

Financial Statements for the Year Ended 30 June 2019

Below Rail Services Provided by Queensland Rail

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Purpose and Scope of the Financial Statements

These are the Below Rail Financial Statements of Queensland Rail Limited (ABN 71 132 181 090) (QR).

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 Queensland Rail Limited. Queensland Rail Limited 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*.

Section 250 (1)(b) of the *Queensland Competition Authority Act 1997 (QCA Act)*, declares the use of rail transport infrastructure for which Queensland Rail, or a successor, assign or subsidiary of Queensland Rail is the rail manager, as a declared service under part 5, division 2 of the QCA Act.

Clause 5.3.1 of the *Queensland Rail's Access Undertaking 1 (AU1)* requires the annual publication of financial statements for Below Rail Services provided by Queensland Rail.

Below Rail Services are the activities associated with the provision and management of rail infrastructure, including the construction, maintenance and renewal of rail infrastructure assets, and the network management services required for the safe operation of Train Services on the rail infrastructure, including Train Control Services and the implementation of safeworking procedures. For the purposes of these financial statements, Below Rail Services excludes passenger stations and associated facilities as they are not required to enable the operation of freight train services.

In order to prepare financial statements for the Below Rail Services, there are certain adjustments to exclude non-below rail transactions that have been accounted for within the Queensland Rail legal entity. This means the Below Rail Services financial statements do not fully reflect the statutory financial position of Queensland Rail.

These financial statements are prepared in accordance with the *Costing Manual* and take the form of a Statement of Earnings before Interest and Tax, a Statement of Assets and a Statement of Investments, and separately identify the West Moreton, Mount Isa and North Coast Regions from the rest of the network.

These financial statements report only those revenues, expenses, assets and investments that are identified, attributed and allocated to the provision of Below Rail Services by Queensland Rail.

BELOW RAIL SERVICES PROVIDED BY QUEENSLAND RAIL

STATEMENT OF EARNINGS BEFORE INTEREST AND TAX

	FOR THE YEAR ENDED 30 JUNE 2019					FOR THE YEAR ENDED 30 JUNE 2018				
	West Moreton Region \$000's	Mount Isa Region \$000's	North Coast Region \$000's	Rest of Network \$000's	Total Below Rail \$000's	West Moreton Region \$000's	Mount Isa Region \$000's	North Coast Region \$000's	Rest of Network \$000's	Total Below Rail \$000's
REVENUE										
Access charges - coal	46,704	-	-	20,198	66,902	44,291	-	-	20,181	64,472
Access charges - other	769	71,766	46,220	132,143	250,898	928	74,301	46,374	130,260	251,863
Transport Service Contracts	476	-	194,974	465,818	661,268	743	-	152,339	413,632	566,714
Contributions from developers	72	-	-	-	72	288	-	-	-	288
Other	781	1,446	3,363	6,676	12,266	859	1,300	3,332	6,318	11,809
Total Revenue	48,802	73,212	244,557	624,835	991,406	47,109	75,601	202,045	570,391	895,146
OPERATING EXPENSES										
Infrastructure maintenance	26,876	28,593	89,639	204,851	349,959	22,482	39,642	87,840	239,150	389,114
Derailment / collision / flood repairs	2,064	27,519	2,397	1,438	33,418	608	1,234	2,701	2,612	7,155
Train operations management	4,511	3,605	10,562	30,833	49,511	4,337	3,419	9,948	27,793	45,497
Other expenses	8,366	13,572	18,660	45,719	86,317	6,088	6,202	14,577	40,695	67,562
Corporate overhead	3,091	5,145	11,328	28,573	48,137	1,317	2,431	5,064	11,443	20,255
Depreciation and amortisation	12,065	13,610	27,620	127,793	181,088	7,600	6,420	24,570	100,926	139,516
Total Expenses	56,973	92,044	160,206	439,207	748,430	42,432	59,348	144,700	422,619	669,099
EARNINGS BEFORE INTEREST AND TAX	(8,171)	(18,832)	84,351	185,628	242,976	4,677	16,253	57,345	147,772	226,047

The above statement of earnings before interest and tax should be read in conjunction with the accompanying notes.

