

Annual and Financial Report

FY2022-2023

General information

This is the consolidated Annual and Financial Report FY2022-2023 (“the report”) of Queensland Rail (ABN 68 598 268 528) and its subsidiaries, Queensland Rail Limited (ABN 71 132 181 090) (QRL) and On Track Insurance Pty Ltd (ABN 18 095 032 670) (OTI). Queensland Rail is a statutory authority established under the *Queensland Rail Transit Authority Act 2013* (Qld) (*QRTA Act*) and is a statutory body for the purposes of the *Financial Accountability Act 2009* (Qld) and the *Statutory Bodies Financial Arrangements Act 1982* (Qld).

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

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

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

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

For further information on Queensland Rail

Phone: 13 16 17
Mail: GPO Box 1429
Brisbane, Queensland,
4001

Registered Office

Queensland Rail
Level 14, Rail Centre 1
305 Edward Street
Brisbane, Queensland, 4000
Queensland Rail ABN 68 598 268 528

Translation and interpreting assistance

Queensland Rail is committed to providing accessible services to Queenslanders from all culturally and linguistically diverse backgrounds.

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



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The Honourable Cameron Dick MP

Treasurer
Minister for Trade and Investment
Member for Woodridge
1 William Street
Brisbane Qld 4000

The Honourable Mark Bailey MP

Minister for Transport and Main Roads and Minister for Digital Services
Member for Miller
1 William Street
Brisbane Qld 4000

Dear Treasurer and Minister

Queensland Rail Annual and Financial Report FY2022-2023

I am pleased to submit for presentation to the Queensland Parliament the Queensland Rail Annual and Financial Report 2022-2023. I certify that this annual report complies with:

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

A checklist outlining the annual reporting requirements can be found on page 42 of this annual report. As outlined in the report, a dividend of \$149.8 million was declared for the year ended 30 June 2023.

The Board unanimously endorses the Queensland Rail Annual and Financial Report FY2022-2023.

Yours sincerely



David Marchant AM

Chair

20 September 2023

Table of contents

General information.....	2
Table of contents.....	4
Our business	5
Chair's message.....	6
CEO's report.....	7
Safety	8
Queensland Rail's year in review.....	10
Our operational performance	12
Our financial performance	13
Regional	16
South East Queensland	18
Our people.....	20
Our communities	22
Governance structure.....	24
Organisational structure	25
Board	26
Executive Leadership Team.....	29
Corporate Governance.....	31
Human Rights Act	39
Summary of the FY23 Operational Plan	40
Compliance checklist	42
Glossary and acronyms	43
Financial Report	45
Independent Auditor's Report	96

Our business

Queensland Rail has been connecting communities since 1865, supporting local jobs, industries and economies. We are committed to delivering world-class rail services for our customers that are safe and reliable.

With total assets of \$9.3 billion and a network that extends more than 6,600 kilometres (km) across the state, we are also focused on delivering our services efficiently and sustainably to create value for our customers and Queenslanders.

Our 7,500-strong workforce delivers services across our South East Queensland (SEQ) and Regional networks, including Travel and Tourism services, and freight.

Our SEQ business provides 8,392 services each week, supporting our customers to reach their destination safely and on time. Across the last financial year (FY23), 42.86 million passenger trips were taken on the SEQ network, an increase of 33.7 per cent when compared with FY22.

The regional commuter and rail tourism markets are serviced by the Travel and Tourism team. There are eight services connecting regional communities across Queensland with other regional centres and South East Queensland. These services support the Queensland tourism industry through the provision of unique rail tourism experiences.

Our Regional business provides rail access for freight operators supporting the critical transport of resources and general freight across the state.

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

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

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

- management of railways;
- provision of rail transport services, including passenger services; and
- construction and maintenance of rail transport infrastructure.

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

Chair's message

On behalf of the Board, I am pleased to present Queensland Rail's Annual and Financial Report for FY23. It showcases the continued dedication of our team to deliver world-class rail services for our customers.

Throughout FY23, Queensland Rail achieved many milestones on its 'rail revolution' journey. In August, the Queensland Government launched 'SEQ Rail Connect', which provides the blueprint for how the SEQ rail network will take shape to meet the future needs of our growing region and state. Queensland Rail continues to work in partnership with the Department of Transport and Main Roads and the Queensland Government to achieve the objectives set out in SEQ Rail Connect and deliver more for customers and communities.

Central to this growth is Cross River Rail. Queensland Rail has worked collaboratively with the Cross River Rail Delivery Authority (CRRDA) to deliver vital works that will enable integration of the tunnels into the existing Queensland Rail network. As part of the Fairfield to Salisbury station upgrades, Yeronga and Fairfield stations have been made more accessible and re-opened to customers, while construction and enabling works continue at another four stations.

Similarly, Queensland Rail continued to work with delivery partners to deploy the world-class European Train Control System (ETCS), our new generation signalling system that will evolve SEQ rail network operations. Testing commenced on passenger lines in July 2022.

Reliability of services continued to be a focus across both our SEQ and Regional networks, with an investment of more than \$465.5 million in vital network maintenance, together with an ongoing capital works program of \$859.3 million. Notably, major improvements were made to both the North Coast and Mount Isa lines, boosting capacity, reliability, and resilience.

As we continue to develop a network that can be accessed by all customers, more than \$52 million was invested in station upgrade programs throughout the state, with a further \$137.7 million invested in rollingstock upgrades. These critical upgrades will see rail travel become accessible to more members of the community over time and is another step forward in Queensland Rail delivering world-class rail services for customers. We are also working with the Queensland Government on the manufacture and delivery of 65 new trains, along with two new stabling yards and facilities, to meet projected customer growth through the Queensland Train Manufacturing Program.

In FY23, there was significant upward pressure on material costs and supply chain delivery, including services. This is expected to continue in FY24 and, therefore, put significant upward pressures on the capital program and service costs.

On behalf of the Directors, I thank the Executive Leadership Team for the work they have done in steering their portfolios and helping to move Queensland Rail ever closer to achieving its vision of providing world-class rail services for our customers. I also thank our responsible Ministers the Treasurer and Minister for Trade and Investment, the Honourable Cameron Dick MP, and the Minister for Transport and Main Roads and the Minister for Digital Services, the Honourable Mark Bailey MP, for their ongoing support and guidance over the past 12 months.

Finally, I sincerely thank the people of Queensland Rail for their hard work and the pride they take in connecting communities across Queensland. I acknowledge their significant achievements this year and look forward to continuing to work together to achieve more for our customers as we move towards the opening of Cross River Rail, the 2032 Olympic and Paralympic Games, and beyond — leaving a legacy for generations to come.

David Marchant AM
Chair

CEO's report

Throughout the past year, our Queensland Rail people came together as 1TEAM to continue connecting communities across the state, while taking large strides towards our vision to deliver world-class rail services for our customers. With safety always at the forefront of our minds, we delivered over 43 million customer journeys in FY23 and lifted our freight movement to 14 billion gross tonne kilometres in support of local communities and Queensland's economic prosperity.

With an exciting decade of growth ahead of us and the rail revolution upon us, in FY23 we developed our Ready for Growth program to better plan and prepare for the future. This program brings together new and existing initiatives from across our organisation, designed to support the integration of more than \$20 billion in new infrastructure and assets and improve the way we help our people adapt to changes to our network and operations.

Providing world-class services for our customers means anticipating and responding to the needs of our communities. Throughout FY23, the Station Accessibility Upgrade Program made more of our network accessible to customers, with works underway at several stations and a major upgrade completed at Auchenflower.

We also continued to work with Translink to make it easier for customers to travel across our network in other ways. Throughout FY23, all our commuter lines in SEQ had smart ticketing capabilities turned on, with customers now able to tap on and off with a debit or credit card, or smart device.

Queensland Rail continued to face the impacts of severe weather, with multiple events causing disruptions across the network. But with enhanced weather monitoring and planning, we were able to assess damages and recover quickly, to ease disruptions for customers. We also continued to invest in network resilience across more vulnerable parts of our network, including the vital Mount Isa line.

Our ability to recover from severe weather events was recognised when Queensland Rail received the 'Passenger Operations Excellence Award' at the 2022 Australasian Rail Industry Awards. This was in recognition of our safe restoration of services after a southern Queensland severe weather event in February 2022 led to the shutdown of the entire SEQ network. That restoration was a shining example of how our people at Queensland Rail work hard for our customers and our communities every single day.

In FY23, an organisation-wide engagement survey reiterated the pride and passion our people feel for working for an iconic organisation like Queensland Rail, which has been connecting communities for almost 160 years. We continue to act on feedback from our people as we aim to make Queensland Rail 'the place to be'.

As we look ahead, Queensland Rail's future is incredibly bright. We can and will contribute more to our communities than just rail infrastructure, and truly leave a legacy for generations to come as we play a significant role in the public transport ecosystem. It's why it is my absolute honour and privilege to lead Queensland Rail as Chief Executive Officer.

On behalf of the Executive Leadership Team, I share our sincere appreciation for the efforts of our people throughout FY23, who have continued to demonstrate resilience, dedication, and professionalism. I am also grateful to the Board for their strategic oversight and guidance, and to the Executive Leadership Team for their ongoing leadership, expertise, and commitment to Queensland Rail's success.

Kat Stapleton
CEO

Safety

At Queensland Rail, Safety comes first. Always. Queensland Rail prioritises safety across all areas of its operation. In FY23 we delivered multiple awareness campaigns, implemented new technology and continued to focus on security along the network.

Key highlights:

- More than 716 joint operations with Queensland Police Service (QPS) Railway Squad and Authorised Officers for customer safety.
- Installed a new Structural Monitoring and Alert System to detect bridge strikes in Toowoomba.
- Completed upgrades to four level crossings.
- Continued focus on customer safety through the 'Act Safe. Arrive Safe.' and 'Travel with Care' campaigns.

COVID-19

Throughout FY23, Queensland Rail continued to support objectives and directives of relevant government agencies. In September 2022, all public health directions were removed. Queensland Rail continued to encourage good passenger etiquette with regards to personal hygiene and supported our employees to stay safe and healthy from COVID-19 and other public health challenges.

Train collision at Westwood

On 18 June 2021, a collision occurred between an Aurizon coal train and a Queensland Rail light engine locomotive on the Aurizon network at Westwood, west of Rockhampton. Tragically, in this incident a Queensland Rail train driver was fatally injured. Two other drivers were treated in hospital for injuries.

Queensland Rail has implemented several safety measures following the incident and continues to work collaboratively with all relevant parties. On 13 April 2023, Queensland Rail was charged by the Office of the National Safety Regulator (ONRSR) with three offences, all of which relate to Queensland Rail's management of safe systems of work.

Queensland Rail is working proactively with ONRSR in relation to the charges to resolve this matter promptly.

Customer injury prevention

The customer injury campaign 'Travel with Care' was launched and aimed at reducing instances of slips, trips, and falls, both at stations and on trains.

The campaign was in market in July 2022 and was additionally the focal point for the Queensland Rail pavilion at the Ekka. The popular installation featured a mini-golf course inspired by the 'Travel with Care' campaign. Players faced obstacles spread throughout the course, requiring them to 'mind the gap', navigate safely down stairs, and avoid luggage obstacles — all common causes of slips, trips, and falls.

The second phase of the 'Travel with Care' campaign was refreshed and focused on three themes: rushing for trains; distraction on stairs and escalators; and using a lift when carrying heavy or bulky luggage.

Additionally, in March 2023, a customer safety campaign for travellers on long-distance travel and tourism services was launched. The campaign — 'Act Safe. Arrive Safe.' — uses native Australian animals to convey safety tips, which are grounded in the natural instincts of that animal.

Safeworking control framework

On 27 October 2021, Queensland Rail entered into an Enforceable Voluntary Undertaking (EVU) with the ONRSR.

As at 30 June 2023, the majority of initiatives, designed to improve safe working across the Queensland Rail network have been completed. ONRSR has granted Queensland Rail an extension to complete the final Track Access System (TAS) initiative.

Queensland Rail is scheduled to finalise the EVU in February 2024. An independent auditor, engaged by Queensland Rail, will continue to review and verify assurance activity to confirm we have achieved each EVU initiative.

Signals passed at danger prevention

Every Signal Passed at Danger (SPAD) event is taken very seriously and investigated thoroughly. Queensland Rail's SPAD rates are generally lower than the Australian industry average and have not proportionately risen with increases to train services — however, SPAD prevention continues to remain a critical safety focus.

In FY23, Queensland Rail continued to deliver several SPAD prevention initiatives, including a SPAD prevention taskforce, innovative technologies, and driver education and awareness.

The Queensland Rail Operator SPAD rate per million train kilometres for FY23 (as at June 2023) was 1.49, representing an improvement from 1.89 in FY22.

Bridge strike prevention

In FY23, 67 bridge strikes occurred, two more than the previous financial year. Queensland Rail continued its focus on reducing the likelihood of bridge strikes and the adverse impacts they have on customers and community safety. Improved signage, additional engineering and technology solutions, targeted marketing, and collaboration around enforcement with the QPS have been key priorities this year.

Since 2015, Queensland Rail has invested \$15.5 million on bridge strike protection beams to 14 high-priority, low-clearance rail bridges across the network. These beams improve safety for road users, cyclists and pedestrians, and also minimise train delays.

In April 2023, a new bridge strike monitoring system – the Structural Monitoring and Alert System (SMAS) – was commissioned in Toowoomba. This system captures bridge strikes on camera in real time and measures the force of impact, allowing immediate remote assessment, minimising customer disruptions.

In October 2022 and April 2023, the bridge strike prevention campaign – ‘*Size matters: Know your trucking height*’ – aimed to prevent over-height vehicles from hitting low-clearance rail bridges and overhead line equipment at level crossings. The call to action encouraged all drivers to know the height of their vehicle and load, and to plan their journey.

Level crossing safety

Queensland Rail remains focused on ensuring safety and compliance at level crossings. In FY23, upgrades to level crossings continued across the network with four in regional Queensland — Thallon, Farleigh, Toobanna and Aloomba — improved to bolster attention and care around level crossings. These upgrades form part of a \$4.3 million project to improve pedestrian safety at 19 regional level crossings.

Queensland Rail also continues to prioritise driver and pedestrian education to reduce level crossing incidents. The ‘*Trains can’t stop quickly. You can*’ campaign targeted all motorists throughout Queensland. In regional locations, the campaign highlighted the risks of engaging in risk-taking behaviour at level crossings where a loaded freight train may take up to two kilometres to stop in an emergency.

The ‘*Avoid Harm, Stop Before the Boom Arm*’ campaign aimed to raise awareness amongst motorists of the risks and consequences of disobeying level crossing warning signs and signals.

In addition to these campaigns, Queensland Rail released CCTV of close calls at level crossings throughout the state to remind all motorists, cyclists, and pedestrians to stay safe around trains.

Queensland Rail actively participates in state and national level crossing forums aimed at improving safety across the communities we operate in.

Reducing trespass incidents across the network

Throughout FY23, there were 4,548 reports of trespassing across the Queensland Rail network. To educate the public on the dangers of trespassing on the rail corridor, the ‘*A hole lot of regret*’ campaign was launched and aimed to increase awareness primarily among risk-taking males aged 15-18 years. The campaign showed how incidents can happen, regardless of whether the trespassing is unintentional (e.g. retrieving a dropped item), for convenience, antisocial behaviour, graffiti or illegal access.

Security in the community

Queensland Rail continued its long-standing partnership with the QPS throughout FY23. The 86-officer strong Railway Squad continued to provide a highly-visible uniform presence to deter, detect, respond to, investigate and charge offenders for criminal and antisocial behaviour on the rail network.

The Railway Squad undertakes regular patrols and coordinates its responses out of eight purpose-built outposts on the rail network located at Roma Street, Northgate, Petrie, Beenleigh, Robina, Manly, Ipswich and Redbank railway stations. The officers are supported by Queensland Rail’s 24-hour security monitoring team based at the Rail Management Centre. The team has access to more than 12,000 CCTV cameras across the network, as well as Authorised Officer teams, security guards, mobile security dog teams, nightly Guardian Train services and Translink Senior Network Officers.

In FY23, Queensland Rail also partnered with the QPS and other agencies to deliver a co-responder service to community members in crisis. The collaboration between Queensland Rail, the Railway Squad, and Metro South Health works to proactively identify and support people in crisis on the rail network through intelligence-led patrols. A six-month trial of the initiative commenced in February 2023 and has responded to 13 incidents.

Queensland Rail's year in review: Monthly highlights

July

- A third-party freight train derailed between Nonda and Nelia. Queensland Rail crews worked tirelessly to rectify the track and return services for customers.

August

- The Department of Transport and Main Roads released 'SEQ Rail Connect' — a blueprint for how the South East Queensland rail network will be transformed after the opening of Cross River Rail.
- The Ekka returned after a two-year, COVID-induced hiatus and Queensland Rail shared important messages with the community from its '*Travel with Care*' customer injury campaign.
- \$25 million of track works were completed on the Mount Isa line to improve safety, reliability, and resilience.
- Smart ticketing rolled out on the Ipswich, Rosewood and Springfield lines, with all lines completed by March.
- Rocklea station closed for a full upgrade, being delivered by the CRRDA.

September

- Iconic heritage train carriages returned to the Toowoomba Carnival of Flowers, transporting rail enthusiasts in style between Toowoomba and Spring Bluff.
- Queensland Rail won the distinguished 'Passenger Operations Excellence Award' at the Australasian Rail Industry Awards.
- Engineers worked to stabilise the Toowoomba Range and unveiled cutting-edge artificial intelligence technology to conduct virtual 3D inspections of the railway to identify potential hazards.
- Concepts were unveiled for a multi-million-dollar upgrade to Maryborough West station.

October

- Queensland Rail celebrated Safe Work Month and acknowledged Queensland Mental Health Week with several physical and psychosocial safety initiatives and events.
- Community consultation commenced on proposed upgrades to Shorncliffe station.
- Overhaul works commenced on 64 City network trains, with works taking place in Queensland, by Queenslanders.
- Smart Ticketing capabilities rolled out to the Sunshine Coast, Caboolture, and Redcliffe Peninsula lines.

November

- Queensland Rail launched its First Nations Steering Group to help guide indigenous cultural experiences for customers onboard its long-distance and tourism services.
- The '*Hard Pass to Trespass*' campaign rolled out, aimed at reducing instances of trespass across the network and keeping customers and employees safe.
- Smart Ticketing capabilities rolled out on the Doomben, Shorncliffe, and Cleveland lines.

December

- Queensland Rail's CEO, Kat Stapleton, delivered a keynote address at the industry conference — AusRAIL — where she spoke about the rail revolution in Queensland.
- The Santa Express hit the network, spreading Christmas cheer from Varsity Lakes to the Sunshine Coast and everywhere in between.

January

- The new Mayne Yard North stabling and maintenance facility was commissioned, and operations transitioned to the new site. Subsequently, Mayne Yard East closed for its upgrade works.
- Community consultation took place on proposed upgrades to Rockhampton station.
- Upgrades were officially completed at Auchenflower station, creating a more accessible station for the local community, including Wesley Hospital patients.
- Fairfield station reopened following its closure for Cross River Rail upgrades.
- Severe weather and flooding impacted the North Coast line, particularly between Mackay and Townsville, but a quick recovery saw services return ahead of schedule.

February

- Community consultation kicked off for proposed Buranda station upgrades where customers will see improved accessibility.
- Updates to the Maxwellton siding were completed in north Queensland, representing a major win for third party freight operators, local cattle graziers and freight end-customers.

March

- A Queensland Rail heritage steam locomotive was leased to Southern Downs Steam Railway, the home of the Downs Explorer, allowing members of the public to travel on it for the first time in five years.
- The '*Avoid Harm, Stop Before the Boom Arm*' safety campaign was relaunched to improve level crossing safety.
- Community consultation took place on proposed upgrades to the historic Townsville station.
- Native Australian animals featured in a new customer safety campaign — '*Act Safe. Arrive Safe.*' — for customers on long-distance and travel services.
- 75 new recruits, including 53 apprentices and 22 graduates, kick-started their careers with Queensland Rail.

April

- The next phase of the '*Trains Can't Stop Quickly, You Can*' campaign reminded regional Queenslanders to act safely around level crossings.
- A new bridge strike monitoring system was commissioned in Toowoomba.
- A 21-day closure program saw vital maintenance and upgrade works completed across the network in partnership with the Cross River Rail Delivery Authority.

May

- Bundaberg residents were given the opportunity to have their say on proposed upgrades to their station.
- The historic Gulflander returned to service for its 2023 season.

June

- Queensland Rail was announced as one of the new tenants for the Rockhampton railyards.
- CEO Kat Stapleton was appointed to the new Commonwealth Government-initiated Rail Industry Innovation Council.

Our operational performance

Summary key performance measures

	Unit	FY22 Actual	FY23 Actual	FY23 Target
Signal Passed At Danger per million train kilometres – Operator	Rate	1.89	1.49	1.77
Customer Injuries per Million Passenger Journeys	Rate	12.24	10.58	13.80
Total Recordable Injury Frequency Rate	Rate	7.44	8.38	7.80
Safeworking Breaches as a Rail Infrastructure Manager	Count	107	154	94
On-Time Running – Citytrain 24/7 (Adjusted for Force Majeure)	%	95.72	93.17	95.00
On-Time Running – Citytrain Combined Peaks (Adjusted for Force Majeure)	%	94.76	91.68	95.00
Reliability – Citytrain 24/7 (Adjusted for Force Majeure)	%	99.64	99.24	99.50
Reliability – Traveltrain 24/7 (Adjusted for Force Majeure)	%	99.43	98.82	98.00
On-Time Arrival – Traveltrain (Adjusted for Force Majeure)	%	72.44	58.10	Monitor trend
Citytrain Customer Index	Index	4.24	4.17	4.10
Travel Customer Index	Index	4.31	4.23	4.10
Operational Cost per Revenue Train Kilometres – South East Queensland Above Rail	\$	38.86	40.48	40.35
Operational Cost per Revenue Train Kilometres – South East Queensland Below Rail	\$	11.02	11.77	11.36
Operational Cost per Revenue Train Kilometres – Travel and Tourism	\$	80.80	93.16	85.45
Operational Cost per thousand GTK – Regional	\$	19.21	20.66	17.58
Capital Expenditure	\$M	739.64	859.27	843.56
Capital Plan Scheduling	%	89.74	76.67	82.00

Unscheduled Absence Days/FTE appeared in the 2021-22 Annual Report as an operational performance metric but is no longer considered a key performance metric.

