2019
FINANCIAL STATEMENTS

ARTC

Australian
Rail Track
Corporation

ABN 75 081 455 754
11 Sir Donald Bradman Drive,
Keswick Terminal, SA 5035

DIRECTORS' REPORT

The Board of Directors of the Australian Rail Track Corporation Ltd (ARTC) has pleasure in submitting the Directors' Report together with the Financial Report of the Group (the Group comprises Australian Rail Track Corporation Ltd, ARTC Services Company Pty Ltd and the Standard Gauge Company Pty Ltd) for the financial year ended 30 June 2019. This Directors' Report has been prepared in accordance with the requirements of Division 1 of Part 2M.3 of the Corporations Act 2001.

DIRECTORS

The following persons were Directors of Australian Rail Track Corporation Ltd during the whole of the financial year and up to the date of this report unless otherwise stated:
W Truss
C Barlow
G Brown
J Fullerton
R Garnon (appointed 21 November 2018)
V Graham
D Saxelby
J Seabrook

QUALIFICATIONS, EXPERIENCE AND SPECIAL RESPONSIBILITIES

The Hon Warren Truss AC (Non-Executive Director)

The Hon Warren Truss was appointed to the ARTC Board as Chairman on 21 April 2018. Previously, Warren served as a Member of the Federal Parliament for 26 years including 8 years as the Federal Leader of the National Party. As the 16th Deputy Prime Minister and Minister for Infrastructure and Regional Development, Warren was responsible for the delivery of several significant Australian Government investments including the early funding for Inland Rail. Prior to entering federal politics, Warren served in local government for 14 years, holding various roles including Chairman and Councillor of the Kingaroy Shire Council. Previously, Warren was Chair of the Sugar Coast Burnett Regional Tourism Board, Deputy Chair of Bulk Grains Queensland and President of the Australian Council of Rural Youth.

Chris Barlow BSc (Hons), CE (Non-Executive Director)

Mr Chris Barlow was appointed to the ARTC Board as a Non-Executive Director on 2 May 2016. Chris is a Chartered Civil Engineer. Chris has held a variety of senior leadership roles in the transport and infrastructure industries, serving as Managing Director for a number of UK Airports. Chris was previously CEO & Managing Director of the Australian Pacific Airports Corporation, running Melbourne and Launceston airports. Additionally, Chris has had the experience of a number of Board positions. He was on the Board of Asciano (Patrick Stevedoring and Pacific National Rail). He is presently Chair of Airport Development Group, (Darwin and Alice Springs Airports) and Melbourne Convention Bureau.

Gillian Brown LLB (Hons), Grad Dip App Fin & Invest, MAICD (Non-Executive Director)

Ms Gillian Brown joined the Board as a Non-Executive Director in June 2010. Gillian is a highly regarded Consultant at Minter Ellison Lawyers, with significant experience in finance, infrastructure, energy and resources, and debt capital markets transactions. She is a leading corporate and project finance lawyer and has been recognised with numerous accolades including individual Best Lawyer rankings for structured finance and project finance. Gillian is a Non-Executive Director of QIC Limited, a former Chairman of Minter Ellison Lawyers and a former board member of Queensland Treasury Corporation and DBCT Holdings Pty Ltd.

Rosheen Garnon BEc/LLB, FCA, CTA, GAICD (Non-Executive Director)

Ms Rosheen Garnon was appointed to the ARTC Board as Non-Executive Director on 21 November 2018. Rosheen is a seasoned professional services expert with over 29 years' experience in the accounting industry. Until recently, she was the Australian National Managing Partner for Taxation at KPMG. She was also a member of KPMG's International Tax Steering Group and she has worked internationally with the firm as Chair of one of KPMG Global Tax Service Groups. Rosheen's qualifications include a Bachelor of Economics (Accounting Major) and Bachelor of Laws from the Australian National University. She is a Fellow of Chartered Accountants in Australia and New Zealand, a Chartered Tax Advisor and a Graduate of the Australian Institute of Company Directors. Rosheen is a Non-Executive Director of Alexium International Group Limited; a Non-Executive Director of The Smith Family; a Non-Executive Director of Creative Partnerships Australia; and a Non-Executive Director of Women Corporate Directors. She is also a Member of the Board of Taxation, an independent advisory board, that advises the Federal Treasurer and the Assistant Treasurer on Australia's taxation policy, as well as a Member of the Australia Council for the Arts' Major Performing Arts Panel.

Vince Graham AM, KCSG, BEng (Civil), Grad Dip Mgmt, FAICD, (Non-Executive Director)

Mr Vince Graham was appointed to the Board as a Non-Executive Director on 8 March 2016. Vince has had extensive experience in executive roles at both a federal and state level. Prior to his appointment, Vince was the Chief Executive Officer of Ausgrid, Endeavour Energy and Essential Energy in NSW. In his role as Managing Director of the National Rail Corporation over a decade, Vince was involved in the development of the national rail freight network. He was the Chief Executive Officer of RailCorp NSW, the Chief Operating Officer of State Rail Authority, and the Managing Director of NSW Grain Handling Authority. Presently, Vince is a Non-Executive Director of the Western Sydney Airport Corporation, the Western City Aerotropolis Authority and Catholic Schools NSW Ltd.

David Saxelby BEng (Civil), MAICD (Non-Executive Director)

Mr David Saxelby was appointed to the Board as Non-Executive Director on 1 December 2016. David has had a highly successful 30-year career in construction, infrastructure contracting and major projects. He was previously the Managing Director of Thiess and most recently the Chief Executive Officer of Lendlease's Construction and Infrastructure Business. David has been responsible for delivering many of Australia's iconic major projects, including the ANZAC Bridge, Darling Harbour Convention Centre, Lane Cove Tunnel, Epping to Chatswood Underground Rail Link and NorthConnex. David has held a number of senior industry positions as President and Board member of Australian Constructors Association, Board member of Roads Australia, Board member of Infrastructure Partnership Association and Board member of the Mineral Council of Australia. David was listed in the Top 100 Engineers in Australia for four consecutive years and is a Non-Executive Director of the Office of Projects Victoria Advisory Board and Decmil Group.

Jennifer Seabrook BCom, FCA, FAICD (Non-Executive Director)

Ms Jennifer Seabrook was appointed to the ARTC Board as Non-Executive Director on 1 December 2016. Jennifer is a chartered accountant and has had an executive career in mergers and acquisitions, equity and debt capital markets, and financial advisory. She is a Special Advisor to Gresham Partners Limited and holds directorships at MMG Limited, IRESS Limited, Iluka Resources Limited, BGC Australia and Esther Investments. Previous Non-Executive Director roles include West Australian Newspapers, Bank of Western Australia, Western Power Corporation, AlintaGas and Western Australian Treasury Corporation. Jennifer's former advisory panel memberships include ASIC's External Advisory Group, the Takeovers Panel, Corporations Law Simplification Task Force and WA Pearling Industry Advisory Panel.

John Fullerton BTech (EEng), FIE Aust, FAICD, CMILT (CEO and Executive Director)

Mr John Fullerton is Managing Director and Chief Executive Officer of Australian Rail Track Corporation Ltd and was appointed to the position in February 2011. Mr Fullerton has over 35 years' experience in the rail industry across Australia and currently holds the position as Non-Executive Director of the Australasian Railway Association and is the Alternate Non-Executive Director of Hunter Valley Coal Chain Coordinator Ltd. Mr Fullerton is also a member of the Freight on Rail Group having served as its inaugural Chairman from 2015 to 2018. Mr Fullerton was previously Chief Executive Officer of Freight Link Pty Ltd and Asia Pacific Transport Pty Ltd, Chairman of Rail CRC Ltd, Non-Executive Director of Tasmanian Railway Pty Ltd, Non-Executive Director Rail Industry Safety and Standards Board Ltd and inaugural Board Member for South Australian Young Entrepreneur Scheme. Mr Fullerton has held other senior executive roles in the rail industry including Chief Operating Officer at National Rail Corporation and Divisional General Manager (Operations) at Pacific National. Mr Fullerton has been listed in the Top 100 Influential Engineers in Australia for four consecutive years from 2011 to 2014.

Company Secretary

Mr Gavin Carney BA, LLB, LLM, GradDip ACG, MAICD, FGIA was appointed Company Secretary in 2009. Mr Carney joined ARTC in 2007 and is also the General Counsel. Mr Carney is a Fellow of the Governance Institute of Australia and a Member of the Australian Institute of Company Directors. As Company Secretary of ARTC, Mr Carney is responsible for monitoring the Company's corporate governance framework and for managing all matters relating to the Company's Board of Directors, Board Committees and Executive Team.

MEETINGS OF DIRECTORS

The number of meetings of the Group's Board of Directors and of each Board Committee held during the year ended 30 June 2019, and the numbers of meetings attended by each Director were:

Meeting of Directors

	Full meeting of Directors		Audit & Compliance Committee		Environment Health & Safety Committee		People & Performance Committee (1)		Risk Committee		Inland Rail Committee	
	A	B	A	B	A	B	A	B	A	B	A	B
W Truss (2)	10	10	5	-	3	-	3	-	2	2	11	11
C Barlow (3)	10	10	1	-	1	-	3	3	2	2	11	11
G Brown (4)	9	10	5	5	3	3	3	3	1	2	7	-
R Garnon (5)	4	5	2	2	2	-	1	1	1	1	3	-
V Graham (6)	9	10	5	5	3	3	1	-	2	2	7	-
D Saxelby (7)	9	10	2	-	3	3	1	-	2	2	11	11
J Seabrook (8)	10	10	5	5	2	-	3	3	2	2	11	11
J Fullerton (9)	10	10	5	-	3	3	3	-	2	2	11	11

A = Number of meetings attended

B = Number of meetings held during the time the Director held office or was a member of the committee during the year

(1) Whole Board for Succession Planning Committee is incorporated into the People & Performance Committee.

(2) Mr Truss attended five Audit & Compliance Committee meetings as an invitee, three Environment Health & Safety Committee meetings as an ex officio member, and three People & Performance Committee meetings as an invitee.

(3) Mr Barlow attended one Audit & Compliance Committee meeting and one Environment, Health & Safety Committee meeting as an invitee.

(4) Ms Brown attended seven Inland Rail Committee meetings as an ex officio member.

(5) Ms Garnon was appointed as Director of the ARTC Board on 21 November 2018. By agreement with the Board, Ms Garnon commenced her term at the February 2019 Board meeting. Ms Garnon attended two Environment, Health & Safety Committee meetings and three Inland Rail Committee meetings as an invitee.

(6) Mr Graham attended one People & Performance Committee meeting as an invitee and seven Inland Rail Committee meetings as an ex officio member.

(7) Mr Saxelby attended two Audit & Compliance Committee meetings as an ex officio member and one People & Performance Committee meeting as an invitee.

(8) Ms Seabrook attended two Environment, Health & Safety Committee meetings as an ex officio member.

(9) Mr Fullerton attended the Audit & Compliance Committee and the People & Performance Committee meetings by invitation.

MEMBERS OF THE BOARD COMMITTEES DURING THE YEAR:

AUDIT & COMPLIANCE

Member	Membership period (if other than full year)
G Brown	Chair
R Garnon	Appointed 21 November 2018
V Graham	
J Seabrook	

ENVIRONMENT HEALTH & SAFETY

Member	Membership period (if other than full year)
V Graham	Chair
G Brown	
J Fullerton	
D Saxelby	

PEOPLE & PERFORMANCE

Member	Membership period (if other than full year)
J Seabrook	Appointed Chair 3 May 2018
C Barlow	
G Brown	
R Garnon	Appointed 21 November 2018

RISK COMMITTEE

Member	Membership period (if other than full year)
C Barlow	Chair
G Brown	
J Fullerton	
R Garnon	Appointed 21 November 2018
V Graham	
D Saxelby	
J Seabrook	
W Truss	

INLAND RAIL COMMITTEE

Member	Membership period (if other than full year)
D Saxelby	Chair
C Barlow	
J Fullerton	
J Seabrook	
W Truss	

PRINCIPAL ACTIVITIES

The principal activities of the Group during the year were the provision of rail access and infrastructure management of rail networks, either owned or leased by ARTC and the delivery of the Inland Rail Project.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Significant changes in the state of affairs of the Group during the financial year were as follows:

1. Inland Rail Activities: -

ARTC continues to make good progress on Inland Rail's construction program since construction commenced in February 2019. Of particular note this year:

- In New South Wales, the commencement of construction on the Parkes to Narromine section of Inland Rail in February 2019;
- In Queensland, Expressions of Interest (EOI) were opened in March 2019 to design, build, finance and maintain the Gowrie to Kagaru segment through a Public Private Partnership (PPP), marking the commencement of the formal procurement process for the PPP. Responses to the EOI were received in May 2019 and work is progressing to prepare for issue of formal Requests for Proposal to successful respondents;
- In Victoria, works are being packaged together with passenger upgrades to the North East Rail Line to minimise impacts on the community;
- Across the States, the Inland Rail team has been actively engaging and listening to landowners and other stakeholders. A total of ten Community Consultation Committees (CCCs) and sub-committees have now been established along the route as part of our commitment to addressing local community and environmental concern;
- Furthermore, Inland Rail continues to work with various state governments to achieve 'Coordinate Projects' and 'State Significant Infrastructure' status;
- Negotiation of Network construction lease agreements with the relevant states is progressing, noting however that delays in finalising negotiation of the Queensland Inter-Governmental Agreement (IGA) are adversely impacting program delivery, timing and costs;
- Further strengthening the Inland Rail Leadership and delivery teams including significant recruitment and organisational initiatives.

The increased activity has as expected, increased operating expenses by $82.7m on prior year across a number of expense categories due to the requirement to expense certain project costs. In addition Inland Rail Impairment charges increased to $158.4m (2018: $10.0m). Notwithstanding all of the above it is noted that the Inland Rail project is primarily funded by the Commonwealth Government grant and equity contributions to ARTC in accordance with the pre-existing project agreements.

2. ACCC Hunter Valley Compliance Assessment: -

In March 2019, the ACCC announced the draft 2015 calendar year determination for the Hunter Valley Coal Assessment including the impact of the operating expenditure review. The 2015 calendar year assessment was concluded and finalised by June 2019, with subsequent Compliance Assessments now being progressively reviewed by the ACCC. The Group continues to carry a financial liability on the balance sheet for the remaining estimated compliance assessment outcomes.

3. Non-Coal Market Conditions and Impairment: -

2018/19 has seen a continuation of challenging economic conditions compounded by the exit of a key rail operator from the intermodal market, resulting in consolidation of services across ARTC's Interstate Business Units' customer base which has adversely impacted revenue mix and volumes compared to prior expectations.

As a result there has been a reduction in the Interstate Business Unit's long term cash flow forecasts which has been the key reason for a downward revaluation of the Interstate Business Unit's assets of $504.5 million, of which $287.9 million (2018: $9.5 million) was recorded in the Income Statement and $216.6 million (2018: $34.9 million) in the Asset Revaluation Reserve.

There was a partial offset to the fair valuation outcome noted above due to a 0.2% reduction in ARTC's Weighted Average Cost of Capital (refer to Note 11(d) of the financial statements for further detail) reflecting ARTC's view, based on the work of an external expert, that there has been a reduction in the long term risk free rate since the previous assessment was undertaken in June 2018.

There were no other significant changes in the state of affairs of the Group during the year.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

It is the opinion of the Directors of the Group that no event has arisen that would significantly affect the operation of the Group, the result of those operations, or the state of affairs of the Group in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Likely developments and the expected results of operations of ARTC are contained in the Chairman and Chief Executive Officer's Reports. (Refer to the ARTC Annual Report)

DIVIDENDS

On 31 October 2018 the Group made a payment of $42,497,000 to the shareholder as the final dividend for the 2017/18 financial year.

On 17 April 2019, the Group made a payment of $25,815,000 to the shareholder as an interim dividend.

The final dividend for the 2018/19 year is expected to be paid in October 2019.

REVIEW OF OPERATIONS

The review of operations of the Group is contained in the Chairman's and the Chief Executive Officer's Reports. (Refer to the ARTC Annual Report)

ENVIRONMENTAL REGULATION

ARTC is committed to managing its operational activities and services in an environmentally responsible manner to meet its legal, social and ethical obligations. ARTC holds operational licences from both the Environment Protection Authority of South Australia and the Environment Protection Authority of NSW. In South Australia, the licence is held under Part 6 of the Environment Protection Act 1993 to undertake the activity of "Railway Operations". The licence is due to expire on 31 January 2024. In New South Wales, the licence is held under Section 55 of the Protection of the Environment Operations Act 1997 to undertake "Railway Systems Activities". The licence has an anniversary date of September 5 and subject to payment of the fee and provision of annual returns, continues until the parties agree to change or withdraw it. Other than in South Australia and New South Wales, ARTC is not required to be licensed.

INDEMNIFICATION OF OFFICERS

During the reporting period, ARTC had in place insurance cover in respect of liabilities arising from the performance of the Directors and Officers of the Group.

The disclosure of the premium paid under section 300(8)(b) of the Corporations Act 2001 is not shown as the insurance contract between ARTC and the insurer prohibits ARTC from disclosing such information.

No known liability has arisen under the insurance contract as at the date of this report.

NON-AUDIT SERVICES FROM EXTERNAL AUDITORS

The External Auditors provided non-audit services during 2018/19 of $159,478 (2017/18 - $133,162). The Directors are satisfied that the non-audit services provided are compatible and do not compromise the general standard of independence for auditors imposed by the Corporations Act 2001.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as received by the Directors as required under section 307C of the Corporations Act 2001 is set out on page 8.

