The maturity analysis of lease liabilities is disclosed separately. Refer to note 9(a)(v).

18 Capital risk management

The consolidated entity'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 consolidated entity monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'borrowings' and external 'trade and other payables' as shown in the balance sheets) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the balance sheets plus net debt.

The consolidated entity's gearing ratios are as follows:

	Consolidated 2020 \$'000	2019 \$'000
Total borrowings	3,999,056	3,783,915
Less: cash and cash equivalents	(21,428)	(3,446)
Net debt	3,977,628	3,780,469
Total equity	3,297,189	3,304,247
Total capital	7,274,817	7,084,716
Gearing ratio	Consolidated 55%	53%

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18 Capital risk management (continued)

The consolidated entity 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 capital is greater than 70%, in which case the EBIT Interest Coverage must be at least 2:1. The consolidated entity has complied with this requirement for both the current and prior reporting periods.

19 Correction of errors and revision of estimates

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

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

Unrecognised items

20 Contingencies

Contingencies comprise guarantees either held or issued by the consolidated entity 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 consolidated entity had contingencies at reporting date in respect of:

(a) Contingent assets

	2020 Fair value \$'000	2019 Fair value \$'000
Consolidated		
Non-qualifying assets	13,676	5,025
Third party guarantees	81,000	81,000
Bank guarantees	124,411	125,623
Insurance company guarantees	830	2,230
	<u>219,917</u>	<u>213,878</u>

The parent entity does not hold any guarantees.

(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.

	2020 Fair value \$'000	2019 Fair value \$'000
Consolidated		
Non-qualifying liabilities	38,119	5,063
Bank guarantees	26,298	26,294
	<u>64,417</u>	<u>31,357</u>

The parent entity has not issued any guarantees.

Litigation

A number of common law claims are pending against the consolidated entity. Provisions are taken up for some of these exposures based on the Board's determination and are included as such in note 12.

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20 Contingencies (continued)

(b) Contingent liabilities (continued)

As at reporting date, the following cases were filed in the courts naming Queensland Rail as defendant:

	Consolidated 2020	2019	Parent 2020	2019
Number of cases before the Federal Circuit Court	1	-	-	-
Number of cases before the District Court	7	9	-	-

It is not possible to make a reliable estimate of the final amount payable, if any, in respect of the litigation before the courts at this time.

(i) Environmental incident - Mt Isa

Following unprecedented flooding inundating a third party operator's stowed train upon the Mt Isa Line in February 2019, resulting in release of transported product to the environment, Queensland Rail Limited continues to work closely with the Department of Environment & Science (DES), the third party operator and the product owner to progress requirements under the Clean-up Notice as issued to the three parties by DES under the provisions of the *Environmental Protection Act 1994*. Clean up works progressed throughout the period and are now complete. Assessments to monitor any temporal changes, and consequent risk exposures is ongoing. Liaison with affected stakeholders is ongoing, including actions to mitigate stakeholder business impacts as a result of the incident.

(ii) Environmental incident - Third party pipeline

Queensland Rail continues to maintain liaison with DES regarding any potential actions required in association with a third party abandoned pipeline that traverses the rail corridor.

21 Commitments

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

(a) Commitments payable

	2020		2019	
Consolidated	Capital \$'000	Lease* \$'000	Capital \$'000	Lease \$'000
Within one year	105,770	-	131,173	12,443
Later than one year but not later than five years	246,680	-	247,344	17,168
Later than five years	-	-	-	12,472
	<u>352,450</u>	<u>-</u>	<u>378,517</u>	<u>42,083</u>

* Prior to the current reporting period, leases of property, plant and equipment were classified as operating leases. From 1 July 2019, the consolidated entity has recognised right-of-use assets and corresponding liabilities for these leases, except for short-term and low-value leases, at the date at which the leased asset is available for use by the consolidated entity.

The parent entity does not have any commitments payable.

(b) Commitments receivable

	2020 Lease \$'000	2019 Lease \$'000
Consolidated		
Within one year	3,265	7,912
Later than one year but not later than five years	10,720	13,769
Later than five years	23,062	27,029
	<u>37,047</u>	<u>48,710</u>

The parent entity does not have any commitments receivable.