Our financial performance

Consolidated income statement for the year ended 30 June 2023

	2022-2023 Actual \$M	2021-2022 Actual \$M
Revenue	2,435.8	2,308.4
Operating expenses	(1,697.8)	(1,498.9)
Earnings before interest, tax, depreciation and amortisation (EBITDA)	738.0	809.4
Depreciation and amortisation expense	(401.6)	(417.4)
Earnings before interest and tax (EBIT)	336.4	392.0
Net finance costs	(120.5)	(117.5)
Income tax expense	(66.1)	(78.9)
Net profit	149.8	195.6

Numbers include rounding.

The Queensland Rail consolidated entities' EBIT decreased by \$55.7 million.

Revenue increased 5.5 per cent on the prior year mainly attributable to higher rail Transport Service Contract, construction works and access revenues.

Operating expenses increased 13.3 per cent on the prior year as a result of higher supplies and services and labour costs, partially offset by a decrease in other expenses.

Depreciation and amortisation expense decreased 3.8 per cent as a result of lower depreciation of property, plant and equipment assets.

A dividend of \$149.8 million was declared in respect of the year ended 30 June 2023. This dividend will be paid during FY24.

Financial performance measures compared to the FY2022-2023

Operational Plan

	Unit	2022-2023 Actual	2022-2023 Target
Earnings before interest and tax	\$M	336.4	365.8
Net profit after tax	\$M	149.8	178.2
Return on operating assets	%	4.25	4.68
Long Term Debt to (Long Term Debt + Equity)	%	57.90	58.50

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

Our financial performance (cont.)

Consolidated balance sheet as at 30 June 2023

	2022-2023 Actual \$M	2021-2022 Actual \$M
Current assets	323.7	409.0
Non-current assets	8,863.6	8,443.9
Total assets	9,187.3	8,852.9
Current liabilities	879.4	1,002.9
Non-current liabilities	5,006.7	4,574.4
Total liabilities	5,886.1	5,577.3
Net assets	3,301.2	3,275.6
Contributed equity	3,090.5	3,055.2
Reserves	(0.3)	(0.5)
Retained earnings	211.0	220.9
Total equity	3,301.2	3,275.6

The consolidated entities' current assets decreased 20.9 per cent to \$323.7 million primarily as a result of a decrease in cash assets, partially offset by an increase in trade and other receivables, prepayments and inventory.

The consolidated entities' non-current assets increased 5.0 per cent to \$8,863.6 million primarily due to a net increase in property, plant and equipment and non-current inventory, partially offset by a decrease in intangible assets and other non-current assets.

The consolidated entities' current liabilities decreased 12.3 per cent to \$879.4 million mainly as a result of a decrease in trade and current tax liabilities, partially offset by an increase in provisions and other current liabilities.

The consolidated entities' non-current liabilities increased 9.4 per cent to \$5,006.7 million as a result of an increase in long-term borrowings, provisions and other non-current liabilities, partially offset by a decrease in lease liabilities and deferred tax liabilities.

The consolidated entities' contributed equity increased 1.2 per cent to \$3,090.5 million as a result of a cash equity transfer.

Our financial performance (cont.)

Consolidated cash flows for the year ended 30 June 2023

	2022-2023 Actual \$M	2021-2022 Actual \$M
Net cash inflow from operating activities	489.6	714.8
Net cash (outflow) from investing activities	(887.5)	(586.9)
Net cash inflow/(outflow) from financing activities	270.4	106.8
Net increase/(decrease) in cash and cash equivalents	(127.5)	234.7

The decrease in net cash inflows from operating activities in the current year is mainly due to a decrease in Rail Transport Service Contract receipts and an increase in payments to suppliers and employees.

The increase in net cash outflows from investing activities in the current year is mainly as a result of an increase in expenditure on property, plant and equipment and intangibles.

The increase in net cash inflows from financing activities is mainly attributable to increased borrowings and contributions of equity.

Regional

Queensland Rail focused on enhancing offerings for passengers travelling on our Regional network in FY23, along with improving network resilience to meet the challenges and demands of the future.

Key highlights:

- More than 690,000 passenger journeys on long-distance and tourism services.
- Supported the transportation of more than 14 billion gross tonne kilometres of freight across Queensland.
- A new Heads of Agreement was entered into for the Rockhampton Railyards, to support research and development of hydrogen-powered locomotives.
- Two passing loops were commissioned through the North Coast line Capacity Improvement project.
- Community engagement and consultation took place to upgrade and modernise five stations.
- Innovative technology was put in place to support stabilisation works on the Toowoomba Range.

Travel and Tourism

Queensland Rail offers the largest network of long-distance travel and tourism rail experiences in Australia and plays an important role in connecting communities across regional Queensland.

Queensland Rail's Travel and Tourism services provide unique rail experiences and access to Queensland's Outback, the Gulf Savannah, rainforests and the Great Barrier Reef. The network also provides a vital connection for Queenslanders visiting family or friends, and people attending hospital or specialist appointments who are unable to travel by other modes of transport.

Patronage across the eight long-distance travel and tourism services was 694,586 in FY23, an increase of 49.4 per cent from FY22 when passenger numbers were affected by the COVID-19 pandemic.

Queensland Rail is continuing to look at ways to improve on-time running of its Travel and Tourism services to provide customers with greater certainty in relation to service arrival and departure times.

Travel fleet improvements

Overhauls and improvement works continue on carriages that service the Inlander, Westlander, and Spirit of the Outback trains.

Additionally, in January 2023, the first two of five locomotives to be upgraded as part of a \$21 million investment by the State Government was tested and returned to service. The locomotives, which haul carriages for services like the Spirit of the Outback and Westlander, will feature a new energy efficient engine and modern components. The new engine configuration will reduce fuel requirements by between 10 and 20 per cent. Exhaust emissions and oil consumption will also decrease.

Regional station accessibility improvements

Queensland Rail is proud to connect communities throughout the state. Our long-distance services connect customers with family, friends and holiday locations, along with essential services such as healthcare. We also deliver unique tourism experiences at some of Queensland's most picturesque locations.

To improve the experience of customers, Queensland Rail is looking to upgrade five of its regional stations to enhance safety and accessibility for customers travelling on the network.

In September 2022, the first round of community consultation was completed at Maryborough West station. This was followed by stage one consultation at Rockhampton in January 2023, Townsville in March, Cairns in April, and Bundaberg in May 2023. Insights from customer feedback will inform concept designs to be shared with the community in stage two during FY24.

Freight network

Queensland Rail continued its partnerships with Aurizon, Watco, Pacific National, and Qube Logistics in FY23 to transport more than 14 billion gross tonne kilometres of intermodal and general freight across the state.

Upgrades to two cattle sidings on the Mount Isa line — at Maxwellton and Hughenden — were made in FY23, to improve freight access. In early February 2023, works were completed at Hughenden upgrading the sleepers and general condition of the existing livestock siding, reopening it for use. In June 2023, the previous

300 metre siding at Maxwellton was upgraded to around 1.4 kilometres in length, enabling two cattle trains to use the siding per week and creating additional stabling capacity for freight trains.

North Coast line capacity improvements

The North Coast line is the principal regional freight and passenger line within the Queensland Rail network, running the length of coastal Queensland between Nambour in the south and Cairns in the north.

In FY23, the \$77.3 million North Coast line Capacity Improvement Project to improve freight movements neared completion. Seven of the eight passing loops to be extended and upgraded have been completed. Kunwarara was commissioned in October 2022 and Mount Ossa is expected to be commissioned in February 2024. The additional loops mean freight trains as long as 950 metres can operate on the line, increasing the previous capacity of 706 metres.

The new passing loops will support efficiency improvements above rail and help to lower the cost of rail freight haulage, making it a more viable option for freight customers. The project has also delivered safety improvements through upgrades to the automatic train protection system.

Toowoomba Range improvement works

In FY23, new technology solutions were implemented to improve stabilisation works on the Toowoomba Range. Engineers now use cutting-edge artificial intelligence technology to conduct virtual 3D models of the railway to inform changes and potential hazards in the land. This advancement has helped engineers to view hard-to-access areas of the range remotely, assisting with planning required for upgrades and maintenance.

Also in FY23, dozens of new 'Kurloo' sensors were installed on the Toowoomba Range to help detect land movement and provide valuable information to engineers to improve safety. The sensors were placed across nine embankments to monitor the impact of heavy rainfall and reduce unplanned closures of the West Moreton system, which provides an important link to the Port of Brisbane.

In addition to technological advancements, Queensland Rail is investing \$37 million in the Toowoomba Range Slope Stabilisation project.

Works continued throughout FY23 including soil nailing, shotcreting, scour protection, and improved drainage.

Mount Isa line resilience

Queensland Rail has committed to improve rail infrastructure along the Mount Isa line. The Mount Isa line spans more than 1,000km and carries around 4 – 4.5 million tonnes of product per year, playing an important role in supporting mineral freight exports and regional jobs in North West Queensland.

In FY23, \$76.8 million was invested in planned maintenance and capital works on the line. This included waterway resilience improvements and the replacement of ageing rail equipment. The potential of enabling double-stacked containers on rail services was also investigated but determined to be unfeasible.

A project to improve flood resilience on the line reached a major milestone in FY23 with Queensland Rail awarding a contract for detailed design of new rail bridges along the line. The works will increase the flow of water at critical locations and help ensure recovery processes are as efficient, environmentally responsible and protective as possible when major weather events occur.

The Mount Isa line Waterways Resilience project is part of a \$50 million investment by the Queensland Government to bolster safety and reliability on the line. The project will complement 21 existing weather monitoring stations that help to remotely monitor weather impacts along the line.

The future of locomotive power

In FY23, Queensland Rail commenced a research project with Central Queensland University to investigate alternative power sources, including the potential for hydrogen-powered trains.

The \$3.5 million research and development project will investigate the viability of adapting existing diesel locomotives to be powered using hydrogen as an alternative fuel source. To facilitate the project, Queensland Rail has entered into a Heads of Agreement for space in the Rockhampton Railyards, and it is from this location that engineering design, mechanical fit outs, testing and commissioning will take place. It is part of Queensland Rail's commitment to sustainability and ensuring a cleaner and greener rail industry in Queensland.

South East Queensland

Queensland Rail continues to deliver the largest number of services in the organisation's history, with 8,392 weekly services operating across South East Queensland and 42.86 million passenger trips recorded across the network in FY23.

Key highlights:

- 99.24 per cent of services were delivered (adjusted for force majeure).
- 42.86 million passenger trips — a 33.7 per cent increase on FY22.
- Accessibility upgrades completed at South Bank (platform 1) and Auchenflower stations.
- Operations commenced from the new Mayne Yard North.

Delivering services to Queenslanders

Throughout FY23, Queensland Rail continued to focus on delivering safe and reliable services for its customers while mitigating impacts when operational challenges emerged.

Across the SEQ Citytrain network, 93.17 per cent of all SEQ services arrived on time (adjusted for force majeure), but this was below our target of 95 per cent. This represented a drop of 2.55 percentage points on our FY22 result.

Queensland Rail delivered 99.24 per cent of Citytrain services (adjusted for force majeure) across FY23, 0.26 below our reliability target.

A range of initiatives are underway to improve performance and on-time running of services for customers in FY24, including asset renewals and a focus on reducing dwell times at key stations.

Queensland Rail actively monitors footplate time to ensure driver duties are planned as efficiently as possible, while enabling traincrew to have adequate breaks and attend to their mandatory training requirements.

Supporting 'SEQ Rail Connect'

In August 2022, a new blueprint was unveiled for the South East Queensland rail network — 'SEQ Rail Connect'.

The blueprint outlines the transformation of the rail network, following the opening of Cross River Rail. It outlines three priority outcomes: 'Ready for Cross River Rail'; 'Better journeys for customers'; and 'Easier access to more locations'. They represent important steps towards making world-class rail services for our customers a reality, and evolving the way we connect communities in the future.

Cross River Rail station upgrades continue

In FY23, construction on the Cross River Rail project continued to progress.

In September 2022, Rocklea station closed to customers for its upgrade, delivered by the CRRDA, while Dutton Park station closed completely in April 2023. Fairfield station reopened to customers in January 2023.

Major track closures

Major track closures occurred throughout the year to facilitate critical CRR works. Queensland Rail has supported the CRRDA and delivery partners in their work. There was also a large body of work to plan train services and rail replacement buses around the track closure sites. All major closures also provided an opportunity for major Queensland Rail maintenance works across the network. Queensland Rail worked closely with the CRRDA to reduce customer impacts.

Mayne Yard North officially unveiled

In January 2023, the new Mayne Yard North — a state-of-the-art stabling yard and maintenance facility — was officially opened and Queensland Rail commenced operating from the facility.

Improving station access across the network

Throughout FY23, Queensland Rail invested \$57.5 million towards station accessibility and Park 'n' Ride upgrades.

Queensland Rail completed works on the Auchenflower station accessibility upgrade, with the official opening taking place in January 2023. The upgrade works included a new footbridge with lift access, an additional new pedestrian overpass, raised sections of platforms, a new bicycle storage facility and improved security, wayfinding signage and accessible parking.

The upgrade represents a major win for the local community, with the station forming part of the Wesley Hospital precinct.

Queensland Rail completed an upgrade of platform 1 at South Bank station in December 2022. The upgrade makes it easier and safer for customers to use the station and access the connecting retail and residential precinct.

Features of the platform 1 upgrade include a full-length raised platform, seating and shelters that cover most of the platform and access ramp, upgraded security cameras and lighting at assisted boarding points, and new wayfinding platform signage.

The South Bank station platform 1 upgrade was delivered as part of the State Government's more than \$500 million investment into rail in Queensland, supporting 250 jobs for Queenslanders.

The Partial Platform Raising project involves the raising of core zones at stations to ensure safer and easier boarding for all customers. Throughout FY23, works were completed at the following stations under the program:

- Ipswich
- Keperra (major works have been completed with finishing works to come)
- Hendra.

Members of the community were also invited to have their say on proposed upgrades to Buranda and Shorncliffe stations.

Smart Ticketing continues to roll out

Smart Ticketing is a new and innovative ticketing technology that enables customers more ways to pay for public transport. In partnership with the Department of Transport and Main Roads (Translink Division) the rollout of Smart Ticketing was completed across all our South East Queensland commuter lines in FY23.

Continued strengthening of the network for flood resilience

Following the devastating southern Queensland flood event in February 2022, recovery works continued throughout FY23.

The Queensland Rail network west of Ipswich experienced a major landslip. Following emergency stabilisation, most repair works were completed by December 2022 and the Rosewood line reverted back to its usual timetable and original track alignment in January 2023.

The SEQ culvert renewal program has successfully renewed 25 culverts, with most works carried out during scheduled shutdowns. The renewed culverts have improved track structure and minimise the risk of flooding and washouts across the SEQ network.

Australasian Railway Industry award

In September 2022, Queensland Rail won the distinguished 'Passenger Operations Excellence Award' at the Australasian Rail Industry Awards, recognising stellar efforts during the 2022 floods that saw the entire SEQ network shut down.

Our people

Queensland Rail continued to invest in its people with a strong focus on maintaining a positive workplace. This included key culture performance and engagement activities over the past 12 months. Demonstrating its commitment to its people, Queensland Rail also supported multiple welfare initiatives and invested in training opportunities for employees at all levels of the organisation.

Key highlights:

- Queensland Rail appointed its first Chief Mental Health Officer.
- Building a more diverse workforce with 25 per cent of employees identifying as female.
- 75 new apprentices and graduates.
- 53 Queensland Rail staff took part in the Darkness to Daylight challenge.

Record apprentice and graduate recruitment

In FY23, Queensland Rail recruited 53 apprentices, including electricians and mechanics, along with 22 graduates. The new team members were placed in a variety of roles across the state. As at 30 June 2023, there were 77 apprentices in training throughout the business.

Registered Training Organisation

Queensland Rail has a proud history of supporting apprentices and trainees by providing them with the skills and support to build their career.

Importantly, we continued to build core skills in train driving, train control, rail infrastructure and frontline customer services, with 883 completions across our skillsets throughout FY23.

Enterprise Agreement negotiations

On 28 February 2023, six of Queensland Rail's seven Enterprise Agreements nominally expired and negotiations commenced for their replacement. The six agreements being:

1. Queensland Rail Administrative, Professional and Technical Enterprise Agreement 2020.
2. Queensland Rail Network Enterprise Agreement 2020.
3. Queensland Rail Travel and Tourism and Other Employees Enterprise Agreement 2020.
4. Queensland Rail Rollingstock and Operations Enterprise Agreement 2020.
5. Queensland Rail Train Control Enterprise Agreement 2020.

6. Queensland Rail Station Operations Enterprise Agreement 2020.

These six agreements cover approximately 5,500 of Queensland Rail's employees. Negotiations were ongoing as at 30 June 2023.

The current without prejudice proposal under discussion is subject to Government endorsement, should unions accept the package. The proposal includes wages policy uplifts, cost-of-living adjustments and other items that improve the attraction and retention of critical rail workers to support significant rail projects that need to be delivered over the life of the agreement.

Connected, capable and engaged employees

Queensland Rail sought feedback from its employees for the third time in four years through the QR Engage employee engagement survey. The response from the workforce for this initiative was encouraging, with 68 per cent of employees participating in the survey, up from 61 per cent the year before.

Results have been used to inform and shape local, functional and enterprise-wide engagement action plans, which will help build a constructive workplace culture throughout the business.

Tracking individual success and performance

In FY23, Queensland Rail rolled out a new platform to track Performance and Development Plans (PDP) — QR Perform. The platform has been introduced to improve conversations between managers and employees and uplift development planning.

Encouraging inclusion and diversity

Queensland Rail proudly supported a calendar of inclusion-focused initiatives and events throughout the year:

- Wear it Purple Day and the Brisbane Pride Festival Rally and March in support of Queensland Rail's LGBTIQ+ people and community
- NAIDOC and National Reconciliation Weeks in recognition of First Nations people and their cultures

- Queensland Multicultural Month and Harmony Week to celebrate multiculturalism across the workforce and customer base
- International Women’s Day and Queensland Women’s Week to recognise the importance of workplaces that are gender equal and free from bias
- Domestic and Family Violence (DFV) Prevention Month and White Ribbon Day to demonstrate our commitment to supporting affected employees and help end DFV in our community.

Queensland Rail believes a diverse and inclusive workforce encourages different and valuable perspectives that enrich the workplace and allow people to thrive. Queensland Rail has 7,572 FTEs and the following workforce profile:

- 21 per cent under the age of 35
- 26.2 per cent over 55
- 25.6 per cent female, and 26.0 per cent female leadership
- 10.4 per cent identify as having a culturally diverse background
- 3.1 per cent identify as having a First Nations background
- 3.1 per cent identify as living with a disability.

Since its establishment in 2020, Queensland Rail’s Inclusion Council continues to strengthen executive-level sponsorship and alignment and focus across the seven key inclusion communities of:

- Gender
- First Nations
- LGBTIQ+
- Young Professionals
- Domestic and Family Violence prevention
- Multiculturalism
- Disability.

Working together to prevent Domestic and Family Violence

As the first railway organisation in Australia to achieve White Ribbon Workplace accreditation in 2019 (and reaccreditation in 2022), Queensland Rail values a workplace where everyone feels safe and respected.

Queensland Rail proudly supported the Challenge DV ‘Darkness to Daylight’ event in May 2023. More than 50 employees walked or ran the 110-kilometre, 10-kilometre or 3-kilometre events to raise awareness and support work to end DFV. Queensland Rail remains a proud sponsor of the event.

Leadership development programs

In FY23, Queensland Rail continued to invest in its people. 1043 employees participated in modules forming part of the ‘Leadership Fundamentals’ course. A further 30 people participated in the ‘Impact for Leaders’ program whilst 31 senior leaders participated in the ‘Senior Leader Development Program’.

The QRWomen program, now in its fifth year, saw 66 emerging female leaders build their confidence to lead in an increasingly complex business environment.

Alongside the centralised QRWomen program, dedicated programs for women in both regional Queensland and SEQ were also run, supporting women across the organisation through development workshops, coaching and mentoring, and networking events.

Also in FY23, a new podcast — ‘*Train of Thought*’ — was launched for women across Queensland Rail to elevate conversations about women in the workplace at Queensland Rail.

Employee wellbeing

In January 2023, Queensland Rail appointed its first Chief Mental Health Officer (CMHO) to develop and implement a mental health strategy aimed at addressing psychosocial hazards to improve employee wellbeing.

In FY23, Queensland Rail continued to proudly support both ‘R U OK?’ and ‘Rail R U OK? Day’, with a focus on supporting employees to have conversations about mental health part of their day-to-day work.

Furthermore, in April 2023, Queensland Rail launched its first enterprise-wide peer support program — the ‘*Healthy Minds Support Crew*’. Employee supporter volunteers have been trained and the program will be available to all employees as a support mechanism in FY24.

Treating others with respect at work

In FY23, Queensland Rail continued to focus its efforts on creating respectful workplaces. As at 30 June 2023:

- 433 leaders participated in a full-day ‘QR Respect’ training course
- 823 employees participated in a half-day training course
- 3,769 leaders and employees participated in online training — ‘*It’s a matter of respect*’.