BELOW RAIL SERVICES PROVIDED BY QUEENSLAND RAIL

STATEMENT OF ASSETS

	AS AT 30 JUNE 2019					AS AT 30 JUNE 2018				
	West Moreton Region \$000's	Mount Isa Region \$000's	North Coast Region \$000's	Rest of Network \$000's	Total Below Rail \$000's	West Moreton Region \$000's	Mount Isa Region \$000's	North Coast Region \$000's	Rest of Network \$000's	Total Below Rail \$000's
CURRENT ASSETS										
Receivables	4,716	16,743	3,967	4,855	30,281	5,773	14,349	4,914	7,522	32,558
Inventories	3,209	5,273	11,691	25,675	45,848	2,761	5,098	10,620	24,002	42,481
Other	338	583	1,292	2,829	5,042	452	864	1,805	4,135	7,256
Total Current Assets	8,263	22,599	16,950	33,359	81,171	8,986	20,311	17,339	35,659	82,295
NON-CURRENT ASSETS										
Fixed assets										
Property (Land and Buildings)	7,835	6,346	31,015	105,253	150,449	7,860	6,990	30,348	105,541	150,739
Plant and Equipment	13,089	14,729	34,329	129,552	191,699	10,382	12,724	29,464	113,336	165,906
Infrastructure										
Permanent Way	241,322	211,907	540,805	2,465,040	3,459,074	176,892	188,950	533,201	2,240,959	3,140,002
Other	19,258	19,804	89,399	889,353	1,017,814	20,887	22,746	100,881	774,164	918,678
Assets under Construction	17,363	1,903	104,609	170,683	294,558	43,662	11,342	61,984	125,721	242,709
	298,867	254,689	800,157	3,759,881	5,113,594	259,683	242,752	755,878	3,359,721	4,618,034
Intangibles	2,972	5,002	11,126	26,222	45,322	1,133	2,234	4,640	16,530	24,537
Inventories	583	958	2,124	4,665	8,330	588	1,085	2,260	5,108	9,041
Other	260	427	947	2,079	3,713	254	469	977	2,210	3,910
Total Non-Current Assets	302,682	261,076	814,354	3,792,847	5,170,959	261,658	246,540	763,755	3,383,569	4,655,522
Total Assets	310,945	283,675	831,304	3,826,206	5,252,130	270,644	266,851	781,094	3,419,228	4,737,817

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

BELOW RAIL SERVICES PROVIDED BY QUEENSLAND RAIL

STATEMENT OF INVESTMENTS

	FOR THE YEAR ENDED 30 JUNE 2019					FOR THE YEAR ENDED 30 JUNE 2018				
	West Moreton Region \$000's	Mount Isa Region \$000's	North Coast Region \$000's	Rest of Network \$000's	Total Below Rail \$000's	West Moreton Region \$000's	Mount Isa Region \$000's	North Coast Region \$000's	Rest of Network \$000's	Total Below Rail \$000's
Expenditure on fixed assets	55,508	43,295	99,653	206,777	405,233	53,634	27,108	62,837	220,388	363,967

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Basis of Preparation

These financial statements represent a special purpose financial report prepared specifically to meet the information needs of the Queensland Competition Authority (QCA) and access seekers who may seek access to rail infrastructure for the purpose of operating trains. Accordingly, this special purpose financial report may not be suitable for any other purpose.

These financial statements have been prepared in accordance with:

- (a) Clause 5.3.1 of the *Queensland Rail's Access Undertaking 1*.
- (b) The methodology and format set out in the Costing Manual for preparing Queensland Rail's 2018-19 regulatory accounts as approved by QCA on 16 June 2017. Refer to Note 3 for the details of the Costing Manual.

The recognition and measurement requirements of the Australian Accounting Standards, the *Financial and Performance Management Standard 2009*, the Queensland Treasury *Financial Reporting Requirements for Queensland Government Agencies* and other authoritative pronouncements of the Australian Accounting Standards Board applicable to Queensland Rail's general purpose financial statements reported in Queensland Rail's Financial Report for the year ended 30 June 2019 are applicable in the preparation of these statements, unless specifically stated otherwise. For a summary of the significant accounting policies used, refer to Notes to the general-purpose financial statements of Queensland Rail for the year ended 30 June 2019.

Statement of Earnings before Interest and Tax

The source of information for the Statement of Earnings before Interest and Tax is the accounting records of Queensland Rail. In preparing the Statement of Earnings before Interest and Tax these accounts have been adjusted for this special purpose reporting by the addition of revenue net off (see Note 8), and treatment of internal charges as revenue (see Note 7).

Statement of Assets

The source of information for the Statement of Assets comprises the asset accounts and values from the balance sheet of Queensland Rail. The deferred tax assets reported on the balance sheet of Queensland Rail has been offset against deferred tax liabilities and the resulting net liability excluded from the Statement of Assets.

Statement of Investments

The Statement of Investments has been based on internal capital expenditure reports, and relates to those capital projects which have incurred capital expenditure during the year ended 30 June 2019, with assets either commissioned during the year or remaining in the assets under construction balance at 30 June 2019.