Signed in accordance with a resolution of the Directors:

W Truss
Director

Signed in Sydney on the 28th day of August 2019

J Fullerton
Director

Signed in Sydney on the 28th day of August 2019

AUDITOR'S INDEPENDENCE DECLARATION

AUSTRALIAN RAIL TRACK CORPORATION LTD FINANCIAL REPORT 2018–19 AUDITOR'S INDEPENDENCE DECLARATION

In relation to my audit of the financial report of the Australian Rail Track Corporation Ltd for the year ended 30 June 2019, to the best of my knowledge and belief, there have been:

(i) no contraventions of the auditor independence requirements of the Corporations Act 2001; and

(ii) no contravention of any applicable code of professional conduct.

Australian National Audit Office

Scott Sharp
Executive Director

Delegate of the Auditor – General
Canberra

28 August 2019

REMUNERATION REPORT - UNAUDITED

This report outlines the approach to setting remuneration and the outcomes for ARTC's Key Management Personnel (KMP) for the year ended 30 June 2019.

The personnel covered in this report include Non-Executive Directors of ARTC, its Chief Executive Officer and Managing Director (CEO & MD) and all senior executives appointed to roles that report directly to the CEO & MD.

Name	Title	2019 Status
	Non - Executive - Directors	
Warren Truss	Chairman	Full Year
Chris Barlow	Non - Executive Director	Full year
Gillian Brown	Non - Executive Director	Full year
Vince Graham AM	Non - Executive Director	Full year
David Saxelby	Non - Executive Director	Full year
Jenny Seabrook	Non - Executive Director	Full year
Rosheen Garnon (1)	Non - Executive Director	Appointed 21 November 2018

(1) Rosheen Garnon was appointed a Director of the ARTC Board on 21 November 2018 and by agreement with the Board, she commenced her term at the February 2019 Board meeting.

Name	Title	2019 Status
	Executive Directors	
John Fullerton	Chief Executive Officer and Managing Director	Full year
	Other Key Management Personnel	
Andrew Bishop	Chief Financial Officer	Full year
Gavin Carney	General Counsel and Company Secretary	Full Year
Kylie Gallasch	Group Executive Corporate Services and Safety	Full Year
Jane Lavender - Baker	Group Executive Corporate Affairs and People	Full Year
Simon Ormsby	Group Executive Strategy & Corporate Development	Full Year
Jonathan Vandervoort	Group Executive Hunter Valley	Full year
Peter Winder	Group Executive Interstate	Full year
Richard Wankmuller	Chief Executive Officer Inland Rail	Full Year

REMUNERATION REPORT - UNAUDITED (CONTINUED)

KMP Remuneration Policies and Practices

Non-Executive Directors

All Non-Executive Directors of ARTC are appointed by the Commonwealth of Australia through the Shareholding Ministers. Fees for Non-Executive Directors are set by the Commonwealth Remuneration Tribunal (the Tribunal). The Tribunal reviewed the Non-Executive Directors' remuneration in 2018 and consented to increases from 1 July 2018 commensurate with the increase in Company accountabilities attributable to the delivery of Inland Rail.

Chief Executive Officer and Managing Director (CEO & MD)

The Total Remuneration Reference Rate (TRRR) for ARTC's CEO & MD is independently determined by the Tribunal. In recognition of the substantial increase in accountability resulting from the Inland Rail project, the role was determined a Principal Executive Officer (PEO) B and E under the Principal Executive Office - Classification Structure and Terms and Conditions. The Determination took effect from 30 September 2018. The Tribunal also consented to a combined short and longer term 'at risk' incentive opportunity of up to 60% of the total remuneration as determined by the Board.

Senior Executives

The achievement of the Company strategy relies on ARTC's ability to attract and retain senior executives who can lead the business to deliver the safety, people and commercial objectives and do so in a way that strengthens the business and builds the culture defined by the Company values.

All ARTC senior executives are employed under individual contracts of service specifying the terms, conditions and performance requirements specific to each role.

ARTC's remuneration policy aims to ensure senior executives (KMP) are remunerated corresponding to respective role accountabilities taking account of market and internal relativities and the interests of key stakeholders.

The table below shows the structure, composition and considerations in the determination of Senior Executive reward.

Component	Objective	Application
Fixed Annual Remuneration (FAR) The sum of the fixed reward i.e. salary, superannuation, any benefits and related FBT.	• Takes into account relative role accountability, risk and complexity; • Considers the expertise, experience and the capabilities of the executive to perform the role; • Is consistent and competitive with comparable organisation and industry benchmarks.	• FAR is reviewed annually or upon significant change in responsibilities and considers market and internal relativities; • Any change to FAR is subject to performance review, Board moderation and approval.
Short Term Performance Incentive (STI) The "at risk" performance incentive is expressed as a percentage of FAR.	• The potential performance incentive payment is based on the achievement of Company and individual objectives and specific targets for the financial year.	• Senior executives participate in the STI program which assesses performance against stretch corporate and individually assigned Board approved objectives and key performance indicators over the financial year. • Any payment awarded is subject to Board moderation and approval.
Total Reward (TR) The sum of FAR and STI.	• The Total Reward describes the potential reward a KMP may receive subject to performance conditions, review processes and corporate governance requirements.	

Reward practice is formally reviewed on an annual basis by the Chairman with the support of the People and Performance Committee. Any changes are subject to Board approval.

Competitiveness is critical, given the calibre of talent required to lead ARTC in an environment where significant infrastructure investment (in rail, energy, airports, etc) results in strong market competition for experienced executives with the capability to execute complex, high profile projects that deliver value over the longer term.

Changes to remuneration in 2018/19

In 2018, the ARTC Board approved the adjustment of senior executive remuneration to reflect the expansion of accountabilities resulting from increases in business size, scale, risk and complexity driven by the Inland Rail program as well as the significant portfolio of capital projects within the Interstate business.

This decision was informed by the Remuneration Tribunal determination regarding the CEO & MD's remuneration and a comprehensive review of the relevant market data comparators comprising of Government Business Enterprises (GBE's) and Australian Stock Exchange (ASX) listed companies.

This review confirmed:

- All senior executive roles had taken on additional responsibility, complexity and accountability.
- ARTC's senior executive Fixed Remuneration and STI was at the far lower end of the market (comparison of similar roles in similar sized GBE and private sector companies).
- In order to deliver the company's Corporate Plan objectives over the next 5 years and beyond, it will be required to attract high quality talent, often with international and/or listed company experience.

Following the Remuneration Tribunal determination regarding the CEO & MD remuneration, effective from 30 September 2018, FAR was increased to $787,500 and the STI increased from 30% to a maximum of up to 60%, incorporating longer term incentives associated with the Inland Rail program.

For KMP reporting to the CEO & MD, the review led to adjustments of between 5 and 10 per cent to the FAR of most positions and the STI was increased from 20% of FAR to a maximum of up to 30% of FAR. There was no increase to the FAR or STI for the Inland Rail CEO which remained at a maximum of up to 50% FAR.

Short Term Incentive (STI) Performance Program

The Corporate Measures used to assess Company performance are set by the Board and aligned to the measures in the Corporate Plan, approved annually by the Shareholders.

The three critical objectives are:

- Building Inland Rail on time, to budget and scope;
- Exceeding our Customers' needs and promoting better rail industry outcomes; and
- An uncompromising commitment to safety.

To achieve its strategic objectives, it needs to develop its people and have the right capabilities and systems including:

- Company-wide commitment to its core values;
- Respect and create value for its stakeholders and communities;
- Strengthen its leadership and maintain strong governance;
- Enhance and transform its procurement;
- Expand and increase maturity of its risk management systems;
- Protect the safety, security, reliability and performance of systems, and confidentiality of our data and our customers' data.

Linking Company and Individual Performance to STI Payments

Payment of STI is an outcome of the assessment of each KMP's performance against the objectives set out in ARTC's 2018/19 Corporate Plan.

A Performance Plan is created for each KMP based on the accountabilities specific to their role, and the part that they play in leading the delivery of Corporate Plan objectives. Each plan contains stretch targets aligned to each of the objectives which are designed to incentivise high performance to deliver the Corporate Plan outcomes and greater value to the Shareholder.

REMUNERATION REPORT - UNAUDITED (CONTINUED)

Linking Company and Individual Performance to STI Payments

Specific emphasis is also placed on ARTC's Values, cultural objectives and the leadership behaviours expected of all KMP.

The CEO & MD 's Performance Plan (the Plan) is determined by the Board and sets out the five critical Performance Measures and stretch targets.

Performance is assessed against targets that align with Shareholder interests as detailed in the ARTC Corporate Plan.
To achieve the maximum award, the relevant targets must be significantly exceeded.

ARTC KMP CORPORATE PERFORMANCE MEASURES

Operating Profit	Safety Performance	Customer Satisfaction	Employee Engagement	Strategic Actions
ARTC Values and Leadership Behaviours				

KMP Performance for FY19

In assessing performance, the Board considered:

- Corporate Performance Measures were exceeded for operating profit excluding fair value adjustments, safety and customer satisfaction. There was an improvement in the employee engagement measure and it remains above industry average, but did not achieve target.
- Despite the above mentioned operating profit outcome, there was a reduction in operating revenue owing to the challenges within our Interstate business driven by the withdrawal of a major intermodal customer and a general slowdown in the intermodal sector.
- Ongoing concerns by a number of communities and landowners relating to Inland Rail alignment and future impact of train operations that has required the company to improve its consultation and engagement activities by strengthening capability, deploying more resources and opening additional regional offices along the alignment.
- A major Inland Rail milestone was achieved with the commencement of construction between Parkes and Narromine together with the establishment of an experienced leadership team to deliver the project.
- Significant progress was made to strengthen organisational capability across the company's corporate Divisions, specifically safety, risk, procurement, systems & technology, people, finance and legal, and this capability has further supported the delivery of Inland Rail.

The outcome of this assessment resulted in the Board awarding the CEO & MD a rating outcome of 77.6% and awarding the KMP a range of outcomes between 61.9% and 77%. The payments are specified in Table Executive Remuneration on page 15.

The ARTC Board retains at its absolute discretion, the ability to adjust the STI result for any KMP.

REMUNERATION GOVERNANCE ARRANGEMENTS

The Board

ARTC's Board monitors performance and reward practice against its corporate governance objectives. The Board responsibilities include and are not limited to:

- Determining the business strategy;
- Appointment and monitoring of the CEO & MD's performance;
- Monitoring and oversight of the senior executive performance of objectives;
- Oversight of ARTC including Inland Rail corporate governance, control and accountability;
- Approval of senior executive appointments reporting to the CEO & MD and the related remuneration policies and practices;
- Approving remuneration adjustments for KMP; and
- Determining the STI outcome for KMP who participate in the program.

The People and Performance Committee (The Committee)

The Committee Charter was revised with a number of improvements made to strengthen its oversight and governance of the people, performance and remuneration policies and practices in response to the increasing complexity of the business and the critical role people, performance and culture plays in delivering the company's Corporate Plan.

The Charter outlines the Committee's duties and responsibilities to assist the Board to fulfil its corporate governance responsibilities in relation to any significant matters requiring policy change or decision.

The relevant excerpts from the Charter include:

Culture and Capability

- Encourage the Board to lead by example, setting the cultural tone from the top.
- Assist management to develop a high performing, purpose led and values-based work culture.
- Review the People Strategy and its implementation to ensure the Company attracts, develops, retains and motivates people to deliver its objectives.

Diversity

- Review the effectiveness of the company's framework to develop a diverse and inclusive workforce which is rich in skills, experience and thinking styles.

Policies

- Evaluate any relevant potential exposure to the Company pursuant to its accountabilities and responsibilities under the Governance Arrangements for Commonwealth Government Business Enterprises.
- Monitor and provide guidance on the Company's workplace agreements, enterprise bargaining agreements and industrial agreements and instruments.
- Oversee compliance with all relevant people and workplace policy legislation and regulations in all of the legal jurisdictions in which the Company operates.

Remuneration & Performance

Chief Executive Officer and Managing Director

- Formulate and administer the contract of employment for the CEO & MD.
- Monitor and review CEO & MD performance on an annual basis.

Senior Executive Staff

- Assist the CEO & MD in annual review of the contracts of employment for senior executive staff, including recommendations for fixed and variable remuneration components.
- Review with the CEO & MD the succession of key executive and specialist staff to provide for the orderly development and succession of key management personnel.

Remuneration Report

- Review and recommend to the Board for approval the Remuneration Report to be adopted within the Annual Report.

As at 30 June 2019 the Committee comprised Jenny Seabrook (Chair), Chris Barlow, Gillian Brown and Rosheen Garnon.

The effectiveness of the Committee is assessed as part of the comprehensive annual Board Evaluation process, to ensure the Committee structure and capabilities are aligned to the overall business strategy.

REMUNERATION REPORT - UNAUDITED (CONTINUED)

NON-EXECUTIVE DIRECTOR REMUNERATION

The following table details the fees paid to Non-Executive Directors.

Name	Year	Based fixed annual salary $	Post-employment Superannuation $	Total $
W Truss	2018	22,027	2,093	24,120
(Chairman from 21 April 2018)	**2019**	**162,665**	**15,453**	**178,118**
C Barlow	2018	57,270	5,441	62,711
(reappointed 26 March 2019)	**2019**	**81,332**	**7,727**	**89,059**
G Brown	2018	57,270	5,441	62,711
(reappointed 26 March 2019)	**2019**	**97,209**	**7,727**	**104,936**
V Graham	2018	57,270	5,441	62,711
(reappointed 19 February 2019)	**2019**	**89,271**	**7,727**	**96,998**
D Saxelby	2018	57,270	5,441	62,711
(appointed 1 December 2016)	**2019**	**81,332**	**7,727**	**89,059**
J Seabrook	2018	57,270	5,441	62,711
(appointed 1 December 2016)	**2019**	**89,271**	**7,727**	**96,998**
R Garnon	2018	-	-	-
(appointed 21 November 2018)	**2019**	**49,533**	**4,706**	**54,239**
H Nugent	2018	92,513	8,789	101,302
(end of term 20 April 2018)	**2019**	**-**	**-**	**-**
J Bonnington	2018	5,507	523	6,030
(end of term 5 August 2017)	**2019**	**-**	**-**	**-**
Total non-executive	2018	406,397	38,610	445,007
Director remuneration	**2019**	**650,613**	**58,794**	**709,407**

EXECUTIVE REMUNERATION

The following table represents the remuneration receivable by KMP executives applicable to the relevant year. E.g. The short term incentives for financial year 2019 represent the amounts awarded to KMP for performance outcomes associated with FY2019 and are to be paid in October 2019.

		Short-term benefits			Post -employment	Other long term benefits		Termination benefits	Total remuneration
Name	Year	Base salary and fees	STI/ Bonuses	Non-cash benefits	Superannuation contributions	STI deferral	Long service leave		
		$	$	$	$	$	$	$	$
Executive Director									
J Fullerton	2018	537,439	143,270	-	20,049	-	15,075	-	715,833
	2019	**703,670**	**304,641**	**-**	**20,531**	**-**	**61,131**	**-**	**1,089,973**
Other key management personnel (group)									
A Bishop	2018	389,787	71,059	-	20,049	-	10,825	-	491,720
	2019	**376,815**	**86,985**	**-**	**20,531**	**-**	**19,606**	**-**	**503,937**
G Carney	2018	314,457	52,768	-	20,049	-	9,385	-	396,659
	2019	**323,956**	**68,298**	**-**	**20,531**	**-**	**14,692**	**-**	**427,477**
K Gallasch	2018	155,594	25,588	-	9,253	-	3,782	-	194,217
(i)	**2019**	**331,294**	**76,008**	**-**	**20,531**	**-**	**16,228**	**-**	**444,061**
J Lavender-Baker	2018	294,732	57,180	-	20,049	-	19,888	-	391,849
(ii)	**2019**	**368,964**	**75,908**	**-**	**20,531**	**-**	**14,029**	**-**	**479,432**
S Ormsby	2018	326,579	53,983	-	20,049	-	9,271	-	409,882
	2019	**349,731**	**64,947**	**-**	**20,531**	**-**	**13,912**	**-**	**449,121**
J Vandervoort	2018	408,837	73,577	-	20,049	-	7,162	-	509,625
	2019	**454,458**	**98,759**	**-**	**20,531**	**-**	**10,283**	**-**	**584,031**
P Winder	2018	495,278	77,256	-	20,049	-	12,541	-	605,124
	2019	**477,112**	**83,561**	**-**	**20,531**	**-**	**11,331**	**-**	**592,535**
R Wankmuller	2018	187,850	78,846	-	3,856	-	3,120	-	273,672
(iii)	**2019**	**994,821**	**385,000**	**-**	**20,531**	**-**	**16,214**	**-**	**1,416,566**
Total Executive	2018	3,110,553	633,527	-	153,452	-	91,049	-	3,988,581
KMP	**2019**	**4,380,821**	**1,244,107**	**-**	**184,779**	**-**	**177,426**	**-**	**5,987,133**
Total NED	2018	406,397	-	-	38,610	-	-	-	445,007
remuneration	**2019**	**650,613**	**-**	**-**	**58,794**	**-**	**-**	**-**	**709,407**
Total KMP remuneration	2018	3,516,950	633,527	-	192,062	-	91,049	-	4,433,588
expense	**2019**	**5,031,434**	**1,244,107**	**-**	**243,573**	**-**	**177,426**	**-**	**6,696,540**

(i) Kylie Gallasch was appointed as a KMP on 15 January 2018.
(ii) Jane Lavender-Baker was appointed as Group Executive Corporate Affairs and People on 2 September 2017.
(iii) Richard Wankmuller was appointed as a KMP on 23 April 2018.