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21 Commitments (continued)

(b) Commitments receivable (continued)

The prior period lease receivable commitments have been restated due to the removal of a duplication of a lease contract.

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 consolidated entity, the results of those operations, or the state of affairs of the consolidated entity.

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 consolidated entity 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 2020 were:

- C Dick MP
Treasurer and Minister for Infrastructure and Planning
(appointed Treasurer 11 May 2020)
- M Bailey MP
Minister for Transport and Main Roads
- J Trad MP
Deputy Premier, Treasurer and Minister for Aboriginal and Torres Strait Islander Partnerships
(ceased 10 May 2020)

(b) Members, 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 member, director and executive are as follows:

	2020 \$'000	2019* \$'000
Short-term benefits	4,353	4,217
Post-employment benefits	487	491
Long-term benefits	-	61
	<u>4,840</u>	<u>4,769</u>

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

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

23 Key management personnel disclosures (continued)

(c) Key management personnel compensation

(i) Members and directors of Queensland Rail and subsidiaries

2020			Short-term	Post-	Total
			benefits	employment	
			Member	Super-	
			fees and	annuation	
			allowances	\$'000	\$'000
			\$'000		\$'000
Members					
D Marchant AM	Chair		132	13	145
Reappointment date: 1 October 2018					
Reappointment term: 3 years					
S Cantwell*	Member		46	4	50
Reappointment date: 1 October 2019					
Reappointment term: 3 years					
R Peters	Member		46	4	50
Reappointment date: 1 October 2019					
Reappointment term: 3 years					
H Watson	Member		46	4	50
Appointment date: 6 June 2018					
Appointment term: 2 years 3 months					
Total			<u>270</u>	<u>25</u>	<u>295</u>

* This member did not receive monetary benefits directly. Payments were made to the entity, of which he is a director, on his behalf.

2019			Short-term	Post-	Total
			benefits	employment	
			Member	Super-	
			fees and	annuation	
			allowances	\$'000	\$'000
			\$'000		\$'000
Members					
D Marchant AM	Member		105	10	115
S Cantwell	Member		46	4	50
R Peters	Member		45	4	49
H Watson	Member		45	4	49

All the members listed above are members of the Queensland Rail Board and directors of the Queensland Rail Limited Board.

J Benstead is appointed as Managing Director of On Track Insurance Pty Ltd, with no set appointment term. 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 is appointed as Director of On Track Insurance Pty Ltd, with no set appointment term. 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.

These amounts are not in addition to the amounts disclosed in the Key Management Personnel note of the Queensland Rail Limited financial statements as they were recharged by the entity in accordance with the Managed Services Agreement.

23 Key management personnel disclosures (continued)

(c) Key management personnel compensation (continued)

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

Members and directors are not entitled to termination payments on termination of their period of service.

(ii) Specified executives of the consolidated entity

2020	Short-term benefits		Post-employment benefits	Total
	Cash salary and fees \$'000	Non-monetary benefits \$'000	Super-annuation \$'000	
Specified executives				
N Easy Chief Executive Officer Appointment date: 3 April 2017 Appointment term: 5 years	727	5	93	825
N Backer* Executive General Manager Citytrain (from 30 September 2019 until 15 December 2019) Acting Executive General Manager Citytrain (from 15 July 2019 until 29 September 2019)	173	2	21	196
J Benstead* Head of Regional Appointment date: 5 May 2020 Acting Head of Regional (from 16 December 2019 until 4 May 2020) Acting Chief Financial Officer and Executive General Manager Commercial & Strategy (until 21 August 2019)	296	3	35	334
S Cornish* Group Executive Safety, Risk & Assurance (from 16 December 2019) Executive General Manager Safety, Risk & Assurance (until 15 December 2019)	387	5	49	441
C Gregg+ Group Executive Strategy, Planning and Transformation (from 17 December 2019 until 4 May 2020)	-	-	-	-
R Holloway* Group Executive Major Projects Integration (from 16 December 2019) Executive General Manager Projects (from 15 July 2019 until 15 December 2019)	449	5	57	511
A MacDonald* Group Executive Strategy, Planning and Transformation Appointment date: 5 May 2020	62	1	8	71
R McAlpine Acting Executive General Manager Projects (until 14 July 2019)	15	-	2	17
R Munn* Group Executive People & Culture (from 16 December 2019) Executive General Manager People and Culture (until 15 December 2019)	446	5	57	508