Comparative Information

Comparative information in these financial statements has not been restated for changes in network ownership, *Queensland Rail Access Undertaking 1* or Queensland Rail's *Costing Manual* unless specifically stated otherwise.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Cont.)

2. Below Rail Services Provided by Queensland Rail

Below Rail Services provided by Queensland Rail are the activities associated with the provision and management of Rail Infrastructure for which Queensland Rail is the Railway Manager, and the network management services required for the safe operation of Train Services on the Rail Infrastructure, including Train Control Services and the implementation of safeworking procedures.

For the purposes of these statements Below Rail services exclude infrastructure and activities associated with the provision of passenger stations and platforms.

3. Costing Manual

The QCA approved a *Costing Manual* applicable to Queensland Rail on 16 June 2017. The *Costing Manual* details the format and methodology used in the preparation of these financial statements.

Standard Allocators

The *Costing Manual* approved by the QCA on 16 June 2017 was updated with the following Standard Allocators for the 2018/19 financial year which was approved by the QCA on 14 February 2019.

		2018-19	2017-18
A	Share of Queensland Rail Wide Items Allocated to Below Rail Services provided by Queensland Rail	45.0%	45.0%
B	Operations Management "Mark Up"	0.0%	0.0%
C	West Moreton Region's Share of Network Wide Items	7.0%	6.5%
D	Mount Isa Region's Share of Network Wide Items	11.5%	12.0%
E	North Coast Region's Share of Network Wide Items	25.5%	25.0%

4. West Moreton Region

The *Costing Manual* requires the Financial Statements to separately identify the West Moreton Region from the Rest of Network. The West Moreton Region represents the following rail corridors:

- Rosewood to Miles
- Columboola to Cameby Downs

5. Mount Isa Region

The *Costing Manual* requires the Financial Statements to separately identify the Mount Isa Region from the Rest of Network. The Mount Isa Region represents the following rail corridors:

- Stuart to Mount Isa
- Flynn to Phosphate Hill

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Cont.)**6. North Coast Region**

The *Costing Manual* requires the Financial Statements to separately identify the North Coast Region from the Rest of Network. The North Coast Region represents the following rail corridors:

- Nambour to Aurizon Interface Point 11 (Parana)
- Gympie North to Gympie
- Maryborough West to Maryborough
- Auckland Point
- Aurizon Interface Point 7 (Rocklands) to Aurizon Interface Point 2 (Durroburra)
- Glenmore to Nerimbera
- Aurizon Interface Point 1 (Kaili) to Townsville
- Erakala to Mackay Harbour
- Bowen Jct to Bowen
- Townsville Jetty Branch
- Townsville to Cairns
- Cobarra Balloon
- North Coast Line Branches:
 - Aurizon Interface Point 12 (Graham) – Taragoola

7. Internal Charges

Internal charges for Below Rail Services provided are treated as revenue. Internal charges treated as revenue are access charges, telecommunications charges and ancillary infrastructure charges. The total internal charges reported as Below Rail Services revenue in 2018-19 was \$150.4 million (\$148.1 million in 2017-18). Included in the telecommunication charges to Above Rail, is a capital charge of \$3.2m (\$3.0 million in 2017-18).

8. Revenue Net Off

Clause 3.4 of Queensland Rail's *Costing Manual* requires that certain non-sales revenues be netted off against related expenses in the preparation of the Statement of Earnings before Interest and Tax. The list of transactions netted off against related expense is:

- (a) Revenue that is a direct cost reimbursement;
- (b) Proceeds from the sale of scrap; and
- (c) Non-sales revenue recorded in corporate overhead and corporate service areas.

The total revenue offset against expenses for 2018-19 is \$59.3 million (\$33.2 million in 2017-18) of which \$42.1 million (\$20.8 million in 2017-18) relates to Below Rail Services.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Cont.)
9. Allocated Items

This Note provides details of the value of network wide revenue, expenses, assets and investments allocated to Regions using Standard Allocators C, D and E. The balance of Below Rail Services revenue, expenses, assets and investments have been either directly identified to regions (including identified to corridors), or attributed to regions on a causal basis. Network wide items have been allocated to West Moreton, Mount Isa and North Coast Regions using the Standard Allocators C, D and E that applied in the respective year.