CORPORATE GOVERNANCE STATEMENT

The ARTC Board currently comprises eight members. The Board is chaired by an Independent Non-Executive Director and the roles of the Chairman and Managing Director are separate. The Managing Director is the only Executive Director on the Board and is also the Chief Executive Officer. All of the other Directors are Independent Non-Executive Directors.

ASX PRINCIPLES OF GOOD CORPORATE GOVERNANCE

ARTC's system of corporate governance reflects the eight principles enunciated in the ASX "Corporate Governance Principles and Recommendations". The following table indicates where specific ASX Principles are dealt with in this statement:

ASX Principle	Reference
Principle 1: Lay solid foundations for management and oversight	The Board, Board Committees, Accountability and Audit
Principle 2: Structure the Board to be effective and add value	The Board, Board Committees
Principle 3: Instil a culture of acting lawfully, ethically and responsibly	Governance Policies
Principle 4: Safeguard the integrity of corporate reports	The Board, Accountability and Audit, Board Committees
Principle 5: Make timely and balanced disclosure	Our Shareholder
Principle 6: Respect the rights of security holders	Our Shareholder
Principle 7: Recognise and manage risk	Accountability and Audit
Principle 8: Remunerate fairly and responsibly	Board Committees

THE BOARD

Board role and responsibilities

ARTC recognises the respective roles and responsibilities of the Board and Management through its system of formal delegations and a schedule of matters reserved to the Board. This enables the Board to provide strategic guidance for the company and effective oversight of Management. It also clarifies the respective roles and responsibilities of Board members and senior executives to facilitate Board and Management accountability to both the Group and its shareholders.

The major powers the Board has reserved for itself are approval of:

(a) Strategic plan for the Group;

(b) Significant business initiatives that require notification to Shareholder Ministers;

(c) Access agreements that do not comply with the Board agreed pricing and Access principles and policies;

(d) Long term price paths for train operators;

(e) The framework for the Wholesale Sales Agreement;

(f) The framework for the Rail Access Agreement;

(g) All expenditure and property transaction contracts greater than $5 million not subject to a specific Board approval;

(h) Lease expenditure commitments in excess of $5 million (net present value) or in excess of 5 years duration;

(i) Employment contract for the Chief Executive Officer and the organisational structure for direct reports;

(j) Parameters for Workplace Enterprise Agreements;

(k) Senior Executive variable reward scheme; and

(l) Annual business plan and budget.

Board composition and membership

The Board's size and composition is subject to limits imposed by ARTC's constitution, which provides for a minimum of three Directors and a maximum of eight Directors. The Board currently comprises seven Non-Executive Directors and one Executive Director. The Directors of ARTC are listed with a brief description of their qualifications and experience on pages 2 to 3 of this Annual Report. Directors are appointed by the Shareholder Ministers in accordance with the Company's Constitution and GBE Guidelines.

Government policy (Section 115(c), Cabinet Handbook 2018, 12th Edition) requires that due regard be paid to gender balance in appointments. The GBE Guidelines refer to the Cabinet Handbook as per section 2.14. Currently, the Board comprises three women and five men.

Conflicts of interest

The Directors of ARTC are requested to disclose to the Company any interests or directorships which they hold with other organisations and to update this information if it changes during the course of the directorship. Directors and senior management are also required to identify any conflicts of interest they may have in dealing with ARTC's affairs and refrain, where required, from participating in any discussion or voting on these matters.

Where a Director has declared material personal interest and/or may be presented with a potential material conflict of interest in a matter presented to the Board or Committee, the Director does not receive copies of Board or Committee reports relating to the matter and recuse themselves from the Board meeting at the time the matter is considered. Disclosures are recorded in the minutes and recorded on the Statement of Interests Register.

Chairman

Warren Truss, an Independent Non-Executive Director, has been Chairman of the Company since 21 April 2018. The Chairman of the Board is responsible for the leadership of the Board and for the efficient and proper functioning of the Board, including maintaining relationships with the Shareholder.

Board evaluation

In line with the GBE requirements, ARTC conducts an annual review of the Board's performance.

The Board determines the actions to be taken in relation to the recommendations arising from the assessments and regularly reviews progress against the action plans.

The Chairman provides the Shareholder Ministers with written confirmation that this review process has been followed and raises any areas of concern at the Annual Shareholder Strategic Meeting.

Director induction and education

On appointment, each Director receives a formal letter of appointment from the Shareholder Ministers. ARTC has an induction program for new Directors which includes individual meetings with Executive Members; Directors and visiting ARTC's operational locations. Directors are provided with a detailed manual with information on the Company's corporate strategy, company policies, meeting arrangements, rail industry and general company matters. The Board has regular discussions with the CEO and Management and attends site tours of ARTC's operational sites.

Board access to information and independent advice

The Board has direct access to Management and any company information Management possess in order to make informed decisions and discharge its responsibility.

The Company Secretary in that capacity, is accountable to the Chairman of the Board. The Board must approve the appointment and removal of the Company Secretary.

Any Director can seek independent professional advice in the discharge of their responsibilities, with the agreement of the Chairman, which cannot unreasonably be withheld.

Board Committees

To assist in the discharge of its responsibilities, the Board has established the following Board Committees:

- Audit and Compliance
- People and Performance
- Environment, Health and Safety
- Risk
- Inland Rail

Each Committee is chaired by a Non-Executive Director and comprises a majority of Independent Non-Executive Directors. Membership of the Committees is based on Director's qualifications, skills and experience. Each Committee is governed by its own Charter, detailing the Committee's role, membership requirements and duties. Each Charter is reviewed periodically and revised when appropriate.

Board Committees (continued)

Committee	Composition	Main Areas of Responsibility
Audit & Compliance	• At least 3 Non-Executive Directors appointed by the Board • The Chair cannot be the Chair of the Company	The primary responsibility of the Committee is to assist the Board fulfil its responsibilities for corporate governance, probity, due diligence, effectiveness of internal control, management of financial risks and financial reporting.
People and Performance	• At least 2 Non-Executive Directors appointed by the Board • CEO plus any other company executive or advisor attend by invitation	The primary responsibility of the Committee is to assist the Board fulfil its responsibilities for providing oversight at Board level of the company's policies, procedures and practices as they affect employees, contractors or others performing work for the company, and to make recommendations to the Board regarding remuneration of the CEO and Directors.
Environment Health & Safety	• At least 2 Non-Executive Directors appointed by the Board • CEO plus any other company executive or advisor attend by invitation	The primary responsibility of the Committee is to assist the Board fulfil its responsibilities for the company's management of risks associated with its environment, public and work health and safety functions and to monitor processes and programs adopted by Management to ensure compliance with relevant policies and procedures.
Risk Committee	• All Non-Executive members of the Board of Directors • The CEO and other company executives attend by invitation	The primary responsibility of the Committee is to assist the company fulfil its responsibilities for corporate governance, by overseeing the way the company manages risk in accordance with its Risk Management Policy.
Inland Rail Committee	• At least 3 Non-Executive Directors appointed by the Board and the CEO & Managing Director • CEO Inland Rail attends other than by agreement with the Committee Chairman	The primary responsibility is to assist the Board in the effective discharge of its governance and oversight responsibilities relating to the delivery of Inland Rail, in more depth than time permits at regular Board meetings.

ACCOUNTABILITY AND AUDIT

Risk Management

ARTC continues to build a risk management framework and has developed a comprehensive risk register that captures the material business risks facing the Company. The Risk Committee comprises the whole Board and Executive Management team who review the identified risks and monitor ARTC's overall risk management.

Insurance

ARTC maintains appropriate insurance policies to ensure that its financial interests and liabilities are fully protected and that it complies with its various contractual obligations. ARTC's insurance portfolio provides cover for damage or destruction of its rail network infrastructure assets, liability protection for its general, professional and statutory liabilities and protection for its board members and employees whilst such persons are engaged on ARTC related business and activities.

Internal audit

In December 2018, ARTC extended its contract with KPMG for the provision of internal audit services by a further two years. ARTC Internal Audit maintains a three year Internal Audit Plan which is updated and agreed annually. KPMG assisted Internal Audit to review and update the FY20 - FY22 Non-Safety Internal Audit Plan (Plan).

In May 2019, the Audit and Compliance Committee approved the revised FY20 - FY22 Plan. A progress report which provides an update on Internal Audit's progress on delivering the annual Plan is presented to each Audit and Compliance Committee meeting.

External Audit

Under section 98 of the PGPA Act, the Auditor-General is responsible for auditing the financial statements. In addition, ARTC's Annual Report is tabled in Parliament and financial accounts are lodged with ASIC.

ANAO has contracted with EY to audit the ARTC on behalf of the Auditor-General. The Audit and Compliance Committee invite the external auditors to each Committee meeting and the papers for each meeting are provided to both ANAO and EY. The external auditors are also invited to ARTC's Annual General Meeting.

Our Shareholder

The Commonwealth of Australia holds all the shares in the Group. The responsible Shareholder Ministers are the Senator the Hon Mathias Cormann, Minister for Finance and Special Minister of State, and Deputy Prime Minister Michael McCormack, Minister for Infrastructure, Transport and Regional Development. ARTC recognises, upholds and facilitates the effective exercise of the rights of the single shareholder, the Commonwealth of Australia. In this regard, the company is subject to the PGPA legislation and the Commonwealth Government Business Enterprise Governance and Oversight Guidelines in addition to the Corporations Act. ARTC has also negotiated a Commercial Freedoms Framework with the Shareholder which agrees ARTC's mandate.

Shareholder communication

ARTC complies with the Commonwealth Government Business Enterprise Governance and Oversight Guidelines, including the development of an annual Corporate Plan, the publication of an annual Statement of Corporate Intent and regular Shareholder liaison, including formal quarterly Shareholder meetings, regular Inland Rail Sponsor group meetings and related reports.

Governance Policies

Code of Conduct

ARTC recognises the importance of integrity and ethical behaviour. This commitment is demonstrated in the Company's Code of Conduct which sets out the principles of conduct and behaviour ARTC requires from its employees.

Public Interest Disclosure Procedure

In accordance with the Public Interest Disclosure Act, ARTC has a framework for the disclosure of suspected wrongdoing and for the protection of whistle blowers. The framework applies to disclosures made by ARTC staff.

Conflicts of Interest

Under the ARTC Code of Conduct and the ARTC Conflict of Interest Policy, all staff are required to disclose any actual, perceived or potential conflicts of interest to the General Counsel and Company for subsequent evaluation and advice.

Equal Opportunity

The ARTC Corporate Plan recognises the importance of providing ARTC employees with a work environment that is both engaging and fulfilling.

ARTC's Diversity Policy outlines the Company's commitment to value diversity, treating all job applicants and employees in the same way, regardless of their sex, sexual orientation, age, race, ethnic origin or disability.

FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2019

	Notes	Consolidated 2019 $'000	Consolidated 2018 $'000
Revenue from continuing operations			
Access revenue	5(a)	720,122	712,941
Interest revenue		4,843	7,172
Total revenue		724,965	720,113
Other income			
Incident and insurance recovery	5(e)	15,148	5,466
Government grants		84,709	79,913
Other income		22,890	25,472
Total other income		122,747	110,851
Total revenue and other income		847,712	830,964
Employee benefits expense	5(b)	(222,186)	(169,109)
Infrastructure maintenance		(153,616)	(169,956)
Infrastructure costs	5(c)	(128,574)	(73,914)
Depreciation and amortisation expense	5(d)	(193,324)	(185,476)
Reversal/(recognition) of impairment	5(h)	(450,692)	(19,571)
Incident costs	5(e)	(24,624)	(10,435)
Operating lease		(9,171)	(9,285)
Other expenses		(61,757)	(65,875)
Expenses, excluding finance costs		(1,243,944)	(703,621)
Profit/(Loss) from operating activities		(396,232)	127,343
Finance costs	5(f)	(17,534)	(25,169)
Profit/(Loss) before income tax		(413,766)	102,174
Income tax (expense)/benefit	5(g)	(34,620)	(47,925)
Net Profit/(Loss) after tax		(448,386)	54,249
Profit/(Loss) is attributable to:			
Equity holder of Australian Rail Track Corporation Ltd		(448,386)	54,249
Earnings metrics			
EBITDAI	5(i)	242,941	325,218
EBIT	5(i)	(401,075)	120,171

The above consolidated income statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2019

	Notes	Consolidated 2019 $'000	2018 $'000
Profit/(Loss) for the year		(448,386)	54,249
Other comprehensive income/(loss)			
Items that may be reclassified to profit or loss - net of tax			
Cash flow hedge charged to equity - foreign exchange	8(b)	-	9
Total items that may be reclassified subsequently to profit or loss		-	9
Items that will not be reclassified to profit or loss - net of tax			
Revaluation adjustment property plant and equipment	8(b)	(136,023)	31,341
Re-measurement (losses)/gains on defined benefit plans	8(c)	(2,485)	762
Total items that will not be reclassified to profit or loss		(138,508)	32,103
Other comprehensive income/(loss) for the year, net of tax		(138,508)	32,112
Total comprehensive income/(loss) for the year, net of tax		(586,894)	86,361
Total comprehensive income/(loss) for the year is attributable to:			
Equity holder of Australian Rail Track Corporation Ltd		(586,894)	86,361

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

CONSOLIDATED BALANCE SHEET

As at 30 June 2019

	Notes	Consolidated 2019 $'000	Consolidated 2018 $'000
ASSETS			
Current assets			
Cash and cash equivalents	6(a)	21,852	61,554
Trade and other receivables	6(b)	87,677	72,703
Inventories	7(a)	45,451	36,186
Held for sale	7(b)	5,667	2,776
Other assets		10,296	6,934
Total current assets	20(e)	170,943	180,153
Non-current assets			
Receivables	6(b)	27,474	9,862
Other assets		3,924	5,140
Property, plant and equipment	7(c)	4,167,887	4,425,407
Deferred tax assets	7(e)	156,238	131,366
Intangible assets	7(d)	72,522	78,800
Total non-current assets		4,428,045	4,650,575
Total assets		4,598,988	4,830,728
LIABILITIES			
Current liabilities			
Trade and other payables	6(c)	142,582	109,505
Interest bearing liabilities	6(d)	175,401	65,042
Provisions	7(f)	63,535	57,794
Other liabilities	6(e)	73,443	93,293
Deferred income - government grants	7(h)	48,768	73,191
Total current liabilities	20(e)	503,729	398,825
Non-current liabilities			
Interest bearing liabilities	6(d)	274,674	299,578
Deferred income - government grants	7(h)	483,998	423,566
Provisions	7(f)	5,058	4,341
Defined benefit plans	7(g)	12,348	9,468
Other liabilities	6(e)	5,269	16,204
Total non-current liabilities		781,347	753,157
Total liabilities		1,285,076	1,151,982
Net assets		3,313,912	3,678,746
EQUITY			
Contributed equity	8(a)	3,118,361	2,827,656
Reserves	8(b)	757,811	980,543
Retained earnings	8(c)	(562,260)	(129,453)
Total equity		3,313,912	3,678,746

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2018

		Attributable to owners of Australian Rail Track Corporation Ltd						
		Contributed equity	Property, plant and equipment revaluation reserve	Hedging reserve - cash flow hedge - foreign exchange	Profit Reserve	Total Reserves	Retained Earnings	Total Equity
Consolidated	Notes	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2017		2,684,226	693,520	(9)	270,815	**964,326**	**(134,208)**	**3,514,344**
Total profit for the year as reported in the financial statements	8(c)	-	-	-	-	-	54,249	54,249
Re-measurement gains/(losses) on defined benefit plans - (net of tax)	8(c)	-	-	-	-	-	762	762
Cash flow hedge foreign exchange - (net of tax)	8(b)	-	-	9	-	9	-	9
Asset revaluation reserve adjustment - (net of tax)	8(b)	-	31,341	-	-	31,341	-	31,341
Total comprehensive income for the year		-	31,341	9	-	31,350	55,011	86,361
Transfer to profit reserve	8(b), 8(c)	-	-	-	54,249	54,249	(54,249)	-
Dividends provided for or paid	8(b)	-	-	-	(65,389)	(65,389)	-	(65,389)
Asset disposal revaluation reserve adjustment	8(b)	-	(3,993)	-	-	(3,993)	3,993	-
Contributions of equity, net of transaction costs	8	143,430	-	-	-	-	-	143,430
Balance at 30 June 2018		**2,827,656**	**720,868**	**-**	**259,675**	**980,543**	**(129,453)**	**3,678,746**

The above consolidated statement of change in equity should be read in conjunction with the accompanying notes.