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23 Key management personnel disclosures (continued)

(c) Key management personnel compensation (continued)

2020	Short-term benefits		Post-employment benefits	Total
	Cash salary and fees \$'000	Non-monetary benefits \$'000	Super-annuation \$'000	
Specified executives				
S Riedel* Head of SEQ Appointment date: 5 May 2020 Acting Head of SEQ (from 16 December 2019 until 4 May 2020) Executive General Manager Network (until 15 December 2019)	581	5	25	611
N Roach* Group Executive Customer & Corporate Affairs (from 16 December 2019) Executive General Manager Customer Service and Innovation (until 15 December 2019)	406	5	52	463
M Ryan* Executive General Manager Travel and Tourism (until 15 December 2019)	153	2	20	175
B Sharp* Acting Executive General Manager Citytrain (until 14 July 2019)	13	-	1	14
K Stapleton* Chief Financial Officer and Group Executive Finance & Corporate Services (from 16 December 2019) Chief Financial Officer and Executive General Manager Commercial & Strategy (from 22 August 2019 until 15 December 2019)	333	4	42	379
Total	4,041	42	462	4,545

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

+ This officer did not receive monetary benefits directly. Payments made to the company in which this officer is a director is disclosed in note 23(d).

These specified executives are not eligible for Performance Payments.

In 2019 the Queensland Rail Board made the decision to remove performance payments from new and existing contracts. As a result, a one-off 3% increase to base salaries was applied to offset the removal of the ongoing performance payment for the Chief Executive and three Senior Executives that were eligible for performance payments at that time. This is referred to in note 23(c)(iii).

During the current period, the Board approved changes to Queensland Rail's business structure including senior executive positions and titles commencing from 16 December 2019.

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23 Key management personnel disclosures (continued)

(c) Key management personnel compensation (continued)

2019	Short-term benefits		Post-employment benefits	Total
	Cash salary and fees \$'000	Non-monetary benefits \$'000	Super-annuation \$'000	
Specified executives				
N Easy Chief Executive Officer	686	4	88	778
J Benstead Acting Chief Financial Officer and Executive General Manager Commercial & Strategy	364	4	42	410
S Cornish Executive General Manager Safety, Risk & Assurance	364	4	46	414
R McAlpine Acting Executive General Manager Projects	395	4	50	449
R Munn Executive General Manager People and Culture	94	1	12	107
S Riedel Executive General Manager Network	137	1	17	155
N Roach Executive General Manager Customer Service and Innovation	381	4	49	434
M Ryan Executive General Manager Travel and Tourism	313	4	40	357
B Sharp Acting Executive General Manager Citytrain	25	-	2	27

The appointment authority for all specified executives is section 35 of the *Queensland Rail Transit Authority Act 2013*, with the exception of the Chief Executive Officer who is appointed under section 29. The responsibilities for each specified executive position are detailed in the Annual Report.

These amounts are not in addition to the amounts disclosed in the Key Management Personnel note of the Queensland Rail Limited financial statements as they were recharged by the entity in accordance with the Managed Services Agreement.

The above are the key executives representing the consolidated entity. These executives provide advice in relation to strategy and future direction of the consolidated entity under the business model adopted. On Track Insurance Pty Ltd does not have any senior executives who are involved in setting strategy or future direction for the entity and no On Track Insurance Pty Ltd 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 v 2.0*. This policy was issued by the Government in the 2014/15 period and is applicable to arrangements issued from this period.

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23 Key management personnel disclosures (continued)

(c) Key management personnel compensation (continued)

Chief Executive provisions

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

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

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

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

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

Senior Executive provisions

Under the *Policy for Government Owned Corporation Chief and Senior Executive Employment Arrangements v 2.0*, all new appointments to senior executives are on an ongoing (tenured) basis with no specific end date. Termination by notice can be made by the specified executive or Queensland Rail at any time by either party giving to the other 1 month written notice. When such termination occurs, specified executives that are tenured are entitled to the following:

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

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

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

(iii) Performance Payments

As at 1 July 2019, there are no Chief or Senior Executive positions that are eligible for Performance Payments.