(a) Statement of Earnings before Interest and Tax

The following table shows the allocated and attributed or identified Below Rail Services revenues and expenses:

	YEAR ENDED 30 JUNE 2019			YEAR ENDED 30 JUNE 2018		
	Allocated Network Wide \$000's	Identified / Attributed To Regions \$000's	Total Below Rail \$000's	Allocated Network Wide \$000's	Identified / Attributed To Regions \$000's	Total Below Rail \$000's
REVENUE						
Access charges - coal	-	66,902	66,902	-	64,472	64,472
Access charges - other	-	250,898	250,898	-	251,863	251,863
Transport Service Contracts	-	661,268	661,268	-	566,714	566,714
Contributions from developers	-	72	72	-	288	288
Other	11,881	385	12,266	11,325	484	11,809
Total Revenue	11,881	979,525	991,406	11,325	883,821	895,146
OPERATING EXPENSES						
Infrastructure maintenance	-	349,959	349,959	7,613	381,501	389,114
Derailment / collision / flood repairs	-	33,418	33,418	-	7,155	7,155
Train operations management	-	49,511	49,511	-	45,497	45,497
Other expenses	52,336	33,981	86,317	45,908	21,654	67,562
Corporate overhead	48,137	-	48,137	20,255	-	20,255
Depreciation and amortisation	-	181,088	181,088	-	139,516	139,516
Total Operating Expenses	100,473	647,957	748,430	73,776	595,323	669,099

Included in the Other expenses are telecommunications costs of \$16.5 million (\$13.5 million in 2017-18). This was made up of maintenance costs of \$7.8 million (\$7.6 million in 2017-18), depreciation of \$9.8 million (\$8.5 million in 2017-18) and other expenses of \$9.8 million (\$8.1 million in 2017-18) offset by \$6.4 million (\$6.5 million in 2017-18) to Above Rail as internal charges and \$4.5 million external revenue (\$4.2 million in 2017-18).

Below Rail Services has restated its previously reported access charges for the year ended 30 June 2018 and all related disclosures to conform to the presentation adopted in the current year. The impact of the correction is QCA levy fees of \$2.45 million previously presented within "Access charges – other" is now reported under "Access charges – coal".

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Cont.)

9. Allocated Items (Cont.)

(b) Statement of Assets

The following table shows the allocated and attributed or identified Below Rail assets:

	YEAR ENDED 30 JUNE 2019			YEAR ENDED 30 JUNE 2018		
	Allocated Network Wide \$000's	Identified / Attributed To Regions \$000's	Total Below Rail \$000's	Allocated Network Wide \$000's	Identified / Attributed To Regions \$000's	Total Below Rail \$000's
Current Assets						
Receivables	2,384	27,897	30,281	1,510	31,048	32,558
Inventories	45,848	-	45,848	42,481	-	42,481
Other	4,715	327	5,042	6,864	392	7,256
Total Current Assets	52,947	28,224	81,171	50,855	31,440	82,295
Non-Current Assets						
Fixed assets						
Property (Land and Buildings)	35,908	114,541	150,449	38,867	111,872	150,739
Plant and Equipment	2,479	189,220	191,699	45,384	120,522	165,906
Infrastructure						
Permanent Way	8	3,459,066	3,459,074	-	3,140,002	3,140,002
Other	4,908	1,012,906	1,017,814	68,410	850,268	918,678
Assets under Construction	6,867	287,691	294,558	18,834	223,875	242,709
	50,170	5,063,424	5,113,594	171,495	4,446,539	4,618,034
Intangibles	41,979	3,343	45,322	16,546	7,991	24,537
Inventories	8,330	-	8,330	9,041	-	9,041
Other	3,713	-	3,713	3,910	-	3,910
Total Non-Current Assets	104,192	5,066,767	5,170,959	200,992	4,454,530	4,655,522
Total Assets	157,139	5,094,991	5,252,130	251,847	4,485,970	4,737,817

Below Rail network wide assets include \$69.3 million for telecommunications infrastructure (\$65.4 million in 2017-18).

(c) Statement of Investments

The following table shows the allocated and attributed or identified Below Rail investments:

	YEAR ENDED 30 JUNE 2019			YEAR ENDED 30 JUNE 2018		
	Allocated Network Wide \$000's	Identified / Attributed To Regions \$000's	Total Below Rail \$000's	Allocated Network Wide \$000's	Identified / Attributed To Regions \$000's	Total Below Rail \$000's
Expenditure on fixed assets	21,703	383,530	405,233	46,663	317,304	363,967

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Cont.)
10. Maintenance Costing Methodology

Queensland Rail uses a standard costing methodology in its job costing system to determine the cost of infrastructure maintenance and derailment/collision/flood repairs. This costing system:

- (a) Identifies the type of maintenance activity and its location;
- (b) Calculates a direct job cost from the sum of:
 - i. Actual direct labour hours multiplied by the applicable standard labour rate;
 - ii. Actual direct plant hours multiplied by the applicable standard plant rate for Queensland Rail plant;
 - iii. Actual cost of materials or external services (e.g. plant hire) used; and
- (c) Applies an overhead to the job cost being the sum of direct actual labour hours multiplied by an applicable standard overhead rate.