Additionally, Queensland Rail continued to make meaningful change within its workplace through strengthening policies, processes, and procedures in relation to inappropriate behaviour. A new mechanism for complaints management was implemented — Safe Station — including a dedicated team to triage and manage complaints and provide support to staff.

Our communities

Queensland Rail proudly supports the communities it connects through a range of initiatives and proactive strategies.

Key highlights:

- More than 280 presentations to young children, students and the community about rail safety.
- Six art projects delivered across the state as part of the Positive pARTnerships Program.
- Heritage steam locomotive leased to a community group for the first time in five years.
- Sustainability program developed to improve outcomes for people and the planet.

Rail safety education

Queensland Rail's Community Education team was back in full force in FY23 after activities were paused during the COVID-19 pandemic. This year more than 280 rail safety presentations were delivered to 65,000 participants from kindergartens, childcare centres, primary and high schools, community groups and youth education centres. These sessions focused on being aware of surroundings, obeying signs and signals, and the consequences of unsafe behaviour at stations and around the rail corridor.

In July 2022, the Community Education team once again joined the Queensland Rail Travel team to participate in the Cairns Show. Over the three days, show-goers who visited the Queensland Rail stand were presented with key rail safety messages such as level crossing safety for motorists and pedestrians.

Queensland Rail, along with partners QPS, DTMR and Brisbane City Council, continued to deliver Rail Safety Orientation Days with students from culturally and linguistically diverse backgrounds. Over three separate events, 162 students, many from refugee and migrant backgrounds, attended and explored a stationary train with Queensland Rail community education officers. They also met members of the security and customer service teams to receive valuable and practical rail safety information and develop their confidence for future travel on the network.

Community partnerships and support

Queensland Rail is committed to supporting its community through partnership and engagement activities. Queensland Rail facilitated station promotions to support charity organisations and community groups including Muscular Dystrophy

Queensland, Cancer Council Queensland, Guide Dogs Queensland, Returned Services League Queensland (ANZAC and Remembrance Days), and Police Legacy (National Police Remembrance Day, including donation collection for the victims of the Wieambilla shootings).

Queensland Rail was again a proud sponsor of Challenge DV's Darkness to Daylight challenge. An employee team of runners and supporters raised more than \$12,000 to support the prevention of DFV. Also in support of families affected by DFV, Queensland Rail took part in the annual RizeUp Christmas Appeal through coordinating and distributing boxed gifts to people in need in Townsville, Rockhampton, and Mackay over a 17-day period.

Queensland Rail team members showed their generous spirit in FY23, contributing more than \$23,000 to Australian charities through the payroll giving program. The Foodbank Hunger Drive was again supported by employees with \$1,382 raised — enough to provide 2,764 nutritious meals to those who need it most in the community.

Queensland Rail also supported community groups, councils, heritage organisations, museums, and cultural institutions with in-kind donations of assets and decommissioned equipment.

One donation included a small section of rail to the Landsborough Museum. During an excavation in the region, a section of old rail uprights was discovered featuring dates and markings from the 1880s. This rail heritage item is now proudly displayed in the museum and provides an opportunity to connect the local community and visitors to rail heritage.

Celebrating Queensland Rail's heritage and history

In FY23, Queensland Rail released eight episodes of the popular Queensland Rail History podcast. Each episode explores railway stories in Queensland, from its beginnings through to the present day. In FY23, topics included the history of Roma Street station to railway refreshment rooms, and even the introduction of diesel locomotives in Queensland. There were over 2,500 podcast downloads in this time.

Queensland Rail continues to share its stories and history with passengers and the community through digital channels, station storyboards, and by partnering with community and heritage organisations. This included updating the honour board at Rockhampton station as a tribute to railway workers who lost their lives during WWI.

In FY23, a 'then and now' series showcasing historic and current station upgrade achievements was shared on digital screens for customers on NGR trains. The videos showcased the changes and upgrades to East Ipswich and Cannon Hill stations over many decades.

In March 2023, we leased a heritage steam locomotive to tourist railway operator, Downs Explorer, so the people of Queensland could enjoy the rare opportunity to experience a piece of the state's rich rail history.

The Spring Bluff shuttle also returned to the Toowoomba Carnival of Flowers in FY23, providing visitors with an opportunity to step back in time and travel from Toowoomba to Spring Bluff station on Queensland Rail's heritage rollingstock.

Reconciliation Action Plan development

In March 2023, Queensland Rail commenced development of a Reconciliation Action Plan (RAP), which enables the organisation to make contributions — sustainably and strategically — towards a more reconciled future for First Nations Peoples and all Australians.

A RAP Working Group was formed to drive the achievement of our RAP outcomes that align to Reconciliation Australia's identified core pillars of relationships, respect and opportunities. The RAP is being led by First Nations voices, through the support of the First Nations Inclusion Community.

The first outcome from the RAP process was the commissioning of 'Travelling Tracks', a piece of artwork by Casey Coolwell-Fisher from Chaboo, delivered in June 2023.

Aboriginal cultural heritage management

In FY23, Queensland Rail continued to establish long-term agreements with various First Nations groups to support mutually beneficial future outcomes, including streamlined delivery of Queensland Rail's capital projects and works. A dedicated Aboriginal Cultural Heritage team has been established within the Sustainability and Environment Group.

In FY23, a collaborative cultural burn was successfully undertaken on Queensland Rail land in the Central West to support important maintenance and construction activities. Additionally, positive steps have been taken to engage with Indigenous organisations in support of the delivery of environmental and Aboriginal cultural heritage services.

Sustainability program

In FY23, Queensland Rail developed its first Sustainability Program, in response to sustainability risks and opportunities, current and emerging stakeholder expectations, and industry trends. The plan focuses on five sustainability themes — people; customer and community; environment and heritage; climate and carbon; and responsible growth. Key priorities and actions have been identified for each, and work will continue through FY24 to support the implementation of key initiatives and improve sustainability awareness.

Biodiversity management

Throughout FY23, Queensland Rail continued to identify, manage and protect biodiversity values across our network.

In consultation with the Department of Environment and Science, and the Southern Downs Regional Council, Queensland Rail worked to better understand the rare and threatened plant species that are present along the Southern Railway line near Thulimbah.

Approximately two hectares of Queensland Rail land near Tully station have been revegetated with rainforest species in a series of planting stages over the past five years. In FY23, Queensland Rail continued to invest in maintenance of the revegetation, promoting community and environmental benefits and restoring the area to tropical lowland rainforest.

Positive pARTnerships program

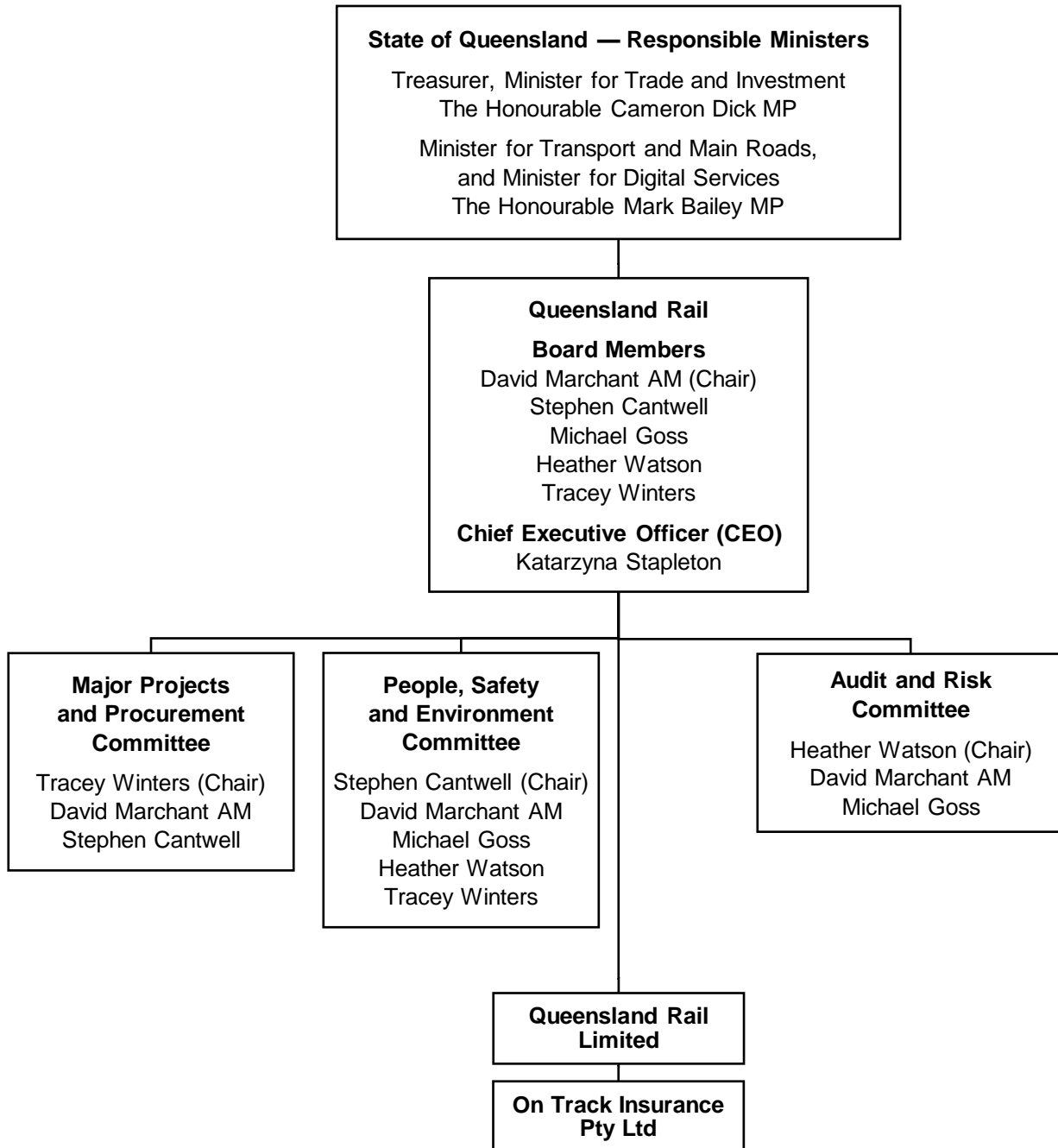
Queensland Rail's Positive pARTnerships program aims to produce high-quality public artwork, foster community pride in rail infrastructure, and reduce graffiti and vandalism. To date, 208 art projects have been delivered, including six new projects in FY23, which cover approximately 27,823 square metres across the Queensland Rail network. In FY23, 34 artwork maintenance tasks were carried out.

In FY23, the program partnered with Griffith University to deliver a new artwork installation on the Auchenflower station subway. In recognition of the partnership, Griffith University have now established a new course in their art program on running a public art project.

Replacement artworks were also commissioned and installed at Coopers Plains and Deagon stations, and the Corinda station mural was extended. Additionally, artwork at the Alderley pedestrian overpass was completed in June 2023, and the pillar artwork project in South Brisbane continued to make progress.

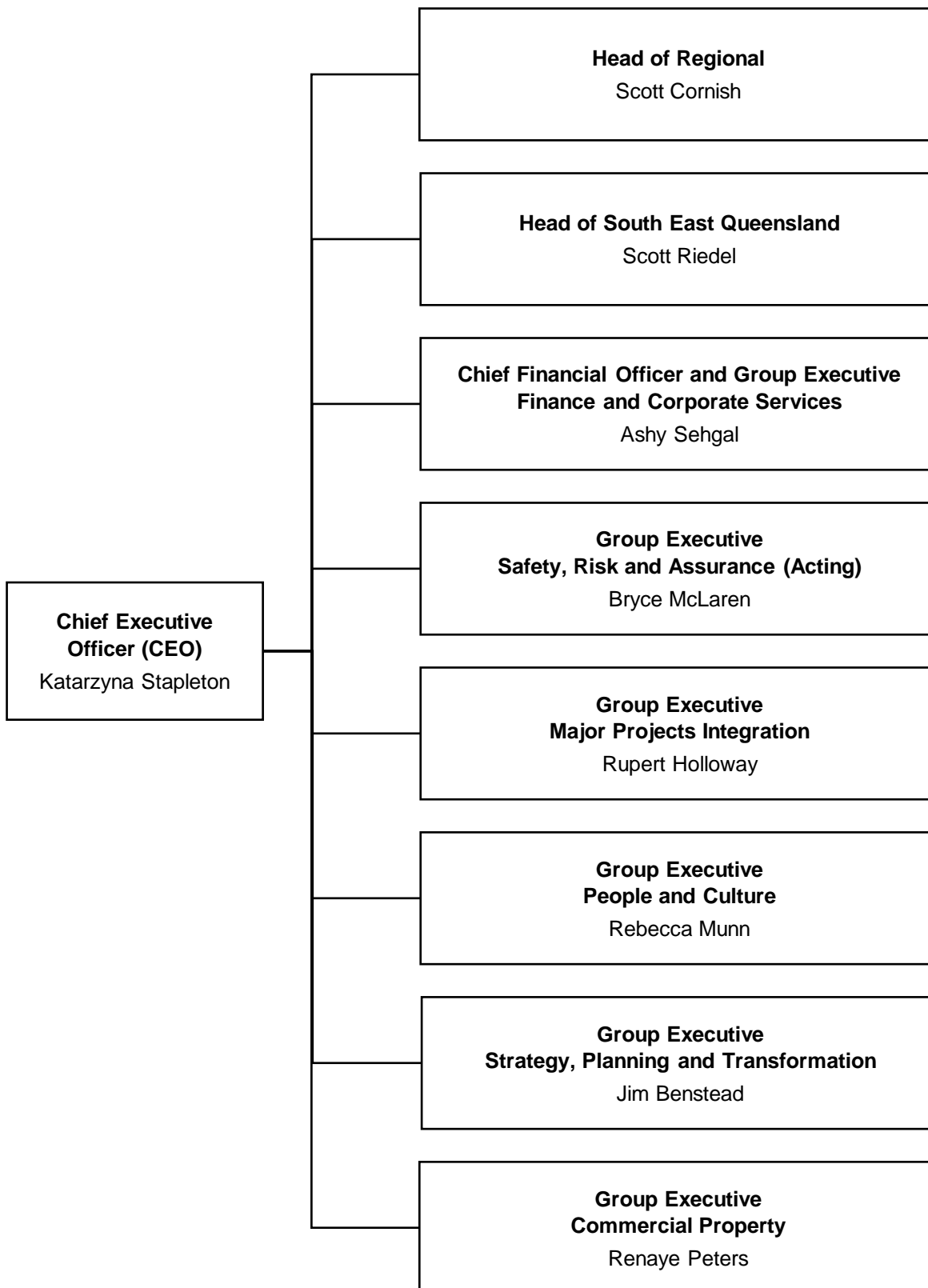
Governance structure

(as at 30 June 2023)



Organisational structure

(as at 30 June 2023)



Board

David Marchant AM

Chair, Independent Non-Executive Director

Appointed 7 October 2015

Appointed Chair 15 October 2018

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

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

He has worked as Managing Director of Lend Lease Engineering and Managing Director of Lend Lease Infrastructure Services, and as a Director of the Hunter Valley Coal Chain Coordination Company Pty Ltd.

David was appointed as a Member of the General Division of the Order of Australia in 2013 for significant service to the rail industry through national structural reform and infrastructure upgrades and has been a member of the Australian Institute of Company Directors since 2000.

Qualifications: GAICD.

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

Other Board and Committee Memberships: Non-executive Director of Airservices Australia, Chair of its Technology and Investment Committee, and a member of its Audit and Risk Committee, Safety Committee and Remuneration and Human Resources Committee; Chair of the Port Authority of New South Wales, Chair of its Nominations Committee, and a member of its Audit and Risk Committee and People and Culture Committee.

Stephen Cantwell

Independent Non-Executive Director

Appointed 1 October 2016

Re-Appointed 18 October 2022

Experience: Stephen has more than 40 years' experience in a broad range of strategic, functional and customer-facing roles within multi-billion dollar national and international business environments. In his executive career, Stephen has worked in a range of C-Suite and CEO roles in both the private and public sector.

During six years at publicly listed Bradken, he managed a global network of steel foundries and sales offices supplying differentiated consumable and capital products to markets in the resources, freight rail and power generation sectors in Australasia, Africa, China, India, as well as North and South America.

In his 33-year career at Queensland Rail, Stephen worked across various functions from entry level roles to Chief Executive Officer. He led what was then Australia's largest transportation company through significant restructuring and change, delivering growth and innovation across a broad portfolio of activities. As a result, he has established a reputation as a national leader in freight and passenger transport, and in supply chain innovation.

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

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

Other Board and Committee Memberships: Chair of Tasmanian Railway Pty Ltd and an ex-officio member of its Audit, Risk and Compliance Committee, Major Projects Committee and People, Safety and Environment Committee; Director of Port of Brisbane Pty Ltd and a member of its People and Performance Committee; and a Director of Lindsay Australia Limited and Chair of its Health and Safety Committee.

Michael Goss

Independent Non-Executive Director

Appointed 1 October 2020

Experience: Michael has over 30 years' experience as a lawyer in large and mid-tier Australian law firms. Michael now practises in his own legal consultancy and holds a diverse range of board positions.

Michael has practised primarily in commercial law, agribusiness, banking and finance, and residential aged care.

Qualifications: LLB.

Member of: People, Safety and Environment Committee, Audit and Risk Committee.

Other Board and Committee Memberships: Director of Metro South Hospital and Health Service (MSHHS) Board and member of its Audit and Risk Committee, Finance Committee, and Capital Works and Assets Committee; and Non-Executive Director of Beaumont Care Group of companies.

Heather Watson

Independent Non-Executive Director

Appointed 6 June 2018

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

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

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

Qualifications: LLB, GradCertBus, MAICD.

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

Other Board and Committee Memberships: Member of Children's Health Queensland Hospital and Health Service Board; Chair of Uniting (NSW and ACT) Board and Member of Synod Board (for NSW and ACT Synod); Director of Australian Regional and Remote Community Services Ltd; Chair of Epic Good Foundation; Chair of Like Family; Advisory Council Member of Queensland Family and Child Commission; and Advisory Board Member of Australian Charities and Not for Profit Commission.

Tracey Winters

Independent Non-Executive Director

Appointed 1 October 2020

Experience: Tracey is a senior executive with more than 35 years' experience in the resources and energy sectors. She has held senior corporate roles in issues management, government and regulatory affairs, media and communications, environment, land access, project commercialisation and construction, and asset management.

Tracey held a senior role in Federal public policy and politics for seven years and for more than a decade, built and run a successful government approvals and environmental management consultancy serving some of Australia's biggest resources companies and projects.

Tracey joined Santos in 2017 as Strategic Adviser External Affairs, responsible for government engagement and strategic communications.

Prior to joining Santos, Tracey was an adviser to Caltex Australia on public affairs and strategic issues management and was also a member of the QGC Executive Management team which developed the QCLNG Project in Queensland between 2011 and 2016.

Qualifications: BSc.

Member of: People, Safety and Environment Committee, Major Projects and Procurement Committee.

Other Board and Committee Memberships: Nil

Executive Leadership Team

Katarzyna Stapleton

Chief Executive Officer (CEO)

Katarzyna (Kat) was appointed Queensland Rail's CEO in April 2022.

Kat is a high-impact, agile and driven leader with executive experience in finance, commercial and operational roles, both locally and internationally.

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

Prior to commencing at Queensland Rail in 2019 as the Chief Financial Officer, Kat held a number of executive roles with nbnCo and as CFO for Bahrain Telecommunications company.

Scott Cornish

Head of Regional

Scott has over 30 years' experience in the oil and gas, transport and logistics industries for major producers and railway operators across the globe.

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

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

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

Scott Riedel

Head of South East Queensland (SEQ)

Scott is a results-oriented and tertiary-qualified business leader with a solid technical background and strong commercial acumen. Scott has more than 30 years' experience in the Australian, Asian and United Kingdom rail industries.

As Head of SEQ, Scott is responsible for the operational and strategic management of Queensland Rail's SEQ network. His team ensures Queensland Rail provides a safe and reliable network for the people of Queensland and delivers progressive commercial outcomes for the government and Queensland Rail.

Rebecca Munn

Group Executive People and Culture

Rebecca is an adaptable and experienced executive with more than 20 years' experience in management and senior roles, both globally and locally. She has worked across public, government and private sectors.

Rebecca is a passionate, and results driven executive and is most effective in large, complex, challenging and diverse environments. She has broad experience from multiple industries including emergency services, mining and manufacturing.

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

Rupert Holloway

Group Executive Major Projects Integration

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

As Group Executive Major Projects Integration, Rupert is accountable for the performance of Queensland Rail's project delivery, and for leading Queensland Rail's activities in relation to the Cross River Rail and ETCS projects.

Ashy Sehgal

Chief Financial Officer and Group Executive Finance and Corporate Services

Ashy is an experienced executive leader with over 25 years of experience and is professionally qualified in Finance, Business administration, Law, and IT.

Ashy is recognised in the industry for large-scale strategic transformation delivering significant financial and business improvement and delivering market share growth, both in Australia and overseas. He has a wealth of experience across the retail, telecommunications, media, supply chain, and transportation sectors and is passionate about customer service. Through his collaborative leadership style, Ashy delivers rapid change, agility and drives efficiency-focused culture within organisations.

Ashy comes to Queensland Rail from global logistics company CEVA Logistics where he was CFO and Director for Australia and New Zealand and has previously held executive level positions at Woolworths, Edcon (South African fashion retailer), and Myer.

At Queensland Rail, Ashy is responsible for providing commercial leadership to drive financial and business growth that will be instrumental to deliver the Ready for Growth program. His focus on governance, compliance and risk management will further strengthen the organisation to deliver world-class services for our customers.

