

Financial Statements for the Year Ended 30 June 2021

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 2 (AU2)* 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 2021					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	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	46,709	-	-	11,723	58,432	45,636	-	-	15,944	61,580
Access charges - other	1,320	101,912	47,707	137,913	288,852	593	98,131	47,336	133,926	279,986
Transport Service Contracts	4,013	-	178,032	478,104	660,149	477	-	198,098	438,008	636,583
Contributions from developers	-	-	-	-	-	-	-	-	-	-
Other	773	1,416	3,214	6,479	11,882	777	1,228	3,790	5,770	11,565
Total Revenue	52,815	103,328	228,953	634,219	1,019,315	47,483	99,359	249,224	593,648	989,714
OPERATING EXPENSES										
Infrastructure maintenance	26,327	40,415	96,155	226,859	389,756	34,199	34,822	94,765	218,747	382,533
Derailment / collision / flood repairs	75	11,170	301	2,440	13,986	298	9,048	850	2,646	12,842
Train operations management	4,889	4,165	11,531	34,744	55,329	4,995	4,115	11,418	33,019	53,547
Other expenses	5,557	8,644	15,011	42,315	71,527	5,415	6,453	15,444	41,659	68,971
Corporate overhead	1,965	3,509	7,159	15,669	28,302	1,694	4,176	8,472	17,599	31,941
Depreciation and amortisation	11,621	10,837	27,334	137,554	187,346	10,985	13,516	24,683	134,191	183,375
Total Expenses	50,434	78,740	157,491	459,581	746,246	57,586	72,130	155,632	447,861	733,209
EARNINGS BEFORE INTEREST AND TAX	2,381	24,588	71,462	174,638	273,069	(10,103)	27,229	93,592	145,787	256,505

The above Statement of Earnings before Interest and Tax should be read in conjunction with the accompanying notes.

The FY20 Corporate Overhead expense has been restated from \$35.2 million to \$31.9 million due to a reallocation of corporate overhead expenditure to conform to the presentation adopted in the current year.

BELOW RAIL SERVICES PROVIDED BY QUEENSLAND RAIL

STATEMENT OF ASSETS

	AS AT 30 JUNE 2021					AS AT 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	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	4,328	16,679	3,976	3,823	28,806	4,081	15,784	3,834	2,861	26,560
Inventories	3,180	5,678	11,583	24,983	45,424	3,323	5,222	12,105	26,822	47,472
Other	450	823	1,729	3,765	6,767	359	592	1,389	3,092	5,432
Total Current Assets	7,958	23,180	17,288	32,571	80,997	7,763	21,598	17,328	32,775	79,464
NON-CURRENT ASSETS										
Fixed assets										
Property (Land and Buildings)	6,747	3,151	30,717	110,927	151,542	7,252	2,928	31,581	127,108	168,869
Plant and Equipment	6,864	14,954	51,939	106,038	179,795	6,357	15,838	52,116	120,921	195,232
Infrastructure										
Permanent Way	293,824	205,465	679,850	2,380,833	3,559,972	269,857	213,746	628,780	2,429,966	3,542,349
Other	17,215	18,087	114,758	866,650	1,016,710	16,774	19,732	107,028	891,684	1,035,218
Assets under Construction	31,600	38,665	97,607	408,473	576,345	16,042	10,532	107,439	280,055	414,068
	356,250	280,322	974,871	3,872,921	5,484,364	316,282	262,776	926,944	3,849,734	5,355,736
Intangibles	2,202	4,004	8,227	23,101	37,534	2,215	3,577	8,314	21,979	36,085
Inventories	885	1,580	3,223	6,951	12,639	895	1,406	3,260	7,224	12,785
Other	-	-	-	-	-	-	-	-	-	-
Total Non-Current Assets	359,337	285,906	986,321	3,902,973	5,534,537	319,392	267,759	938,518	3,878,937	5,404,606
Total Assets	367,295	309,086	1,003,609	3,935,544	5,615,534	327,155	289,357	955,846	3,911,712	5,484,070

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 2021					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	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	60,002	34,062	88,142	239,081	421,287	41,755	23,859	129,571	233,237	428,422

The above Statement 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 2*.
- (b) The methodology and format set out in the *Costing Manual* for preparing Queensland Rail's 2020-21 regulatory accounts as approved by QCA on 22 October 2020. 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 2021 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 2021.