Direct costing variances, being the difference between the direct job costs calculated as in (b) above and the actual direct costs incurred, are applied to infrastructure maintenance reported in the Statement of Earnings before Interest and Tax. Overhead costing variances, being the difference between the overhead applied to job costs calculated as in (c) above and the actual overhead costs incurred, are reported as infrastructure maintenance or corporate overhead in the Statement of Earnings before Interest and Tax, depending on the source of the variance.

The table below shows the amount of costed overhead applied and the source of the costed overhead:

	YEAR ENDED 30 JUNE 2019					YEAR ENDED 30 JUNE 2018				
	West Moreton Region \$000's	Mount Isa Region \$000's	North Coast Region \$000's	Rest of Network \$000's	Total Below Rail \$000's	West Moreton Region \$000's	Mount Isa Region \$000's	North Coast Region \$000's	Rest of Network \$000's	Total Below Rail \$000's
<u>Overhead Applied</u>										
Infrastructure maintenance	3,150	2,818	9,779	29,690	45,437	4,351	5,426	13,094	45,189	68,060
Derailment / collision / flood repairs	223	(735)	278	213	(21)	70	165	375	430	1,039
<u>Overhead Source</u>										
Other expenses	(729)	(1,197)	(2,655)	(5,831)	(10,412)	(2,158)	(4,150)	(8,466)	(18,426)	(33,201)
Corporate overhead	(2,450)	(4,025)	(8,926)	(19,603)	(35,004)	(2,333)	(4,487)	(9,154)	(19,924)	(35,899)
Net Difference	194	(3,139)	1,524	4,469	-	(70)	(3,047)	(4,152)	7,269	-

The net difference represents the estimated impact on West Moreton, Mount Isa and North Coast Region costs as a result of attributing a share of overheads direct to maintenance activities compared to the *Costing Manual* methodology of allocating a portion using Standard Allocators C, D and E.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Cont.)
11. Other Relevant Matters
(a) Attribution of Coal Access Charges

Access charges for coal traffic relate mostly to coal trains that originate from mines in the West Moreton Region for unloading at the Port of Brisbane. These hauls are on rail corridors in both the West Moreton Region and the Metropolitan Region, which is reported in Rest of Network.

Revenue for coal access charges may include a number of pricing components which have been attributed to regions as follows:

1. AT1 component is applied as a rate per thousand gross tonne kilometres (GTK), and is directly identified with the GTK recorded for specific corridors.
2. AT2 component (if applicable) is a fixed amount per Reference Train Service, and has been attributed to rail corridors based on the GTK recorded.
3. Other component typically relates to payments and rebates for specific infrastructure which are identified to regions based on the value of related infrastructure in the region, and the levy for QCA fees and payments arising from contract take or pay provisions which are attributed to corridors in line with the AT1 component.

The following table shows the breakdown by pricing component of the coal access charge revenue:

Price Components	YEAR ENDED 30 JUNE 2019					YEAR ENDED 30 JUNE 2018				
	West	Mount	North	Rest of	Total	West	Mount	North	Rest of	Total
	Moreton	Isa	Coast	Network		Moreton	Isa	Coast	Network	
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
1. AT1	21,475	-	-	10,062	31,537	22,459	-	-	10,359	32,818
2. AT2	21,017	-	-	8,138	29,155	21,547	-	-	8,319	29,866
3. Other	4,212	-	-	1,998	6,210	285	-	-	1,503	1,788
Total	46,704	-	-	20,198	66,902	44,291	-	-	20,181	64,472

The Other component (item 3 above), includes \$7.9 million (\$6.4 million for West Moreton Region) in Access Facilitation Deed revenue, \$1.0 million (\$0.7 million for West Moreton Region) related to QCA Levy charges, which is partially offset by \$2.8 million in West Moreton Region coal rebates. There were no new Endorsed Variation or Review Event reference tariff adjustments in 2018/19.

Below Rail Services has restated its previously reported access charges for the year ended 30 June 2018 and all related disclosures to conform to the presentation adopted in the current year. The impact of the correction is QCA levy fees of \$2.45 million previously presented within "Access charges – other" is now reported under "Access charges – coal".

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Cont.)