Bryce McLaren

(Acting) Group Executive Safety, Risk and Assurance

Bryce is an accomplished leader with 25 years' experience in the private and government sectors spanning railways, transport, oil and gas and energy industries. He holds qualifications in Occupational Health and Safety, Environmental Health and Business Management.

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

Jim Benstead

Group Executive Strategy, Planning and Transformation

Jim has more than 30 years' experience in the transport and logistics industries.

Throughout his executive career he has specialised in driving business improvement, delivering transformational change and leading outcome-focused commercial teams.

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

Renaye Peters

Group Executive Commercial Property

Renaye is an experienced executive with more than 25 years' experience across the infrastructure, property and corporate sector.

Renaye specialises in building high performance teams to deliver results and has contributed to many significant infrastructure projects including Brisbane's Eastern Busway and Inner Northern Busway. Renaye is an outspoken advocate for delivering more for communities when delivering infrastructure and highlights the importance of weaving infrastructure back into the urban fabric, creating added economic benefits and engaging with the community.

As Group Executive Commercial Property, Renaye plays a key role in the development of commercial opportunities for Queensland Rail, unlocking incremental revenue streams for both strategic property decisions as well as leading major precinct transformations

Corporate Governance

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

Guidelines

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

The guidelines reference the Australian Securities Exchange (ASX) Corporate Governance Principles and Recommendations (2nd edition), and they provide the framework for government owned corporations to develop, implement, review and report on their corporate governance arrangements.

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

Corporate governance statement FY23

Principle 1 – Foundations for management and oversight

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

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

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

In exercising its functions and powers, the Board's key responsibilities include:

- Business strategy and expenditure
- Delegation of authority to senior executive
- Relations with responsible Ministers and key stakeholders
- Financial matters and risk management
- Ethics, governance and policy
- Senior executive appointments.

The Board has delegated responsibility for the day-to-day operation of Queensland Rail to the CEO including the implementation and delivery of the Board's strategic direction. The CEO is supported by the Executive Leadership Team with management responsibilities clearly defined and documented through formal position descriptions, performance plans and the Board approved Authorities, Approvals and Accountabilities Policy.

Newly appointed members are taken through a formal induction process to provide them with an overview of business operations, strategies and information in relation to the Board and committee functions. The induction process assists the members to understand their roles and responsibilities within Queensland Rail and includes an overview of key corporate expectations, existing governance arrangements and the culture and values of the organisation.

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

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

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

Principle 2 – Structure the Board to add value

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

The Board considers that all Board members who held office during the year are independent as defined under the ASX Corporate Governance Principles and Recommendations. In assessing the ongoing independence of each member, the Board considers the assessment criteria outlined in the ASX recommendations. Materiality in relation to independence is considered on a case-by-case basis with reference to each member's individual circumstances.

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

In circumstances where a conflict is believed to exist, the member concerned does not take part in any decision or consideration of the issue.

In addition, the member will not receive copies of the relevant Board papers. Members must notify the Board via the Company Secretary of changes to business interests and appointments which could potentially conflict with their role as Board member for Queensland Rail.

Details of the current Board members' experience and expertise are disclosed in this annual report, as is information on attendance at Board and committee meetings. Information in relation to composition of the Board and terms of appointment for all members in office as at June 30 2023 is set out on pages 24 and 26-28 of the Annual and Financial Report FY2022-2023.

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

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

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

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

The Board undertakes performance evaluations on a periodic basis to achieve and maintain corporate governance best practice and continual improvement. The purpose of the evaluation is to assess the performance of the Board as a whole, the Chair and the effectiveness of the Board committees. An external consultant is engaged on a periodic basis to assist the evaluation and provide an independent review of Board performance. The most recent independent Board evaluation was undertaken in June 2021 and considered a range of issues including governance structure, roles and relationships, operational and financial performance monitoring, risk and compliance oversight, stakeholder engagement and Board processes and decision-making. Written advice on the outcomes of the evaluation was provided to responsible Ministers.

Principle 3 – Promote ethical and responsible decision making

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

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

Queensland Rail's Code of Conduct, together with other policies, aligns with the principles and values of the *Public Sector Ethics Act 1994*. Under the Code, Queensland Rail staff are to carry out duties with integrity, impartiality, accountability, transparency, and promote the public good. Mandatory Code of Conduct training is completed by all staff during their onboarding, with refresher training provided every 12 months.

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

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

Queensland Rail also has in place related processes and policy documents setting out the requirements of the *Public Interest Disclosure Act 2010* (Cth), which facilitates disclosure of public interest information and provides protection for those who make public disclosures.

Principle 4 - Safeguard integrity in financial reporting

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

The role of the Chair of the committee is not held by the Chair of the Board and all committee members are independent non-executive members. Membership of the committee and details of attendance at meetings is disclosed on pages 24 and 36-37 of the Annual and Financial Report FY2022-2023.

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

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

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

Queensland Rail has a detailed internal audit plan that is managed by the Senior Manager Internal Audit.

The risk based internal audit plan is developed through extensive internal and external consultation and review of the organisation's enterprise risks. This plan is ultimately approved and monitored by the Audit and Risk Committee through regular reporting provided by the Senior Manager Internal Audit. In addition to the annual internal audit plan the internal audit function completes management request audits throughout the year.

In accordance with the *Auditor-General Act 2009* (Qld), the external audit function of Queensland Rail is performed by the Queensland Audit Office. The internal and external auditors are invited to attend Audit and Risk Committee meetings to present relevant reports and discuss any concerns with the Committee, without management influence. The Committee monitors the review and implementation of recommendations made by the internal and external audit functions.

Principle 5 – Make timely and balanced disclosure

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

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

Regular communications are initiated with key stakeholders including responsible Ministers and government representatives. The Chair and CEO meet with responsible Ministers and/or their representatives on a regular basis.

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

Principle 6 – Respect the rights of shareholders

Queensland Rail respects the rights of responsible Ministers as the ultimate owners of the business. The Board and senior executives of Queensland Rail engage with responsible Ministers and their representatives on a regular basis.

As at 30 June 2023, Queensland Rail's responsible Ministers were the Honourable Cameron Dick, MP Treasurer and Minister for Trade and Investment; and the Honourable Mark Bailey MP, Minister for Transport and Main Roads and Minister for Digital Services. Queensland Rail is committed to ensuring that responsible Ministers and their representatives are provided with information to make informed assessments of Queensland Rail's operational and financial performance and position.

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

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

Approval of responsible Ministers is sought for major investments and expenditure outlays, as well as Queensland Rail's entry into significant supply or customer contracts in accordance with government Investment Guidelines. The current thresholds are notified through the Operational Plan and are set out in Queensland Rail's Delegation of Authority Standard.

Principle 7 – Recognise and manage risk

Queensland Rail recognises that effective risk management and compliance frameworks are a key element of an organisation's corporate governance processes. The Board has approved a Risk Management Policy which is underpinned by a Risk Management framework that supports a structured approach.

The objectives of Queensland Rail's Risk Management Framework are to:

- Provide a systematic approach to the identification and management of risks
- Provide an appropriate risk assessment criteria
- Make available accurate and concise risk information that informs decision making around both strategic direction and operational objectives
- Adopt Risk Treatment strategies that are cost effective and efficient in reducing risk to an acceptable level
- Monitor and Review risk levels to ensure that risk exposure remains within Queensland Rail's Risk Appetite and operating context
- Clearly defined roles and responsibilities for managing risk within Queensland Rail.

The approach defined within the Risk Management Policy is consistent with the Australian and New Zealand risk management standards (AS/NZS ISO 31000:2018). The framework is designed to ensure risks are regularly identified, assessed, monitored and reported to the Audit and Risk Committee and Board on a periodic basis.

The Board determines the risk appetite and tolerance and evaluates reported risks reaching a defined enterprise risk tolerance level. The Board has oversight of the Integrated Assurance Plan and Compliance Management System.

The Executive Risk Committee monitors the effectiveness of compliance and assurance activities and assists in the monitoring and escalating of risk issues and continuous improvement opportunities to the Audit and Risk Committee.

The Board has assigned management with the responsibility for managing risk within the organisation and the implementation of mitigation measures, under the direction of the CEO and supported by senior executives. The Safety Risk and Assurance Group Function, led by the Group Executive, Safety, Risk and Assurance, facilitates the process by providing a centralised role in advising the various business functions on executing risk, compliance and assurance management, as well as consolidating reporting to Executive Risk Committee, Audit and Risk Committee and the Board.

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

Principle 8 – Remunerate fairly and responsibly

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

Membership of the committee and details of attendance at meetings are disclosed on pages 24 and 37 of the Annual and Financial Report FY2022-2023. Queensland Rail recognises that the achievement of its corporate objectives is dependent on the efforts of its people and has established remuneration policies, procedures and frameworks designed to attract and retain high calibre employees and to align individual and team efforts to agreed KPIs linked to the operational and strategic plans of the organisation.

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

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

Details of the nature and value of payments to each Queensland Rail Board member and specified Queensland Rail senior executives are set out in the Financial Report FY2022-2023.

Government policies and guidelines

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

Board meetings

The Board held 13 meetings during the financial year. Typically, at Board meetings the agenda will include the following:

- Disclosure of member interests
- Minutes of the previous meeting and any outstanding issues raised by members at previous meetings
- CEO and Finance reports
- Standing reports on lines of business and key major projects and initiatives.
- Key Strategic issues and Stakeholder engagement
- Transactions requiring Board approval in accordance with the delegation's framework
- Updates from committee chairs on matters considered at committee meetings
- The minutes of previous committee meetings
- Board correspondence and Ministerial briefing notes.

An in-camera session involving only non-executive Board members is held at the beginning of each Board meeting and is chaired by the Chair. The CEO, CFO, General Counsel and Company Secretary are also present for various periods at all Board meetings. Senior executives attend Board meetings when an issue under their area of responsibility is being considered or as otherwise requested by the Board.

Member attendance at FY23 Board meetings is detailed below:

Board Member	Attended	Meetings Eligible to Attend
David Marchant AM (Chair)	12	13
Stephen Cantwell	12	13
Michael Goss	11	13
Heather Watson	13	13
Tracey Winters	13	13
Renaye Peters (ceased 30/09/22)	3	3

Board committees

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

The membership of each Board committee is made up of a minimum of three members from the Board.

The CEO and senior executives attend meetings at the discretion of the committee.

Audit and Risk Committee

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

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

The committee observed the terms of its charter during the reporting period.

Committee member attendance at FY23 Audit and Risk Committee meetings is detailed below:

Board Member	Attended	Meetings Eligible to Attend
Heather Watson (Chair)	4	4
Michael Goss	3	4
David Marchant AM	4	4
Renaye Peters (ceased 30/09/22)	1	1

People, Safety and Environment Committee

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

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

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

Committee member attendance at FY23 People, Safety and Environment Committee meetings is detailed below:

Board Member	Attended	Meetings Eligible to Attend
Stephen Cantwell (Chair)	5	5
Michael Goss	5	5
David Marchant AM	5	5
Heather Watson	4	5
Tracey Winters	4	5

Major Projects and Procurement Committee

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

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

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

Committee member attendance at FY23 Major Projects and Procurement Committee meetings is detailed below:

Board Member	Attended	Meetings Eligible to Attend
Tracey Winters (Chair from 28/10/2022)	5	5
Stephen Cantwell	5	5
David Marchant AM	5	5
Renaye Peters (ceased 30/09/2022)	2	2

Notifications by responsible Ministers

Ethical Supplier mandate

By letter dated 19 March 2023, in accordance with section 12 of the *QRTA Act*, responsible Ministers notified and directed Queensland Rail and its subsidiaries that the Ethical Supplier Mandate will apply to Queensland Rail, as amended from time to time, from 31 March 2023.

Queensland Rail dividends

By letter dated 29 June 2023, pursuant to section 56 of the *QRTA Act*, responsible Ministers approved Queensland Rail's dividend recommendation and directed Queensland Rail to pay a dividend equal to 100 per cent of the Queensland Rail Group's final adjusted Net Profit After Tax for the FY23 period. The dividend is to be paid to the Consolidated Fund no later than 30 November 2023.

Information management

Advanced digital capability is essential to enable the vision to be a modern, world-class railway. Managing Queensland Rail information and data remains a priority as the reliance on technology continues to grow. This presents both significant opportunities and considerable risks that must be managed in accordance with legislative and regulatory obligations.

Queensland Rail continues to leverage leading-edge technologies and improve the value of its business information and data. A key initiative is the development of a Digital Blueprint that articulates Queensland Rail's digital ambition and enables the strategic objectives of the Enterprise. The supporting program of work focuses on the following areas:

- Information and data governance
- Information and cyber security
- Digital engineering
- Business information and analytics
- Records management
- Information culture.

The delivery of key projects in these areas will support Queensland Rail in:

- continuing to provide a reliable service and accurate information to customers
- improving asset management capability through information and data management systems
- supporting the Cross River Rail project
- undertaking integrated planning across rail and network operations
- enabling data-driven decisions through accessible and relevant information
- mitigating cyber and information security risks that present an increased risk to business continuity and reputation.

Open data

Information relating to consultancies, overseas travel and Queensland Languages Services Policy is published through the Queensland Government Open Data website (<https://data.qld.gov.au>). In FY23, Queensland Rail's consultancy expenses totalled \$1.8 million. There were 12 instances of overseas travel, with a total of \$158,966 expenses incurred.

Corporate entertainment and hospitality

Queensland Rail hosted one event in FY23 that exceeded a cost of \$5,000. This was the Queensland Rail International Women's Day Event held in March, with an overall cost of \$12,429 (excl. GST).

Human Rights Act

Queensland Rail is committed to ensuring it acts and makes decisions compatibly with the *Human Rights Act Qld* (HRA). Queensland Rail continually looks for process improvements to ensure that any decision made gives consideration to the impact on individual human rights.

In circumstances where it is identified that individual human rights might have been impacted, an impact assessment is undertaken.

During this financial year Queensland Rail:

- Assessed new, relevant policies and procedures for compatibility with the HRA, making changes where necessary.
- Continued an awareness-raising campaign to educate employees about the HRA and its effect on Queensland Rail's operations.
- Delivered a 'Toolbox talk' to all new Travel and Tourism onboard customer service employees.
- Received four human rights complaints. Three were determined internally and one was withdrawn.

Summary of the FY23 Operational Plan

Pursuing world-class services for our customers.

The FY23 Operational Plan ('the Plan') was the formal statement of our strategic direction, including objectives and performance outcomes for FY23. The Plan was consistent with our Strategic Plan and reflected the strategic activity for the first year of a five- to 10-year planning horizon.

In preparing the Plan, we reflected key strategic documents and priorities released by the Queensland Government.

The Annual Report provides a summary of our performance against the Plan, including the key performance indicators (KPIs) that tracked progress against agreed targets.

Key inclusions

Key components of the Plan included:

Government revenues and funding

The Plan reflected funding under the Rail Transport Service Contract (TSC) for:

- SEQ services
- Travel and Tourism services
- Regional network (including provision of rail access).

Employment and industrial relations

The Plan included an employment and industrial relations plan, which aligned all related initiatives with the Government Owned Corporations – Wages and Industrial Relations Policy 2015 and the *Temporary Policy Change – Addendum* effective 9 November 2022. The Operational Plan supported the achievement of our strategic plan by:

- Helping to build a culture that provided opportunities for people to develop, lead, make a difference, and perform.
- Developing workplace relations instruments (agreements and policies) and positive relationships that promoted fairness, employee engagement, and high performance.

Performance outcomes

The Plan represented the formal performance agreement between Queensland Rail and our responsible Ministers for FY23 and contained a summary of our objectives, consistent with our longer-term Strategic Plan.

For FY23, the Plan outlined key priorities for the organisation (refer significant achievements section below).

The Plan also contained financial and non-financial KPIs, the performance of which were reported to our responsible Ministers each quarter. Refer to Our Operational Performance section for a summary of our annual performance results.

Significant achievements

Priority: Growing our safety leadership capability and strengthening our safety programs to keep our people, customers and communities safe, always.

- Implemented the Visible Felt Safety Leadership program in SEQ to prevent injuries.
- Launched various customer safety campaigns with widespread media coverage, including '*Travel with Care*' and '*Mind the Gap*'.

Priority: Anticipating and responding to customers' needs by delivering world-class customer service, better infrastructure and new digital technologies.

- Continued to successfully defend against cyber security threats through ongoing investment in contemporary threat detection and management.
- Auchenflower and South Bank station upgrades completed to enhance customer accessibility and comfort; consultation supporting a new regional station upgrade program commenced.
- SEQ patronage continued to recover from floods in early 2022, the lingering impacts from COVID-19, and the associated changes in travel behaviour. Patronage increased by approximately 10 million passenger trips taken to 42.86 million; the first time in four years in which there have been more than 40 million passenger trips.

Priority: Investing in our people to ensure they are capable, connected and engaged, ready for the future.

- Appointed 53 apprentices and 22 graduates to boost technical and trade capabilities needed to deliver future growth.
- Implemented new organisational values to reset organisational behaviours as part of cultural change and transformation programs.
- Established a First Nations Steering Group with Indigenous tourism leaders and the Queensland Industry Tourism Council to promote Indigenous stories as part of Regional rail services.

Priority: Sustainably and efficiently managing our assets, delivering our services, and managing major projects, to support future growth.

- Implemented the provisions of the new Rail TSC across our business, focused on delivering better customer outcomes in a sustainable way.
- Established our transformation program in pursuit of a more sustainable and efficient business that has the right capability to deliver anticipated future growth.
- Effectively partnered with the CRRDA to manage customer impact as a result of closures for CRR construction.

Priority: Integrating our planning and modernising asset management practices and ways of working, to provide optimised operations and rail capacity that meets demand, now and into the future.

- Completed the new Mayne Yard North as part of preparing for operational changes needed for CRR.
- Launched an integrated planning program that will drive the linkage between the customer/community value proposition to demand-assessed capacity and financial and investment decisions.

Looking ahead

As we enter FY24, our refreshed Plan will remain focused on the community and customers, whilst supporting Government objectives.

Our purpose and vision will remain unchanged, with the organisation maintaining an unwavering commitment to connecting communities across Queensland and pursuing world-class rail services for our customers.

Our values and behaviours will remain central to how we operate, guiding the way our people treat each other, deliver services to customers, and partner with stakeholders.

As we deliver our services and planned initiatives in FY24, we will continue to exercise financial discipline in accordance with the Queensland Government's savings and efficiency plan targets. We will also continue to deliver against our agreed Investment Plan, which supports the significant policy and investment decisions by the Queensland Government.

Modifications to the Operational Plan

The *QRTA Act* requires that Queensland Rail's Annual Report include particulars of any direction given to Queensland Rail to modify its Operational Plan during the relevant year.

Queensland Rail did not materially modify its Operational Plan during this financial year.

Compliance checklist

Summary of requirement	Basis for requirement	Annual report reference
Letter of compliance	A letter of compliance from the accountable officer or statutory body to the relevant Minister/s	ARRs – section 7 Page 3
Accessibility	Table of contents and glossary	ARRs – section 9.1 Page 4 Pages 43–44
	Public availability	ARRs – section 9.2 Page 2
	Interpreter service statement	<i>Queensland Government Language Services Policy</i> ARRs – section 9.3 Page 2
	Copyright notice	<i>Copyright Act 1968</i> ARRs – section 9.4 Page 2
	Information licensing	<i>QGEA – Information Licensing</i> ARRs – section 9.5 Page 2
General information	Introductory information	ARRs – section 10 Page 5
Non-financial performance	Government's objectives for the community and whole-of-government plans/specific initiatives	ARRs – section 11.1 Pages 6-7, 10-11, 16-23
	Agency objectives and performance indicators	ARRs – section 11.2 Pages 8-9, 12, 16, 18,
	Agency service areas and service standards	ARRs – section 11.3 Page 40
Financial performance	Summary of financial performance	ARRs – section 12.1 Pages 13-15
Governance – management and structure	Organisational structure	ARRs – section 13.1 Page 25
	Executive management	ARRs – section 13.2 Pages 25, 29-30
	Government bodies (statutory bodies and other entities)	ARRs – section 13.3 Page 2
	Public Sector Ethics	<i>Public Sector Ethics Act 1994</i> ARRs – section 13.4 Page 33
	Human Rights	<i>Human Rights Act 2019</i> ARRs – section 13.5 Page 39
	Queensland public service values	ARRs – section 13.6 Pages 6-7, 16-21
Governance – risk management and accountability	Risk management	ARRs – section 14.1 Pages 31-38
	Audit committee	ARRs – section 14.2 Pages 33-36
	Internal audit	ARRs – section 14.3 Pages 33-34
	External scrutiny	ARRs – section 14.4 N/A
	Information systems and recordkeeping	ARRs – section 14.5 Page 37
	Information security attestation	ARRs – section 14.6 N/A
Governance – human resources	Strategic workforce planning and performance	ARRs – section 15.1 Pages 20-21
	Early retirement, redundancy and retrenchment	<i>Directive No. 04/18 Early Retirement, Redundancy and Retrenchment</i> ARRs – section 15.2 N/A
Open data	Statement advising publication of information	ARRs – section 16 Page 38
	Consultancies	ARRs – section 31.1 Page 38 data.qld.gov.au
	Overseas travel	ARRs – section 31.2 Page 38 data.qld.gov.au
	Queensland Language Services Policy	ARRs – section 31.3 Page 38 data.qld.gov.au
Financial statements	Certification of financial statements	FAA – section 62 FPMS – sections 38, 39 and 46 ARRs – section 17.1 Page 95
	Independent Auditor's Report	FAA – section 62 FPMS – section 46 ARRs – section 17.2 Pages 96-100

Glossary and acronyms

Glossary

1TEAM

Queensland Rail's values framework, with a focus on being one business and a performance-focused organisation.

Customer

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

Freight

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

Network

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

Positive pARTnerships Program

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

Return on Assets (ROA)

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

Return on Equity (ROE)

Defined as operating profit after tax dividend by average equity.