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 financial statements 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 2021, with assets either commissioned during the year or remaining in the assets under construction balance at 30 June 2021.

Comparative Information

Comparative information in these financial statements has not been restated for changes in Below Rail ownership, *Queensland Rail Access Undertaking 2* 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 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 22 October 2020. 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 22 October 2020 was updated with the following Standard Allocators for the 2020/21 financial year which was approved by the QCA on 22 April 2021.

		2020-21	2019-20
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	12.5%	11.0%
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 Junction 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 and telecommunications charges. The total internal charges reported as Below Rail Services revenue in 2020-21 was \$154.7 million (\$150.6 million in 2019-20). Included in the telecommunication charges to Above Rail, is a capital charge of \$2.9 million (\$2.1 million in 2019-20).

8. Revenue Net Off

Clause 2.4 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) Gain on sale offsets;
- (b) Government grants for apprentice and trainee training;
- (c) Diesel fuel excise credits received;
- (d) Proceeds from the sale of scrap; and
- (e) Non-sales revenue recorded in corporate overhead and corporate service areas.

The total revenue offset against expenses for 2020-21 is \$47.8 million (\$46.4 million in 2019-20) of which \$21.4 million (\$20.4 million in 2019-20) 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 2021			YEAR ENDED 30 JUNE 2020		
	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	-	58,432	58,432	-	61,580	61,580
Access charges - other	-	288,852	288,852	-	279,986	279,986
Transport Service Contracts	-	660,149	660,149	-	636,583	636,583
Contributions from developers	-	-	-	-	-	-
Other	9,756	2,126	11,882	9,201	2,364	11,565
Total Revenue	9,756	1,009,559	1,019,315	9,201	980,513	989,714
OPERATING EXPENSES						
Infrastructure maintenance	-	389,756	389,756	-	382,533	382,533
Derailment / collision / flood repairs	-	13,986	13,986	-	12,842	12,842
Train operations management	-	55,329	55,329	-	53,547	53,547
Other expenses	49,136	22,391	71,527	50,541	18,430	68,971
Corporate overhead	28,302	-	28,302	31,941	-	31,941
Depreciation and amortisation	-	187,346	187,346	-	183,375	183,375
Total Operating Expenses	77,438	668,808	746,246	82,482	650,727	733,209

Included in the Other expenses are telecommunications costs of \$14.7 million (\$15.2 million in 2019-20). This was made up of maintenance costs of \$8.6 million (\$7.5 million in 2019-20), depreciation of \$11.0 million (\$12.7 million in 2019-20) and other expenses of \$6.0 million (\$6.4 million in 2019-20) offset by \$6.9 million (\$7.1 million in 2019-20) to Above Rail as internal charges and \$4.0 million external revenue (\$4.3 million in 2019-20).

FY20 Revenue Other Allocated has been restated from \$11.3 million to \$9.2 million and Identified/ Attributed from \$0.3 million to \$2.4 million to conform to the presentation adopted in the current year.

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 2021			YEAR ENDED 30 JUNE 2020		
	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	2,761	26,045	28,806	1,690	24,870	26,560
Inventories	45,424	-	45,424	47,472	-	47,472
Other	6,283	484	6,767	5,024	408	5,432
Total Current Assets	54,468	26,529	80,997	54,186	25,278	79,464
Non-Current Assets						
Fixed assets						
Property (Land and Buildings)	18,177	133,365	151,542	18,451	150,418	168,869
Plant and Equipment	37,347	142,448	179,795	45,038	150,194	195,232
Infrastructure						
Permanent Way	30	3,559,942	3,559,972	31	3,542,318	3,542,349
Other	44,577	972,133	1,016,710	17,530	1,017,688	1,035,218
Assets under Construction	28,484	547,861	576,345	17,227	396,841	414,068
	128,615	5,355,749	5,484,364	98,277	5,257,459	5,355,736
Intangibles	31,383	6,151	37,534	31,566	4,519	36,085
Inventories	12,639	-	12,639	12,785	-	12,785
Other	-	-	-	-	-	-
Total Non-Current Assets	172,637	5,361,900	5,534,537	142,628	5,261,978	5,404,606
Total Assets	227,105	5,388,429	5,615,534	196,814	5,287,256	5,484,070

Below Rail assets include \$76.0 million for telecommunications infrastructure (\$47.7 million in 2019-20).