11. Other Relevant Matters (cont.)

(b) Depreciation and amortisation

Depreciation and amortisation reported in the Statement of Earnings before Interest and Tax relates only to rail infrastructure held for the provision of Below Rail Services. Other depreciation and amortisation expenses relating to assets held for maintenance or administration activities (e.g. for buildings, plant and equipment and depot facilities) have been reclassified as a working expense of those activities. See Note 12 for further details.

(c) Treatment of plant and equipment assets

Below Rail Services plant and equipment mainly comprise assets held for the maintenance of below rail infrastructure. The following tables indicate the amounts attributed or allocated to Above Rail and Below Rail, based on either direct attribution to regions or the application of Standard Allocators C, D and E (Network Wide).

Plant & Equipment 30 June 2019	Total Queensland Rail \$000's	Below Rail			Total Above Rail \$000's
		Network Wide \$000's	Regions \$000's	Total \$000's	
Rollingstock	1,024,811	17,589	108	17,697	1,007,114
Motor Vehicles	82,184	16,501	62,233	78,734	3,450
Other Plant & Equipment	144,741	11,611	83,656	95,267	49,474
Total Queensland Rail	1,251,736	45,701	145,997	191,698	1,060,038

The majority of rollingstock held by Queensland Rail is for passenger transport and therefore above rail, however a number of wagons are held for the purpose of transporting infrastructure materials.

At 30 June 2019 the written down value of Queensland Rail's motor vehicles was \$82.2 million, of which \$77.6 million was directly identified to Network. A summary of the treatment of vehicles is as follows:

Motor Vehicles 30 June 2019	Total Queensland Rail \$000's	Below Rail			Total Above Rail \$000's
		Network Wide \$000's	Regions \$000's	Total \$000's	
Network	77,636	16,219	61,186	77,405	231
Other Queensland Rail	4,548	282	1,047	1,329	3,219
Total Queensland Rail	82,184	16,501	62,233	78,734	3,450

The vehicles attributed to Regions, within Below Rail, are specific to the regions according to their cost centre and location information. Network vehicles attributed to above rail relate to maintenance of above rail infrastructure.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Cont.)

12. Reconciliation to General Purpose Financial Report - Income Statement

The Queensland Rail Financial report for the year ended 30 June 2019 relates to the Queensland Rail group (i.e. Queensland Rail, Queensland Rail Limited and On Track Insurance Pty Ltd). The Statement of Earnings before Interest and Tax for the year ended 30 June 2019 prepared pursuant to the *Costing Manual* has been reconciled to the general purpose financial report - Income Statement for Queensland Rail Limited, and also with the general purpose financial report - Consolidated Income Statement for the Queensland Rail group as follows:

Year Ended 30 June 2019	General Purpose Income Statement				Revenue Net Off	Internal Charges	Reclassify Depreciation (1)	Queensland Rail Costing Accounts	Above Rail & Other Services	Statement pursuant to Costing Manual
	Queensland Rail Group Consolidated	On Track Insurance Pty Ltd	Inter-Company Eliminations	Queensland Rail Limited						
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
Revenue										
Transport Service Contracts revenue	1,777,911	-	-	1,777,911	-	-	-	1,777,911	1,116,643	661,268
Passenger transport revenue	72,221	-	-	72,221	-	-	-	72,221	72,221	-
Network access revenue	177,257	-	-	177,257	-	140,760	-	318,017	217	317,800
Other revenue	76,620	-	-	76,620	(56,003)	9,645	-	30,262	17,924	12,338
Other income	3,358	-	-	3,358	(3,307)	-	-	51	51	-
Total Revenue	2,107,367	-	-	2,107,367	(59,310)	150,405	-	2,198,462	1,207,056	991,406
Operating Expenses										
Working expenses	1,345,385	(9)	-	1,345,394	(59,310)	9,645	80,275	1,376,004	808,662	567,342
Internal Access charges	0	-	-	0	-	140,760	-	140,760	140,760	-
Depreciation & amortisation	386,219	-	-	386,219	-	-	(80,275)	305,944	124,856	181,088
Total Operating Expenses	1,731,604	(9)	-	1,731,613	(59,310)	150,405	-	1,822,708	1,074,278	748,430
Earnings before Interest & Tax	375,763	9	-	375,754	-	-	-	375,754	132,778	242,976
Finance costs	173,955	-	-	173,955						
Income tax expense	60,284	3	-	60,281						
Dividend Receivable I/C	-	-	(6)	6						
Profit for the Year	141,524	6	(6)	141,524						

(1) Depreciation reclassified as a working expense within these Statements typically relates to buildings, plant and equipment and depot facilities used for providing internal corporate or maintenance services. Telecommunications Backbone depreciation is assessed out and included in working expenses.