Rollingstock

Rail locomotives and wagons.

SEQ network

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

Translink

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

Travel and Tourism network

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

Acronyms

ASX

Australian Securities Exchange

ARA

Australasian Railway Association

CCC

Crime and Corruption Commission

CCTV

Closed Circuit Television

CEO

Chief Executive Officer

CFO

Chief Financial Officer

Corporations Act

Corporations Act 2001 (Cth)

CRR

Cross River Rail

CRRDA

Cross River Rail Delivery Authority

DDA

Disability Discrimination Act 1992 (Cth)

DFV

Domestic and Family Violence

EBIT

Earnings Before Interest and Tax

EBITDA

Earnings Before Interest, Tax, Depreciation and Amortisation

EMU

Electric Multiple Unit

ETCS

European Train Control System

FAA

Financial Accountability Act 2009 (Qld)

FPMS

Financial and Performance Management Standard 2019

FTE

Full-time equivalent

GTKs

Gross Tonne Kilometres

HRA

Human Rights Act 2019 (Qld)

KPIs

Key Performance Indicators

KSR

Kuranda Scenic Railway

NGR

New Generation Rollingstock

OHLE

Overhead power line equipment

OTI

On Track Insurance Pty Ltd

QCA

Queensland Competition Authority

QPS

Queensland Police Service

QRL

Queensland Rail Limited

QRTA Act

Queensland Rail Transit Authority Act 2013 (Qld)

RORU

Rail Operations Response Unit

SEQ

South East Queensland

SPAD

Signal Passed at Danger

TRIFR

Total Recordable Injury Frequency Rate

Queensland Rail

ABN 68 598 268 528

Financial report for the year ended 30 June 2023

Queensland Rail

ABN 68 598 268 528

Financial report - 30 June 2023

Contents

	Page
Financial statements	
Statements of comprehensive income	47
Balance sheets	48
Statements of changes in equity	49
Statements of cash flows	51
Notes to the financial statements	52
Management certificate	95
Independent auditor's report	96

These financial statements cover Queensland Rail and its controlled entities.

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

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

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

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

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

**Statements of comprehensive income
for the year ended 30 June 2023**

	Notes	Consolidated		Parent	
		2023	2022	2023	2022
		\$'000	\$'000	\$'000	\$'000
Revenue from operations	1	2,432,395	2,305,308	1,379,484	1,291,392
Other income		3,369	3,048	-	-
Total revenue and other income		2,435,764	2,308,356	1,379,484	1,291,392
Supplies and services	2	(537,662)	(477,897)	-	-
Employee benefits expense	3	(1,142,321)	(1,005,114)	(1,228,806)	(1,095,603)
Depreciation and amortisation		(401,619)	(417,427)	-	-
Other expenses		(17,809)	(15,900)	(885)	(181)
Total expenses		(2,099,411)	(1,916,338)	(1,229,691)	(1,095,784)
Operating profit		336,353	392,018	149,793	195,608
Finance income		1,763	99	-	-
Finance expenses	4	(122,230)	(117,562)	-	-
Net finance costs		(120,467)	(117,463)	-	-
Profit before income tax		215,886	274,555	149,793	195,608
Income tax expense	5	(66,093)	(78,947)	-	-
Profit for the year		149,793	195,608	149,793	195,608
Other comprehensive income					
<i>Items that may be reclassified to profit or loss</i>					
Changes in the fair value of cash flow hedges		177	(683)	-	-
Income tax relating to components of other comprehensive income	5	(53)	205	-	-
Other comprehensive income / (expense) for the year		124	(478)	-	-
Total comprehensive income for the year		149,917	195,130	149,793	195,608

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

Balance sheets
as at 30 June 2023

		Consolidated		Parent	
	Notes	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
ASSETS					
Current assets					
Cash and cash equivalents		108,489	235,976	-	-
Trade and other receivables		75,430	43,548	581,427	504,271
Prepayments		21,623	19,577	-	-
Inventories	6	118,159	109,943	-	-
Other assets		8	-	-	-
Total current assets		323,709	409,044	581,427	504,271
Non-current assets					
Receivables		-	-	40,288	34,297
Prepayments		1,898	6,894	-	-
Inventories	6	50,176	42,034	-	-
Property, plant and equipment	7	8,691,462	8,253,476	-	-
Intangible assets	8	49,238	59,695	-	-
Right-of-use assets	9	70,832	81,797	-	-
Deferred tax assets	10	-	-	111,231	86,650
Investment in subsidiary		-	-	2,845,324	2,845,324
Other assets		-	-	3,465	3,465
Total non-current assets		8,863,606	8,443,896	3,000,308	2,969,736
Total assets		9,187,315	8,852,940	3,581,735	3,474,007
LIABILITIES					
Current liabilities					
Trade and other payables	11	533,592	683,061	247,175	232,294
Lease liabilities	9	13,294	13,048	-	-
Provisions	12	306,002	277,381	297,592	274,575
Current tax liabilities		9,156	16,475	9,156	16,475
Other liabilities		17,395	12,923	234	58
Total current liabilities		879,439	1,002,888	554,157	523,402
Non-current liabilities					
Borrowings	18	4,460,000	4,020,000	-	-
Lease liabilities	9	66,976	77,934	-	-
Provisions	12	45,883	40,583	40,288	34,297
Deferred tax liabilities	13	381,796	387,938	-	-
Other liabilities		52,040	47,976	37,057	1,375
Total non-current liabilities		5,006,695	4,574,431	77,345	35,672
Total liabilities		5,886,134	5,577,319	631,502	559,074
Net assets		3,301,181	3,275,621	2,950,233	2,914,933
EQUITY					
Contributed equity		3,090,500	3,055,200	2,851,906	2,816,606
Reserves		(335)	(459)	-	-
Retained earnings		211,016	220,880	98,327	98,327
Total equity		3,301,181	3,275,621	2,950,233	2,914,933

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

**Statements of changes in equity
for the year ended 30 June 2023**

Consolidated	Notes	Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	Total equity \$'000
Balance at 1 July 2022		3,055,200	(459)	220,880	3,275,621
Correction of error	20	-	-	(9,864)	(9,864)
Restated total equity at the beginning of the financial year		3,055,200	(459)	211,016	3,265,757
Profit for the year		-	-	149,793	149,793
Other comprehensive income		-	124	-	124
Total comprehensive income / (expense) for the year		-	124	149,793	149,917
Transactions with owners in their capacity as owners:					
Contributions of equity		35,300	-	-	35,300
Dividends provided for or paid	14	-	-	(149,793)	(149,793)
		35,300	-	(149,793)	(114,493)
Balance at 30 June 2023		3,090,500	(335)	211,016	3,301,181
Balance at 1 July 2021		3,060,256	19	231,802	3,292,077
Adjustment for change in accounting policy		-	-	(12,872)	(12,872)
Restated total equity at the beginning of the financial year		3,060,256	19	218,930	3,279,205
Profit for the year		-	-	195,608	195,608
Other comprehensive expense		-	(478)	-	(478)
Total comprehensive income / (expense) for the year		-	(478)	195,608	195,130
Transactions with owners in their capacity as owners:					
Distributions of equity		(5,056)	-	-	(5,056)
Dividends provided for or paid	14	-	-	(193,658)	(193,658)
		(5,056)	-	(193,658)	(198,714)
Balance at 30 June 2022		3,055,200	(459)	220,880	3,275,621

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

Statements of changes in equity
for the year ended 30 June 2023 (continued)

Parent	Notes	Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	Total equity \$'000
Balance at 1 July 2022		2,816,606	-	98,327	2,914,933
Profit for the year		-	-	149,793	149,793
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		-	-	149,793	149,793
Transactions with owners in their capacity as owners:					
Contributions of equity		35,300	-	-	35,300
Dividends provided for or paid	14	-	-	(149,793)	(149,793)
		35,300	-	(149,793)	(114,493)
Balance at 30 June 2023		2,851,906	-	98,327	2,950,233
Balance at 1 July 2021		2,821,662	-	96,377	2,918,039
Profit for the year		-	-	195,608	195,608
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		-	-	195,608	195,608
Transactions with owners in their capacity as owners:					
Distributions of equity		(5,056)	-	-	(5,056)
Dividends provided for or paid	14	-	-	(193,658)	(193,658)
		(5,056)	-	(193,658)	(198,714)
Balance at 30 June 2022		2,816,606	-	98,327	2,914,933

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

Statements of cash flows
for the year ended 30 June 2023

Notes	Consolidated		Parent	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Cash flows from operating activities				
Receipts from customers (inclusive of GST)	370,131	354,140	1,229,691	1,095,784
Receipts from Rail Transport Service Contract (inclusive of GST)	2,215,854	2,270,992	-	-
Dividends received from subsidiaries	-	-	195,608	186,464
Interest received	1,762	103	-	-
Payments to suppliers and employees (inclusive of GST)	(1,768,791)	(1,569,454)	(1,152,446)	(1,102,710)
Interest and other costs of finance paid	(151,313)	(145,437)	-	-
GST input tax credits	136,203	94,938	814	758
GST remitted	(234,614)	(236,507)	-	-
Other	9	(23)	9	(23)
Income taxes paid	(79,608)	(53,979)	(79,608)	(53,979)
Net cash inflow from operating activities	489,633	714,773	194,068	126,294
15				
Cash flows from investing activities				
Payments for property, plant and equipment and intangibles	(891,297)	(604,272)	-	-
Proceeds from the disposal of property, plant and equipment and intangibles	3,807	17,347	-	-
Loans to related parties	-	-	(35,710)	-
Repayments of loans by related parties	-	-	-	57,170
Net cash (outflow) / inflow from investing activities	(887,490)	(586,925)	(35,710)	57,170
Cash flows from financing activities				
Contributions of equity	35,300	-	35,300	-
Proceeds from borrowings	440,000	301,186	-	-
Repayments of principal element of lease liabilities	(11,272)	(10,876)	-	-
Dividends paid	(193,658)	(183,464)	(193,658)	(183,464)
14				
Net cash inflow / (outflow) from financing activities	270,370	106,846	(158,358)	(183,464)
Net (decrease) / increase in cash and cash equivalents				
Cash and cash equivalents at the beginning of the financial year	235,976	1,282	-	-
Cash and cash equivalents at end of year	108,489	235,976	-	-

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

Contents of the notes to the financial statements

	Page
Notes to the statements of comprehensive income	53
1 Revenue from operations	53
2 Supplies and services	55
3 Employee benefits expense	55
4 Finance expenses	55
5 Income tax expense	56
Notes to the balance sheets	58
6 Inventories	58
7 Property, plant and equipment	59
8 Intangible assets	64
9 Leases	65
10 Deferred tax assets	68
11 Trade and other payables	69
12 Provisions	69
13 Deferred tax liabilities	72
14 Dividends	72
Notes to the statements of cash flows	73
15 Reconciliation of profit after income tax to net cash inflow from operating activities	73
16 Non-cash investing and financing activities	73
17 Reconciliation of liabilities arising from financing activities	73
Risk	74
18 Financial risk management	74
19 Capital risk management	77
20 Correction of errors and revision of estimates	78
Unrecognised items	78
21 Contingencies	78
22 Commitments	80
23 Events occurring after the reporting period	80
Other items	80
24 Key management personnel disclosures	80
25 Related party transactions	87
26 Subsidiaries	89
27 Remuneration of auditors	89
28 Special payments	90
29 Climate change	90
30 Queensland Rail Limited consolidated financial information	90
31 Summary of other accounting policies	92

Notes to the statements of comprehensive income

1 Revenue from operations

	Consolidated 2023 \$'000	2022 \$'000	Parent 2023 \$'000	2022 \$'000
<i>Revenue from contracts with customers</i>				
Rail Transport Service Contract revenue	2,082,705	1,997,965	-	-
Network access revenue	182,755	172,412	-	-
Other revenue from customer contracts	84,490	55,314	-	-
Passenger transport revenue	52,895	52,159	-	-
Operating lease revenue	25,411	26,397	-	-
Managed services revenue	-	-	1,229,691	1,095,784
<i>Other revenue</i>				
Other revenue	4,139	1,061	-	-
Inter-company dividend revenue	-	-	149,793	195,608
	2,432,395	2,305,308	1,379,484	1,291,392

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

(a) Rail Transport Service Contract

The Rail Transport Service Contract (TSC) between Queensland Rail Limited and the State of Queensland was executed on 30 June 2022, with an initial four-year term commencing 1 July 2022 and two extensions up to maximum term of seven years.

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

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

- **Citytrain and City Network Services**
Queensland Rail Limited earns revenue for the delivery of train services on the City Network in accordance with the timetable and for maintenance of the City Network infrastructure. Scheduled services and non-scheduled services are the separately identifiable performance obligations for Citytrain, while the maintenance of infrastructure to a safe and fit for purpose standard throughout the year is the separately identifiable performance obligation for City Network.
- **Travel and Tourism Services**
Queensland Rail Limited earns revenue associated with travel services provided to the public on Travel and Tourism Services. Scheduled services are the separately identifiable performance obligations for Travel and Tourism Services.
- **Regional Infrastructure Services**
Queensland Rail Limited earns revenue for the maintenance of the Regional Network infrastructure. The separately identifiable performance obligation for Regional Network is the continued maintenance of the regional infrastructure to a safe and fit for purpose standard throughout the year. Revenue generated is recognised as the services are provided over time.
- **Major Project Integration Services**
Queensland Rail Limited earns revenue for provision on project and integration services provided to support the Cross River Rail and European Train Control System projects. The separately identifiable performance obligation for Major Projects Integration is the continued provision of support services for these projects throughout the year. Revenue generated is recognised as the services are provided over time.

1 Revenue from operations (continued)

(b) Network access

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

(c) Passenger transport

Other train passenger service revenue comprises ticket and related sales on Travel and Tourism Services. Traveltrain and Tourist train revenues are recognised at a point in time, when the service is provided and income relating to future services is accounted for as a liability. The sale of catering items is recognised when the goods have been transferred to the customer.

(d) Managed Services Agreement

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

(e) Income in advance from contracts with customers

	Passenger transport revenue \$'000	Other revenue from customer contracts \$'000	Rail Transport Service Contract revenue \$'000	Total \$'000
Consolidated 2023				
Opening balance	5,070	19,763	956	25,789
Revenue recognised from the opening balance as performance obligations are satisfied	(5,070)	(3,341)	(948)	(9,359)
Income in advance recognised as performance obligations not yet satisfied	64,330	13,720	6,270	84,320
Revenue recognised as performance obligations are satisfied	(58,489)	(11,417)	-	(69,906)
Closing balance	<u>5,841</u>	<u>18,725</u>	<u>6,278</u>	<u>30,844</u>
2022				
Opening balance	3,470	19,310	-	22,780
Revenue recognised from the opening balance as performance obligations are satisfied	(3,470)	(19,310)	-	(22,780)
Income in advance recognised as performance obligations not yet satisfied	50,258	13,688	956	64,902
Revenue recognised as performance obligations are satisfied	(45,188)	6,075	-	(39,113)
Closing balance	<u>5,070</u>	<u>19,763</u>	<u>956</u>	<u>25,789</u>

The parent entity does not have any income in advance.

2 Supplies and services

	Consolidated	
	2023	2022
	\$'000	\$'000
Materials and consumable items	171,289	154,671
Trade services	121,809	113,129
Professional services and fees	90,957	60,047
Traction electricity and train fuel	41,590	40,870
Lease and hire charges	29,906	30,100
Utilities	27,758	25,988
Other supplies and services	20,021	17,975
Vehicle running expenses	19,334	17,648
Capital and external works	14,998	17,469
	537,662	477,897

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

3 Employee benefits expense

	Consolidated		Parent	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
Wages and salaries	802,852	730,102	882,443	813,750
Annual leave	80,802	75,084	80,802	75,084
Long service leave	37,368	3,664	37,368	3,664
Superannuation				
Defined benefit superannuation expense	12,863	13,293	12,863	13,293
Defined contribution superannuation expense	98,160	79,450	98,160	79,450
Other employee benefits	39,617	40,708	39,617	40,708
Employee related expenses	70,659	62,813	77,553	69,654
	1,142,321	1,005,114	1,228,806	1,095,603

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

The consolidated entity's total employee benefits expense was \$1,253.2 million (2022: \$1,118.6 million). Of this \$110.9 million (2022: \$113.5 million) was recognised directly in property, plant and equipment leaving \$1,142.3 million (2022: \$1,005.1 million) reported as employee benefits expense.

The number of full-time equivalent (FTE) employees as at reporting date was 7,571.7 (2022: 7,416.6). FTEs include full-time, part-time and casual employees based on a thirty-eight hour week.

4 Finance expenses

	Consolidated	
	2023	2022
	\$'000	\$'000
Interest and finance charges on borrowings	120,503	115,717
Interest on lease liabilities	1,531	1,683
Other interest	196	162
	122,230	117,562

The parent entity does not incur any finance expenses.

5 Income tax expense

Income tax expense comprises current and deferred tax and is recognised in the statements of comprehensive income except to the extent that it relates to items recognised directly in equity. The income tax expense or benefit for the period is the tax payable or receivable on the current period's taxable income based on the income tax rate, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

(a) Income tax expense

	Notes	Consolidated		Parent	
		2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Current tax		75,431	74,108	24,581	(3,566)
Deferred tax		(7,184)	6,587	(24,581)	3,566
Adjustments for current tax of prior periods		(558)	58	-	-
Recognition of unused capital tax loss		(1,596)	(1,806)	-	-
		66,093	78,947	-	-
Deferred income tax expense / (benefit) included in income tax expense comprises:					
(Increase) / decrease in deferred tax assets	10	(26,184)	2,307	(24,581)	3,566
Increase in deferred tax liabilities	13	19,000	4,280	-	-
		(7,184)	6,587	(24,581)	3,566

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

	Consolidated		Parent	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Profit from continuing operations before income tax expense	215,886	274,555	149,793	195,608
Adjustment for change in accounting policy	-	(12,872)	-	-
Adjusted profit from continuing operations before income tax expense	215,886	261,683	149,793	195,608
Tax at the Australian tax rate of 30% (2022: 30%)	64,766	78,505	44,938	58,683
Tax effect of amounts which are not deductible / (taxable) in calculating taxable income:				
Entertainment	4	4	-	-
Research and development	477	349	-	-
Dividends received from subsidiaries	-	-	(44,938)	(58,683)
Luxury car tax	54	30	-	-
Other	1,350	1	-	-
Adjustments for current tax of prior periods	(558)	58	-	-
	1,327	442	(44,938)	(58,683)
Total income tax expense	66,093	78,947	-	-

5 Income tax expense (continued)

(c) Amounts recognised directly in equity

	Notes	Consolidated 2023 \$'000	2022 \$'000	Parent 2023 \$'000	2022 \$'000
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity:					
Net deferred tax - debited / (credited) directly to equity	10, 13	<u>53</u>	<u>(205)</u>	-	-
		<u>53</u>	<u>(205)</u>	-	-

(d) Income tax consolidation

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

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

The income tax consolidated group compensates Queensland Rail for any current tax payable assumed and is compensated by Queensland Rail for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Queensland Rail under income tax consolidation legislation. The funding amounts are recognised as non-current inter-company receivables or payables.

Notes to the balance sheets

6 Inventories

Consolidated	2023			2022		
	Current \$'000	Non- current \$'000	Total \$'000	Current \$'000	Non- current \$'000	Total \$'000
Raw materials and stores	122,841	50,176	173,017	116,618	42,034	158,652
Work in progress	3,668	-	3,668	2,031	-	2,031
Less: allowance for inventory obsolescence	(8,350)	-	(8,350)	(8,706)	-	(8,706)
	118,159	50,176	168,335	109,943	42,034	151,977

The parent entity does not hold any inventories.

(a) Inventory expense

Inventory recognised as expense during the year ended 30 June 2023 amounted to \$68.3 million (2022: \$69.6 million). Inventory capitalised to property, plant and equipment during the year ended 30 June 2023 amounted to \$71.5 million (2022: \$58.6 million).

Judgements and estimates

The value of inventories reported includes items held in centralised stores, workshops and infrastructure and rollingstock depots. Cost comprises cost of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition. Inventories are valued at the lower of cost and net realisable value. Cost is determined using a moving average cost methodology. Items expected to be consumed after more than one year are classified as non-current.

The allowance for inventory obsolescence is based on assessments by management of particular inventory classes and relates specifically to infrastructure and rollingstock maintenance items. The amount of the allowance is based on a proportion of the value of damaged stock, slow moving stock and stock that has become obsolete during the reporting period.