For the year ended 30 June 2019

		Attributable to owners of Australian Rail Track Corporation Ltd						
		Contributed equity	Property, plant and equipment revaluation reserve	Hedging reserve - cash flow hedge - foreign exchange	Profit Reserve	Total Reserves	Retained Earnings	Total Equity
Consolidated	Notes	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2018		2,827,656	720,868	-	259,675	980,543	(129,453)	3,678,746
Adjustment on adoption of AASB 9 (net of tax) (i)		-	-	-	-	-	(25)	(25)
Adjustment on adoption of AASB 15 (net of tax) (ii)		-	-	-	-	-	(308)	(308)
Restated profit for the year		-	-	-	-	-	(333)	(333)
Total profit for the year as reported in the Financial Statements	8(c)						(448,386)	(448,386)
Re-measurement gains/ (losses) on defined benefit plans - (net of tax)	8(c)	-	-	-	-	-	(2,485)	(2,485)
Asset revaluation reserve adjustment - (net of tax)	8(b)	-	(136,023)	-	-	(136,023)	-	(136,023)
Total comprehensive income for the year		-	(136,023)			(136,023)	(450,871)	(586,894)
Dividends provided for or paid	8(b)	-	-	-	(68,312)	(68,312)	-	(68,312)
Asset disposal revaluation reserve adjustment	8(b)	-	(18,397)	-	-	(18,397)	18,397	-
Contributions of equity, net of transaction costs	8(a)	290,705	-	-	-	-	-	290,705
Balance at 30 June 2019		3,118,361	566,448		191,363	757,811	(562,260)	3,313,912

(i) The Group has adopted AASB 9 Financial Instruments. This resulted in an adjustment of $0.025 million to retained earnings (nil tax impact) as at 1 July 2018, being the cumulative effect on initial application of the standard (refer to Note 11(b)(ii)). The comparative results for the year ended 30 June 2018 are not restated as permitted by the Standard.

(ii) The Group has adopted AASB 15 Revenue from Contracts with Customers on a modified retrospective basis. This resulted in an adjustment of $0.439 million to retained earnings (tax impact of $0.131m) as at 1 July 2018, being the cumulative effect on initial application of the standard (refer to Note 5(a)). The comparative results for the year ended 30 June 2018 are not restated as permitted by the Standard.

The above consolidated statement of change in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2019

	Notes	Consolidated 2019 $'000	2018 $'000
Cash flows from operating activities			
Receipts from customers		803,046	801,701
Payments to suppliers and employees		(677,064)	(549,389)
Government grants - revenue		45,545	57,442
		171,527	309,754
Income taxes received/(paid)		-	1,370
Interest received		4,843	7,172
Net cash inflow from operating activities	9(a)	176,370	318,296
Cash flows from investing activities			
Payments for property, plant and equipment		(582,268)	(287,446)
Payments for intangibles		(1,830)	(2,267)
Proceeds from sale of property, plant and equipment		5,317	731
Net cash outflow from investing activities		(578,781)	(288,982)
Cash flows from financing activities			
Government grants - deferred		75,173	23,114
Payments for interest costs relating to borrowings		(17,534)	(25,591)
Payments for transaction costs relating to borrowings		(2,859)	(1,929)
Proceeds (repayments)/from to interest bearing liabilities	6(d)	85,536	(149,631)
Proceeds from equity funding	8(a)	290,705	143,430
Dividends paid to Group's Shareholder	10(b)	(68,312)	(65,389)
Net cash inflow/(outflow) from financing activities		362,709	(75,996)
Net (decrease) in cash and cash equivalents		(39,702)	(46,682)
Cash and cash equivalents at the beginning of the financial year		61,554	108,236
Cash and cash equivalents at end of year	6(a)	21,852	61,554

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

CONTENTS OF THE NOTES TO THE FINANCIAL STATEMENTS

1 Reporting entity

Australian Rail Track Corporation (the parent) is a Company limited by shares incorporated in Australia located at 11 Sir Donald Bradman Drive, Keswick Terminal, South Australia. The consolidated financial statements of the Company as at and for the year ended 30 June 2019 comprise the Company and its subsidiaries together referred to as the "Group". The Group is a Government Business Enterprise (GBE) and the ultimate controlling entity is the Commonwealth Government.

The financial report of ARTC for the year ended 30 June 2019 was authorised for issue in accordance with a resolution of the Directors on 28 August 2019.

2 Basis of accounting

These general purpose financial statements have been prepared in accordance with Public Governance Performance and Accountability Act 2013 (PGPA Act), Australian Accounting Standards, the requirements of the Corporations Act 2001 and other authoritative pronouncements of the Australian Accounting Standards Board. Australian Rail Track Corporation Ltd is a for profit entity for the purpose of preparing the financial statements.

The consolidated financial statements also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Where necessary, comparative figures have been adjusted to conform to changes in the presentation of the Financial Statements in the current year.

The financial statements are prepared on a historical cost basis except for certain classes of plant and equipment, held for sale assets and derivatives which are measured at fair value.

Where applicable the significant accounting policies are contained in the notes to the financial statements to which they relate and note 20 (Other accounting policies).

The financial statements have been prepared on a going concern basis. See note 20(e).

3 Functional and presentation currency

The financial statements are presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated under the option available to the Group under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The Group is an entity to which the Instrument applies.

4 Significant accounting estimates and judgements

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a significant risk of causing a material adjustment to the individual carrying amounts of assets and liabilities or may involve a higher degree of judgement or complexity within the next financial year are found in the following notes:

	Note
Access revenue - Hunter Valley coal provision	6 (e)
Fair value and carrying value of assets	7 (c), 11 (d) (i)
Deferred tax recognition	7 (e)
Incident recognition	7 (f)
Defined benefit plan	7 (g)

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

5 Income and expenses

(a) Access revenue

	Consolidated 2019 $'000	2018 $'000
Hunter Valley	446,725	430,516
Interstate	273,397	282,425
	720,122	712,941

The Group has applied a modified retrospective approach to AASB 15 at 1 July 2018, the resulting prior year adjustment of $0.439 million net of $0.131 million tax adjustment, has been reflected in the Group's opening retained earnings.

Accounting Policy

ARTC generates access revenue through granting access to train paths to operators covered by an Interstate track access agreement, or a Hunter Valley coal network undertaking.

Under AASB 15, there is a distinct performance obligation in a contract for access to the Interstate or Hunter Valley networks. Revenue is considered variable in nature and transaction prices for access and usage are consistent with the standalone selling price. The Group assessed that the point at which the performance obligation is satisfied is over time using the output method and therefore revenue is recorded for the actual distance travelled. All access pricing is currently regulated by the ACCC. The Hunter Valley access revenue is determined on an expense recovery basis, within the parameters of the Hunter Valley Access Undertaking agreement.

The Group determined that the estimates of expense recovery are subject to a compliance assessment by the ACCC to ensure the amount recognised is within the guidelines of the Access Undertaking and have recognised a refund liability where applicable, being the estimated obligation to refund some or all of the consideration received (or receivable) from the customer and is constrained at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities at the end of each reporting period based on the outcomes of ACCC assessments.

(b) Employee benefits expenses

	Notes	Consolidated 2019 $'000	2018 $'000
Wages and salaries		218,504	165,923
Workers compensation		2,916	2,268
Defined benefit plan expense	7(g)	766	918
		222,186	169,109

Accounting Policy

Accounting policies for employee benefits refer to note 7(f) and 7(g).

5 Income and expenses (continued)

(c) Infrastructure costs

	Consolidated 2019 $'000	Consolidated 2018 $'000
Infrastructure costs	128,574	73,914
	128,574	73,914

Infrastructure costs expensed reflect Inland Rail and Port Botany project costs that are not capital in nature, e.g. including pre construction concept and feasibility work.

(d) Depreciation & Amortisation

	Consolidated 2019 $'000	Consolidated 2018 $'000
Depreciation		
Buildings	1,142	1,098
Plant and equipment	184,074	176,390
	185,216	177,488
Amortisation		
Computer software	3,458	3,344
Land rights	872	872
Other	3,778	3,772
	8,108	7,988
Total	193,324	185,476

Accounting policy

Depreciation and amortisation
Accounting policies for depreciation and amortisation refer to note 7(c).

(e) Net incident costs

	Consolidated 2019 $'000	Consolidated 2018 $'000
Expenses - Incident costs	24,624	10,435
Less: Other income - Incident and insurance recovery	15,148	5,466
	9,476	4,969

Accounting policy

Recoveries and expenses associated with rail access related incidents
Income attributable to insurance or other recoveries arising from rail access related incidents is only recognised where a contractual agreement is in place and receipt of amounts outstanding is virtually certain. Costs of rectification are recognised when incurred.

Where the Group has suffered damage to its rail network due to other parties, the recourse is commercial negotiation and, if not successful, legal proceedings are initiated, as appropriate.

Potential liabilities and assets are reviewed throughout the year and finalised at reporting date for inclusion in the financial statements. Inclusion of liabilities or assets relating to rail access related incidents occurs where the Group can reliably measure costs or recoveries.

(f) Finance costs

	Consolidated 2019 $'000	2018 $'000
Finance costs	17,534	25,169
	17,534	25,169

Accounting Policy

Finance costs
Borrowings are initially recognised at fair value, net of directly attributable transaction costs incurred and thereafter at amortised cost.

Borrowing costs on Bonds, including fees paid on establishment, are recognised as they accrue using the effective interest method. This is a method of calculating the amortised cost of a financial liability and allocating the interest and other costs over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash flows through the expected life of the financial liability to the net carrying amount of the financial liability.

Syndicated Debt Facility borrowing costs are recognised as they accrue using the effective interest method; however the fees and interest applicable have different durations to the facility and the variable rates are linked to the market. As a result the shorter period is utilised to undertake the recognition of the individual components of the borrowing costs. As the duration is generally shorter than a year, there is generally no difference between effective interest method and straight line recognition.

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. Borrowing costs consist of interest and other costs incurred in connection with the borrowing of funds.

From time to time the Group may undertake short term borrowings such as bridging facilities for contingency or other purposes, and to the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment and amortised over the period of the facility to which it relates.

(g) Income tax expense/(benefit)

	Consolidated 2019 $'000	2018 $'000
Current tax expense	-	-
Deferred tax relates to the following:		
Tax losses & offsets available for offsetting against future taxable income	(31,159)	1,665
Origination or reversal of temporary differences in relation to the following items:		
Property, plant and equipment	61,893	45,146
Other receivables	3,524	991
Other	362	123
Total income tax expense/(benefit)	34,620	47,925

Reconciliation of Tax Expense to Income Tax Payable

The tax law and accounting standards contain different rules around the timing of when amounts may be assessable or deductible. These differences give rise to temporary differences which are recognised in deferred tax expense.

The deductible temporary differences in relation to property, plant and equipment exist as a result of ARTC's ability to claim tax depreciation on its leased assets in NSW under Division 58 of the Income Tax Assessment Act (1997) in addition to the cumulative impact of impairments and fair value reductions to the accounting value of infrastructure assets.

5 Income and expenses (continued)

(g) Income tax expense/(benefit) (continued)

Accounting policy

Income tax
Accounting policies related to income tax refer to note 7(e).

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

	Consolidated 2019 $'000	Consolidated 2018 $'000
Total income tax expense/(benefit)	34,620	47,925
Less movements in temporary differences recognised in deferred tax expense:		
Property, plant and equipment	(61,893)	(45,146)
Other amounts accrued	(3,886)	(1,114)
Recognition/(utilisation) tax losses and offset	31,159	(1,665)
Total movements in temporary differences recognised in deferred tax expense	(34,620)	(47,925)
Income tax payable in respect of financial year	-	-

The Group's current tax expense for the year ended 30 June 2019 is nil (2018: nil) due to the existence of tax deductions available to the Group as a result of the Group's ability to claim tax depreciation on NSW lease assets utilising Division 58 of the Income Tax Assessment Act 1997 and to utilise offsets generated in previous years.

	2019	2018
Profit from continuing operations before income tax expense	(413,766)	102,174
Tax at the Group's statutory tax rate of 30%	(124,130)	30,652
Unrecognised temporary differences	159,539	17,238
Amendments and prior year adjustments	12	57
Research and development income tax offset	-	(68)
Non-taxable items	(801)	46
Total income tax expense	34,620	47,925

ARTC had an Effective Tax Rate (ETR) of -8.4% as a result of the deferred tax asset recognition. Excluding the deferred tax asset recognition, the normalised ETR is 30.2%.

Amounts charged or credited directly to equity

	Consolidated 2019 $'000	Consolidated 2018 $'000
Deferred income tax related to items charged directly to equity		
Net (loss)/gain on net revaluation of infrastructure assets	(58,296)	13,431
Net (loss)/gain on defined benefit plan	(1,063)	326
Net (loss)/gain on foreign exchange hedge	-	4
	(59,359)	13,761
Deferred income tax charge included in equity comprises:		
(Decrease)/increase in deferred tax liabilities	6,693	23,888
(Increase)/decrease in deferred tax assets	(66,052)	(10,127)
	(59,359)	13,761

The income tax charged directly to equity of $58.3m (2018: $13.4m) is the tax effect of the net revaluations of $194.3m (2018: $44.8m), see note 7(c) .The income tax charged directly to equity of $1.1m (2018: $0.3m) is the tax effect of the defined benefit amount included in other comprehensive income $3.5m (2018: $1.1m), see note 7(g).

(h) Recognition/(reversal) of impairment

	Notes	Consolidated 2019 $'000	2018 $'000
Impairment - property, plant and equipment	7(c), 11(d)	446,352	19,571
Impairment - held for sale assets	7(c)	4,340	-
		450,692	19,571

Accounting policy

Impairment
Accounting policies for impairment refer to note 7(c).

(i) Reconciliation EBITDAI and EBIT to Income Statement

	Consolidated 2019 $'000	2018 $'000
Net Profit/(Loss) after tax	(448,386)	54,249
Interest revenue	(4,843)	(7,172)
Depreciation	185,216	177,499
Amortisation	8,108	7,977
Recognition of impairment loss	450,692	19,571
Finance expenses	17,534	25,169
Income tax (benefit)/expense	34,620	47,925
EBITDAI	242,941	325,218

	Consolidated 2019 $'000	2018 $'000
Net (Loss)/profit after tax	(448,386)	54,249
Interest revenue	(4,843)	(7,172)
Finance expenses	17,534	25,169
Income tax (benefit)/expense	34,620	47,925
EBIT	(401,075)	120,171

6 Financial assets and financial liabilities

(a) Cash and cash equivalents

	Consolidated 2019 $'000	Consolidated 2018 $'000
Current assets		
Cash at bank and in hand	21,852	21,554
Funds on deposit	-	40,000
	21,852	61,554

Cash at bank earns interest at floating rates based on daily bank deposit rates. The "funds on deposit" at balance date reflects funds available to the Group that have been placed on deposit with major Australian banking institutions over various periods not exceeding 180 days consistent with the Group's Treasury Policy. The carrying amount of cash and cash equivalents equates to the fair value. The Group's exposure to interest rate, credit risk and rates earned for the above is set out in note 11.

(b) Trade and other receivables

	Consolidated					
	2019			2018		
	Current $'000	Non-current $'000	Total $'000	Current $'000	Non-current $'000	Total $'000
Trade receivables	58,612	-	58,612	56,075	-	56,075
Expected Credit Loss	(106)	-	(106)	(188)	-	(188)
Other receivables	29,171	27,474	56,645	16,816	9,862	26,678
	87,677	27,474	115,151	72,703	9,862	82,565

An amount of $0.935m that specifically relates to rental on property has been reclassified in 2018 from Other receivables to Trade receivables.

Information on credit risk, impairment and fair value of trade and other receivables can be found in note 11.

The group's application of AASB 15 at 1 July 2018 resulted in an adjustment to the opening balance of Trade receivables of ($0.439) million (refer Note 5 (a)).

(c) Trade and other payables

	Consolidated 2019 $'000	Consolidated 2018 $'000
Current liabilities		
Trade payables	140,189	106,498
Other payables	2,393	3,007
	142,582	109,505

Information about the Group's exposure to financial risk is set out in note 11.

Accounting policy

Trade and other payables
These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid and are measured at amortised cost. The amounts are unsecured and are usually paid within 30 days of recognition.

(d) Interest bearing liabilities

	Consolidated					
	2019			2018		
	Current $'000	Non-current $'000	Total $'000	Current $'000	Non-current $'000	Total $'000
Bonds - maturing:						
5 December 2019	175,401	-	175,401	-	175,216	175,216
11 December 2024	-	124,518	124,518	-	124,362	124,362
Syndicated debt facility	-	150,156	150,156	65,042	-	65,042
	175,401	274,674	450,075	65,042	299,578	364,620

The cashflow movement of $85.5m (2018: $149.6m) differs from the variance between the balances above due to the impact of effective interest.

(e) Other liabilities

	Consolidated					
	2019			2018		
	Current $'000	Non-current $'000	Total $'000	Current $'000	Non-current $'000	Total $'000
Other liabilities	73,443	5,269	78,712	93,293	16,204	109,497
	73,443	5,269	78,712	93,293	16,204	109,497

Other liabilities is primarily comprised of a refund liability in respect of the over recovery of constrained network coal revenue arising from Compliance Assessments which remain open pending final ACCC determination. See note 5(a).

Significant accounting estimate and judgements

Access Revenue - Hunter Valley Coal liability
As at 30 June 2019 provision has again been made for the ACCC Compliance Assessments which remain open i.e. relating to Calendar Years 2016-8 and to 30 June 2019 for the 2019 calendar year assessment (which is not due for lodgement until 2020).

6 Financial assets and financial liabilities (continued)

(f) Changes in liabilities

Consolidated	1 July $'000	Cashflow $'000	Non - cash changes: Transfer $'000	Non - cash changes: Other $'000	30 June $'000
Financial liabilities					
2019					
Current					
Interest bearing liabilities	65,042	-	109,958	401	175,401
Non - Current					
Interest bearing liabilities	299,578	85,536	(109,958)	(482)	274,674
	364,620	85,536	-	(81)	450,075
2018					
Current					
Interest bearing liabilities	215,289	(149,631)	-	(616)	65,042
Non - Current					
Interest bearing liabilities	299,384	-	-	194	299,578
	514,673	(149,631)	-	(422)	364,620

7 Non-financial assets and liabilities

(a) Inventories

	Consolidated 2019 $'000	2018 $'000
Current assets		
Raw materials - at cost	45,451	36,186
	45,451	36,186

Accounting policy

Inventories
Inventories are valued at lower of cost and net realisable value. Cost is assigned on a first in first out basis.