Glossary

Above Rail Services means those activities, other than Below Rail Services, required to provide and operate Train Services, including rollingstock provision, rollingstock maintenance, non-Train Control related communications, train crewing, terminal provision and services, freight handling and marketing and administration of those services.

Access means the non-exclusive utilisation of a specified section of rail infrastructure for the purposes of operating Train Services.

Access Charge means the price paid by a Railway Operator for Access under an Access Agreement.

Queensland Rail Access Undertaking 1 refers to the *access undertaking* approved in accordance with the *Queensland Competition Authority Act 1997* on 11 October 2016 for Queensland Rail Limited.

Allocated Items means a category of assets, costs, revenues and investments that is used in the general costing approach described in the Costing Principles section of the Manual. The three categories used are as follows:

- (a) Identifiable. Where costs are directly incurred, or assets directly used, in the performance of Below Rail Services, those costs and assets are directly Identified as Below Rail Costs;
- (b) Attributable. Where costs are incurred, or assets are used, in common for the provision of Below Rail, Above Rail and/or Other Services, and where there is a causal relationship between the resources used for Below Rail, Above Rail or Other Services, these costs are Attributed on a reasonable basis of cost causality; and
- (c) Allocated. Where assets, costs, revenues and investments are used jointly for the provision of Below Rail, Above Rail and/or Other Services, and where there is no direct causal relationship between the resources used for Below Rail, Above Rail or Other Services, these costs are Allocated on a reasonable basis.

Below Rail Services means the activities associated with the provision and management of rail infrastructure, including the construction, maintenance and renewal of rail infrastructure assets, and the network management services required for the safe operation of Train Services on the rail infrastructure, including Train Control Services and the implementation of safeworking procedures. However, for the purposes of these Financial Statements **Below Rail Services** does not include passenger stations and their associated facilities.

Costing Manual means a manual prepared by Queensland Rail Limited and approved by the Queensland Competition Authority from time to time that identifies the following matters:

- (a) for Financial Statements prepared under Clause 5.3.1 of the *Queensland Rail Access Undertaking 1*:
 - i. the process for identifying, from Queensland Rail Limited's audited general purpose financial statements, the cost base for Below Rail Services, separate from other services provided by Queensland Rail Limited to which those Financial Statements relate; and
 - ii. within the cost base for Below Rail Services, the process for identifying the costs of Below Rail Services provided by Queensland Rail Limited separate from the costs of Below Rail Services provided by Operational Business Groups (i.e. the management of stations and platforms);
- (b) within the cost base for Below Rail Services, the process for identifying costs attributable to the specified corridors (corridor costs), costs not attributable to specified corridors but attributable to specified geographic regions (regional costs), and costs not attributable to specified corridors or any specified geographic region (network costs); and
- (c) the format of Financial Statements.

Financial Statements means the Statement of Assets, Statement of Earnings before Interest and Tax and Statement of Investments, for Below Rail Services managed by Queensland Rail, as required in accordance with the *Queensland Rail Access Undertaking 1*.

Glossary (Cont.)

Mount Isa refers to the region defined in Note 5 of these statements or Schedule A of the *Costing Manual*.

North Coast refers to the region defined in Note 6 of these statements or Schedule A of the *Costing Manual*.

Queensland Rail [ABN 68 598 268 528] is an unincorporated statutory body owned by the Queensland State Government. Queensland Rail changed its name from the Queensland Rail Transit Authority on 2 June 2013 in accordance with the *Queensland Rail Transit Authority Act 2013*.

Queensland Rail Limited [ABN 71 132 181 090] is a company responsible for delivery of passenger and non-coal network services in Queensland. Queensland Rail Limited became a wholly owned subsidiary of the Queensland Rail Transit Authority on 3 May 2013.

Network, a function of Queensland Rail that is responsible for the day to day management, planning & development of Queensland Rail's network infrastructure, which includes track and civil assets, signalling & operational systems, traction power supply & distribution assets, telecommunication, stations and yards.

Permanent Way means track and bridge assets including formation, retaining walls, drainage systems, access roads, cuttings, embankments, tunnels, subways, fences along the rail corridor, ballast, sleepers, rails, rail fastenings, points and crossings, culverts and pipes (major), rail bridges and road overbridges (excluding footbridges). The term excludes fences surrounding other assets such as stations, freight terminals, workshops, depots and buildings.

QCA means the Queensland Competition Authority as established by the *Queensland Competition Authority Act 1997 (Qld)*.