7 Property, plant and equipment

(a) Movements in property, plant and equipment

Consolidated	Work in progress \$'000	Land \$'000	Buildings \$'000	Plant and equipment \$'000	Major plant and equipment \$'000	Infrastructure \$'000	Total \$'000
At 1 July 2022							
Cost	1,102,076	91,613	889,378	415,336	2,015,262	7,631,937	12,145,602
Accumulated depreciation and impairment losses	-	(509)	(361,846)	(202,837)	(1,133,765)	(2,193,169)	(3,892,126)
Net book amount	<u>1,102,076</u>	<u>91,104</u>	<u>527,532</u>	<u>212,499</u>	<u>881,497</u>	<u>5,438,768</u>	<u>8,253,476</u>
Year ended 30 June 2023							
Opening net book amount	1,102,076	91,104	527,532	212,499	881,497	5,438,768	8,253,476
Additions	841,217	-	-	70	-	-	841,287
Transfers between asset classes	(516,861)	-	58,945	34,669	60,174	363,073	-
Transfers (to) / from intangible assets	-	(273)	-	-	-	-	(273)
Transfers to supplies and services	(16,039)	-	-	-	-	-	(16,039)
Disposals	-	(132)	(199)	(2,551)	(39)	(7,304)	(10,225)
Depreciation expense	-	-	(35,217)	(28,882)	(90,836)	(221,829)	(376,764)
Closing net book amount	<u>1,410,393</u>	<u>90,699</u>	<u>551,061</u>	<u>215,805</u>	<u>850,796</u>	<u>5,572,708</u>	<u>8,691,462</u>
At 30 June 2023							
Cost	1,410,393	91,208	945,699	436,412	2,040,667	7,955,529	12,879,908
Accumulated depreciation and impairment losses	-	(509)	(394,638)	(220,607)	(1,189,871)	(2,382,821)	(4,188,446)
Net book amount	<u>1,410,393</u>	<u>90,699</u>	<u>551,061</u>	<u>215,805</u>	<u>850,796</u>	<u>5,572,708</u>	<u>8,691,462</u>

7 Property, plant and equipment (continued)

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

Consolidated	Work in progress \$'000	Land \$'000	Buildings \$'000	Plant and equipment \$'000	Major plant and equipment \$'000	Infrastructure \$'000	Total \$'000
At 1 July 2021							
Cost	928,686	93,447	839,900	395,691	2,053,634	7,256,110	11,567,468
Accumulated depreciation and impairment losses	-	(690)	(328,475)	(186,282)	(1,103,780)	(1,992,848)	(3,612,075)
Net book amount	928,686	92,757	511,425	209,409	949,854	5,263,262	7,955,393
Year ended 30 June 2022							
Opening net book amount	928,686	92,757	511,425	209,409	949,854	5,263,262	7,955,393
Additions	723,105	-	-	70	2,118	-	725,293
Transfers between asset classes	(538,820)	-	53,921	38,947	24,832	421,120	-
Transfers (to) / from intangible assets	-	-	-	-	-	3,191	3,191
Transfers to supplies and services	(10,895)	-	-	-	-	-	(10,895)
Transfers to State Government	-	-	(396)	-	-	(4,660)	(5,056)
Disposals	-	(1,653)	(1,034)	(5,776)	(424)	(13,126)	(22,013)
Depreciation expense	-	-	(36,384)	(30,151)	(94,883)	(231,019)	(392,437)
Closing net book amount	1,102,076	91,104	527,532	212,499	881,497	5,438,768	8,253,476
At 30 June 2022							
Cost	1,102,076	91,613	889,378	415,336	2,015,262	7,631,937	12,145,602
Accumulated depreciation and impairment losses	-	(509)	(361,846)	(202,837)	(1,133,765)	(2,193,169)	(3,892,126)
Net book amount	1,102,076	91,104	527,532	212,499	881,497	5,438,768	8,253,476

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

7 Property, plant and equipment (continued)

(b) Initial recognition

Items of expenditure which are expected to provide future economic benefits are recognised as an item of property, plant and equipment, when in excess of:

- \$1 for land;
- \$5,000 for plant and equipment and major plant and equipment;
- \$10,000 for infrastructure and building assets; and
- \$20,000 for capital spares.

Expenditure that does not meet the definition of an asset is treated as an operating expense in the period in which the expenditure is incurred. If capital spares cost less than \$20,000, the item is recorded in inventory.

Property, plant and equipment is measured at cost less accumulated depreciation.

Work in progress

The cost of property, plant and equipment constructed by the consolidated entity includes the cost of all materials used in construction, direct labour, site preparation, interest and foreign currency gains and losses incurred where applicable and an appropriate proportion of variable and fixed overheads based on direct labour hours.

The transfers between asset classes represents property, plant and equipment commissioned during the period.

The transfers to supplies and services represent expenditure incurred over the life of capital projects that are expensed in the current year on the basis that they are operational in nature or comprise expenditure on capital works on behalf of third parties in accordance with the consolidated entity's capitalisation policy.

Land

The *Transport Infrastructure Act 1994* stipulates that the consolidated entity only retains ownership of its non-corridor land. As such, only non-corridor land is recorded in these accounts. Ownership of corridor land remains with the Department of Resources on behalf of the State. This land is leased to the Department of Transport and Main Roads and subsequently subleased to the consolidated entity for no cost. The sublease term is for an initial term of 100 years with a renewal option for an additional 100 years.

Major plant and equipment

Rollingstock is considered to be major plant and equipment.

Gifted and donated assets

Assets received from government at no cost are measured at fair value and recognised as income in advance which is subsequently amortised to government grants revenue over the useful life of the asset. Fair value means the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

(c) Subsequent and maintenance costs

Subsequent costs are only recognised as property, plant and equipment when there is an increase in the original assessed capacity or service potential of an asset, it is probable that future economic benefits associated with the item will flow to the consolidated entity and the cost can be measured reliably. Costs related to repairs and maintenance activities are expensed when incurred. The carrying amount of any component accounted for as a separate asset is derecognised when replaced.

(d) Depreciation

Assets are depreciated from the date of acquisition, or, in respect of internally constructed or manufactured assets, from the time an asset is completed and held ready for use.

Where assets have separately identifiable components that are subject to regular replacement, these components are assigned useful lives distinct from the asset to which they relate.

Buildings, plant and equipment, major plant and equipment and infrastructure are depreciated on a straight-line basis over the useful life net of the residual value. Motor vehicles are depreciated using the diminishing value basis (percentages range from 13.64% to 33.00%).

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

7 Property, plant and equipment (continued)

(d) Depreciation (continued)

Major spares purchased specifically for particular assets are recognised as an item of property, plant and equipment and depreciated in line with standard asset class lives.

Land and work in progress are not depreciated.

The depreciation rates used during the year were based on the following range of useful lives:

Infrastructure 6 - 100 years including:

Rail	45 - 50 years
Sleepers	17 - 70 years
Ballast	30 years
Civil works	20 - 100 years
Bridges	20 - 100 years
Electrification	15 - 50 years
Field signals	15 - 40 years
Telecommunications	6 - 50 years

Buildings 5 - 50 years including:

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

Major plant and equipment 8 - 40 years including:

Country and suburban cars	35 - 40 years
Locomotives	30 - 40 years
Overhauls	8 - 16 years

Plant and equipment 4 - 25 years

The remaining useful lives and residual value of assets are reviewed annually.

Judgements and estimates

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

All asset classes are capitalised at their optimum componentised level to reflect current business replacement forecasts.

(e) Impairment

Assets (including work in progress) are tested for impairment annually to determine if there are indications that the carrying amount exceeds the recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset or cash generating unit (CGU).

For the purposes of assessing impairment, assets are grouped into CGUs at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets. Queensland Rail identified three CGUs being South East Queensland, Regional and Mt Isa.

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

An impairment assessment on all CGUs was undertaken prior to reporting date. No impairment was recognised in the current or prior reporting period.

7 Property, plant and equipment (continued)

(e) Impairment (continued)

Judgements and estimates

Value in use calculations require the use of assumptions. These assumptions include the allocation of management's assessment of future cash flows for the next five years for the consolidated entity to each CGU and the discounting of nominal amounts using the weighted average cost of capital applicable to that CGU. The cash flows include a terminal value which is determined using a perpetuity calculation after adjusting for annual growth.

(f) Non-current assets pledged as security

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

(g) Cross River Rail

In the 2018/19 financial year the Queensland Government announced the delivery of the Cross River Rail (CRR) program comprising three major packages of work which will be delivered by a Consortia. This program includes:

- Tunnel, Stations and Development (TSD);
- Rail, Integration and Systems (RIS); and
- European Train Control System (ETCS) Level 2.

The CRR program will provide vital infrastructure to support Queensland Rail's growth and transformation to a modern, customer-focused, world-class rail service and to cater for future public transport demand.

CRR is a 10.2 kilometre rail line which includes 5.9 kilometres of twin tunnels under the Brisbane River and Central Business District (CBD). The CRR program includes four new high capacity underground stations along with upgrades to existing Queensland Rail owned stations.

Delivery of the program is led by the Cross River Rail Delivery Authority (CRRDA), established under the *Cross River Rail Delivery Authority Act 2016*. Upon completion of this program Queensland Rail will operate the CRR network and provide passenger rail services for Queensland. This will require the safe and efficient delivery and integration of the CRR infrastructure into the existing South East Queensland rail network and operations.

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

Judgements and estimates

Queensland Rail will own and manage a portion of the assets associated with the CRR program including the ETCS Inner City network and RIS. Queensland Rail, CRRDA and the Department of Transport and Main Roads are working collaboratively on the financial governance associated with this program.

The consolidated entity recognises capitalisable costs associated with the CRR RIS and ETCS programs in work in progress progressively as the costs incurred are transferred to the consolidated entity. The balance of work in progress includes costs incurred directly associated with this program that is expected to generate future economic benefits to Queensland Rail. Expenditure that does not meet the asset recognition criteria under the accounting standards and policies of Queensland Rail is recognised as capital works expense when incurred.

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

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

Management has formed the view that all of the CRR assets funded by the consolidated entity will ultimately be owned by the consolidated entity and therefore are recognised as work in progress in the balance sheet.

8 Intangible assets

Consolidated	Software under development \$'000	Software \$'000	Total \$'000
At 1 July 2022			
Cost	11,403	173,492	184,895
Accumulated amortisation and impairment losses	-	(125,200)	(125,200)
Net book amount	<u>11,403</u>	<u>48,292</u>	<u>59,695</u>
Year ended 30 June 2023			
Opening net book amount	11,403	48,292	59,695
Additions	2,694	-	2,694
Transfers between asset classes	(4,126)	4,126	-
Transfers (to) / from property, plant and equipment	-	273	273
Transfers to supplies and services	(454)	-	(454)
Disposals	-	(3)	(3)
Amortisation expense	-	(12,967)	(12,967)
Closing net book amount	<u>9,517</u>	<u>39,721</u>	<u>49,238</u>
At 30 June 2023			
Cost	9,517	170,140	179,657
Accumulated amortisation and impairment losses	-	(130,419)	(130,419)
Net book amount	<u>9,517</u>	<u>39,721</u>	<u>49,238</u>
At 1 July 2021			
Cost	33,006	199,303	232,309
Accumulated amortisation and impairment losses	-	(132,864)	(132,864)
Net book amount	<u>33,006</u>	<u>66,439</u>	<u>99,445</u>
Adjustment for change in accounting policy	(10,533)	(8,715)	(19,248)
Restated net book amount	<u>22,473</u>	<u>57,724</u>	<u>80,197</u>
Year ended 30 June 2022			
Restated opening net book amount	22,473	57,724	80,197
Additions	10,018	-	10,018
Transfers between asset classes	(7,142)	7,142	-
Transfers (to) / from property, plant and equipment	-	(3,191)	(3,191)
Transfers to supplies and services	(13,946)	-	(13,946)
Disposals	-	(445)	(445)
Amortisation expense	-	(12,938)	(12,938)
Closing net book amount	<u>11,403</u>	<u>48,292</u>	<u>59,695</u>
At 30 June 2022			
Cost	11,403	173,492	184,895
Accumulated amortisation and impairment losses	-	(125,200)	(125,200)
Net book amount	<u>11,403</u>	<u>48,292</u>	<u>59,695</u>

The parent entity does not hold any intangible assets.

8 Intangible assets (continued)

Costs incurred in developing products or systems and costs incurred in acquiring software and perpetual licence fees that will contribute to future period financial benefits are recognised as intangible assets. Costs recognised as intangible assets include external direct costs of materials and service and direct payroll related costs of employees' time spent on the project. Software under development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where the consolidated entity has an intention and ability to use the asset. Software has a finite useful life and is carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the useful life which varies from 4 to 21 years.

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

Intangible assets have a threshold of \$100,000. If the cost is under \$100,000, expenditure is not recognised as an intangible asset and is treated as an operating expense in the period in which the expenditure is incurred.

9 Leases

(a) Details of leasing arrangements as lessee

The consolidated entity routinely enters into leases for land and buildings, telecommunication infrastructure and plant and equipment. Lease terms for leases that are recognised on balance sheet can range from 1 to 30 years. Several leases have renewal or extension options. The options are generally exercisable at market prices and are not included in the right-of-use (ROU) asset or lease liability unless the consolidated entity is reasonably certain it will renew the lease.

The consolidated entity is also party to specific arrangements which would satisfy the criteria for recognition as a lease under AASB 16 *Leases*. However, the consideration for these arrangements amount to, in most cases, \$1 per annum. These arrangements are commonly referred to as "peppercorn leases". These include access to corridor land from the Department of Transport and Main Roads. As the consolidated entity recognises the ROU assets at cost, these leases are immaterial and therefore no ROU assets or lease liabilities are recognised.

Contracts may contain both lease and non-lease components. The consolidated entity allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Lease terms are negotiated on an individual basis and contain a range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

The consolidated entity recognises right-of-use assets and corresponding liabilities for all operating leases, except for short-term and low-value leases, at the date at which the leased asset is available for use by the consolidated entity, in accordance with AASB 16.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the consolidated entity under residual value guarantees;
- the exercise price of a purchase option if the consolidated entity is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the consolidated entity exercising that option.

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

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the consolidated entity, the consolidated entity's incremental borrowing rate is used, being the Queensland Treasury Corporation's (QTC) Fixed Loan Rates that correspond with the lease commencement month and lease term.

9 Leases (continued)

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

The consolidated entity is exposed to potential future increases in variable lease payments based on an index or rate. When the rate or index is unknown and are not implicit in the contract, they are not included in the lease liability until they take effect. The consolidated entity's exposure is primarily due to market reviews or consumer price indexation. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

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

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

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

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

Payments associated with short-term leases and all leases of low-value assets are recognised as a direct expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. The consolidated entity's low-value asset threshold is \$10,000. This threshold is applied to the value of the asset when new, regardless of the age of the asset when being leased.

When the consolidated entity subleases any of the right-of-use assets, an assessment is made to classify the sublease as either a finance lease or an operating lease. Where the sublease is for the major part of the remaining economic life of the underlying asset (the lease term), the sublease is classified as a finance lease. The consolidated entity uses the interest rate implicit in the lease, or if unattainable the discount rate used for the head lease, to measure the net investment in the lease. The right-of-use asset is derecognised and the net investment in the sublease is recognised at the commencement of the sublease.

Judgements and estimates

The determination of the right-of-use assets and lease liability is dependent on a number of judgements including:

- whether a contract is, or contains, a lease;
- expected payment terms, for example monthly in advance;
- the index or rate in determining lease payments;
- costs incurred in connection with a lease that are not part of the cost of the right-of-use asset; and
- reasonably certainty of exercising options.

(i) Movements in right-of-use assets and lease liabilities

Right-of-use assets

Consolidated	Land and buildings \$'000	Infrastructure \$'000	Plant and equipment \$'000	Total \$'000
At 1 July 2022	68,573	12,717	507	81,797
Additions	434	-	123	557
Remeasurement	271	95	-	366
Depreciation / amortisation expense	(10,476)	(1,137)	(275)	(11,888)
Derecognised	-	-	-	-
At 30 June 2023	58,802	11,675	355	70,832
At 1 July 2021	78,652	13,229	236	92,117
Additions	666	691	412	1,769
Remeasurement	180	39	-	219
Depreciation / amortisation expense	(10,669)	(1,242)	(141)	(12,052)
Derecognised	(256)	-	-	(256)
At 30 June 2022	68,573	12,717	507	81,797

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

9 Leases (continued)

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

Lease liabilities

Consolidated	Land and buildings \$'000	Infrastructure \$'000	Plant and equipment \$'000	Total \$'000
At 1 July 2022	79,828	10,665	489	90,982
Additions	434	-	123	557
Remeasurement	271	95	-	366
Lease payments	(11,787)	(1,121)	(258)	(13,166)
Interest expense	1,300	223	8	1,531
Derecognised	-	-	-	-
At 30 June 2023	70,046	9,862	362	80,270
At 1 July 2021	89,370	11,018	238	100,626
Additions	666	691	412	1,769
Remeasurement	180	39	-	219
Lease payments	(11,526)	(1,311)	(163)	(13,000)
Interest expense	1,453	228	2	1,683
Derecognised	(315)	-	-	(315)
At 30 June 2022	79,828	10,665	489	90,982

	Consolidated 2023 \$'000	2022 \$'000
Current lease liabilities	13,294	13,048
Non-current lease liabilities	66,976	77,934
	80,270	90,982

The parent entity does not have any lease liabilities.

(ii) Amounts recognised in the statements of comprehensive income

	Consolidated 2023 \$'000	2022 \$'000
Depreciation charge of right-of-use assets		
Land and buildings	10,476	10,669
Infrastructure	1,137	1,242
Plant and equipment	275	141
	11,888	12,052
Lease liability - interest expense	1,531	1,683
Other - rental expense*	771	550

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

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

(iii) Amounts recognised in the statements of cash flows

The total cash outflow for leases in 2023 was \$12.1 million (2022: \$11.4 million).

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

9 Leases (continued)

(b) Details of leasing arrangements as lessor

The consolidated entity routinely leases out land and buildings and telecommunication infrastructure. The lease terms are up to 30 years and are non-cancellable. Refer to note 22(b).

The total cash inflow for leases in 2023 was \$6.1 million (2022: \$5.8 million).

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

10 Deferred tax assets

	Notes	Consolidated 2023 \$'000	2022 \$'000	Parent 2023 \$'000	2022 \$'000
The balance comprises temporary differences attributable to:					
Accrued expenses		23,916	7,235	16,559	900
Capital losses		1,596	1,806	-	-
Provisions		101,861	91,940	94,672	85,750
Lease liabilities		24,081	27,295	-	-
Unearned revenue		18,280	15,856	-	-
Cash flow hedges		144	197	-	-
Total deferred tax assets		169,878	144,329	111,231	86,650
Set-off of deferred tax liabilities pursuant to set-off provisions	13	(169,878)	(144,329)	-	-
Net deferred tax assets		-	-	111,231	86,650
Movements:					
Opening balance		-	-	86,650	90,216
Prior year adjustments		(2,178)	(499)	-	-
Credited / (charged) to the statements of comprehensive income	5	26,184	(2,307)	24,581	(3,566)
Cash flow hedges		(53)	197	-	-
Recognition of unused capital tax loss		1,596	1,806	-	-
Set-off of deferred tax liabilities pursuant to set-off provisions	13	(25,549)	803	-	-
Closing balance at 30 June		-	-	111,231	86,650
Deferred tax assets expected to be recovered within 12 months		-	-	102,820	80,744
Deferred tax assets expected to be recovered after more than 12 months		-	-	8,411	5,906

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends to either settle on a net basis, or to realise the assets and settle the liability simultaneously.

Judgements and estimates

The consolidated entity's accounting policy for taxation requires management's judgement as to the types of arrangements considered to be subject to a tax. Judgement is also required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the balance sheets. Deferred tax assets, including those arising from unrecouped tax losses, capital losses and temporary differences, are recognised only when it is considered probable that they will be recovered. Recoverability is dependent on the generation of sufficient future taxable profits.

11 Trade and other payables

	Consolidated		Parent	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
Trade payables	378,956	492,898	97,093	38,434
Dividend payable	149,793	193,658	149,793	193,658
Other payables	1,291	1,348	356	266
	530,040	687,904	247,242	232,358
GST input tax credits receivable	(15,498)	(16,973)	(67)	(64)
GST payable	19,050	12,130	-	-
	3,552	(4,843)	(67)	(64)
Total trade and other payables	533,592	683,061	247,175	232,294

Trade and other payables represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year which are unpaid. Trade and other payables are measured initially at the transaction price and subsequently at amortised cost due to the current nature of these liabilities. The amounts are unsecured and are usually paid within the terms set by the supplier.

12 Provisions

Consolidated	2023			2022		
	Current \$'000	Non- current \$'000	Total \$'000	Current \$'000	Non- current \$'000	Total \$'000
Employee benefits	286,907	27,167	314,074	265,579	18,762	284,341
Litigation and workers' compensation provision	19,026	13,951	32,977	11,802	16,727	28,529
Land remediation provision	69	4,729	4,798	-	5,058	5,058
Make good provision	-	36	36	-	36	36
	306,002	45,883	351,885	277,381	40,583	317,964
Parent	2023			2022		
	Current \$'000	Non- current \$'000	Total \$'000	Current \$'000	Non- current \$'000	Total \$'000
Employee benefits	286,907	27,167	314,074	265,579	18,762	284,341
Litigation and workers' compensation provision	10,685	13,121	23,806	8,996	15,535	24,531
Land remediation provision	-	-	-	-	-	-
Make good provision	-	-	-	-	-	-
	297,592	40,288	337,880	274,575	34,297	308,872

Provisions are recognised when the consolidated entity has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

12 Provisions (continued)

(a) Employee benefits

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

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

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

(i) Short-term employee benefit obligations

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

(ii) Long-term employee benefit obligations

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

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

Judgements and estimates

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

Superannuation

Contributions are expensed as they are made.

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

Employer contributions to the Super Defined Benefit Fund are determined by the State Actuary. The rate of employer contribution is reviewed at each triennial actuarial investigation. The most recent actuarial investigation was completed in 2020 and the actuary's recommendation of 7.75% of salary plus 1 x member contributions was approved by the Treasurer from 1 July 2020. No liability is recognised for accruing superannuation benefits as this liability is held on a Whole-of-Government basis and reported in the Whole-of-Government consolidated financial statements. The entity also makes superannuation guarantee payments into the QSuper Accumulation Fund (RailSuper) and QSuper Accumulation Fund (Contributory) administered by the Government Superannuation Office.

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

(b) Litigation and workers' compensation provision

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

12 Provisions (continued)

(b) Litigation and workers' compensation provision (continued)

Judgements and estimates

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

(c) Land remediation provision

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

The provision for land remediation is the present value of management's best estimate of the expenditure required to remediate and / or manage potentially affected land at the reporting date. Management undertake an annual review of provision balances. Detailed reviews by a suitable qualified external party are carried out every 3 to 5 years with consideration given to technology developments and industry standards, and provisions updated accordingly.

