

Financial Statements for the Year Ended 30 June 2020

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).

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 *Rail Safety National Law (Queensland)*.

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 Below Rail management services required for the safe operation of Train Services on the rail infrastructure, including Train Control Services and the implementation of safe working 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 Below Rail.

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 2020

	West Moreton Region \$000's	Mount Isa Region \$000's	North Coast Region \$000's	Rest of Below Rail \$000's	Total Below Rail \$000's
REVENUE					
Access charges - coal	45,636	-	-	15,944	61,580
Access charges - other	593	98,131	47,336	133,926	279,986
Transport Service Contracts	477	-	198,098	438,008	636,583
Contributions from developers	-	-	-	-	-
Other	777	1,228	3,790	5,770	11,565
Total Revenue	47,483	99,359	249,224	593,648	989,714

OPERATING EXPENSES

Infrastructure maintenance	34,004	34,630	94,098	216,599	379,331
Derailment / collision / flood repairs	299	8,989	836	2,627	12,751
Train operations management	4,995	4,115	11,418	33,019	53,547
Other expenses	5,415	6,453	15,444	41,659	68,971
Corporate overhead	1,888	4,427	9,153	19,766	35,234
Depreciation and amortisation	10,985	13,516	24,683	134,191	183,375
Total Expenses	57,586	72,130	155,632	447,861	733,209

EARNINGS BEFORE INTEREST AND TAX

	(10,103)	27,229	93,592	145,787	256,505
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FOR THE YEAR ENDED 30 JUNE 2019

	West Moreton Region \$000's	Mount Isa Region \$000's	North Coast Region \$000's	Rest of Below Rail \$000's	Total Below Rail \$000's
Access charges - coal	46,704	-	-	20,198	66,902
Access charges - other	769	71,766	46,220	132,143	250,898
Transport Service Contracts	476	-	194,974	465,818	661,268
Contributions from developers	72	-	-	-	72
Other	781	1,446	3,363	6,676	12,266
Total Revenue	48,802	73,212	244,557	624,835	991,406

Infrastructure maintenance	26,876	28,593	89,639	204,851	349,959
Derailment / collision / flood repairs	2,064	27,519	2,397	1,438	33,418
Train operations management	4,511	3,605	10,562	30,833	49,511
Other expenses	8,366	13,572	18,660	45,719	86,317
Corporate overhead	3,091	5,145	11,328	28,573	48,137
Depreciation and amortisation	12,065	13,610	27,620	127,793	181,088
Total Expenses	56,973	92,044	160,206	439,207	748,430

	(8,171)	(18,832)	84,351	185,628	242,976
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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 2020				AS AT 30 JUNE 2019					
	West Moreton Region \$000's	Mount Isa Region \$000's	North Coast Region \$000's	Rest of Below Rail \$000's	Total Below Rail \$000's	West Moreton Region \$000's	Mount Isa Region \$000's	North Coast Region \$000's	Rest of Below Rail \$000's	Total Below Rail \$000's
CURRENT ASSETS										
Receivables	4,081	15,784	3,834	2,861	26,560	4,716	16,743	3,967	4,855	30,281
Inventories	3,323	5,222	12,105	26,822	47,472	3,209	5,273	11,691	25,675	45,848
Other	359	592	1,389	3,092	5,432	338	583	1,292	2,829	5,042
Total Current Assets	7,763	21,598	17,328	32,775	79,464	8,263	22,599	16,950	33,359	81,171
NON-CURRENT ASSETS										
Fixed assets										
Property (Land and Buildings)	7,252	2,928	31,581	127,108	168,869	7,835	6,346	31,015	105,253	150,449
Plant and Equipment Infrastructure	6,357	15,838	52,116	120,921	195,232	13,089	14,729	34,329	129,552	191,699
Permanent Way	269,857	213,746	628,780	2,429,966	3,542,349	241,322	211,907	540,805	2,465,040	3,459,074
Other Assets under Construction	16,774	19,732	107,028	891,684	1,035,218	19,258	19,804	89,399	889,353	1,017,814
	16,042	10,532	107,439	280,055	414,068	17,363	1,903	104,609	170,683	294,558
Total Non-Current Assets	316,282	262,776	926,944	3,849,734	5,355,736	298,867	254,689	800,157	3,759,881	5,113,594
Intangibles	2,215	3,577	8,314	21,979	36,085	2,972	5,002	11,126	26,222	45,322
Inventories	895	1,406	3,260	7,224	12,785	583	958	2,124	4,665	8,330
Other	-	-	-	-	-	260	427	947	2,079	3,713
Total Non-Current Assets	319,392	267,759	938,518	3,878,937	5,404,606	302,682	261,076	814,354	3,792,847	5,170,959
Total Assets	327,155	289,357	955,846	3,911,712	5,484,070	310,945	283,675	831,304	3,826,206	5,252,130