Operator Business Group means business groups within Queensland Rail that are separate from Network and that undertake the operation of Train Services for transporting passengers for reward.

Other Infrastructure means all other classes of infrastructure excluding Permanent Way. This includes signals and train control systems excluding software, electric overhead distribution structures and power systems, telecommunication structures and equipment, footbridges, carparks, access roads and surveillance equipment.

Rail Infrastructure means Rail Transport Infrastructure, except that the term does not include track and associated infrastructure on those parts of the network not identified as the responsibility of Queensland Rail Limited in the *Queensland Rail Access Undertaking 1*.

Rail Transport Infrastructure means rail transport infrastructure as defined in the *Transport Infrastructure Act 1994 (Qld)* for which Queensland Rail is the Railway Manager.

Railway Manager has the meaning given to that term in the *Transport Infrastructure Act 1994 (Qld)*.

Railway Operator has the meaning given to that term in the *Transport Infrastructure Act 1994 (Qld)*.

Reference Tariff is an Access Charge applicable for a specified Reference Train Service, set out in Schedule D of the *Queensland Rail Access Undertaking 1*, or established by Queensland Rail and authorised by the QCA, the purpose of which is to provide information to Access Seekers as to the likely level of Access Charge for Train Service of similar type as the specified Reference Train Service (as amended, varied or escalated in accordance with the *Queensland Rail Access Undertaking* from time to time).

Reference Train Service means a notional Train Service identified in respect to a Reference Tariff and conforming to certain criteria, including specified technical characteristics, operational characteristics and contract terms and conditions.

Relinquishment Fee means the amount payable by the Access Holder should it cease to operate contracted train services.

Glossary (Cont.)

Standard Allocators are used in certain circumstances to allocate items which are not identifiable or attributable to a Queensland Rail Service. These Standard Allocators are specified in Schedule C of the approved *Costing Manual* together with a reference to the relevant clauses within the manual.

Take or Pay Charge means a charge or other amount payable by an Access Holder to Queensland Rail under an Access Agreement in relation to the Access Holder not fully using its Access Rights for a specified period.

West Moreton refers to the region defined in Note 4 of these statements or Schedule A of the *Costing Manual*.

Certificate of Queensland Rail

I certify that the foregoing financial statements and notes to and forming part thereof for the year ending 30 June 2019 have been prepared pursuant to Clause 5.3.1 of *Queensland Rail's Access Undertaking 1*, and the provisions of the *Costing Manual*.



Nick Easy
Chief Executive Officer
Queensland Rail

17 December 2019

INDEPENDENT AUDITOR'S REPORT

To the Board of Queensland Rail Limited

Report on the audit of the financial report

Opinion

I have audited the accompanying financial report of Below Rail Services provided by Queensland Rail Limited.

In my opinion, the financial report:

- a) gives a true and fair view of the financial position as at 30 June 2019, and its financial performance for the year then ended
- b) complies with *Queensland Rail's Access Undertaking 1* and the financial reporting framework described in Note 1.

The financial report comprises the statement of assets as at 30 June 2019, the statement of earnings before interest and tax, and the statement of investments for the year then ended, notes to the financial statements including summaries of significant accounting policies and other explanatory information, and the certificate of Queensland Rail Limited.

Basis for opinion

I conducted my audit in accordance with the *Auditor-General of Queensland 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 Queensland Rail Limited 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 of Queensland Auditing Standards*.

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

Emphasis of matter – basis of preparation

I draw attention to Note 1 to the financial report, which describes the basis of preparation. The financial report has been prepared for the purpose of fulfilling the financial reporting responsibilities of the Chief Executive Officer in accordance with *Queensland Rail's Access Undertaking 1*. As a result, the financial report may not be suitable for another purpose. My opinion is not modified in respect of this matter.

Responsibilities of Queensland Rail Limited for the financial report

The Chief Executive Officer is responsible for the preparation of the financial report that gives a true and fair view in accordance with *Queensland Rail's Access Undertaking 1* and the financial reporting framework described in Note 1, and for such internal control as the Chief Executive Officer determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In fulfilling this responsibility, the Chief Executive Officer determined that the basis of preparation described in Note 1 is appropriate to meet the requirements of *Queensland Rail's Access Undertaking 1*.

Auditor's responsibilities for the audit of the financial report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of Queensland Rail Limited's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Queensland Rail Limited.
- 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.

I communicate with the Chief Executive Officer 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.



Vaughan Stemmett
as delegate of the Auditor-General

18 December 2019

Queensland Audit Office
Brisbane