Judgements and estimates

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

(d) Movements in provisions

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

Consolidated 2023	Litigation and workers' compensation provision \$'000	Land remediation provision \$'000	Make good provision \$'000	Total \$'000
Current and non-current				
Carrying amount at start of year	28,529	5,058	36	33,623
Charged / (credited) to profit or loss				
- additional provisions recognised	20,698	-	-	20,698
- unused amounts released	(5,713)	(455)	-	(6,168)
- unwind discount	-	195	-	195
Amounts used during the year	(10,537)	-	-	(10,537)
Carrying amount at end of year	<u>32,977</u>	<u>4,798</u>	<u>36</u>	<u>37,811</u>

Parent 2023	Litigation and workers' compensation provision \$'000	Land remediation provision \$'000	Make good provision \$'000	Total \$'000
Current and non-current				
Carrying amount at start of year	24,531	-	-	24,531
Charged / (credited) to profit or loss				
- additional provisions recognised	13,963	-	-	13,963
- unused amounts released	(5,713)	-	-	(5,713)
- unwind discount	-	-	-	-
Amounts used during the year	(8,975)	-	-	(8,975)
Carrying amount at end of year	<u>23,806</u>	<u>-</u>	<u>-</u>	<u>23,806</u>

13 Deferred tax liabilities

		Consolidated	
	Notes	2023 \$'000	2022 \$'000
The balance comprises temporary differences attributable to:			
Accrued income		1,451	(355)
Consumables and spare parts		8,232	8,526
Property, plant and equipment		519,539	497,487
Right-of-use assets		21,250	24,539
Prepayments		1,202	2,070
Total deferred tax liabilities		<u>551,674</u>	<u>532,267</u>
Set-off of deferred tax liabilities pursuant to set-off provisions	10	<u>(169,878)</u>	<u>(144,329)</u>
Net deferred tax liabilities		<u>381,796</u>	<u>387,938</u>
Movements:			
Opening balance		387,938	380,603
Prior year adjustments		407	2,260
Charged to the statements of comprehensive income	5	19,000	4,280
Cash flow hedges		-	(8)
Set-off of deferred tax liabilities pursuant to set-off provisions	10	<u>(25,549)</u>	<u>803</u>
Closing balance at 30 June		<u>381,796</u>	<u>387,938</u>
Deferred tax liabilities expected to be settled within 12 months		(113,055)	(87,227)
Deferred tax liabilities expected to be settled after more than 12 months		494,851	475,165

The parent entity does not have any deferred tax liabilities.

14 Dividends

	Consolidated		Parent	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Dividend declared	149,793	193,658	149,793	193,658
Dividend paid	193,658	183,464	193,658	183,464

Notes to the statements of cash flows

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

	Consolidated		Parent	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
Profit for the year	149,793	195,608	149,793	195,608
Depreciation and amortisation	401,619	417,427	-	-
Losses on sale of non-current assets	6,421	10,581	-	-
Writeback of trade receivables	(1,227)	(2,197)	-	-
Inventory obsolescence	1,314	1,914	-	-
Change in operating assets and liabilities:				
(Increase) / decrease in trade debtors	(30,655)	(18,865)	45,816	(9,144)
(Increase) in inventories	(17,672)	(8,262)	-	-
(Increase) / decrease in other operating assets	2,576	(576)	(72,289)	(70,454)
Increase / (decrease) in trade creditors	(45,413)	91,876	55,002	4,909
Increase / (decrease) in other liabilities	(4,925)	38,733	(7,144)	16,332
Increase / (decrease) in other provisions	27,802	(11,466)	22,890	(10,957)
Net cash inflow from operating activities	489,633	714,773	194,068	126,294

16 Non-cash investing and financing activities

Non-cash investing and financing activities disclosed in other notes are:

- transfer of property, plant and equipment to State Government (note 7(a)); and
- acquisition of right-of-use assets (note 9(a)(i)).

17 Reconciliation of liabilities arising from financing activities

Consolidated	Borrowings \$'000	Leases \$'000	Total \$'000
At 1 July 2022	4,020,000	90,982	4,110,982
Cash flows	440,000	(11,272)	428,728
Non-cash lease swaps	-	(363)	(363)
Acquisitions - finance leases	-	557	557
Revaluations - finance leases	-	366	366
Release - finance leases	-	-	-
At 30 June 2023	4,460,000	80,270	4,540,270
At 1 July 2021	3,718,814	100,626	3,819,440
Cash flows	301,186	(10,876)	290,310
Non-cash lease swaps	-	(441)	(441)
Acquisitions - finance leases	-	1,769	1,769
Revaluations - finance leases	-	219	219
Release - finance leases	-	(315)	(315)
At 30 June 2022	4,020,000	90,982	4,110,982

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

Risk

18 Financial risk management

(a) Financial instruments categories

Financial instruments are categorised into one of three measurement bases - amortised cost (AC), fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL).

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

	Consolidated		Parent	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
Financial assets				
<i>Financial assets at AC</i>				
Cash and cash equivalents	108,489	235,976	-	-
Trade and other receivables	75,430	43,548	621,715	538,568
<i>Financial assets at FVOCI</i>				
Derivative assets	8	-	-	-
Total financial assets	183,927	279,524	621,715	538,568
Financial liabilities				
<i>Financial liabilities at AC</i>				
Trade and other payables	533,592	683,061	247,175	232,294
Borrowings	4,460,000	4,020,000	-	-
Lease liabilities	80,270	90,982	-	-
<i>Financial liabilities at FVOCI</i>				
Derivative liabilities	487	656	-	-
Total financial liabilities	5,074,349	4,794,699	247,175	232,294

(b) Risks arising from financial instruments

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

Financial risk management is carried out by the consolidated entity under policies approved by the Members of the Board (the Board).

The carrying amounts of trade receivables and payables are assumed to approximate their fair values due to their short-term nature.

(i) Market risk

Foreign exchange risk

The consolidated entity is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar (USD), the Euro (EUR) and the Japanese Yen (JPY).

The consolidated entity's exposure to foreign exchange risk at reporting date was as follows:

Consolidated	30 June 2023			30 June 2022		
	USD \$'000	EUR €'000	JPY ¥'000	USD \$'000	EUR €'000	JPY ¥'000
Cash and cash equivalents	4	10	1,226	57	27	288,942
Forward exchange contracts (qualifying for hedge accounting)	-	98	299,060	-	-	598,120
Net exposure	4	108	300,286	57	27	887,062

18 Financial risk management (continued)

(b) Risks arising from financial instruments (continued)

The consolidated entity uses derivative financial instruments such as foreign exchange contracts to hedge risk exposures. The derivative financial assets and liabilities held by the consolidated entity have been classified as level 2 on the fair value hierarchy as values are indirectly derived from market indices. Trading for profit is strictly prohibited.

The consolidated entity's foreign exchange risk management policy dictates the level of hedging to be undertaken within the Board approved limits.

Derivatives are recognised at fair value. The consolidated entity applies hedge accounting to transactions which are highly probable.

Interest rate risk

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

Borrowings are classified as current liabilities unless the consolidated entity has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Financial liabilities at amortised cost

The fair value of borrowings is provided by the QTC. Fair value is calculated using the market value of the underlying debt portfolio, or in the case of fixed rate loans on a discounted cash flow basis. The carrying amounts and fair values of borrowings at reporting date are:

Consolidated	2023		2022	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
<i>Non-traded financial liabilities</i>				
Current lease liabilities (secured)	13,294	13,294	13,048	13,048
Non-current lease liabilities (secured)	66,976	66,976	77,934	77,934
Non-current borrowings (unsecured)	4,460,000	4,201,340	4,020,000	3,811,936
	4,540,270	4,281,610	4,110,982	3,902,918

Weighted average interest rate	3.8%	3.7%
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The following table summarises the sensitivity of the consolidated entity's debt with QTC to interest rate risk:

Consolidated	Carrying amount \$'000	Interest rate risk			
		-1%	Equity \$'000	+1%	Equity \$'000
30 June 2023		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
Client Specific Debt Pool	4,045,000	2,679	2,679	(2,270)	(2,270)
Total increase / (decrease)		2,679	2,679	(2,270)	(2,270)
30 June 2022					
Client Specific Debt Pool	3,710,000	2,334	2,334	(2,038)	(2,038)
Total increase / (decrease)		2,334	2,334	(2,038)	(2,038)

18 Financial risk management (continued)

(b) Risks arising from financial instruments (continued)

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

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

Borrowing costs which are directly attributable to the construction of material qualifying assets are recognised as part of the cost of the asset. Qualifying assets are assets not funded from other sources, acquired from capital projects with a budget of more than \$1.0 million and take a substantial period of time to prepare for intended use or sale. The rate used to determine the amount of borrowing cost to be capitalised is the QTC interest rate applicable to the consolidated entity's outstanding borrowings during the year, in this case 3.78% (2022: 3.74%). During the year, interest costs of \$30.5 million were capitalised (2022: \$27.1 million).

(ii) Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at reporting date to recognised financial assets is the carrying amount, net of any allowances for impairment of those assets, as disclosed in the balance sheets and notes to the financial statements.

Policies are in place to ensure that sales of products and services are only made to customers with an appropriate credit history.

Derivative counterparties and cash transactions are limited to high credit quality financial institutions and are approved by the Board. The consolidated entity has policies that limit the amount of credit exposure to any one financial institution.

The consolidated entity utilises a working capital facility with Queensland Treasury Corporation (QTC), investing any surplus daily. QTC has a rating of AA+, therefore the credit risk is minimal unless the ratings decrease significantly.

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

(iii) Liquidity risk

Liquidity risk management within the consolidated entity ensures sufficient cash to meet short-term and long-term financial commitments.

Financing arrangements

The amount of undrawn working capital facilities with QTC available at reporting date is \$250.0 million (2022: \$250.0 million).

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

Borrowings are not secured.

18 Financial risk management (continued)

(b) Risks arising from financial instruments (continued)

Maturity analysis

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

QTC long-term borrowings are interest only with no fixed repayment date for the principal component. For the purposes of completing the maturity analysis, the principal component of this loan has been included in the over five years time band with no interest payment assumed in this time band.

Consolidated 30 June 2023	Less than 1 year \$'000	Between 1 and 5 years \$'000	Over 5 years \$'000	Total contractual cash flows \$'000
Non-derivatives				
Trade payables	383,799	-	-	383,799
Borrowings	146,591	592,250	4,535,153	5,273,994
Lease liabilities	12,509	15,512	8,047	36,068
Total non-derivatives	<u>542,899</u>	<u>607,762</u>	<u>4,543,200</u>	<u>5,693,861</u>
30 June 2022				
Non-derivatives				
Trade payables	489,403	-	-	489,403
Borrowings	118,523	473,984	4,051,003	4,643,510
Lease liabilities	11,841	27,826	8,768	48,435
Total non-derivatives	<u>619,767</u>	<u>501,810</u>	<u>4,059,771</u>	<u>5,181,348</u>

19 Capital risk management

The consolidated entity's objectives when managing capital are to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The responsible Ministers advise the appropriate methodology in determining the dividend payable annually.

The consolidated entity monitors capital on the basis of the total debt to total capital ratio. This ratio is calculated as total debt divided by total capital. Total debt is calculated as borrowings and lease liabilities as shown in the balance sheets. Total capital is calculated as equity as shown in the balance sheets plus total debt.

The consolidated entity's total debt to total capital ratios are as follows:

	Consolidated 2023 \$'000	2022 \$'000
Borrowings	4,460,000	4,020,000
Lease liabilities	80,270	90,982
Total debt	<u>4,540,270</u>	<u>4,110,982</u>
Total equity	3,301,181	3,275,621
Total capital	<u>7,841,451</u>	<u>7,386,603</u>
Total debt to total capital ratio	58%	56%

The consolidated entity is also required by QTC to maintain an Earnings Before Interest and Tax (EBIT) Interest Coverage of greater than 1.25:1, except where the total debt to total capital is greater than 70%, in which case the EBIT Interest Coverage must be at least 2:1. The consolidated entity has complied with this requirement for both the current and prior reporting periods.

20 Correction of errors and revision of estimates

During the current reporting period, an incompatibility between an established Enterprise Agreement and the *Industrial Relations Act 2016 (Qld)* was confirmed. This incompatibility related to a clause determining the rate of pay applicable to the rate of pay for long service leave. In remedying this incompatibility, the rate of pay applied to long service leave was updated from a base rate to a full flat rate of pay method.

(a) Impact of changes

As a result of the change to the rate of pay method used for long service leave:

- The provision for long service leave and payroll tax increased by \$6.119 million.
- The accrual for employee payments increased by \$3.745 million.

	2022
	\$'000
Balance sheets	
Trade and other payables	(3,745)
Provisions - current	(5,940)
Provisions - non-current	(179)
Net assets	(9,864)
Retained earnings	9,864
Total equity	9,864
	2022
	\$'000
Statements of comprehensive income	
Employee benefits expense	9,864
Profit before income tax	9,864

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

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

Unrecognised items

21 Contingencies

Contingencies comprise guarantees either held or issued by the consolidated entity and assets and liabilities not qualifying for recognition at reporting date. A majority of the guarantees held relate to performance guarantees on construction contracts provided by third parties.

The consolidated entity had contingencies at reporting date in respect of:

(a) Contingent assets

Consolidated	2023	2022
	Fair value	Fair value
	\$'000	\$'000
Non-qualifying assets	-	200
Third party guarantees	81,100	81,000
Bank guarantees	127,627	100,755
Insurance company guarantees	830	830
	209,557	182,785

The parent entity does not hold any guarantees.

21 Contingencies (continued)

(b) Contingent liabilities

Issues relating to common law claims and product warranties are dealt with as they arise. There were no material contingent liabilities requiring disclosures in the financial statements other than as set out below.

Consolidated	2023 Fair value \$'000	2022 Fair value \$'000
Non-qualifying liabilities	10,805	42,472
Bank guarantees	39,793	39,793
	50,598	82,265

The parent entity has not issued any guarantees.

Litigation

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

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

	Consolidated 2023	2022	Parent 2023	2022
Number of cases before the Federal Circuit Court	5	2	3	1
Number of cases before the Supreme Court	2	2	-	-
Number of cases before the District Court	10	8	-	-
Number of cases before the Magistrates Court	2	2	-	-

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

(i) Environmental incident - Mt Isa

A clean-up notice was issued by the Department of Environment and Science in February 2019 in association with the inundation of a third-party operator train during flooding upon the Mt Isa Line, which resulted in the release of transported products to the environment. The notice has been complied with and a request to close out was lodged with the regulator in FY2022; the Department of Environment and Science is considering the request. Liaison with affected stakeholders has been maintained, including actions to mitigate stakeholder business impacts as a result of the incident.

(ii) Environmental incident - third-party derailment

Localised environmental remediation following the derailment of a third-party operator train at Traveston in February 2022 been completed and closed out with the regulator.

22 Commitments

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

(a) Commitments payable

	2023 Capital \$'000	2022 Capital \$'000
Consolidated		
Within one year	148,618	411,146
Later than one year but not later than five years	269,923	12,433
Later than five years	177,638	-
	<u>596,179</u>	<u>423,579</u>

The parent entity does not have any commitments payable.

(b) Commitments receivable

	2023 Lease \$'000	2022 Lease \$'000
Consolidated		
Within one year	6,241	5,129
Later than one year but not later than five years	11,939	12,504
Later than five years	24,497	20,995
	<u>42,677</u>	<u>38,628</u>

The parent entity does not have any commitments receivable.

23 Events occurring after the reporting period

No matters or circumstances have arisen since the end of the financial year which significantly affected, or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity.

Mayne Yard North assets are expected to be transferred by the Cross River Rail Delivery Authority to Queensland Rail in FY2024 subject to Ministerial direction.

Other items

24 Key management personnel disclosures

(a) Responsible Ministers

Ministerial remuneration entitlements are outlined in the Legislative Assembly of Queensland's Members' Remuneration Handbook. The consolidated entity does not bear any cost of remuneration of Ministers. The majority of Ministerial entitlements are paid by the Legislative Assembly, with the remaining entitlements being provided by Ministerial Services Branch within the Department of the Premier and Cabinet.

The responsible Ministers of Queensland Rail and its subsidiaries during the year ended 30 June 2023 were:

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

24 Key management personnel disclosures (continued)

(b) Members, Directors and specified executives

Compensation and other terms of employment for the specified executives are formalised in service agreements.

Details of the compensation of each specified Member, Director and executive are as follows:

	2023 \$'000	2022* \$'000
Short-term benefits	5,048	4,504
Post-employment benefits	442	371
	5,490	4,875

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

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

(c) Key management personnel compensation

(i) Members and Directors of Queensland Rail and subsidiaries

2023			Short-term benefits	Post- employment benefits	Total \$'000
			Member fees and allowances \$'000	Super- annuation \$'000	
Members					
D Marchant AM	Chair		132	14	146
	Reappointment date: 1 October 2021				
	Reappointment term: 2 years				
S Cantwell*	Member		44	5	49
	Reappointment date: 18 October 2022				
	Reappointment term: 1 year				
M Goss	Member		44	5	49
	Appointment date: 1 October 2020				
	Appointment term: 3 years				
R Peters	Member		12	1	13
	Ceased: 30 September 2022				
H Watson	Member		46	5	51
	Reappointment date: 1 October 2020				
	Reappointment term: 3 years				
T Winters	Member		45	5	50
	Appointment date: 1 October 2020				
	Appointment term: 3 years				
Total			323	35	358

* This Member did not receive monetary benefits directly. Payments were made to Sascan Advisory Pty Ltd, of which he is a Director, on his behalf.

24 Key management personnel disclosures (continued)

(c) Key management personnel compensation (continued)

2022		Short-term	Post-	Total
		benefits	employment	
		Member	benefits	
		fees and	Super-	
		allowances	annuation	
		\$'000	\$'000	\$'000
Members				
D Marchant AM	Chair	132	13	145
S Cantwell	Member	46	5	51
M Goss	Member	44	4	48
R Peters	Member	46	5	51
H Watson	Member	46	5	51
T Winters	Member	44	4	48

All the Members listed above are Members of the Queensland Rail Board and Directors of the Queensland Rail Limited Board.

K Stapleton was appointed as Director of On Track Insurance Pty Ltd on 25 March 2021, with no set appointment term. As an employee of Queensland Rail, K Stapleton did not receive remuneration in her capacity as Director of On Track Insurance Pty Ltd.

S Cornish was appointed as Director of On Track Insurance Pty Ltd on 25 March 2021, with no set appointment term. As an employee of Queensland Rail, S Cornish did not receive remuneration in his capacity as Director of On Track Insurance Pty Ltd.

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

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

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

(ii) Specified executives of the consolidated entity

2023		Short-term benefits		Post-	Total
		Cash	Non-	employment	
		salary	monetary	benefits	
		and fees	benefits	Super-	
		\$'000	\$'000	annuation	\$'000
		\$'000	\$'000	\$'000	\$'000
Specified executives					
K Stapleton	Chief Executive Officer	746	7	95	848
	Appointment date: 12 April 2022				
	Appointment term: 5 years				
J Benstead*	Group Executive Strategy, Planning and Transformation	485	7	62	554
	(from 1 February 2023)				
	Head of Regional				
	(until 31 January 2023)				

24 Key management personnel disclosures (continued)

(c) Key management personnel compensation (continued)

2023	Short-term benefits		Post-employment benefits	Total \$'000
	Cash salary and fees \$'000	Non-monetary benefits \$'000	Super-annuation \$'000	
Specified executives				
B Clark [^] Acting Chief Financial Officer and Group Executive Finance and Corporate Services (until 8 January 2023)	177	5	15	197
S Cornish* Acting Head of Regional (from 1 February 2023) Group Executive Safety, Risk and Assurance (until 31 January 2023)	460	7	57	524
R Holloway* Group Executive Major Projects Integration	537	7	68	612
A MacDonald* Group Executive Strategy, Planning and Transformation (until 28 November 2022)	465	3	17	485
B McLaren [^] Acting Group Executive Safety, Risk and Assurance (from 1 February 2023)	115	3	13	131
R Munn* Group Executive People and Culture	510	7	27	544
R Peters* Group Executive Commercial Property (from 20 February 2023)	171	3	8	182
S Riedel* Head of SEQ	690	7	27	724
A Sehgal* Chief Financial Officer and Group Executive Finance and Corporate Services (from 9 January 2023)	241	3	13	257
M Snell [^] Acting Group Executive Strategy, Planning and Transformation (from 29 November 2022 until 31 January 2023)	69	-	5	74
Total	4,666	59	407	5,132

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

[^] Non-executive employees, acting in specified executive positions.

24 Key management personnel disclosures (continued)

(c) Key management personnel compensation (continued)

2022	Short-term benefits		Post-employment benefits	Total \$'000
	Cash salary and fees \$'000	Non-monetary benefits \$'000	Super-annuation \$'000	
Specified executives				
K Stapleton Chief Executive Officer	505	6	64	575
J Benstead Head of Regional	464	6	59	529
B Clark Acting Chief Financial Officer and Group Executive Finance and Corporate Services	60	1	5	66
S Cornish Group Executive Safety, Risk and Assurance	436	6	48	490
R Holloway Group Executive Major Projects Integration	494	6	62	562
A MacDonald Group Executive Strategy, Planning and Transformation	507	6	27	540
R Munn Group Executive People and Culture	488	6	27	521
S Riedel Head of SEQ	667	6	27	700

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

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

The above are the key executives representing the consolidated entity. These executives provide advice in relation to strategy and future direction of the consolidated entity under the business model adopted. On Track Insurance Pty Ltd does not have any senior executives who are involved in setting strategy or future direction for the entity and no On Track Insurance Pty Ltd executives are disclosed above for this reason.

Termination of the employment of an executive can be made by Queensland Rail to the specified executive either with notice, without notice or due to the incapacity of the specified executive. The formal policy concerning the termination of employment of Queensland Rail chief and senior executives is the *Policy for Government Owned Corporation Chief and Senior Executive Employment Arrangements (version dated 27 October 2021)*. This policy was issued by the Government in the 2014/15 period and is applicable to arrangements issued from this period.

