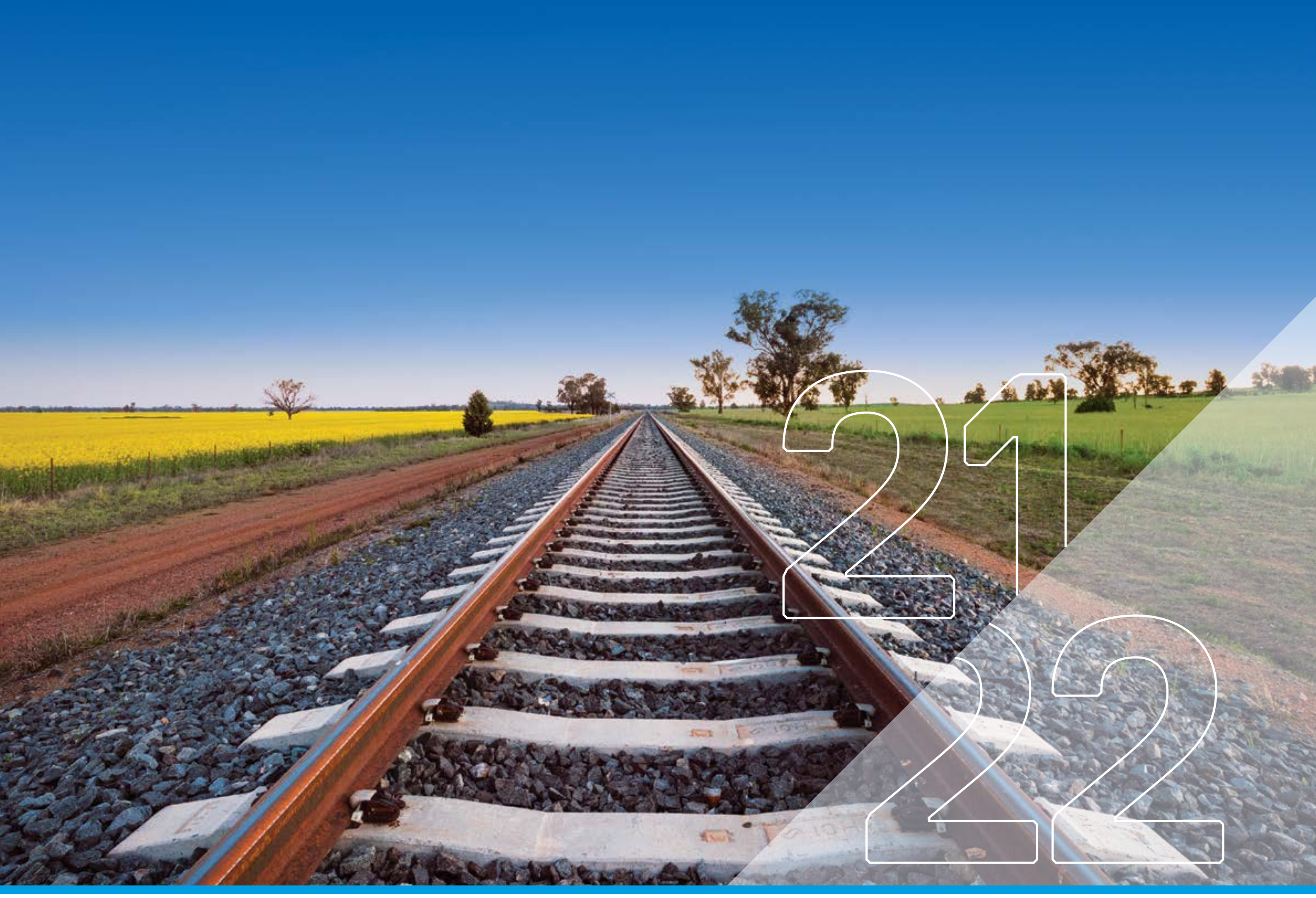


ANNUAL REPORT

ARTC

Australian Rail Track Corporation
ABN 75 081 455 754
11 Sir Donald Bradman Drive
Keswick Terminal SA 5035

ACKNOWLEDGEMENT OF COUNTRY

ARTC acknowledges the Traditional Custodians of country throughout Australia and their deep connections to land, sea, and community. We respect their Elders past and present who have looked after the land and waters for millennia. In the spirit of reconciliation, we extend that respect to all Aboriginal and Torres Strait Islander peoples.