(b) Held for sale

	Consolidated 2019 $'000	2018 $'000
Current assets		
Held for sale	5,667	2,776
	5,667	2,776

Property held for sale last year settled in July 2018. Current held for sale assets relate to rail with a formal sale plan expected to be sold within the next 12 months. Gains and losses on the sale of the assets are recognised in the consolidated income statement under profit/(loss) on sale of assets.

On transfer to held for sale assets the assets were reviewed for impairment and subsequently impaired by $4.3m.

(c) Property, plant and equipment

Non - Current Assets

Consolidated	Construction in progress	Freehold land $'000	Freehold buildings $'000	Leasehold buildings $'000	Leasehold Improvements -infrastructure $'000	Plant & Equipment -Infrastructure $'000	Plant & Equipment -Other $'000	Total Equity $'000
At 1 July 2017								
Cost or fair value	289,046	16,434	17,903	18,077	3,483,778	731,880	92,496	4,649,614
Accumulated depreciation	-	-	(5,267)	(4,761)	(250,786)	(55,716)	(43,234)	(359,764)
Net book amount	**289,046**	**16,434**	**12,636**	**13,316**	**3,232,992**	**676,164**	**49,262**	**4,289,850**
Year ended 30 June 2018								
Opening net book amount	289,046	16,434	12,636	13,316	3,232,992	676,164	49,262	4,289,850
Additions	-	69	474	391	108,515	99,827	5,627	214,903
Impairment expense	(7,882)	-	-	-	(10,920)	(769)	-	(19,571)
Borrowing costs capitalised	1,929	-	-	-	-	-	-	1,929
Additions into capital works in progress	288,116	-	-	-	-	-	-	288,116
Depreciation charge	-	-	(535)	(563)	(137,464)	(30,496)	(8,430)	(177,488)
Transfers out of capital work in progress	(214,903)	-	-	-	-	-	-	(214,903)
Written down value of assets disposed	-	-	-	-	-	(2,105)	(96)	(2,201)
Reversal of revaluation of assets	-	-	-	-	(21,982)	(12,873)	-	(34,855)
Revaluation of assets	-	-	-	-	79,627	-	-	79,627
Closing net book amount	**356,306**	**16,503**	**12,575**	**13,144**	**3,250,768**	**729,748**	**46,363**	**4,425,407**
At 30 June 2018								
Cost or fair value	356,306	16,503	18,378	18,467	3,521,538	786,303	96,800	4,814,295
Accumulated depreciation	-	-	(5,803)	(5,323)	(270,770)	(56,555)	(50,437)	(388,888)
Net book amount	**356,306**	**16,503**	**12,575**	**13,144**	**3,250,768**	**729,748**	**46,363**	**4,425,407**

7 Non-financial assets and liabilities (continued)

(c) Property, plant and equipment (continued)

Consolidated	Construction in progress $'000	Freehold land $'000	Freehold buildings $'000	Leasehold buildings $'000	Leasehold Improvements -infrastructure $'000	Plant & Equipment -Infrastructure $'000	Plant & Equipment -Other $'000	Total Equity $'000
Year ended 30 June 2019								
Opening net book amount	356,306	16,503	12,575	13,144	3,250,768	729,748	46,363	4,425,407
Additions	-	1	405	1,169	146,925	153,585	11,109	313,194
Impairment expense	(158,396)	-	-	-	(177,962)	(109,993)	-	(446,351)
Borrowing costs capitalised	2,778	-	-	-	-	-	-	2,778
Additions into capital works in progress	577,677	-	-	-	-	-	-	577,677
Depreciation charge	-	-	(565)	(577)	(144,340)	(30,713)	(9,021)	(185,216)
Transfers out of capital work in progress	(313,194)	-	-	-	-	-	-	(313,194)
Written down value of assets disposed	-	-	(4)	(39)	(1,934)	-	(108)	(2,085)
Reversal of revaluation of assets	-	-	-	-	(139,715)	(76,913)	-	(216,628)
Revaluation of assets	-	-	-	-	22,309	-	-	22,309
Transfer to held for sale assets	-	-	-	-	-	(10,004)	-	(10,004)
Closing net book amount	**465,171**	**16,504**	**12,411**	**13,697**	**2,956,051**	**655,710**	**48,343**	**4,167,887**
At 30 June 2019								
Cost or valuation	465,171	16,504	18,778	19,561	3,241,323	719,594	106,344	4,587,275
Accumulated depreciation	-	-	(6,367)	(5,864)	(285,272)	(63,884)	(58,001)	(419,388)
Net book amount	**465,171**	**16,504**	**12,411**	**13,697**	**2,956,051**	**655,710**	**48,343**	**4,167,887**

(i) Basis of valuation

Property, plant and equipment, excluding construction in progress, is recognised at cost of acquisition, and subsequently carried at fair value less depreciation and impairment. At 30 June 2019 the Group undertook a fair value assessment using an income method approach as there are no similar market quoted assets. The net present value of the cash flows for each business unit is compared with the current carrying value. Gains on revaluation are recognised in the revaluation reserve, while revaluation decrements are reversed out of the revaluation reserve to the extent available, after which, decrements are recognised as an impairment expense in the Consolidated income statement. Property, plant and equipment discount cash flow reviews are undertaken annually to ensure significant movements are identified and accounted for.

The 30 June 2019 assessment resulted in an downward revaluation of the Interstate business unit's assets. The result of this year's assessment is a $504.6m valuation decrement of which $216.6m has been reversed out of the available revaluation reserve (2018: $34.9m), with the balance of $288.0m, being recognised as an impairment expense in the Consolidated income statement (2018: $9.5m).

The Hunter Valley business unit assets were previously revalued. The result of this year's assessment is a $22.3m valuation increment (2018: $79.6m valuation increment) recognised through the revaluation reserve. For further details on the calculation refer to note 11(d).

If infrastructure assets were stated on the historical cost basis less impairment, the amounts would be as follows:

Infrastructure assets	Consolidated 2019 $'000	2018 $'000
Plant & Equipment		
Cost	1,057,207	918,363
Accumulated depreciation	(280,471)	(261,787)
Net book amount	776,736	656,576
Leasehold Improvements		
Cost	3,958,496	3,822,782
Accumulated depreciation	(980,903)	(845,641)
Net book amount	2,977,593	2,977,141

Construction in progress assets are carried at cost less impairment. The group assesses at the end of each reporting period whether there is any indication that an asset may be impaired, and if such indicators exist, the Group performs an assessment to determine the recoverable amount of an asset. At 30 June 2019 the Group undertook an impairment assessment on the assets and capital works in progress directly related to the Inland Rail project. The expenditure has been assessed on an individual asset basis in accordance with each identifiable assets highest and best use and compared to market values where available. Where market values were not available the Group determined the recoverable amount of assets using the income approach. While the project is expected to make an operating profit on completion, capital recovery will take a significant period of time, as such this assessment has resulted in an impairment of $158.4m for 30 June 2019 (2018: $10.0m).

Significant accounting estimates and judgements

Fair Value
In order to comply with relevant accounting standards the Group undertook a fair value assessment of its infrastructure assets, the results of which are detailed in this note and note 11(d)(iii). Key assumptions when completing the assessment are: forecast data including revenue, expense and capital cash flows and the discount rate used. Therefore, management has reviewed the cash flow to account for any known variables and to ensure a market participant would view the positions taken as reasonable. In addition, the discount rate used is compiled with the support of an external specialist. Note [11(d)(iv)] and ([v]) contains further detail on the process and valuation technique.

Accounting policy

Property, plant and equipment
Infrastructure is valued on a fair value basis while all non-infrastructure is on a cost basis and therefore is subject to an impairment/revaluation assessment at each reporting date.

Fair Value

The fair value for infrastructure assets is calculated using the income method approach taking into account the characteristics of the asset that market participants would consider, whereby the measurement reflects current market expectations of future cashflows discounted to their present value for each asset grouping that would be considered reasonable by a normal market participant. The estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects an expert's assessment of current market assessments of the time value of money and the business risk.

7 Non-financial assets and liabilities (continued)

(i) Basis of valuation (continued)

Fair value assessments are not applied to non-infrastructure assets on the basis that these assets such as motor vehicles, information technology and other non-infrastructure assets are transferable within the Group and have a short life and a ready market. The written down value of these assets is in line with their fair value.

All other property, plant and equipment are stated at historical cost less accumulated depreciation, and any accumulated impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Revaluation

The Group's infrastructure assets are revalued each year end as a result of the fair value assessment. Infrastructure assets are shown at fair value (inclusive of revaluations and impairments) less accumulated depreciation. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Any revaluation increment is credited to the asset revaluation reserve included in the equity section of the consolidated balance sheet, except to the extent that it reverses a revaluation decrement of the same asset previously recognised in the consolidated income statement, in which case the increase is recognised in the consolidated income statement (net of tax). Revaluation increments and decrements recognised are allocated to the infrastructure asset carrying amounts within the asset grouping on a pro rata basis.

At the commencement of the application of Australian International Financial Reporting Standards the Group elected that the deemed cost of assets on hand at 30 June 2005 was the revalued amount of those assets. Any accumulated depreciation as at the revaluation date was eliminated against the gross carrying amount of the asset and the net amount was restated to the revalued amount of the asset. Items of property, plant and equipment are either derecognised on disposal or when no further future economic benefits are expected from its use. Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in the consolidated income statement. Upon disposal or derecognition, any revaluation reserve relating to the asset is transferred to retained earnings.

Impairment

The carrying amounts of the Group's non-financial assets, other than inventories, deferred tax assets and infrastructure assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any indication exists, then the asset's recoverable amount is estimated. An impairment expense is recognised if the carrying amount of an asset or cash generating unit (CGU) exceeds it recoverable amount.

The recoverable amount of non - infrastructure assets is determined based on the fair value less costs to sell.

Cost

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Accounting policy

Depreciation
Land is not depreciated. The cost of improvements to or on leasehold properties is amortised over the expected lease term or the estimated useful life of the improvement to the Group, whichever is the shorter. Depreciation on other assets is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

Maximum Economic Useful Life*

Infrastructure assets
Ballast 60 years
Bridges 100 years
Culverts 100 years
Rail 110 years
Sleepers 70 years
Signals & Communications 30 years
Turnouts 60 years
Tunnels 100 years

Non-Infrastructure assets
Buildings 50 years
IT & Other equipment 4 years
Motor vehicles 5 years
Other equipment 40 years

*Depending on the age and location of particular assets, the economic life may vary. The maximum economic useful lives are reviewed at the end of each financial year end and adjusted if required.

Capital work in progress and capitalisation
Work in progress comprises expenditure on incomplete capital works. Expenditure on the acquisition of new infrastructure assets is capitalised when these new assets increase the net present value of future cash flows.

Infrastructure assets in the course of construction are classified as capital work in progress. Capital works in progress are recorded at cost including borrowing costs capitalised where applicable and are not depreciated until they have been completed and the assets are ready for economic use.

7 Non-financial assets and liabilities (continued)

(d) Intangible assets

Consolidated	Computer Software $'000	Land Rights $'000	Other $'000	Total $'000
At 1 July 2017				
Cost	17,600	44,735	55,000	117,335
Accumulated amortisation	(11,776)	(3,747)	(17,291)	(32,814)
Net book amount	**5,824**	**40,988**	**37,709**	**84,521**
Year ended 30 June 2018				
Opening net book amount as at 1 July	5,824	40,988	37,709	84,521
Additions into asset register	2,267	-	-	2,267
Amortisation charge	(3,344)	(872)	(3,772)	(7,988)
Closing net book amount	**4,747**	**40,116**	**33,937**	**78,800**
At 30 June 2018				
Cost	19,512	44,735	55,000	119,247
Accumulated amortisation	(14,765)	(4,619)	(21,063)	(40,447)
Net book amount	**4,747**	**40,116**	**33,937**	**78,800**
Consolidated				
Year ended 30 June 2019				
Opening net book amount as at 1 July	4,747	40,116	33,937	78,800
Additions into asset register	1,834	-	-	1,834
Amortisation charge	(3,464)	(872)	(3,772)	(8,108)
Disposals	(4)	-	-	(4)
Closing net book amount	**3,113**	**39,244**	**30,165**	**72,522**
At 30 June 2019				
Cost	20,530	44,735	55,000	120,265
Accumulated amortisation	(17,417)	(5,491)	(24,835)	(47,743)
Net book amount	**3,113**	**39,244**	**30,165**	**72,522**

Accounting policy

Intangible assets
Computer software has a finite useful life and is carried at cost less accumulated amortisation. Amortisation is calculated using the straight line method to allocate the cost of computer software over its estimated useful life of four years.

ARTC recognises land usage rights when costs are incurred to obtain land which ARTC does not retain title but through leasing rights has the ability to utilise the land. Under lease arrangements, ARTC may provide funds to other government bodies to acquire additional land holdings to enable the infrastructure to be expanded. ARTC is not entitled to be reimbursed for this expenditure but has the right to use the land. The land rights have a finite useful life expiring in conjunction with the relevant lease and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight line method to allocate the cost of land rights over its estimated useful life.

Other intangible assets relate to contractual rights in relation to a wholesale access agreement which provides a pricing cap over the third party infrastructure asset between Kalgoorlie and Perth which completes track access between the east and west coast of Australia. These rights have a finite useful life and amortisation is calculated using the straight line method to allocate cost over the estimated useful life.

Annual impairment considerations are undertaken through the fair value less cost to sell approach as these assets are part of the asset grouping in the highest and best use assessments.

(e) Deferred tax balances

(i) Deferred tax assets

	Consolidated 2019 $'000	2018 $'000
The balance comprises temporary differences attributable to:		
Property plant and equipment	255,443	325,128
Income tax losses and non-refundable offsets	31,345	186
Defined benefit plan	3,704	2,841
Other current assets	27	57
	290,519	328,212
Movements:		
Opening balance at 1 July	328,212	353,526
(Charged)/credited to the consolidated income statement related to tax losses and offsets	31,159	(1,665)
(Charged)/credited to the consolidated income statement related to property plant and equipment	(134,674)	(33,652)
(Charged)/credited to the consolidated income statement, other	(362)	(123)
(Charged)/credited to equity related to property, plant and equipment	64,990	10,456
(Charged)/credited to equity related to defined benefit plan	1,063	(326)
(Charged)/credited to equity related to AASB 15 adjustment	131	-
(Charged)/credited related to cash flow hedge	-	(4)
Closing balance at 30 June before set off	290,519	328,212
Set off of deferred tax liabilities	(134,281)	(196,846)
Net deferred tax asset	156,238	131,366

At 30 June 2019, the Group has unrecognised deferred tax assets in relation to temporary differences of $424.1m (2018: $264.6m) associated with the Group's ability to claim tax depreciation on NSW lease assets utilising Division 58 of the Income Tax Assessment Act 1997 and also due to the cumulative impacts of impairment of assets on the North South corridor within the Interstate rail network.

The Group has an unrecognised deferred tax asset in relation to a carried forward capital loss of $1.3m (2018: $0.7m). It is not recognised on the basis that there are no forecast future capital gains against which the loss could be utilised.

7 Non-financial assets and liabilities (continued)

(e) Deferred tax balances

(ii) Deferred tax liabilities

	Consolidated 2019 $'000	2018 $'000
The balance comprises temporary differences attributable to:		
Property, plant and equipment	127,592	193,681
Other receivables	6,689	3,165
Deferred tax liabilities	134,281	196,846
Movements:		
Opening balance at 1 July	196,846	160,472
Charged/(credited) to the consolidated income statement related to property, plant and equipment	(72,782)	11,495
Charged/(credited) to the consolidated income statement related to other receivables	3,524	991
Charged/(credited) to equity related to property, plant and equipment	6,693	23,888
Closing balance at 30 June before set off	134,281	196,846
Set off to deferred tax assets	(134,281)	(196,846)
Net deferred tax liability	-	-

Tax Strategy, Risk Management and Governance

ARTC has developed a Board approved Tax Governance Policy to guide the way in which the Group manages its tax obligations and is consistent with the Group's corporate governance framework reflecting the ASX "Corporate Governance Principles and Recommendations" and the Group's low risk appetite.

The Policy is supported by tax related procedures and processes which ensure ARTC effectively manages its tax risk.

ARTC's approach to taxation aligns with the Group's business strategy, code of conduct and values. As a Government Business Enterprise, ARTC is governed by the Public Governance, Performance and Accountability Act (2013) [PGPA Act] and Government Business Enterprise [GBE] Guidelines. ARTC considers the interests of its Shareholder in the adoption of low risk tax strategies and avoidance of non-compliant tax practices.

ARTC seeks to uphold the reputation of the Group and its Shareholder by giving due consideration to its social and corporate responsibility to pay the right amount of tax, at the right time, in the right jurisdiction and be transparent in the conduct of its tax affairs.

Tax Planning and Relationship with Tax Authorities

ARTC does not undertake transactions of a contrived or artificial nature for the purpose of obtaining a tax benefit. All transactions are undertaken in the context of the commercial needs of the company, which are of primary importance.

ARTC engages in Tax Planning in order to legitimately achieve the best after tax outcomes, that is, through claiming available deductions, tax rebates, offsets and credits. ARTC is committed to observing all applicable tax laws, rulings and regulations in meeting its tax compliance obligations in all jurisdictions where ARTC operates.