Chief Executive provisions

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

24 Key management personnel disclosures (continued)

(c) Key management personnel compensation (continued)

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

- any accrued leave;
- salary for the balance of the notice period (if Queensland Rail elects to make payment in lieu of the notice period); and
- if the termination is by Queensland Rail in circumstances other than serious misconduct, a termination payment of 6 months salary.

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

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

Senior Executive provisions

Under the *Policy for Government Owned Corporation Chief and Senior Executive Employment Arrangements (version dated 27 October 2021)*, all new appointments to senior executives are on an ongoing (tenured) basis with no specific end date. Termination by notice can be made by the specified executive or Queensland Rail at any time by either party giving to the other 1 month written notice. When such termination occurs, specified executives that are tenured are entitled to the following:

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

Queensland Rail reviews the total fixed remuneration of eligible employees on 1 July each year. Senior Executives' individual remuneration reviews require Board approval under the *Policy for Government Owned Corporation Chief and Senior Executive Employment Arrangements (version dated 27 October 2021)*. Under these provisions, the Board has the discretion to approve annual total fixed remuneration increases to a maximum of 10% per annum, subject to the total fixed remuneration not exceeding the latest market median for the position's work value. The Board should act prudently and take account of the economic climate when considering annual total fixed remuneration increases.

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

(iii) Performance Payments

There are no Chief or Senior Executive positions that are eligible for Performance Payments.

A residual Performance Payment Scheme operates as a grandfathered arrangement. The framework consists of the following key aspects:

- Organisational Key Performance Indicators (KPIs) are aligned to Operational Plan performance targets including On Time Running (OTR), Reliability - Citytrain, Signals Passed at Danger, Customer Injuries, Customer Satisfaction - Citytrain and Customer Satisfaction - Traveltrain. Queensland Rail must achieve the threshold for all KPIs where a Rail Transport Service Contract (TSC) abatement applies before any performance payment is considered and Queensland Rail must meet the enterprise wide organisational KPIs (as per measurement determined by the Board).
- The Queensland Rail businesses and functions must meet the Functional KPIs (as per measurement determined by the Chief Executive Officer).
- Individual KPIs set by the employee's manager and approved by the respective Senior Executive.
- KPI results are reviewed by the Board and the Chief Executive Officer on an annual basis to ensure payments are aligned with the achievement of individual and organisational performance objectives. Individual performance of eligible employees against set KPIs (including Values and Behaviours) must be assessed at a level above "meets expectations"; and
- Board and Chief Executive Officer discretion is reserved in the payment against the scheme based on consideration of performance as well as community and shareholder expectations.

There remain 9 specified award employees and 1 employee currently on an Enhanced Remuneration Package eligible for performance based, at risk, incentive bonus compensation.

24 Key management personnel disclosures (continued)

(c) Key management personnel compensation (continued)

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

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

(d) Transactions with key management personnel

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

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

During the current and prior reporting periods, N Easy, specified executive of Queensland Rail and Queensland Rail Limited until 17 December 2021, and K Stapleton, specified executive of Queensland Rail and Queensland Rail Limited, were Directors of Australasian Railway Association and Directors of TrackSAFE Foundation. Queensland Rail Limited paid corporate membership and conference fees to Australian Railway Association during these periods and a contribution to TrackSAFE Foundation during the prior reporting period.

During the current and prior reporting periods, R Peters, Member of Queensland Rail and Director of Queensland Rail Limited until 30 September 2022, was the Vice President (Campus Infrastructure and Services) of Monash University. Queensland Rail Limited engaged Monash University for project, calibration and training services during these periods.

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

All figures displayed below are exclusive of GST.

	Consolidated	
	2023	2022
	\$'000	\$'000
Corporate membership and conferences - Rail Industry Safety and Standards Board	295	281
Electrical works - South East Electrical and Airconditioning	232	290
Corporate membership and conferences - Australasian Railway Association	229	95
Project, calibration and training services - Monash University	29	4
Contribution - TrackSAFE Foundation	-	122
Rental revenue - Move Bank	(163)	(157)
Telecommunications revenue - Airservices Australia	(74)	(71)
	548	564

25 Related party transactions

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

(a) Transactions with related parties

The following transactions occurred with related parties:

	Parent	
	2023	2022
	\$'000	\$'000
Sale of goods and services to subsidiaries	1,229,691	1,095,784
Dividend revenue from subsidiaries	149,793	195,608
Dividend receivable from subsidiaries	149,793	195,608
Receivables from subsidiaries - current	431,634	308,663
Receivables from subsidiaries - non-current	40,288	34,297
Shares in subsidiaries	2,845,324	2,845,324

(b) Loans to / (from) related parties

	Parent	
	2023	2022
	\$'000	\$'000
<i>Loans to / (from) subsidiaries</i>		
Beginning of the year	2,090	(18,905)
Loans advanced	63,683	83,034
Loans repayments received	(99,365)	(62,039)
End of year	(33,592)	2,090

25 Related party transactions (continued)

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

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

All material related party transactions are negotiated under commercial terms.

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

	Notes	Consolidated		Parent		Nature of transaction
		2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	
Revenue from continuing operations	1	2,171,474	2,066,747	-	-	Rail Transport Service Contract, government concessions and sales
Supplies and services	2	362,279	320,177	-	-	Consumables
Employee benefits expense	3	61,849	49,768	61,827	49,717	Payroll tax
Other expenses		4,871	4,899	-	-	Land tax and audit fees
Finance income		1,599	5	-	-	Interest revenue
Finance expenses	4	151,035	142,832	-	-	Interest and financing costs
Income tax expense	5	66,093	78,947	-	-	Income tax
Cash and cash equivalents		108,154	232,103	-	-	Short-term investments
Trade and other receivables		43,846	18,277	-	-	Rail Transport Service Contract and other accounts receivables
Current prepayments		461	474	-	-	Prepaid consumables
Trade and other payables	11	314,061	525,025	156,524	199,156	Dividend, Rail Transport Service Contract, interest, capital works, consumables and payroll tax payables
Current tax liabilities		9,156	16,475	9,156	16,475	Current tax payable
Other current liabilities		6,735	2,366	-	-	Asset funding and other income in advance
Non-current borrowings	18	4,460,000	4,020,000	-	-	Long-term borrowings
Other non-current liabilities		35,618	31,147	-	-	Asset funding in advance
Contributed equity		35,300	(5,056)	35,300	(5,056)	Capital contributions / (distributions)
Dividend declared	14	149,793	193,658	149,793	193,658	Dividend declared

26 Subsidiaries

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

Name of entity	Country of incorporation	Class of shares	Equity holding 2023 %	2022 %
Queensland Rail Limited	Australia	Ordinary	100	100
On Track Insurance Pty Ltd	Australia	Ordinary	100	100

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

The principal activities of On Track Insurance Pty Ltd are the provision of insurance coverage for all claims relating to events for both former parent, Aurizon Operations Limited (formerly QR National Limited) and Queensland Rail Limited up until 30 June 2010.

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

Inter-company transactions, balances and unrealised gains on transactions between consolidated entity companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

Non-current inter-company loans may not be demanded by the other entity and do not become payable other than through settlement of obligations associated with the loans or one of the entities exits the wholly-owned consolidated entity.

The Managed Services Agreement between Queensland Rail and its subsidiary, Queensland Rail Limited, permits all inter-company balances between both entities to be legally offset and settled on a net basis at the end of each reporting period.

Accounting policies have been adopted consistently across the consolidated entity.

Investment in the subsidiary is accounted for at cost in the financial records of the parent entity.

27 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the consolidated entity:

	Consolidated		Parent	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
<i>Queensland Audit Office</i>				
Audit of the financial statements	577	578	56	70
	<u>577</u>	<u>578</u>	<u>56</u>	<u>70</u>

28 Special payments

	Consolidated		Parent	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
Ex-gratia payments	885	181	885	181
	885	181	885	181

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

Special payments greater than \$5,000 include:

- Ex-gratia payments made to employees in the form of medical separations which are not required under their respective employment agreements in the current and prior reporting periods.
- Ex-gratia payments made in the form of a Death Benefit to the Trustee on behalf of deceased employees in the current reporting period.
- Ex-gratia payments made to employees in the form of confidential deeds of settlement on resignation or dismissal in the current and prior reporting periods.
- Ex-gratia payments made to employees who worked additional hours and were not able to return to depot and / or home as a consequence of the South East Queensland flooding event which are not covered under their respective employment agreements in the prior reporting period.
- Ex-gratia payments made to employees in the form of confidential deeds of settlement for wages disputes in the prior reporting period.

29 Climate change

The consolidated entity acknowledges climate change and is aware of the State of Queensland's wide range of information and resources relating to climate change risks, strategies and actions including Climate Action Plan 2020-30, Queensland Energy and Jobs Plan, Climate Adaptation Strategy and the Queensland Sustainability Report.

The consolidated entity has a broad understanding of the key climate change hazards and the potential and actual impacts such physical risks may pose to its operations and asset base, including disruptions, incidents and changed maintenance / repair regimes, and also recognises the risks and opportunities associated with global and local transition to a low carbon economy. The consolidated entity is progressing embedding of climate change risk considerations into planning and investment processes to facilitate effective adaptation outcomes and demonstrate delivery of a sustainable, resilient and fit for purpose operations.

Assessments of material accounting judgement and estimates associated with climate change risks are able to be considered through extant processes including those for potential changes in useful asset life, fair value of assets and the recognition of provisions or possible contingent liabilities.

No adjustments to the carrying value of recorded assets or other adjustments to the amounts recorded in the financial statements were recognised during the financial year as a result of climate-related risks impacting the current accounting estimates and judgements. The consolidated entity continues to monitor the emergence of material climate-related risks that may impact financial statements, including those that arise under the Queensland Government Climate Action Plan 2020-30 and other Government publications.

30 Queensland Rail Limited consolidated financial information

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

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

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

30 Queensland Rail Limited consolidated financial information (continued)

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

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

	2023 \$'000	2022 \$'000
Consolidated statement of comprehensive income		
Revenue	2,435,764	2,308,356
Expenses	(2,099,411)	(1,916,338)
Operating profit	<u>336,353</u>	<u>392,018</u>
Net finance costs	(120,467)	(117,463)
Profit before income tax	<u>215,886</u>	<u>274,555</u>
Income tax expense	(66,093)	(78,947)
Profit for the year	<u>149,793</u>	<u>195,608</u>
Other comprehensive income / (expense) for the year	124	(478)
Total comprehensive income for the year	<u>149,917</u>	<u>195,130</u>
	2023 \$'000	2022 \$'000
Consolidated balance sheet		
Current assets	323,709	409,044
Non-current assets	8,900,663	8,445,271
Total assets	<u>9,224,372</u>	<u>8,854,315</u>
Current liabilities	906,708	983,757
Non-current liabilities	5,121,392	4,664,546
Total liabilities	<u>6,028,100</u>	<u>5,648,303</u>
Net assets	<u>3,196,272</u>	<u>3,206,012</u>
Total equity	<u>3,196,272</u>	<u>3,206,012</u>
	2023 \$'000	2022 \$'000
Consolidated statement of changes in equity		
Balance at the beginning of the financial year	3,206,012	3,219,362
Correction of error	(9,864)	-
Adjustment for change in accounting policy	-	(12,872)
Restated total equity at the beginning of the financial year	<u>3,196,148</u>	<u>3,206,490</u>
Total comprehensive income for the year	149,917	195,130
Transactions with owners in their capacity as owners	(149,793)	(195,608)
Balance at end of year	<u>3,196,272</u>	<u>3,206,012</u>

30 Queensland Rail Limited consolidated financial information (continued)

	2023 \$'000	2022 \$'000
Consolidated statement of cash flows		
Cash flows from operating activities	491,173	774,943
Cash flows from investing activities	(851,780)	(644,095)
Cash flows from financing activities	233,120	103,846
Net increase / (decrease) in cash and cash equivalents	(127,487)	234,694
Cash and cash equivalents at the beginning of the financial year	235,976	1,282
Cash and cash equivalents at end of year	108,489	235,976

31 Summary of other accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Queensland Rail and its subsidiaries, Queensland Rail Limited and On Track Insurance Pty Ltd.

Queensland Rail is a for-profit statutory body domiciled in Australia and owned by the Queensland State Government. Queensland Rail is required to carry out its functions as a commercial enterprise, as specified in section 10 of the *Queensland Rail Transit Authority Act 2013*. These financial statements are denominated in Australian dollars.

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

The consolidated entity's shared purpose is to connect communities with a vision to deliver world-class rail services for our customers by achieving these performance outcomes:

- Safety;
- Efficiency and sustainability;
- Reliability;
- Valued by customers; and
- Supporting communities.

In the current reporting period, the consolidated entity continued to focus on driving cultural and structural changes in the business to deliver a more integrated public transport structure for Queensland.

During the year, the principal activities of the consolidated entity consisted of:

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

These financial statements were approved for issue by the Members on 30 August 2023. The Members have the power to amend and reissue the financial statements.

(a) Basis of preparation

(i) Statement of compliance

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

- applicable Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB);
- the *Financial and Performance Management Standard 2019*;
- Queensland Treasury's *Financial Reporting Requirements for Queensland Government Agencies* to the extent relevant; and
- other authoritative pronouncements.

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

The consolidated entity has applied the following standards and amendments for the first time for their annual reporting period commencing 1 July 2022:

31 Summary of other accounting policies (continued)

(a) Basis of preparation (continued)

- AASB 2020-3 *Amendments to Australian Accounting Standards - Annual Improvements 2018-2020 and Other Amendments [AASB 1, AASB 3, AASB 9, AASB 116, AASB 137 & AASB 141]*.
- AASB 2021-5 *Amendments to Australian Accounting Standards - Deferred Tax related to Assets and Liabilities arising from a Single Transaction [AASB 112]*.

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(iii) New standards and interpretations not yet adopted

Standards and amendments that are available for early adoption for the current financial year beginning 1 July 2022 were not early adopted and are not expected to have a material impact on the accounts of the consolidated entity in future periods.

(iv) Historical cost convention

These financial statements have been prepared under the historical cost convention, except for certain assets which, as stated, are at fair value.

(v) Going concern

The financial report for the consolidated entity is prepared on a going concern basis. Current liabilities exceed current assets by \$555.7 million. The consolidated entity has access to a short-term borrowing facility up to the amount of \$250.0 million of which \$250.0 million is undrawn as at reporting date (refer note 18(b)(iii)). The consolidated entity has also secured approval from the Queensland Government to source additional long-term borrowings in the 2023/24 financial year up to an amount of \$463.0 million to support the capital program throughout that year. In addition revenue through the Rail Transport Service Contract, adequate interest coverage and a low total debt to total capital ratio provides further assurance of the consolidated entity's status as a going concern.

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

(b) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the consolidated entity's entities are measured using the currency of the primary economic environment in which the entity operates (i.e. the functional currency). The consolidated financial statements are presented in Australian dollars, which is the consolidated entity's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of these transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

(c) Rounding of amounts / comparative restatements

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

Comparative information has been restated where necessary to be consistent with disclosures in the current reporting period.

(d) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Trade receivables and trade payables in the balance sheets are shown inclusive of GST. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the balance sheets.

31 Summary of other accounting policies (continued)

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

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

Queensland Rail and its subsidiaries are grouped for GST purposes. This means that any inter-company transactions within the Queensland Rail consolidated entity do not attract GST. Queensland Rail is the representative member of the GST group and is responsible for reporting all GST liabilities and credits on behalf of the consolidated entity.

(e) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(f) Trade and other receivables

Trade and other receivables are initially recognised at the transaction price and are subsequently measured at and classified as amortised cost. Trade receivables generally have standard payment terms of 7 to 30 days. The consolidated entity applies the simplified approach to providing for expected credit losses prescribed by AASB 9, which requires the use of the lifetime expected loss provision for all trade receivables.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. An allowance for impairment of trade receivables is established when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the debt. Trade receivables have not had a significant increase in credit risk since they were originated.

Other receivables are classified as current assets unless collection is not expected within the 12 months from the reporting date.

(g) Contributed equity

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

(h) Insurance

The consolidated entity insures against risks which are largely uncontrollable, have significant or catastrophic consequences for assets and / or revenue and the aggregate costs of which would exceed the limit of exposure the organisation is prepared to accept.

Insurance cover has accordingly been effected for a variety of such risks. Other areas of risk exposure are self-insured, including workers' compensation.

Until 30 June 2010, self-insurance and other underwriting activities were performed by Queensland Rail's wholly-owned subsidiary, On Track Insurance Pty Ltd. On Track Insurance Pty Ltd was transferred from Aurizon Operations Limited (formerly QR National Limited) on 6 October 2010 and will continue to provide cover for claims relating to events up until 30 June 2010 for both Queensland Rail and the Aurizon Operations Limited group.

(i) Environmental regulation

The consolidated entity is subject to a variety of laws and regulations in the jurisdiction in which it operates or maintains land. Where remediation measures are probable and can be reliably measured, such costs incurred in complying with relevant laws and regulations are accounted for in accordance with the policy in note 12.

Management certificate

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

- (a) the prescribed requirements for establishing and keeping the accounts have been complied with in all material aspects; and
- (b) the financial statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of Queensland Rail and its controlled entities for the financial year ended 30 June 2023 and of the financial position of the consolidated entity at the end of that year.

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



K Stapleton
Chief Executive Officer

Brisbane, Qld
30 August 2023



D Marchant AM
Chair

Brisbane, Qld
30 August 2023

INDEPENDENT AUDITOR'S REPORT

To the Board of Queensland Rail

Report on the audit of the financial report

Opinion

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

In my opinion, the financial report:

- a) gives a true and fair view of the parent's and group's financial position as at 30 June 2023, and their financial performance and cash flows for the year then ended
- b) complies with the *Financial Accountability Act 2009*, the *Financial and Performance Management Standard 2019* and Australian Accounting Standards.

The financial report comprises the balance sheets as at 30 June 2023, the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, notes to the financial statements including material accounting policy information and the management certificate.

Basis for opinion

I conducted my audit in accordance with the *Auditor-General Auditing Standards*, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report.

I am independent of the parent and group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code and the *Auditor-General Auditing Standards*.

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

Key audit matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial report of the current period. I addressed these matters in the context of my audit of the financial report as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

Depreciation expense (\$376.7 million)

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

Key audit matter	How my audit addressed the key audit matter
<p>Depreciation expense is a significant balance that requires management to forecast the useful life of assets and their component parts.</p>	<p>My procedures included but were not limited to:</p> <p>Assessing the useful life estimates of assets and their component parts by:</p> <ul style="list-style-type: none"> • reviewing management’s annual assessment of useful lives and condition assessments. This represents a comprehensive review of all assets • for a sample of remaining useful life reviews examining supporting documentation and confirming revised estimates to the fixed asset register • checking the consistency of useful lives compared to the prior year • comparing useful life assessments recorded in the fixed asset register to the disclosed accounting policy • reviewing for evidence of asset obsolescence, failure or disposals that could indicate a need to review useful life assumptions • reviewing for evidence that the entity will use assets for longer than the useful lives estimated for valuation and depreciation purposes • for a sample of assets, recalculating depreciation expense • evaluating remaining useful life estimates for reasonableness with reference to management’s documented assessments, historical disposal rates, condition assessments for older assets, and long-term asset management plans and budgets.

Indicators of impairment of property, plant and equipment

Refer to note 7(e) of the financial report

Key audit matter	How my audit addressed the key audit matter
<p>Management have considered the existence of impairment indicators during 2022-23 and performed an impairment test to ensure that the assets carrying value was greater than its value in use.</p> <p>The impairment assessment is complex and management adopts assumptions in developing inputs used in the discounted cashflow models to calculate an asset’s value in use.</p>	<p>My procedures included but were not limited to:</p> <ul style="list-style-type: none"> • assessing the adequacy of management’s review of the impairment process • obtaining an understanding of the methodology used and assessing its design, integrity and appropriateness for the impairment test with reference to common industry practice • challenging the reasonableness of key assumptions based on my knowledge of the entity and industry • assessing the identification of cash generating units, and input assumptions adopted by management in the value in use model

Key audit matter	How my audit addressed the key audit matter
	<ul style="list-style-type: none"> evaluating the reasonableness of management's documented considerations of indicators of impairment against my knowledge of the entity reviewing the accuracy of calculations used in the value in use model reviewing the impairment model to assess the models used and the reasonableness of key assumptions applied in the assessment against my knowledge of the entity and industry reviewing the asset impairment accounting policies disclosures in the financial statements for consistency with Australian Accounting Standards.

Other information

Other information comprises financial and non-financial information (other than the audited financial report).

Those charged with governance are responsible for the other information.

My opinion on the financial report does not cover the other information and accordingly I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Responsibilities of the entity for the financial report

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

The Board is also responsible for assessing the parent's and group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless it is intended to abolish the parent or group or to otherwise cease operations.

Auditor's responsibilities for the audit of the financial report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. This is not done for the purpose of expressing an opinion on the effectiveness of the entity's internal controls, but allows me to express an opinion on compliance with prescribed requirements.
- Evaluate the appropriateness of accounting policy information used and the reasonableness of accounting estimates and related disclosures made by the group.
- Conclude on the appropriateness of the parent's and group's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent's or group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. I base my conclusions on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the parent or group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the financial report. I am responsible for the direction, supervision and performance of the audit of the group. I remain solely responsible for my audit opinion.

I communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

From the matters communicated with the Board, I determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Statement

In accordance with s.40 of the *Auditor-General Act 2009*, for the year ended 30 June 2023:

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

Prescribed requirements scope

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



Vaughan Stemmett
as delegate of the Auditor-General

31 August 2023

Queensland Audit Office
Brisbane