On 28 June 2019, the Queensland Rail Board resolved that no new employee appointments (whether externally recruited or internally promoted) would include eligibility to participate in the Performance Payment Scheme. The Chief Executive and three Senior Executives that were eligible for performance payments at that time, subsequently signed new contracts removing performance payment eligibility effective 1 July 2019. A one-off 3% increase to base salaries back-dated to 1 July 2019 was paid to the Chief Executive and three Senior Executives in the current period.

In addition, on 27 September 2019, the Queensland Rail Board approved the removal of the Performance Payment Scheme from 2019/20 for all eligible employees (395 employees) with a one-off 3% increase to base salaries back-dated to 1 July 2019 for those employees who returned contracts prior to 31 December 2019. At that time both the *Performance Payment Policy - Eligible Employees (MD-12-150)* and *Performance Payment Standard (MD-11-6978)* were updated to confirm that only a residual Performance Payment Scheme would operate as a grandfathered arrangement.

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23 Key management personnel disclosures (continued)

(c) Key management personnel compensation (continued)

The residual Performance Payment 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. Queensland Rail must achieve the threshold for all KPIs where a Transport Services Contract (TSC) abatement applies before any performance payment is considered and Queensland Rail must meet the enterprise wide organisational KPIs (as per measurement determined by the Board).
- The Queensland Rail 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 Queensland Rail Values; and
- Board and Chief Executive Officer discretion is reserved in the payment against the scheme based on consideration of performance as well as community and shareholder expectations.

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

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

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

(d) Transactions with key management personnel

During the current and prior reporting periods, S Cornish, specified executive of Queensland Rail and Queensland Rail Limited from 2 July 2018, was an Industry Director at Rail Industry Safety and Standards Board (RISSB). Queensland Rail Limited paid corporate membership and conference fees to RISSB during these periods.

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

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

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

During the prior reporting period, R Peters, member of Queensland Rail and director of Queensland Rail Limited, was a director for South East Queensland in AECOM Australia Pty Ltd (AECOM). Queensland Rail Limited engaged AECOM for professional services and provided rental accommodation to AECOM during the prior period.

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

23 Key management personnel disclosures (continued)

(d) Transactions with key management personnel (continued)

All figures displayed below are exclusive of GST.

	Consolidated	
	2020	2019
	\$'000	\$'000
Corporate membership and conferences - Rail Industry Safety and Standards Board	291	271
Consultancy fees - Tracklogic Pty Ltd	226	-
Electrical works - South East Electrical and Airconditioning	153	-
Corporate membership and conferences - Australasian Railway Association	120	92
Contribution - TrackSAFE Foundation	60	60
Professional services - AECOM Australia Pty Ltd	-	318
Rental revenue - Move Bank	(121)	(36)
Telecommunications revenue - Airservices Australia	(64)	(61)
Rental revenue - AECOM Australia Pty Ltd	-	(4)
	665	640

24 Related party transactions

The consolidated entity does not have any related party transactions or loans to disclose as these transactions and balances are eliminated on consolidation.

(a) Transactions with related parties

The following transactions occurred with related parties:

	Parent	
	2020	2019
	\$'000	\$'000
Sale of goods and services to subsidiaries	1,032,404	968,240
Dividend revenue from subsidiaries	119,358	141,524
Dividend receivable from subsidiaries	119,358	141,524
Receivables from subsidiaries - current	327,275	299,591
Receivables from subsidiaries - non-current	29,753	23,793
Shares in subsidiaries	2,845,324	2,845,324

(b) Loans to / (from) related parties

	Parent	
	2020	2019
	\$'000	\$'000
<i>Loans to / (from) subsidiaries</i>		
Beginning of the year	12,836	(9,923)
Loans advanced	53,886	61,202
Loans repayments received	(80,424)	(38,443)
End of year	(13,702)	12,836

24 Related party transactions (continued)

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

The entity is a statutory body and is owned by the Queensland State Government.

All material related party transactions are negotiated under commercial terms.