Professional opinions are obtained from reputable external advisors on matters where the amount of the tax involved is significant and the tax treatment is complex or relates to non-routine transactions. Where management considers it appropriate, ARTC engages with the tax authorities to obtain formal guidance (including private binding rulings) in relation to the taxation consequences of complex or non-routine transactions or where there is uncertainty in the application of the tax laws.

Significant accounting estimates and judgements

Deferred tax recognition

The Group has recognised a net deferred tax asset as set out in this note in relation to deductible temporary differences to the extent that a deferred tax liability exists in relation to taxable temporary differences, which are expected to reverse over the same periods. In addition, an excess deferred tax asset has been recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. The recognition of the net deferred tax asset is considered appropriate following an assessment of the overall forecast accounting profit and tax payable position of the Group.

Accounting policy

Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current periods taxable income and any adjustments in respect of prior years. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred tax liabilities (DTLs) are recognised for all taxable temporary differences between the carrying amount of assets and liabilities for financial reporting and the amounts used for taxation purposes.

Deferred tax assets (DTAs) are recognised for all deductible temporary differences, carry forward of unused tax offsets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the unused tax offsets and losses can be utilised.

Division 58 of the Income Tax Assessment Act 1997 ("Division 58"), has entitled the Group to value certain assets, for taxation purposes, using pre-existing audited book values or the notional written down values of the assets as appropriate. This effectively means the tax depreciable value of these rail infrastructure and related assets significantly exceeds the carrying value. Accordingly, Division 58 results in significant deductible temporary differences and potential DTAs. The carrying amount of DTAs is reviewed at each reporting date and adjusted to the extent that it is probable that sufficient taxable profit will be available to allow the deferred tax asset to be utilised.

DTAs and DTLs are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. DTAs and DTLs are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the DTAs and DTLs relate to the same taxable entity and the same taxation authority.

Tax consolidation

Australian Rail Track Corporation Ltd and its wholly owned Australian controlled entities consolidated for income tax purposes as of 1 July 2003.

The head entity, Australian Rail Track Corporation Ltd, and the controlled entities in the income tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the stand alone taxpayer approach, consistent with the requirements of Interpretation 1052, in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the income tax consolidated group. In addition to its own current and deferred tax amounts, Australian Rail Track Corporation Ltd also recognises the current tax liabilities (or assets) and the DTAs arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly owned tax consolidated entities.

7 Non-financial assets and liabilities (continued)

(f) Provisions

	Consolidated					
	2019			2018		
	Current $'000	Non-current $'000	Total $'000	Current $'000	Non-current $'000	Total $'000
Employee benefits	46,796	5,058	51,854	43,245	4,341	47,586
Incident provision	16,739	-	16,739	14,549	-	14,549
	63,535	5,058	68,593	57,794	4,341	62,135

(i) Information about individual provisions and significant estimates

The incident provision recognises the Group's estimate of the liability with respect to costs associated with damage caused by incidents such as derailments, which occurred whilst using the Group's rail infrastructure.

Significant accounting estimates and judgements

Incident recognition
The provision for incidents recognises the Group's estimated liability with respect to costs associated with damage caused by incidents such as force majeure, derailments, including the potential for third party and/or insurance recoveries.

(ii) Movements in provisions

Movements in each class of provision during the financial year are set out below:

2019	Employee benefits $'000	Incident $'000	Total $'000
Carrying amount at 1 July	47,586	14,549	62,135
Additional provisions recognised	31,742	24,624	56,366
Amounts used during the year	(27,474)	(22,434)	(49,908)
Carrying amount at 30 June	**51,854**	**16,739**	**68,593**

Accounting policy

Employee benefits

(i) Short term obligations

Liabilities for wages and salaries, including non-monetary benefits expected to be settled within twelve months of the reporting date are recognised in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Long term obligations

The liability for long service leave and associated on-costs is accumulated from the date of commencement. They are measured at the amounts expected to be paid when the liabilities are settled and discounted to determine their present value. Consideration is given to expected future wage and salary levels with an allowance for expected future increases.

As not all annual leave is expected to be taken within twelve months of the respective service being provided, annual leave obligations are classified as long term employee benefits in their entirety. Annual leave is measured on a discounted basis utilising the high quality corporate bond rates when discounting employee benefit liabilities.

Provisions

Provisions for legal claims and incident provisions, service warranties and make good obligations are recognised when the Group 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 can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the obligation at the reporting date.

7 Non-financial assets and liabilities (continued)

(g) Non-current liabilities - Defined benefit plans

(i) Consolidated Balance Sheet amounts

The amounts recognised in the balance sheet and the movements in the net defined benefit obligation over the year as follows:

	Present value of obligation $'000	Fair value of plan assets $'000	Net Amount $'000
Balance as at 1 July 2017	(40,706)	29,637	(11,069)
Included in consolidated income statement			
Current service cost	(478)	-	(478)
Interest (expense)/income	(1,691)	1,251	(440)
	(2,169)	**1,251**	**(918)**
Included in other comprehensive income			
Re-measurements			
Return on plan assets, excluding amounts included in interest (expense)/income	-	1,282	1,282
(Loss)/gain from change in demographic assumptions	(1,276)	-	(1,276)
(Loss)/gain from change in financial assumptions	(385)	-	(385)
Experience gains/(losses)	1,468	-	1,468
	(193)	**1,282**	**1,089**
Contributions:			
Employers	-	1,430	1,430
Plan participants	(281)	(281)	-
Payments from plan:			
Payments from plan	2,186	(2,186)	-
	1,905	**(475)**	**1,430**
Balance as at 30 June 2018	**(41,163)**	**31,695**	**(9,468)**
Balance sheet as at 1 July 2018	**(41,163)**	**31,695**	**(9,468)**
Included in consolidated income statement			
Current service cost	(401)	-	(401)
Interest (expense)/income	(1,668)	1,303	(365)
	(2,069)	**1,303**	**(766)**
Included in other comprehensive income			
Re-measurements			
Return on plan assets, excluding amounts included in interest (expense)/income	-	1,186	1,186
(Loss)/gain from change in financial assumptions	(4,948)	-	(4,948)
Experience gains/(losses)	218	-	218
	(4,730)	**1,186**	**(3,544)**
Contributions:			
Employers	-	1,430	1,430
Plan participants	(258)	258	-
Payments from plan:			
Payments from plan	3,631	(3,631)	-
	3,373	**(1,943)**	**1,430**
Balance as at 30 June 2019	**(44,589)**	**32,241**	**(12,348)**

(ii) Superannuation plan

On commencement on 5 September 2004 of the 60 year lease with the NSW Government to operate the NSW interstate main lines, the Hunter Valley business unit and dedicated metropolitan freight lines to the Sydney Ports, employees previously employed by Rail Infrastructure Corporation/State Rail Authority and now currently employed by ARTC, are members of the three defined benefit funds listed below. As part of that arrangement ARTC is required to make an annual contribution that covers all three schemes to assure that the schemes are sufficiently funded.

State Authorities Superannuation Scheme (SASS)

SASS is a split benefit scheme, which means it is made up of an accumulation style contributor financed benefit and a defined benefit style employer financed benefit. Employees can elect to contribute between 1% and 9% of their salary to SASS and can vary their contribution rate each year. Generally, each percentage of salary that a member contributes each year buys the member one benefit point which is used in the calculation of the employer financed benefit.

State Superannuation Scheme (SSS)

SSS is a defined benefit scheme which means that benefits are based on a specified formula, and as such are not affected by investment returns. SSS members contribute towards units of fortnightly pension throughout their membership.

State Authorities Non-Contributory Superannuation Scheme (SANCS)

SANCS is a productivity type superannuation benefit accrued by SASS members in addition to their contributory scheme benefits. Calculated at 3% of final average salary or final salary, depending on the mode of exit, for each year of service from 1 April 1988. It is fully employer financed.

All the schemes are closed to new members.

The schemes in the Pooled Fund are established and governed by the following NSW legislation: Superannuation Act 1916, State Authorities Superannuation Act 1987, Police Regulation (Superannuation) Act 1906, State Authorities Non-contributory Superannuation Scheme Act 1987, and their associated regulations.

Under a Heads of Government agreement, the New South Wales Government undertakes to ensure that the Pooled Fund will conform to the principles of the Commonwealth's retirement incomes policy relating to preservation, vesting and reporting to members and that member benefits are adequately protected.

An actuarial investigation of the Pooled fund is performed every three years. The last actuarial triennial review was performed as at 30 June 2018.

The Fund's Trustee is responsible for the governance of the Fund. The Trustee has a legal obligation to act solely in the best interests of fund beneficiaries. The Trustee has the following roles:

- Administration of the fund and payment to the beneficiaries from fund assets when required in accordance with the fund rules;
- Management and investment of the fund assets; and
- Compliance with other applicable regulations.

7 Non-financial assets and liabilities (continued)

(g) Non-current liabilities - Defined benefit plans (continued)

(iii) Categories of plan assets

The asset recognised does not exceed the present value of any economic benefits available in the form of reductions in future contributions to the plan.

All Pooled Fund assets are invested by SASS Trustee Corporation at arm's length through independent fund managers, assets are not separately invested for each entity and it is not possible or appropriate to disaggregate and attribute fund assets to individual entities. As such, the disclosures below relate to total assets of the Pooled Fund and therefore will not match the balance of ARTC fair value of plan assets as disclosed in g(i).

	Consolidated 2019			Consolidated 2018		
The major category of plan assets are as follows:	**Quoted $m**	**Un-quoted $m**	**Total $m**	**Quoted $m**	**Un-quoted $m**	**Total $m**
Equity instruments	16,614	3,143	**19,757**	17,219	2,944	20,163
Property	699	2,890	**3,589**	788	2,923	3,711
Short term securities	2,136	1,907	**4,043**	2,185	2,216	4,401
Fixed interest securities	12	4,251	**4,263**	50	3,581	3,631
Alternatives	326	10,230	**10,556**	421	9,474	9,895
	19,787	**22,421**	**42,208**	20,663	21,138	41,801

	Consolidated	
	2019	2018
	%	%
Equity instruments	**47**	48
Property	**8**	9
Short term securities	**10**	10
Fixed interest securities	**10**	9
Alternatives	**25**	24
	100	100

(iv) Actuarial assumptions and sensitivity

Actuarial assessment undertaken by Mercer as at 30 June 2019 contains the following significant independent actuarial assumptions (expressed as weighted averages):

	Consolidated	
	2019	2018
Discount rate	**3.0%**	4.2%
Rate of CPI increase	**2.3%**	2.5%
Future salary increases	**3.2%**	3.2%

Scenarios related to changes to the discount rate (effectively investment return), salary growth rate and rate of CPI increase relate to sensitivity of the total defined benefit obligation to economic assumptions, and scenarios related to pensioner mortality relate to sensitivity to demographic assumptions. The assumption as to the expected rate of return on assets is determined by weighing the expected long term return for each asset class by the target allocation of assets to each class. The returns used for each class are net of investment tax and investment fees.

The sensitivity of the total defined benefit obligation as at 30 June 2019 under several scenarios is shown below.

		Impact on defined benefit obligation			
	Change in assumption	Increase in assumption		Decrease in assumption	
		2019	2018	**2019**	2016
		$'000	$'000	**$'000**	$'000
Discount rate	1.0%	**5,541**	4,700	**(4,485)**	(3,840)
Salary growth rate	0.5%	**908**	908	**(875)**	(874)
Rate of CPI increase	0.5%	**1,585**	1,228	**(1,443)**	(1,222)
Pensioner mortality rate	Higher mortality** /Lower mortality*	**600**	435	**(276)**	(204)

*Assumes the short term pensioner mortality improvement factors for years 2019-2023 also apply for years after 2023
**Assumes the long term pensioner mortality improvement factors for years post 2023 also apply for years 2019 to 2023

The defined benefit obligation has been recalculated by changing the assumptions as outlined above, whilst retaining all other assumptions.

(v) Risk exposure
There are a number of risks to which the Fund exposes the Employer. The more significant risks relating to the defined benefits are:

- Investment risk - The risk that investment returns will be lower than assumed and the Employer will need to increase contributions to offset this shortfall.
- Longevity risk - The risk that pensioners live longer than assumed, increasing future pensions.
- Pension indexation risk - The risk that pensions will increase at a rate greater than assumed, increasing future pensions.
- Salary growth risk - The risk that wages or salaries (on which future benefit amounts for active members will be based) will rise more rapidly than assumed, increasing defined benefit amounts and thereby requiring additional employer contributions.
- Legislative risk - The risk is that legislative changes could be made which increase the cost of providing the defined benefits.

The defined benefit fund assets are invested with independent fund managers and have a diversified asset mix. The Fund has no significant concentration of investment risk or liquidity risk.

(vi) Defined benefit liability and employer contributions
In accordance with the Occupational Superannuation Standards Regulations and Australian Accounting Standard AASB 1056 "Superannuation Entities" funding arrangements are reviewed at least every three years following the release of the triennial actuarial review and was last reviewed following completion of the triennial review as at 30 June 2018. Contribution rates are set after discussions between the employer, STC and NSW Treasury.

The next triennial review is at 30 June 2021, the report is expected to be released by the end of 2021.

Funding positions are reviewed annually and funding arrangements may be adjusted as required after each annual review.

Expected contributions to defined benefit plans for the year ending 30 June 2019 are $1.4m. Following the triennial review of the Defined Benefit Fund as at 30 June 2018 it was determined that ARTC employer contribution would remain at $1.4m p.a. for each of the 3 years and be subject to ongoing review.

The weighted average duration of the defined benefit obligation is 12.6 years (2018: 13.1 years).

7 Non-financial assets and liabilities (continued)

(g) Non-current liabilities - Defined benefit plans (continued)

(vii) Amounts recognised in consolidated income statement

The amounts recognised in the consolidated income statement in employee benefits expense are as follows:

	Consolidated 2019 $'000	Consolidated 2018 $'000
Current service cost	401	478
Interest cost on benefit obligation	365	440
	766	918

(viii)Amounts recognised in other comprehensive income

	Consolidated 2019 $'000	Consolidated 2018 $'000
Actuarial gains/(losses) on liabilities	4,730	193
Actual return on Fund assets less interest income	(1,186)	(1,282)
	3,544	(1,089)

Significant accounting estimates and judgements

Defined benefit plan
Various actuarial assumptions are required when determining the Group's defined benefit obligations that are highlighted in this note above.

Accounting policy

Defined benefit plan
Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, in other comprehensive income. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

The defined benefit asset or liability recognised in the consolidated balance sheet represents the present value of the defined benefit obligation, less the fair value of the plan assets. Any asset resulting from this calculation is limited to the present value of available refunds and reductions in future contributions to the plan.

The high quality corporate bond rates have been utilised when discounting employee benefit liabilities as of 30 June 2019.

(h) Liabilities - Deferred income government grants

	Consolidated					
	2019			2018		
	Current $'000	Non-current $'000	Total $'000	Current $'000	Non-current $'000	Total $'000
Deferred income - government grants	48,768	483,998	532,766	73,191	423,566	496,757
	48,768	483,998	532,766	73,191	423,566	496,757

The grants received primarily arise from rail projects delivered under the Infrastructure Investment Programme, including the Inland Rail Project, to improve efficiency and safety of the National Land Transport Network.

Previously the Company has been awarded other grants from the Government of Victoria and other state funded projects.

Accounting policy

Government grants
Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Where the grants have attached conditions and/or are project specific, they are recognised at their fair value and initially credited to deferred income upon receipt, then recognised in the consolidated income statement over the period necessary to match them with the costs that they are intended to compensate. Where those grants relate to expenditure that is to be capitalised, they are credited to the consolidated income statement on a straight line basis over the expected lives of the related assets from the date of commissioning. Grants that compensate the Group for expenses incurred are recognised in the income statement on a systematic basis in the periods in which expenses are recognised e.g. Inland Rail Project.

8 Equity

(a) Contributed equity

(i) Share capital

	2019 Shares	2018 Shares	2019 $'000	2018 $'000
Ordinary shares - fully paid	3,026,610,100	2,735,905,100	3,118,361	2,827,656
	3,026,610,100	2,735,905,100	3,118,361	2,827,656

Equity injections for Inland Rail of $194.7m (2018: $83.43m) and Adelaide to Tarcoola Re-Railing Project of $96.0m (2018: $60.0m) have been received throughout the year.

(ii) Ordinary shares
On a show of hands every holder of ordinary shares present at a meeting in person, or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

Accounting policy

Contributed equity
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

8 Equity (continued)

(b) Reserves

	Consolidated 2019 $'000	Consolidated 2018 $'000
Asset revaluation reserve	566,448	720,868
Profit reserves	191,363	259,675
	757,811	980,543

Movements:	Consolidated 2019 $'000	Consolidated 2018 $'000
Revaluation surplus - Property, plant and equipment		
Opening balance at 1 July	720,868	693,520
Revaluation on asset revaluation reserve - (net of tax)	(136,023)	31,341
Asset revaluation reserve - asset disposal	(18,397)	(3,993)
Balance as at 30 June	566,448	720,868
Profit reserve		
Opening balance at 1 July	259,675	270,815
Profit transferred into the reserve	-	54,249
Dividend paid	(68,312)	(65,389)
Balance as at 30 June	191,363	259,675
Cash flow hedges		
Opening balance at 1 July	-	(9)
Hedge reserve - foreign exchange	-	9
Balance as at 30 June	-	-
	757,811	980,543

(i) Asset revaluation reserve

The property, plant and equipment revaluation reserve is used to record increments and decrements on the revaluation of infrastructure assets.

(ii) Profit reserve

The profit reserve is used to preserve current profits for the purpose of paying dividends in future years.