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 2020					FOR THE YEAR ENDED 30 JUNE 2019				
	West Moreton Region \$000's	Mount Isa Region \$000's	North Coast Region \$000's	Rest of Below Rail \$000's	Total Below Rail \$000's	West Moreton Region \$000's	Mount Isa Region \$000's	North Coast Region \$000's	Rest of Below Rail \$000's	Total Below Rail \$000's
Expenditure on fixed assets	41,755	23,859	129,571	233,237	428,422	55,508	43,295	99,653	206,777	405,233

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 2019-20 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 2019*, 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 2020 are applicable in the preparation of these statements, unless specifically stated otherwise. For a summary of the significant accounting policies used, refer to the notes to the general-purpose financial statements of Queensland Rail for the year ended 30 June 2020.

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 2020, with assets either commissioned during the year or remaining in the assets under construction balance at 30 June 2020.

Comparative Information

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

Subsequent events

On 1 July 2020, the QCA approved the *Queensland Rail Access Undertaking 2 (AU2)* and on 22 October 2020, a revised *Costing Manual* for the period 1 July 2020 to 30 June 2025. These financial statements will in future be prepared in accordance with:

- (a) Clause 5.3.1 of *Queensland Rail Access Undertaking 2*
- (b) The methodology and format set out in the *Costing Manual* approved by the QCA on the 22 October 2020

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 Below Rail management services required for the safe operation of Train Services on the Rail Infrastructure, including Train Control Services and the implementation of safe working 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 2019/20 financial year which was approved by the QCA on 23 April 2020.

		2019-20	2018-19
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 Below Rail Wide Items	7.0%	7.0%
D	Mount Isa Region's Share of Below Rail Wide Items	11.0%	11.5%
E	North Coast Region's Share of Below Rail Wide Items	25.5%	25.5%

4. West Moreton Region

The *Costing Manual* requires the Financial Statements to separately identify the West Moreton Region from the Rest of Below Rail. 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 Below Rail. 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 Below Rail. 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 2019-20 was \$150.6 million (\$150.4 million in 2018-19). Included in the telecommunication charges to Above Rail, is a capital charge of \$2.1m (\$3.2 million in 2018-19).

8. Revenue Net Off

Clause 3.4 of the *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 2019-20 is \$46.4 million (\$59.3 million in 2018-19) of which \$20.4 million (\$42.1 million in 2018-19) 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 Below Rail 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. Below Rail 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 2020			YEAR ENDED 30 JUNE 2019		
	Allocated Below Rail Wide \$000's	Identified / Attributed To Regions \$000's	Total Below Rail \$000's	Allocated Below Rail Wide \$000's	Identified / Attributed To Regions \$000's	Total Below Rail \$000's
REVENUE						
Access charges - coal	-	61,580	61,580	-	66,902	66,902
Access charges - other	-	279,986	279,986	-	250,898	250,898
Transport Service Contracts	-	636,583	636,583	-	661,268	661,268
Contributions from developers	-	-	-	-	72	72
Other	11,280	285	11,565	11,881	385	12,266
Total Revenue	11,280	978,434	989,714	11,881	979,525	991,406
OPERATING EXPENSES						
Infrastructure maintenance	-	379,331	379,331	-	349,959	349,959
Derailment / collision / flood repairs	-	12,751	12,751	-	33,418	33,418
Train operations management	-	53,547	53,547	-	49,511	49,511
Other expenses	50,541	18,430	68,971	52,336	33,981	86,317
Corporate overhead	35,234	-	35,234	48,137	-	48,137
Depreciation and amortisation	-	183,375	183,375	-	181,088	181,088
Total Operating Expenses	85,775	647,434	733,209	100,473	647,957	748,430

Included in the Other expenses are telecommunications costs of \$15.2 million (\$16.5 million in 2018-19). This was made up of maintenance costs of \$7.5 million (\$7.8 million in 2018-19), depreciation of \$12.7 million (\$9.8 million in 2018-19) and other expenses of \$6.4 million (\$9.8 million in 2018-19) offset by \$7.1 million (\$6.4 million in 2018-19) to Above Rail as internal charges and \$4.3 million external revenue (\$4.5 million in 2018-19).