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

	Notes	Consolidated		Parent		Nature of transaction
		2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	
Revenue from continuing operations	1	1,846,439	1,840,739	-	-	Rail Transport Service Contract, government concessions and sales
Supplies and services	2	125,535	43,654	-	-	Consumables
Employee benefits expense	3	46,818	42,908	46,814	42,826	Payroll tax
Other expenses		4,912	3,289	-	-	Land tax and audit fees
Finance income		-	203	-	-	Interest revenue
Finance expenses	4	177,626	187,289	-	-	Interest and financing costs
Income tax expense	5	51,199	60,284	-	-	Income tax
Cash and cash equivalents		18,628	-	-	-	Short-term investments
Trade and other receivables		7,010	13,987	-	-	Rail Transport Service Contract and other accounts receivables
Trade and other payables	11	197,448	189,656	125,282	145,494	Dividend, interest, capital works, consumables, payroll tax and land tax payable
Current borrowings	17	-	46,448	-	-	Short-term borrowings
Current tax liabilities		2,959	25,519	2,959	25,519	Current tax payable
Other current liabilities		752	13,032	-	-	Asset funding and other income in advance
Non-current borrowings	17	3,630,000	3,380,000	-	-	Long-term borrowings
Other non-current liabilities		10,719	10,568	-	-	Asset funding in advance
Contributed equity		-	481,290	-	-	Capital contributions / (distributions)
Dividend declared	14	119,358	141,524	119,358	141,524	Dividend declared

25 Subsidiaries

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

Name of entity	Country of incorporation	Class of shares	Equity holding 2020 %	2019 %
Queensland Rail Limited	Australia	Ordinary	100	100
On Track Insurance Pty Ltd	Australia	Ordinary	100	100

The principal activities of Queensland Rail Limited are to carry out the key objectives of its parent, Queensland Rail, in accordance with the *Queensland Rail Transit Authority Act 2013*. Queensland Rail Limited retains title of all non-employee related assets, liabilities and contracts. The management of its assets are effected through the provision of employee services from Queensland Rail under a Managed Services Agreement.

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.

The Auditor-General of Queensland is the auditor of Queensland Rail Limited.

Inter-company transactions, balances and unrealised gains on transactions between consolidated entity 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 consolidated entity.

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 consolidated entity.

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 consolidated entity:

	Consolidated		Parent	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
<i>Queensland Audit Office</i>				
Audit of the financial statements	498	438	50	49
	498	438	50	49

27 Special payments

	Consolidated		Parent	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Ex-gratia payments	381	797	381	797
	<u>381</u>	<u>797</u>	<u>381</u>	<u>797</u>

Special payments include ex-gratia expenditure and other expenditure that the consolidated entity is not contractually or legally obligated to make to other parties. The total of all special payments is disclosed within other expenses.

Special payments greater than \$5,000 include:

- Ex-gratia payments made to employees in the form of medical separations which are not required under their respective employment agreements in the prior reporting period.
- Ex-gratia payments made to employees in the form of confidential deeds of settlement on resignation or dismissal in the prior reporting period.
- Ex-gratia payments made to employees in the form of confidential deeds of settlement for wages disputes in the prior reporting period.

28 Climate change

Queensland Rail is aware of the Queensland Government's Climate Response, inclusive of the Queensland Climate Transition Strategy and Climate Adaptation Strategy. The consolidated entity's Energy & Emissions Strategy, which is progressively being implemented, recognises and seeks to align with the commitments of the Transition Strategy specifically. Queensland Rail has a broad understanding of the key climate change hazards relevant to its operations, in particularly those that may impact assets, and a formal risk based framework is currently under consideration to embed climate change matters.

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

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

29 Queensland Rail Limited consolidated financial information

The Queensland Rail Limited consolidated entity, comprising Queensland Rail Limited and its subsidiary, On Track Insurance Pty Ltd, is wholly owned by Queensland Rail.

Queensland Rail is required to provide the annual report, which includes the Queensland Rail financial statements, to responsible Ministers for tabling in Parliament. This is in accordance with section 62 of the *Financial Accountability Act 2009*.

The financial statements of Queensland Rail Limited are not required to be included in the Queensland Rail annual report.