(iii) Hedge reserve - cash flow hedges

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred. Amounts are reclassified to the consolidated income statement when the associated hedged transaction settles.

(c) Retained earnings

Movements in retained earnings were as follows:

	Consolidated	
	2019	2018
	$'000	$'000
Opening balance at 1 July, as reported	(129,453)	(134,208)
Impact of changes in accounting standards (net of tax)	(333)	-
	(129,786)	(134,208)
Profit/(Loss) for the year	(448,386)	54,249
Re-measurement (losses)/gains on defined benefit plans - (net of tax)	(2,485)	762
Asset revaluation reserve - asset disposal	18,397	3,993
Transfer to profit reserve	-	(54,249)
	(562,260)	(129,453)

The Group has adopted AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers. This resulted in an adjustment of $0.025 million to retained earnings (nil tax impact) as at 1 July 2018, being the cumulative effect on initial application of the AASB 9 (refer to Note 11(b)(ii)).

AASB 15 was adopted on modified retrospective basis resulting in an adjustment of $0.439 million to retained earnings (tax impact of $0.131m) as at 1 July 2018, being the cumulative effect on initial application of AASB 15 (refer to Note 5(a)).

The comparative results for the year ended 30 June 2018 are not restated as permitted by the standards.

9 Cash flow information

(a) Reconciliation of profit after income tax to net cash inflow from operating activities

	Consolidated	
	2019	2018
	$'000	$'000
Net profit/(loss) for the year after tax	(448,386)	54,249
Adjustments for:		
Depreciation	185,216	177,488
Amortisation	8,108	7,988
Recognition of impairment (reversal)/expense	450,692	19,571
Recognition of government grant income attributable to financing activities	(39,164)	(22,471)
Net loss/(gain) on sale of non-current assets	(379)	1,488
Finance costs	17,534	25,169
Income tax expense	34,620	47,925
Operating profit before changes in working capital and provisions	208,241	311,407
Change in operating assets and liabilities:		
Change in trade debtors and other receivables	(32,586)	(8,507)
Change in inventories	(9,265)	(6,654)
Change in other current assets	630	(5,939)
Change in trade and other payables	33,678	27,598
Change in other liabilities	(30,786)	(1,414)
Change in provisions	6,458	1,805
Net cash inflow from operating activities	176,370	318,296

10 Capital management

(a) Risk management

The Group's objectives when managing capital are to:

- safeguard the ability to continue as a going concern (refer to note 20(e)), so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

During 2019 the Group's objective was to maintain a gearing ratio under 40% (2018: 40%). The gearing ratios were as follows:

		Consolidated	
		2019	2018
	Notes	$'000	$'000
Total Borrowings			
Less cash and cash equivalents	6(c), 6(d)	592,657	474,125
Adjusted net debt	6(a)	(21,852)	(61,554)
		570,805	412,571
Total equity		3,313,909	3,678,746
Adjusted equity		3,884,714	4,091,317
Net debt to adjusted equity ratio		14.7%	10.1%

Total borrowings include trade and other payables and the impact of amortised interest and fees. Adjusted equity equates to equity as reported plus adjusted net debt as calculated above.

(b) Dividends - Ordinary shares

	Consolidated	
	2019	2018
	$'000	$'000
Final dividend for the year ended 30 June 2018		
of 1.4 cents (2018: 0.89 cents) per fully paid share	42,497	22,409
Interim dividend for the year ended 30 June 2019		
of 0.9 cents (2018: 1.71) per fully paid share	25,815	42,980
	68,312	65,389

11 Financial risk management

The Group's principal financial instruments comprise receivables, payables, bonds, banking facilities, cash, short term deposits and derivatives. The carrying amount equates to the fair value of the financial instruments.

Risk management framework

The Group's Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Treasury Committee, a committee reporting to the CEO, is responsible for reviewing, monitoring and endorsing funding and risk management strategies. Treasury identifies, evaluates and monitors compliance and manages financial risks in accordance with the Treasury Policy and Strategy. Treasury provides updates to the Audit and Compliance Committee which oversees adequacy, quality and effectiveness of governance and financial risk management.

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. Note the Group's current activities do not expose it to price risk. The Group's overall financial risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses fixed rate debt instruments, derivative financial instruments such as foreign exchange contracts and interest rate swaps to hedge cash flow risk exposures. Derivative financial instruments are exclusively used for hedging purposes, that is, not as trading or other speculative instruments. The Group uses different methods to identify and measure various different types of risk to which it is exposed.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions such as purchases of equipment and supplies from overseas. All significant non - Australian dollar denominated payments require Treasury to assess and mitigate the Group's foreign exchange risk.

Forward contracts are generally used to manage foreign exchange risk predominantly in USD purchases. Treasury is responsible for managing the Group's exposures in each foreign currency by using external foreign currency instruments in accordance with Board approved Treasury Policy.

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity. When the cash flows occur, the Group adjusts the initial measurement of the component recognised in the consolidated income statement by the related amount deferred in equity.

During the year ended 30 June 2019 there were no reclassifications of cash flow hedge from equity to the income statement (2018: $(0.054m)) due to the maturing of the hedges. There was no hedge ineffectiveness in the current year expensed to the income statement (2018: $0.019m).

(ii) Interest rate risk

The Group's policy is to invest its available cash reserves with due regard to the timing and magnitude of operational cash flow requirements. The Group manages its interest rate risk by entering into and designating interest rate related authorised hedging instruments as hedges. As at the reporting date, cash reserves are being held as cash and short term investments.

The gain or loss from re-measuring the hedging instruments at fair value is recognised in other comprehensive income and deferred in equity in the hedging reserve, to the extent that the hedge is effective. It is reclassified into the income statement when the hedged interest expense is recognised. For the year ended 30 June 2019 there were no interest rate hedges established, therefore, there was no impact on the financial statements. Refer to the accounting policy at the end of this note.

(iii) Classification of derivatives

Derivatives are designated and documented as hedging instruments and for the effective portion of the hedge accounted for at fair value in other comprehensive income and deferred in equity in the hedging reserve. It is reclassified into the income statement when the hedged interest expense is recognised.

11 Financial risk management (continued)

(a) Market risk (continued)

(iv) Sensitivity analysis - interest rate and foreign currency

	Interest rate risk			
	-0.5%		+0.5%	
	Profit $'000	Equity $'000	Profit $'000	Equity $'000
30 June 2019				
Financial assets				
Cash and cash equivalents	(76)	(76)	76	76
Total increase/(decrease) in financial assets	(76)	(76)	76	76

	Interest rate risk			
	-0.5%		+0.5%	
	Profit $'000	Equity $'000	Profit $'000	Equity $'000
30 June 2018				
Financial assets				
Cash and cash equivalents	(216)	(216)	216	216
Total increase/(decrease) in financial assets	(216)	(216)	216	216

This analysis assumes all other variables are constant. All current bonds are issued at fixed rates. Foreign currency derivatives balances were low or nil in both the current and previous financial periods and therefore excluded from the above sensitivity analysis.

(b) Credit risk

(i) Risk management

The Group's exposure to credit risk arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount. Credit risk is managed on a Group basis. Credit risk arises predominantly from trade and other receivables and a very minimal amount from cash and cash equivalents. The Group does not hold any credit derivatives to offset its credit exposure.

The Group's Treasury Policy mitigates credit risk including that related to cash and cash equivalents by outlining the approach to the management of counterparty credit risk as approved by the Board. A number of criteria are utilised to manage and spread the level of risk such as: minimum credit rating of counterparty (investment grade), maximum credit exposure to any one counterparty and consideration of counterparty concentration risk. The Group generally utilises large A-1/AAA rated banks and therefore as a result credit risk is very minimal on cash and cash equivalents.

The Group's policy is that all customers enter into access agreements meeting the terms and conditions as set out in the agreement before entering the Group's rail network and receiving any trade credit facilities.

The Group's exposure to bad debts has been historically low and statistically insignificant. The Group does have significant concentration of credit risk associated with major customers providing a high proportion of access revenue. Bad debt provisions are assessed on an individual basis in addition to an expected credit loss calculation.

(b) Credit risk (continued)

(ii) Credit quality: Allowance for impairment

As at 1 July 2018, the group has moved from an 'incurred loss' model to an 'expected credit loss model' to comply with the new Accounting Standard AASB 9 Financial Instruments. A specific provision for impaired receivables will continue to be recognised for all known exposures and an expected credit loss allowance will be recognised for potential future exposures.

The Group has chosen to use the Simplified Approach in determining its expected credit loss allowance for trade receivables which is made up of accruals or amounts where credit risk is non - existent are assessed using relevant impairment indicators. Under the Simplified Approach, a matrix has been used as the practical expedient to determine expected credit losses on trade receivables. The matrix incorporates forward looking information and historical default rates. The inputs to the matrix include revenue, trade receivable collections, trade receivable write-offs and reasons for bad debts. The output of the matrix is an average 3 year default rate for each aged trade receivable range, with the addition of the specific provision for impaired receivables included. The average default rate is then applied to the aged trade receivable balances at each reporting date to calculate the expected credit loss allowance.

As at 30 June 2019, the expected credit loss allowance calculated using the average 3 year default rate for the group was calculated as $0.106m (2018: $0.213m of which $0.188 was a specific impairment and $0.025m was the calculated expected credit loss allowance that was restated through opening retained earnings). The individually impaired items primarily relate to rental on property where the lessees have fallen behind on lease payments.

The following table provides information about the exposure to credit risk and expected credit losses for trade and other receivables as at 30 June 2019.

30 June 2019	Total $'000	Current $'000	>30 Days $'000	> 60 Days $'000	> 90 Days $'000	> 90 Days (Specific Provision) Total $'000
Trade receivables	56,515	28,872	26,599	232	812	-
Other receivables	2,097	1,795	52	42	208	-
Total	**58,612**	**30,667**	**26,651**	**274**	**1,020**	**-**
Expected credit loss rate		0.03%	0.03%	0.46%	0.77%	
Allowance for expected credit loss	(106)	(9)	(9)	(1)	(8)	(79)

Movements in the allowance for expected credit losses of trade receivables are as follows:

	Trade receivables 2019 $'000	Trade receivables 2018 $'000
At 30 June – calculated under AASB 139	(188)	(114)
Amounts restated through opening retained earnings	(25)	-
Opening loss allowance as at 1 July 2018 – calculated under AASB 9	(213)	(114)
Increase in expected credit loss allowance recognised in profit or loss during the year	(2)	-
Receivables written off during the year as uncollectible	(137)	(242)
Unused amount reversed	246	168
At 30 June	(106)	(302)

The creation and release of the allowance for expected credit losses has been included in 'other expenses' in the income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

11 Financial risk management (continued)

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of committed credit facilities to support funding requirements and the ability to close out market positions. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and maintaining adequate liquidity reserves to support forecast net business expenditure requirements for a minimum of twelve months on a rolling monthly basis.

As at 30 June 2019, $150m of the $800m syndicated debt facility has been utilised (2018: $65m). The Group has a $1,500m Australian Dollar Domestic Note programme of which $300m is issued (note 6(d)). The Group also has access to business card facilities of $2m (2018: $2m).

Maturities of financial assets and liabilities based on contractual maturities

The tables below analyse the Group's financial assets and liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

The amounts disclosed in the table are the contractual principal and accrued interest undiscounted cash flows.

	Less than 6 months	6 - 12 months	Between 1 and 5 years	Over 5 years	Total cash flows
At 30 June 2019	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Financial assets					
Cash & cash equivalents	21,852	-	-	-	21,852
Trade & other receivables	87,641	36	27,436	38	115,151
Total financial assets	**109,493**	**36**	**27,436**	**38**	**137,003**
Financial liabilities					
Trade & other payables	142,852	-	-	-	142,852
Bond issue	181,094	2,813	150,313	-	334,220
Borrowings	-	-	150,358	-	150,358
Total financial liabilities	**323,946**	**2,813**	**300,671**	**-**	**627,430**
30 June 2018					
Financial assets					
Cash & cash equivalents	61,554	-	-	-	61,554
Trade & other receivables	72,703	-	9,614	248	82,565
Total financial assets	134,257	-	9,614	248	144,119
Financial liabilities					
Trade & other payables	109,505	-	-	-	109,505
Bond issue	6,094	6,094	206,406	127,813	346,407
Borrowings	65,042	-	-	-	65,042
Total financial liabilities	180,641	6,094	206,406	127,813	520,954

(d) Fair value measurements

(i) Fair value hierarchy and accounting classification

Judgements and estimates are made in determining the fair values of the items that are recognised and measured at fair value in the financial statements. The reliability of the inputs used in determining fair value has been classified into the three levels prescribed under AASB 13. An explanation of each level follows underneath the table.

			Fair Value			
30 June 2019	Notes	Carrying Value $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Non-financial assets						
Measured at fair value						
Leasehold improvements	7(c)	2,956,051	-	-	2,956,051	2,956,051
Plant & equipment	7(c)	655,710	-	-	655,710	655,710
Total non-financial assets		**3,611,761**	**-**	**-**	**3,611,761**	**3,611,761**
Financial assets						
Loans and receivables						
Cash and cash equivalents	6(a)	21,852	-	-	-	21,852
Trade and other receivables	6(b)	115,151	-	-	-	115,151
Total financial assets		**137,003**	**-**	**-**	**-**	**137,003**
Financial liabilities						
Other financial liabilities						
Interest bearing liabilities	6(d)	450,075	-	-	-	450,075
Trade payables	6(c)	142,582	-	-	-	142,582
Total financial liabilities		**592,657**	**-**	**-**	**-**	**592,657**
30 June 2018						
Non-financial assets						
Measured at fair value						
Leasehold improvements	7(c)	3,250,768	-	-	3,250,768	3,250,768
Plant and equipment	7(c)	729,748	-	-	729,748	729,748
Total non-financial assets		**3,980,516**	**-**	**-**	**3,980,516**	**3,980,516**
Financial assets						
Loans and receivables						
Cash and cash equivalents	6(a)	61,554	-	-	-	61,554
Trade and other receivables	6(b)	82,565	-	-	-	82,565
Total financial assets		**144,119**	**-**	**-**	**-**	**144,119**
Financial liabilities						
Other financial liabilities						
Interest bearing liabilities	6(d)	364,620	-	-	-	364,620
Trade payables	6(c)	109,505	-	-	-	109,505
Total financial liabilities		**474,125**	**-**	**-**	**-**	**474,125**

Level 1: The fair value of instruments traded in active markets (such as publicly traded derivatives and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. These instruments are included in level 1.

Level 2: The fair value of instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

11 Financial risk management (continued)

(d) Fair value measurements (continued)

(i) Fair value hierarchy and accounting classification

Disclosed fair values
The carrying amounts of trade receivables and payables, bonds, banking facilities, cash and short term deposits equates approximately to their fair values due to their nature and are carried at amortised cost.

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the current or the previous financial year. The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

(ii) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves. The present values and discounted rates used were adjusted for counterparty and own credit risk and are not considered a significant input.
- The fair value of foreign contracts is calculated as the present value of the future cash flows based on the forward exchange rates at the consolidated balance sheet date.
- The fair value of infrastructure assets is determined using risk adjusted discounted cash flow projections based on reasonable estimates of future cash flows.

(iii) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items for the periods ended 30 June 2018 and 30 June 2019 for the Group:

	$'000
Opening balance 1 July 2017	**3,909,156**
Additions	208,342
Impairment included in expenses	(11,689)
Depreciation	(167,960)
Disposals	(2,105)
Changes in fair value included in other comprehensive income	44,772
Closing balance 30 June 2018	**3,980,516**
Additions	300,510
Impairment included in expenses	(287,955)
Depreciation	(175,053)
Disposals	(1,934)
Changes in fair value included in other comprehensive income	(194,319)
Transfer to held for sale asset	(10,004)
Closing balance 30 June 2019	**3,611,761**

(iv) Valuation inputs and relationships to fair value

The following table summarises the information about the significant unobservable inputs used in level 3 fair value infrastructure asset measurements. See (ii) above for the valuation techniques adopted.

(d) Fair value measurements

Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurements
Discounted cash flows: The valuation model considers the present value of expected payment, discounted using a risk-adjusted discount rate. The expected payment is determined by considering the cashflow forecasts for each business unit which is comprised of the relevant CGUs. Risk adjustments are made and terminal value calculations are completed on a probability basis.	Forecast annual revenue, Maintenance and capital expenditure, Risk-adjusted discount rate	The estimated fair value would increase (decrease) if: the annual revenue growth rate were higher (lower); if maintenance and capital expenditure were lower (higher); or the risk-adjusted discount rate were lower (higher). Generally, a change in the annual revenue growth rate is accompanied by a directionally similar change in maintenance and capital expenditure.

(v) Valuation processes

The Group calculates the fair value for infrastructure assets using the income method approach, whereby the measurement reflects current market expectations of future cashflows discounted to their present value for each asset group that would be considered reasonable by a normal market participant. The estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the business risk.

ARTC's policy is to revalue on a triennial basis or in an intervening year if the fair value of the revalued asset class differs materially from its carrying amount. Property, plant and equipment reviews are undertaken annually to ensure significant movements are identified and accounted for. At 30 June 2019, the Group undertook a fair value assessment on an income method approach as there are no similar market quoted assets. The net present value of the cash flows for each business unit is compared with the current carrying value and any significant variance is taken to the financial statements.