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 2020			YEAR ENDED 30 JUNE 2019		
	Allocated Below Rail Wide \$000's	Identified / Attributed To Regions \$000's	Total Below Rail \$000's	Allocated Below Rail Wide \$000's	Identified / Attributed To Regions \$000's	Total Below Rail \$000's
Current Assets						
Receivables	1,690	24,870	26,560	2,384	27,897	30,281
Inventories	47,472	-	47,472	45,848	-	45,848
Other	5,024	408	5,432	4,715	327	5,042
Total Current Assets	54,186	25,278	79,464	52,947	28,224	81,171
Non-Current Assets						
Fixed assets						
Property (Land and Buildings)	18,451	150,418	168,869	35,908	114,541	150,449
Plant and Equipment	45,038	150,194	195,232	2,479	189,220	191,699
Infrastructure						
Permanent Way	31	3,542,318	3,542,349	8	3,459,066	3,459,074
Other	17,530	1,017,688	1,035,218	4,908	1,012,906	1,017,814
Assets under Construction	17,227	396,841	414,068	6,867	287,691	294,558
	98,277	5,257,459	5,355,736	50,170	5,063,424	5,113,594
Intangibles	31,566	4,519	36,085	41,979	3,343	45,322
Inventories	12,785	-	12,785	8,330	-	8,330
Other	-	-	-	3,713	-	3,713
Total Non-Current Assets	142,628	5,261,978	5,404,606	104,192	5,066,767	5,170,959
Total Assets	196,814	5,287,256	5,484,070	157,139	5,094,991	5,252,130

Below Rail assets include \$47.7 million for telecommunications infrastructure (\$69.3 million in 2018-19).

(c) Statement of Investments

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

	YEAR ENDED 30 JUNE 2020			YEAR ENDED 30 JUNE 2019		
	Allocated Below Rail Wide \$000's	Identified / Attributed To Regions \$000's	Total Below Rail \$000's	Allocated Below Rail Wide \$000's	Identified / Attributed To Regions \$000's	Total Below Rail \$000's
Expenditure on fixed assets	9,026	419,396	428,422	21,703	383,530	405,233

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 2020					YEAR ENDED 30 JUNE 2019				
	West Moreton Region \$000's	Mount Isa Region \$000's	North Coast Region \$000's	Rest of Below Rail \$000's	Total Below Rail \$000's	West Moreton Region \$000's	Mount Isa Region \$000's	North Coast Region \$000's	Rest of Below Rail \$000's	Total Below Rail \$000's
Overhead Applied										
Infrastructure maintenance	3,584	3,012	9,953	28,584	45,133	3,150	2,818	9,779	29,690	45,437
Derailment / collision / flood repairs	(39)	465	91	232	749	223	(735)	278	213	(21)
Overhead Source										
Other expenses	(777)	(1,221)	(2,830)	(6,270)	(11,098)	(729)	(1,197)	(2,655)	(5,831)	(10,412)
Corporate overhead	(2,435)	(3,826)	(8,870)	(19,653)	(34,784)	(2,450)	(4,025)	(8,926)	(19,603)	(35,004)
Net Difference	333	(1,570)	(1,656)	2,893	-	194	(3,139)	1,524	4,469	-

The net difference represents the 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 Below Rail.

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 2020						YEAR ENDED 30 JUNE 2019					
	West Moreton		North Coast		Rest of Below Rail		West Moreton		North Coast		Rest of Below Rail	
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
1. AT1	20,572	7,509	28,081	-	-	10,062	21,475	-	-	-	31,537	
2. AT2	20,600	6,321	26,921	-	-	8,138	21,017	-	-	-	29,155	
3. Other	4,463	2,115	6,578	-	-	1,998	4,212	-	-	-	6,210	
Total	45,635	-	15,945	-	15,945	20,198	46,704	-	-	20,198	66,902	

The Other component (item 3 above), includes \$8.0 million (\$6.4 million for West Moreton Region) in Access Facilitation Deed revenue and \$1.5 million (\$1.0 million for West Moreton Region) related to QCA Levy charges. This is partially offset by \$2.9 million in West Moreton Region coal rebates.