The financial results of the Queensland Rail Limited consolidated entity are significant and represent a substantial portion of the Queensland Rail consolidated entity's results. This note is disclosed to provide users of these financial statements more clarity concerning the financial results of the Queensland Rail consolidated entity.

29 Queensland Rail Limited consolidated financial information (continued)

A summarised version of the Queensland Rail Limited consolidated financial statements are disclosed below:

	2020	2019
	\$'000	\$'000
Consolidated statement of comprehensive income		
Revenue	2,115,010	2,107,367
Expenses	(1,782,181)	(1,731,604)
Operating profit	<u>332,829</u>	<u>375,763</u>
Net finance costs	(162,272)	(173,955)
Profit before income tax	<u>170,557</u>	<u>201,808</u>
Income tax expense	(51,199)	(60,284)
Profit for the year	<u>119,358</u>	<u>141,524</u>
Other comprehensive loss for the year	(209)	(23)
Total comprehensive income for the year	<u>119,149</u>	<u>141,501</u>
Consolidated balance sheet		
Current assets	180,345	162,865
Non-current assets	7,932,713	7,645,690
Total assets	<u>8,113,058</u>	<u>7,808,555</u>
Current liabilities	676,202	699,988
Non-current liabilities	4,217,375	3,882,028
Total liabilities	<u>4,893,577</u>	<u>4,582,016</u>
Net assets	<u>3,219,481</u>	<u>3,226,539</u>
Total equity	<u>3,219,481</u>	<u>3,226,539</u>
Consolidated statement of changes in equity		
Balance at the beginning of the financial year	3,226,539	2,745,272
Adjustment on adoption of AASB 16 <i>Leases</i>	(6,849)	-
Restated total equity at the beginning of the financial year	<u>3,219,690</u>	<u>2,745,272</u>
Total comprehensive income for the year	119,149	141,501
Transactions with owners in their capacity as owners	(119,358)	339,766
Balance at end of year	<u>3,219,481</u>	<u>3,226,539</u>

29 Queensland Rail Limited consolidated financial information (continued)

	2020	2019
	\$'000	\$'000
Consolidated statement of cash flows		
Cash flows from operating activities	528,554	589,912
Cash flows from investing activities	(562,324)	(543,894)
Cash flows from financing activities	51,752	(67,013)
Net increase / (decrease) in cash and cash equivalents	17,982	(20,995)
Cash and cash equivalents at the beginning of the financial year	3,446	24,441
Cash and cash equivalents at end of year	21,428	3,446

30 Summary of other significant accounting policies

The principal accounting policies adopted in the preparation of these 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 and its subsidiaries, Queensland Rail Limited and On Track Insurance Pty Ltd.

Queensland Rail is a for-profit statutory body domiciled in Australia and owned by the Queensland State Government. 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*. These financial statements are denominated in Australian dollars.

Queensland Rail is referred to in this financial report as the "entity" or the "parent". Queensland Rail together with its subsidiaries, Queensland Rail Limited and On Track Insurance Pty Ltd, are collectively referred to as the "consolidated entity".

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

In the current reporting period Queensland Rail focused on driving cultural and structural changes in the business to deliver a more integrated public transport structure for Queensland. The business structure was enhanced during the reporting period to align with its major product streams to promote performance and accountability.

The principal activities of the consolidated entity consists of:

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

These financial statements were approved for issue by the members on 27 August 2020. The members have the power to amend and reissue the financial statements.

(a) Basis of preparation

(i) Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with:

- applicable Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB);
- the *Financial and Performance Management Standard 2009*;
- Queensland Treasury and Trade's *Financial Reporting Requirements for Queensland Government Agencies* to the extent relevant; and
- other authoritative pronouncements.

(ii) New and amended standards adopted by the consolidated entity

The consolidated entity has applied the following standards for the first time for their annual reporting year commencing 1 July 2019:

- AASB 16 *Leases*.

The consolidated entity has adopted AASB 16 *Leases* retrospectively from 1 July 2019 but has not restated comparatives for the prior period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019.

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30 Summary of other significant accounting policies (continued)

(a) Basis of preparation (continued)

On adoption of AASB 16, the consolidated entity recognised right-of-use assets and lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 *Leases*. Refer to note 9 for policy details.