The main level 3 inputs used by the Group for this process are derived and evaluated as follows:

- The Interstate business unit comprises the East West and North South corridors, the underlying cash flows are compiled on the basis that the CGUs operate as a combined Interstate business unit.
- Due to the long life of the asset base of the business, cash flows are considered for the ACCC approved remaining mine life for Hunter Valley or 20 years for the Interstate network.
- Expected cash flows are based on the terms of existing contracts, along with the entity's knowledge of the business and assessment of the likely current economic environment impacts, adjusted to account for an expected arm's length market participant's view of cash flow risks.
- Growth rates for income are derived from the underlying contract data, GDP growth rates, inflation estimates and pricing assumptions. Long term average growth rates used range from 2.8% to 4.2% (2018: 2.2% to 4.5%).
- An external expert is used to determine a nominal post-tax weighted average cost of capital range that reflects current market assessments of the time value of money and the risks specific to the relevant business units. As at 30 June 2019, the range determined across all business units is 5.8% - 7.1% (2018: 5.9% - 7.3%). The rates applied were selected from within the range applicable to each business unit.

11 Financial risk management (continued)

(d) Fair value measurements (continued)

Summarised sensitivity analysis

For the fair values of infrastructure assets, reasonably possible changes at the reporting date to one of the significant unobservable inputs, holding other inputs constant would have the following effects:

	Fair Value Impact			
	2019		2018	
	Increase $'000's	Decrease $'000's	Increase $'000's	Decrease $'000's
Annual revenue (1% revenue movement p.a.)	136,218	(136,218)	142,984	(142,984)
Maintenance and capital expenditure (1% cost movement p.a.)	(57,113)	57,113	(52,260)	52,260
Discount rate (+/- 100bps movement)	(516,411)	1,103,813	(667,658)	1,026,708

The impact of the above sensitivities of the infrastructure asset value in percentage terms would be as follows:

	Fair Value Impact			
	2019		2018	
	Increase %	Decrease %	Increase %	Decrease %
Annual revenue (1% revenue movement p.a.)	3.4	(3.4)	3.6	(3.6)
Maintenance and capital expenditure (1% cost movement p.a.)	1.4	(1.4)	(1.3)	1.3
Discount rate (+/- 100bps movement)	(13.0)	27.7	(16.8)	25.8

Accounting policy

Financial assets
Financial assets classified as either fair value at amortised cost, fair value through other comprehensive income (OCI), or fair value through profit or loss. The classification depends on the purpose for which the financial instruments were acquired, which is determined at initial recognition based on characteristics of the contractual cash flows of the instrument.

With the exception of trade receivables, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables are measured at the transaction price determined under AASB 15.

Subsequent to initial recognition they are measured at amortised cost using the effective interest method. The Group's financial assets at amortised cost include trade and other receivables.

Financial liabilities
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

Derivative financial instruments and hedge accounting
The Group uses derivative financial instruments to hedge its foreign currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value with any gain or loss on remeasurement being recognised through profit or loss or other comprehensive income and later reclassified to profit or loss when the hedge item affects profit or loss. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

12 Subsidiaries

Significant investment in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following principal non - operating subsidiaries in accordance with the accounting policy.

		Equity holding	
Name of subsidiary	Country of incorporation	2019 %	2018 %
ARTC Services Company Pty Ltd	Australia	-	100
Standard Gauge Company Pty Ltd	Australia	**100**	100

ARTC Services Company Pty Ltd holding is now nil due to the company being wound up during the year.

Accounting policy

Subsidiaries
The consolidated financial statements incorporate the assets and liabilities of all entities controlled by the Australian Rail Track Corporation Ltd (''Company'' or ''Parent entity'') as at each balance date and the results of the controlled entities for the year then ended. Australian Rail Track Corporation Ltd and its controlled entities are referred to in this financial report as the "Consolidated Entity" or "the Group". The effects of all transactions between entities in the Consolidated Entity are eliminated in full.

Investments in subsidiaries are accounted for at cost in the individual financial statements of Australian Rail Track Corporation Ltd and are not material to the Group.

13 Contingencies

The Group accounts for costs associated with rectifying rail access related incidents following their occurrence. Income from subsequent insurance and other recoveries are only recognised when there is a contractual arrangement in place and the income is virtually certain of being received. As a result, certain potential insurance and or other recoveries have not been recognised at year end, as their ultimate collection is not considered virtually certain.

14 Commitments

(a) Capital commitments

At 30 June 2019, the Group has commitments in the order of $427.6m (2018: $212.6m) relating to the investment program that the Group will be undertaking in the Interstate, Hunter Valley and Inland Rail business units in the coming years.

The scope of the work includes Inland Rail project construction and a range of projects across the existing operating network. Corridor works focus on renovating and rebuilding the rail infrastructure assets to address rail's performance on the corridor.

(b) Lease commitments: Group as lessee

Non-cancellable operating leases

The Group leases various offices and warehouses under operating leases expiring within one to eight years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

	Consolidated	
	2019 $'000	2018 $'000
Commitments in relation to leases contracted for at the end of each reporting period but not recognised as liabilities, payable:		
Within one year	**10,724**	9,912
Later than one year but not later than five years	**20,450**	16,432
Later than five years	**3,069**	3,076
	34,243	29,420

14 Commitments (continued)

(b) Lease commitments: Group as lessee (continued)

Accounting policy

Leases - Group as a Lessee
Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short term and long term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leases in which substantially all the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight line basis over the period of the lease.

(c) Lease commitments: Group as the lessor

The Group has entered into various property leases with terms of the lease ranging from one year to indefinite. The future minimum lease payments receivable under operating leases are as follows:

	Consolidated	
	2019	2018
	$'000	$'000
Commitments in relation to leases contracted for at the end of each reporting period but not recognised as assets, receivable:		
Within one year	**6,663**	4,969
Later than one year but not later than five years	**15,787**	10,449
Later than five years	**14,265**	9,338
	36,715	24,756

Accounting policy

Group as a lessor
Leases in which the Group retains substantially all the risks and benefits of ownership of the leased asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as rental income.

15 Directors and Key Management Personnel disclosures

(a) Remuneration of Directors and Key Management Personnel

	Consolidated	
	2019	2018
	$'000	$'000
Short term employee benefits	6,275,541	4,150,477
Post - employment benefits	243,573	192,062
Other long-term benefits	177,426	91,049
	6,696,540	4,433,588

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel.

16 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the Consolidated Entity, its related practices and non-related audit firms:

	Consolidated	
Audit and other assurance services	2019	2018
	$	$
Audit services		
The following total remuneration was received or is due and receivable, by the Australian National Audit Office in respect of its services, including those performed by its contractors EY for auditing the financial report of the entity in the Group	347,600	335,500
Other assurance services		
The following total remuneration was received or is due and receivable, by the Australian National Audit Office in respect of its services, including those performed by its contractors EY relating to fees for Infrastructure Investment Grant Audit	11,000	11,000
Total remuneration for audit and other assurance services	358,600	346,500
Other services		
Other non-audit services - asset management practices review	159,478	133,162

17 Related party disclosures

(a) Ultimate controlling entity

ARTC is the ultimate Australian parent entity within the Group and the ultimate controlling entity of the Group is the Commonwealth Government.

(b) Directors

There were no related party transactions with Directors at year end (2018: $ nil).

There were no loans to Directors at year end (2018: nil).

18 Significant events after the balance date

No other events have occurred after the balance sheet date that should be brought to account or disclosed in the year ended 30 June 2019 financial statements.

19 Parent entity financial information

(a) Summary financial information

The individual financial statements for the Parent entity (Australian Rail Track Corporation Limited) show the following aggregate amounts:

	Consolidated	
	2019	2018
	$'000	$'000
Balance sheet		
Current assets	**170,943**	173,130
Non-current assets	**4,428,045**	4,650,575
Total assets	**4,598,988**	4,823,705
Current liabilities	**503,729**	398,825
Non-current liabilities	**781,347**	753,157
Total liabilities	**1,285,076**	1,151,982
Net assets	**3,313,912**	3,671,723
Shareholders' equity		
Contributed equity	**3,118,361**	2,827,656
Reserves	**757,811**	980,543
Retained earnings	**(562,260)**	(136,476)
Capital and reserves attributable to owners of Australian Rail Track Corporation Ltd	**3,313,912**	3,671,723
Total revenue and other income	**847,712**	830,964
Total expenses	**(1,243,944)**	(703,621)
Finance costs	**(17,534)**	(25,169)
Income tax (expense)/benefit	**(34,620)**	(47,925)
Profit/(Loss) for the year	**(448,386)**	54,249
Other comprehensive income, net of tax		
Revaluation/(devaluation) property plant and equipment	**(136,023)**	31,341
Re-measurement gains/(losses) on defined benefit fund obligations	**(2,485)**	762
Net changes in the fair value of cashflow hedges transferred to profit and loss	**-**	9
Other comprehensive income for the year, net of tax	**(138,508)**	32,112
Total comprehensive income, net of tax	**(586,894)**	86,361

(b) Contingencies of the parent entity

The parent entity accounts for costs associated with rectifying rail access related incidents following their occurrence. Income from subsequent insurance and other recoveries is only recognised when there is a contractual arrangement in place and the income is probable of being received. As a result, certain potential insurance and or other recoveries have not been recognised at year end, as their ultimate collection is not considered probable.

(c) Contractual commitments for the acquisition of property, plant or equipment

As at 30 June 2019, the parent entity had contractual commitments for the acquisition of property, plant or equipment totalling $427.6m (2018: $212.6m). These commitments are not recognised as liabilities as the relevant assets have not yet been received.

Accounting policy

Parent entity financial information
The financial information for the Parent entity, Australian Rail Track Corporation Ltd, has been prepared on the same basis as the consolidated financial statements.

20 Other accounting policies

(a) New and amended standards adopted by the Group

The Group applied AASB 15 and AASB 9 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

AASB 15 Revenue from Contracts with Customers
AASB 15 supersedes AASB 111 Construction Contracts, AASB 118 Revenue and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. AASB 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group adopted AASB 15 using the modified retrospective method of adoption with the date of initial application of 1 July 2018. The Group assessed that the point at which the performance obligation was satisfied for the variable usage charges was the last completed train journey, therefore an adjustment was recognised for train journeys not completed at 30 June 2018 to decrease revenue by $0.439 million ($0.308 tax effected). The comparative information for the period beginning 1 July 2017 is not restated as permitted by the Standard.

The impact in the current reporting period of the application of AASB 15 as compared to AASB 111, AASB 118 and related Interpretations that were in effect before the change, is a decrease in revenue $0.233 million ($0.163 tax effected).

AASB 9 Financial Instruments
AASB 9 Financial Instruments replaces AASB 139 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018; bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

With the exception of hedge accounting, which the Group applied prospectively, the Group has applied AASB 9 retrospectively, with the initial application date of 1 July 2018, with no changes to comparatives.

(i) Classification and measurement
The classification and measurement requirements of AASB 9 did not have a significant impact on the Group. The Group continued measuring at amortised cost all financial assets previously held at amortised cost under AASB 139. The Group also continues to measure derivatives at fair value with subsequent gains through Other Comprehensive Income for the effective portion of the hedge and through profit and loss for the ineffective portion consistent under AASB 139.

(ii) Impairment
The Group have changed their accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach. AASB 9 requires the Group to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss on and contract assets. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

The cumulative effect of adopting the ECL approach is $0.025 million (nil tax effect) to retained earnings.

20 Other accounting policies (continued)

(iii) Hedge accounting
The Group applied hedge accounting prospectively and has no impact on the presentation of comparative figures. At the date of initial application, all of the Group's existing hedging relationships were eligible to be treated as continuing hedging relationships.

(b) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2019 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations which may be relevant to the Group are set out below.

(i) AASB 16 Leases
AASB 16 replaces existing leases guidance, including AASB 117 Leases, Interpretation 4 Determining whether an Arrangement contains a Lease, Interpretation 115 Operating Leases-Incentives and Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply AASB 15 on or before the date of initial application of AASB 16. ARTC does not plan to early adopt this standard.

AASB 16 introduces a single, on balance sheet lease accounting model for lessees. A lessee recognises a right of use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short term leases and leases of low value items. Lessor accounting remains similar to the current standard i.e lessors continue to classify leases as finance or operating leases.

ARTC with the support of its external advisor has completed a detailed assessment of the potential impact on its consolidated financial statements of the application of AASB 16. The actual impact of applying AASB 16 on the financial statements in the period of initial application will depend on economic conditions post 30 June 2019, including ARTC's borrowing rate at 1 July 2019, the composition of ARTC's lease portfolio at that date, and ARTC's latest assessment of whether it will exercise any lease renewal options.

ARTC is intending to adopt the following approaches to the new standard:

- The modified retrospective approach will be applied on initial application of AASB 16 and using the option of right of use asset amount equal to the lease liability adjusted for prepayments/accruals where required;

- The short-term or low value exemptions will be applied to lease recognition where:
  o The lease has a term of 12 months or less at the commencement date and
  o The underlying value of the lease is of low value ($10,000).

The most significant impact identified is the recognition of new assets and liabilities for operating leases of Property, plant and equipment. As at 30 June 2019, ARTC's future minimum lease payments under non-cancellable operating leases amounted to $34.2m, on an undiscounted basis. The amounts brought onto the balance sheet at 1 July 2019 are expected to be lower than the minimum lease payments due to the discounting requirements in the standard. In addition, the nature of expenses related to those leases will now change as AASB 16 replaces the straight line operating lease expense with a depreciation charge for right of use assets and interest expense on lease liabilities.

(ii) AASB 2017-4 Uncertainty over Income Tax Treatments
Clarification to the accounting for income tax treatments that have yet to be accepted by tax authorities.

It is noted that ARTC does not take positions that it does not expect to be accepted by the Australian Taxation Office. Additionally, ARTC obtains tax advice or seeks ATO guidance where the tax treatment of a transaction is complex or uncertain.

Therefore, this interpretation is unlikely to have an impact on ARTC.

(iii) AASB 112 Income Taxes - Income tax consequences of payments on financial instruments classified as equity
This has no impact on ARTC on the basis that ARTC does not have any Financial Instruments classified as equity, and as such no returns that would be deemed not dividends for tax purposes.

There are no other standards that have been issued or amended but are not yet effective that are expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

(c) Infrastructure maintenance

Infrastructure maintenance of infrastructure assets is classified as major periodic maintenance if it is part of a systematic planned program of works, occurs on a cyclical basis and is significant in monetary value. Major periodic maintenance may include significant corrective works, component replacement programs, and similar activities and these costs are expensed.

(d) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the consolidated balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(e) Going concern

The consolidated financial statements have been prepared on a going concern basis as the Director's consider that the Group will be able to meet the mandatory repayment terms of banking facilities see note 6(d) and other amounts payable.

At 30 June 2019, the Group has a net deficiency of current assets (2019: $170.9m, 2018: $180.2m) to current liabilities (2019: $503.7m, 2018: $398.8m) of $332.8m (2018: $218.7m). Notwithstanding this deficiency, the Directors remain confident that the Group will be able to meet its debts as and when they fall due. The Directors are of the opinion that the financial statements are appropriately prepared on a going concern basis having regard to the following:

As at 30 June 2019

- The Group has net assets of $3,314m (2018: $3,679m)
- The Group generated cash from operating activities of $176.4m (2018: $318m)
- The Group expects to continue to generate positive cash flows from operating activities in the next twelve months
- The Group has $650m (2018: $385m) of unutilised funds available through a Syndicated Debt Facility Agreement (as detailed in note 11(c))
- The Group engages in active financial risk management and an established debit capital market programme which are subject to ongoing governance at Committee and Board level (as detailed in note 11)
- The Group has entered into an Equity Funding Agreement with the Commonwealth Government in relation to progressive funding to support the Inland Rail construction project.

DIRECTORS' DECLARATION

DIRECTORS' DECLARATION 30 JUNE 2019

In the Directors' of Australian Rail Track Corporation Ltd.'s ("the Consolidated Entity") opinion:

(a) the consolidated financial statements and notes set out on pages 20 to 71 are in accordance with the Corporations Act 2001, including:

(i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and

(ii) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2019 and of its performance for the year ended on that date, and

(b) the financial statements and notes set out on pages 20 to 71 are also in accordance with the international financial reporting standards issued by the International Accounting Standards Board; and

(c) there are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of Directors.

W Truss
Director

Signed in Sydney on the 28th day of August 2019

INDEPENDENT AUDITOR'S REPORT

Australian National
Audit Office

To the members of Australian Rail Track Corporation Ltd Opinion

In my opinion, the financial report of Australian Rail Track Corporation Ltd ('the Company') and its subsidiaries (together 'the Group') for the year ended 30 June 2019 is in accordance with the Corporations Act 2001, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the year then ended; and

(b) complying with Australian Accounting Standards and the Corporations Regulations 2001.

The financial report of the Group, which I have audited, comprises the following statements as at 30 June 2019 and for the year then ended:

- Consolidated Statement of Comprehensive Income;
- Consolidated Balance Sheet;
- Consolidated Statement of Changes in Equity;
- Consolidated Cash Flow Statement;
- Notes to the financial statements, comprising a Summary of Significant Accounting Policies and other explanatory information; and
- Directors' Declaration.

Basis for opinion

I conducted my audit in accordance with the Australian National Audit Office 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 Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the relevant ethical requirements for financial report audits conducted by the Auditor-General and his delegates. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) to the extent that they are not in conflict with the Auditor-General Act 1997. I have also fulfilled my other responsibilities in accordance with the Code.

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2019, but does not include the financial report and my auditor's report thereon.

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

My objective is 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 National Audit Office 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' 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 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. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the 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 Group audit. I remain solely responsible for my audit opinion.

I communicate with the directors 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.

Australian National Audit Office

Scott Sharp
Executive Director

Delegate of the Auditor-General

Canberra
28 August 2019