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 (Below Rail Wide).

Plant & Equipment 30 June 2020	Total		Below Rail		Total Above Rail \$000's
	Queensland Rail \$000's	Regions \$000's	Wide \$000's	Total \$000's	
Rollingstock	968,699	40	17,416	17,456	951,243
Motor Vehicles	85,311	67,519	14,276	81,795	3,516
Other Plant & Equipment	161,160	82,637	13,345	95,982	65,178
Total Queensland Rail	1,215,170	150,196	45,037	195,233	1,019,937

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 2020 the written down value of Queensland Rail's motor vehicles was \$85.3 million, of which \$73.9 million was directly identified to Below Rail. A summary of the treatment of vehicles is as follows:

Motor Vehicles 30 June 2020	Total		Below Rail		Total Above Rail \$000's
	Queensland Rail \$000's	Regions \$000's	Wide \$000's	Total \$000's	
Below Rail	73,855	59,509	14,025	73,534	321
Other Queensland Rail	11,456	8,010	251	8,261	3,195
Total Queensland Rail	85,311	67,519	14,276	81,795	3,516

The vehicles attributed to Regions, within Below Rail, are specific to the regions according to their cost centre and location information. Below Rail 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 - Statement of Comprehensive Income vs Statement of Earnings Before Interest and Tax

The Queensland Rail Financial report for the year ended 30 June 2020 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 2020 prepared pursuant to the *Costing Manual* has been reconciled to the general purpose financial report - Statement of Comprehensive Income for Queensland Rail Limited, and also with the general purpose financial report - Consolidated Statement of Comprehensive Income for the Queensland Rail group as follows:

General Purpose Statement of Comprehensive Income

Year Ended 30 June 2020	Queensland Rail Group Consolidated	On Track Insurance Pty Ltd	Inter-Company Eliminations	Queensland Rail Limited	Revenue Net Off	Internal Charges	Reclassify Depreciation (1)	Queensland Rail Costing Accounts	Above Rail & Other Services	Statement pursuant to Costing Manual
	\$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	1,794,252	-	-	1,794,252	-	-	-	1,794,252	1,157,669	636,583
Passenger transport revenue	59,150	-	-	59,150	-	-	-	59,150	59,150	-
Below Rail access revenue	200,283	-	-	200,283	-	141,445	-	341,728	162	341,566
Other revenue	58,020	-	-	58,020	(43,159)	9,201	-	24,062	12,497	11,565
Other income	3,305	-	-	3,305	(3,205)	-	-	100	100	-
Total Revenue	2,115,010	-	-	2,115,010	(46,364)	150,646	-	2,219,292	1,229,578	989,714
Operating Expenses										
Working expenses	1,383,059	-	-	1,383,059	(46,364)	9,201	69,019	1,414,915	865,081	549,834
Internal Access charges	-	-	-	-	-	141,445	-	141,445	141,445	-
Depreciation & amortisation	399,122	-	-	399,122	-	-	(69,019)	330,103	146,728	183,375
Total Operating Expenses	1,782,181	-	-	1,782,181	(46,364)	150,646	-	1,886,463	1,153,254	733,209
Earnings before Interest & Tax	332,829	-	-	332,829	-	-	-	332,829	76,324	256,505
Finance costs	162,272	-	-	162,272	-	-	-	-	-	-
Income tax expense	51,199	-	-	51,199	-	-	-	-	-	-
Dividend Receivable I/C	-	-	-	-	-	-	-	-	-	-
Profit for the Year	119,358	-	-	119,358	-	-	-	-	-	-

(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 Below Rail management services required for the safe operation of Train Services on the rail infrastructure, including Train Control Services and the implementation of safe working 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 (Below Rail 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 Below Rail services in Queensland. Queensland Rail Limited became a wholly owned subsidiary of the Queensland Rail Transit Authority on 3 May 2013.

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 Below Rail 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 Below Rail 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 2020 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
14 December 2020

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 2020, 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 2020, 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 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 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

15 December 2020

Queensland Audit Office
Brisbane