(iii) Early adoption of standards

Standards and amendments that are available for early adoption for the current financial year beginning 1 July 2019 were not early adopted and are not expected to have a material impact on the accounts of the consolidated entity 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 consolidated entity is prepared on a going concern basis. Current liabilities exceed current assets by \$493.4 million. The consolidated entity has access to short-term borrowing facilities up to the amount of \$150.0 million of which \$150.0 million are undrawn as at reporting date (refer note 17(b)(iii)). The consolidated entity has also secured approval from the Queensland Government to source additional long-term borrowings in the 2020/21 financial year up to the amount of \$470.0 million to fund operational, capital and dividend payments throughout that year and to increase the short-term borrowings facilities by \$100.0 million taking the total to \$250.0 million. In addition revenue through the Rail Transport Service Contract, adequate interest coverage and a low gearing ratio provides further assurance of the consolidated entity's status as a going concern.

The parent is a going concern as all costs incurred in providing employees to its subsidiary, Queensland Rail Limited, is recharged by the parent under a Managed Services Agreement with Queensland Rail Limited. All transactions for operating activities of the parent are undertaken through the Queensland Rail Limited banking facilities.

(b) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the consolidated entity'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 consolidated entity's functional and presentation currency.

(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

Amounts included in the financial statements have been rounded to the nearest thousand dollars unless disclosure of the full amount is specifically required.

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 balance sheets 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 balance sheets.

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

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30 Summary of other significant accounting policies (continued)

(d) Goods and Services Tax (GST) (continued)

Queensland Rail and its subsidiaries are grouped for GST purposes. This means that any inter-company transactions within the Queensland Rail consolidated entity 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 consolidated entity.

(e) Trade and other receivables

Trade and other receivables are initially recognised at the transaction price and are subsequently measured at and classified as FVTPL. Trade receivables generally have standard payment terms of 7 to 30 days. The consolidated entity 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 consolidated entity 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.

(f) Contributed equity

Equity injections and distributions of equity are treated as a change in the value of contributed equity.

(g) Insurance

The consolidated entity 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 are self-insured, including workers' compensation.

Until 30 June 2010, self-insurance and other underwriting activities were performed by Queensland Rail'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 and the Aurizon Operations Limited group.

(h) Environmental regulation

The consolidated entity 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 12.

(i) Coronavirus (COVID-19) Impact

The consolidated entity continued to operate through the impact of the COVID-19 pandemic 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 and subsequently reinstated gradually with social distancing measures as travel restrictions were eased across the State. The regional freight network continued to operate during this period.

The consolidated entity worked with the Queensland Government to provide relief arrangements to support businesses as a result of the COVID-19 pandemic. 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 recognised in the final quarter of the current reporting period. Freight services across the State remained strong despite the COVID-19 pandemic and the consolidated entity's network access revenue was not impacted.

The reduction in revenue in the current period and the forecast reduction in the next year has not impacted the consolidated entity's going concern status as at the end of the reporting period. The impact of the COVID-19 pandemic on future cash flows has not been significant and the consolidated entity's assets remain unimpaired at reporting date.

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30 June 2020

Management certificate

These general purpose financial statements have been prepared pursuant to section 62(1) of the *Financial Accountability Act 2009* (the Act), section 39 of the *Financial and Performance Management Standard 2019* and other prescribed requirements. In accordance with section 62(1)(b) of the Act we certify that in our opinion:

- (a) the prescribed requirements for establishing and keeping the accounts have been complied with in all material aspects; and
- (b) the financial statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of Queensland Rail and its controlled entities for the financial year ended 30 June 2020 and of the financial position of the consolidated entity at the end of that year.

We acknowledge responsibility under section 7 and section 11 of the *Financial and Performance Management Standard 2019* for the establishment and maintenance, in all material respects, of an appropriate and effective system of internal controls and risk management processes with respect to financial reporting throughout the reporting period.