(c) Statement of Investments

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

	YEAR ENDED 30 JUNE 2021			YEAR ENDED 30 JUNE 2020		
	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	15,683	405,604	421,287	9,026	419,396	428,422

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.

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 2021					YEAR ENDED 30 JUNE 2020				
	West Moreton \$000's	Mount Isa \$000's	North Coast \$000's	Rest of Below Rail \$000's	Total \$000's	West Moreton \$000's	Mount Isa \$000's	North Coast \$000's	Rest of Below Rail \$000's	Total \$000's
1. AT1	18,174	-	-	5,223	23,397	20,572	-	-	7,509	28,081
2. AT2	24,416	-	-	5,032	29,448	20,600	-	-	6,321	26,921
3. Other	4,119	-	-	1,468	5,587	4,463	-	-	2,115	6,578
Total	46,709	-	-	11,723	58,432	45,635	-	-	15,945	61,580

New West Moreton reference tariffs (AT1 and AT2) applied in FY2021, the first year of the Access Undertaking 2 (AU2) period, and for the West Moreton Region made up for a reduction in overall volume attributable to New Acland Stage 2 approaching the end of its mine life. This was not the case for SEQ (Rest of Network) where there was no change in reference tariffs. The Other component (item 3 above), includes \$6.0 million (\$4.4 million for the West Moreton Region) in Access Facilitation Deed revenue and -\$0.4 million (-\$0.3 million for the West Moreton Region) related to QCA Levy charges. Note that FY2021 QCA Levy rates were negative owing to a reimbursement from the QCA of over-recovered FY2020 regulatory fees.

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.

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 2021 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 2021 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:

Year Ended 30 June 2021	General Purpose Statement of Comprehensive Income				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	1,912,421	-	-	1,912,421	-	-	-	1,912,421	1,252,272	660,149
Passenger transport revenue	45,707	-	-	45,707	-	-	-	45,707	45,707	-
Below Rail access revenue	202,498	-	-	202,498	-	144,905	-	347,403	119	347,284
Other revenue	58,299	-	-	58,299	(44,269)	9,756	-	23,786	11,904	11,882
Other income	3,570	-	-	3,570	(3,570)	-	-	-	-	-
Total Revenue	2,222,495	-	-	2,222,495	(47,839)	154,661	-	2,329,317	1,310,002	1,019,315
Operating Expenses										
Working expenses	1,427,125	-	-	1,427,125	(47,839)	9,756	68,524	1,457,566	898,666	558,900
Internal Access charges	-	-	-	-	-	144,905	-	144,905	144,905	-
Depreciation & amortisation	395,913	-	-	395,913	-	-	(68,524)	327,389	140,043	187,346
Total Operating Expenses	1,823,038	-	-	1,823,038	(47,839)	154,661	-	1,929,860	1,183,614	746,246
Earnings before Interest & Tax	399,457	-	-	399,457	-	-	-	399,457	126,388	273,069
Finance costs	136,241	-	-	136,241						
Income tax expense	76,752	-	-	76,752						
Dividend Receivable I/C	-	-	-	-						
Profit for the Year	186,464	-	-	186,464						

(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 2 refers to the *access undertaking* approved in accordance with the *Queensland Competition Authority Act 1997* on 1 July 2020 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 2*:
 - 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 2*.

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 2*.

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 2*, 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 2021 have been prepared pursuant to Clause 5.3.1 of *Queensland Rail's Access Undertaking 2*, and the provisions of the *Costing Manual*.



Kat Stapleton
Acting Chief Executive Officer
Queensland Rail

10 December 2021

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 2021 and its financial performance for the year then ended
- b) complies with *Queensland Rail's Access Undertaking 2* and the financial reporting framework described in Note 1

The financial report comprises the statement of assets as at 30 June 2021, 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 2*. 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 2* 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 2*.

Auditor's responsibilities for the audit of the financial report

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

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

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

10 December 2021

Queensland Audit Office
Brisbane