N Easy
Chief Executive Officer

Brisbane, Qld
27 August 2020

D Marchant AM
Chair

Brisbane, Qld
27 August 2020

INDEPENDENT AUDITOR'S REPORT

To the Board of Queensland Rail

Report on the audit of the financial report

Opinion

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

In my opinion, the financial report:

- gives a true and fair view of the parent's and group's financial position as at 30 June 2020, and their financial performance and cash flows for the year then ended
- complies with the *Financial Accountability Act 2009*, the *Financial and Performance Management Standard 2019* and Australian Accounting Standards.

The financial report comprises the balance sheets as at 30 June 2020, the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, notes to the financial statements including summaries of significant accounting policies and other explanatory information, and the management certificate.

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 parent and 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 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 of 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.

Carrying amount of property, plant and equipment (\$7.691 billion)

Refer to note 7(a) in the financial report

Key audit matter	How my audit addressed the key audit matter
<p>The reported value of property, plant and equipment represents more than 95 per cent of the total value of reported assets in the balance sheet. The cost method of valuation is used and the following risk factors have been considered during the audit:</p> <ul style="list-style-type: none"> Costs transferred from assets under construction in 2020 of \$463.1 million (2019: \$460.2 million) to the fixed asset register following project completion. Increased estimated project costs accrued as assets under construction in 2020 of \$385.0 million (2019: \$448.1 million). The calculation of accruals involves a high degree of management estimation. 	<p>My procedures included but were not limited to:</p> <ul style="list-style-type: none"> Testing the design and implementation and operating effectiveness of the key controls over asset addition processes. Evidencing of review of project cost reports by project managers. Reviewing the completion and certification by responsible officers for operating expense and work in progress transfer forms. Testing a sample of assessment and classification of project costs as operating expense or capital at project commencement. Testing monitoring controls to ensure timely transfer of costs to the fixed asset register. Reviewing the appropriateness of the accounting treatment for a sample of new, ongoing and completed projects. Testing a sample of work in progress costs for multi-year projects to determine whether these costs continue to meet the criteria for an asset recognition under the group's capitalisation policies and Australian Accounting Standards.

Depreciation expense (\$373.2 million)

Refer to note 7(a) and 7(d) in the financial report

Key audit matter	How my audit addressed the key audit matter
<p>Depreciation expense is a significant balance that requires management to forecast the useful life of assets and their component parts.</p>	<p>My procedures included but were not limited to:</p> <p>Assessing the useful life estimates of assets and their component parts by:</p> <ul style="list-style-type: none"> 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.

Key audit matter	How my audit addressed the key audit matter
	<ul style="list-style-type: none"> 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 7(e) of the financial report

Key audit matter	How my audit addressed the key audit matter
<p>Management have considered the existence of impairment indicators during 2019-20 and performed an impairment test to ensure that the assets carrying value was greater than its value in use.</p> <p>The impairment assessment is complex and management adopts assumptions in developing inputs used in the discounted cashflow models to calculate an asset's value in use.</p>	<p>My procedures included but were not limited to:</p> <ul style="list-style-type: none"> 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. 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).

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 entity for the financial report

The Board is responsible for the preparation of the financial report that gives a true and fair view in accordance with the *Financial Accountability Act 2009*, the *Financial and Performance Management Standard 2019* and Australian Accounting Standards, and for such internal control as the Board determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

The Board is also responsible for assessing the parent's and 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 it is intended to abolish the parent or group or to otherwise cease operations.

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. This is not done for the purpose of expressing an opinion on the effectiveness of the entity's internal controls, but allows me to express an opinion on compliance with prescribed requirements.
- 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 parent's and 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 parent's or 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 parent or 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 Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

From the matters communicated with the Board, 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.

Report on other legal and regulatory requirements

Statement

In accordance with s.40 of the *Auditor-General Act 2009*, for the year ended 30 June 2020:

- a) I received all the information and explanations I required.
- b) I consider that, the prescribed requirements in relation to the establishment and keeping of accounts were complied with in all material respects.

Prescribed requirements scope

The prescribed requirements for the establishment and keeping of accounts are contained in the *Financial Accountability Act 2009*, any other Act and the *Financial and Performance Management Standard 2019*. The applicable requirements include those for keeping financial records that correctly record and explain the entity's transactions and account balances to enable the preparation of a true and fair financial report.



Vaughan Stemmett
as delegate of the Auditor-General

28 August 2020

Queensland Audit Office
Brisbane