Journey **artwork by Elenore Binge, Gomeroi/Kamilaroi woman**

CONTENTS

CHAIRMAN AND CEO'S MESSAGE

In a year full of challenges and growth, ARTC continued to evolve in 2021–22 in support of our vision to keep Australia moving.

On average, we managed the daily transit of more than 420 freight and passenger trains on our 8,500km network, which included construction, maintenance and operational activities to manage our rail corridors across five states as safely and efficiently as possible.

During the year, we sharpened our focus on network resilience which was tested at times due to several extreme weather events, including record-breaking floods in South Australia, New South Wales and Queensland. This will continue to be a key focus for us as we further develop the robustness of our network in the face of climate-related disruptions that are happening on a global scale.

What these extraordinary events have shown is the outstanding professionalism and tenacity of our people. Thanks to the hard work of our frontline and support teams, we were able to respond swiftly and safely to help minimise network disruptions for our customers and local communities.

Significantly, we made strong progress with major construction projects, including Inland Rail where works continued mainly in New South Wales. As the largest freight rail infrastructure project in the nation, Inland Rail is expected to transform the way goods are moved around Australia, particularly between Melbourne and Brisbane.

In addition, we completed our North East Rail Line project in regional Victoria to provide a smoother and more reliable ride for passengers travelling between Albury-Wodonga and Melbourne, and advanced our Botany Rail Duplication and Cabramatta Loop Project in Sydney, which will improve rail freight capacity and efficiency to meet forecast demand.

Other particularly notable achievements in 2021–22 included:

- **Safety remained central to everything** – as part of our Pathway to Zero Harm Strategy, we implemented several initiatives through our Safe Work Improvement Program to strengthen trackworker safety. Importantly, our All Injury Frequency Rate, Medically Treated Injury Frequency Rate and Lost Time Injury Frequency Rate all improved year-on-year.
- **Finances steady despite extreme weather** – our access revenue of $744.8 million and EBITDAI (Earnings Before Interest, Tax, Depreciation, Amortisation and Impairment) of $253.4 million were slightly down year-on-year, but were pleasing results nonetheless in light of the network closures we experienced due to major flooding events.
- **Reconciliation Action Plan** – we launched our first Reconciliation Action Plan, including a range of deliverables to strengthen ARTC's engagement with First Nations people. Endorsed by Reconciliation Australia, the plan's goal is to create meaningful employment and business opportunities, and a culturally inclusive workplace where belonging is underpinned by safety, wellbeing and acceptance.

Amid the increased frequency of severe weather events and the concerted action being taken on climate change around the world, we bolstered our environmental, social and governance (ESG) activities during the year.

This included the launch of our first ESG Strategy, which incorporates a three-year roadmap to help us achieve our ambition to support a more sustainable future through modal shift to rail.

As part of this strategy, we took steps to develop our approach to ESG reporting, so in addition to this year's Annual Report, we were also pleased to release our inaugural ESG Report (**www.artc.com.au/about/reports**) which outlines our progress to date.

To underpin our ongoing efforts, we were also pleased to support the recommendations of the Task Force on Climate-related Financial Disclosures and have committed to integrating them into our business processes and reporting.

Our Interstate and Hunter Valley networks performed well during the year.

Our Interstate network, which primarily consists of an east-west corridor (Melbourne to Kalgoorlie) and north-south corridor (Brisbane to Melbourne), facilitated a daily average of 212 train journeys. This led to 56,714 million general and bulk freight gross tonne kilometres (GTKs) transported, which is only a fraction down on the 57,396 million GTKs transported in 2020–21.

Similarly, our Hunter Valley network across central and north-west New South Wales facilitated a daily average of 210 train journeys. This led to the transport of 165.16 million coal tonnes, including 153.83 million tonnes transported to the Port of Newcastle for export to global markets (down 0.77% on 2020–21).

Ongoing emphasis was placed on modernising our network through new technologies, including further implementation of our Advanced Train Management System (ATMS). After successfully deploying ATMS on our network between Port Augusta and Whyalla in regional South Australia, we progressed plans to extend its reach on a 1,200km stretch of track between Tarcoola and Kalgoorlie.

Looking to the future, the ability to efficiently transport goods to shops and supermarkets across the country and to ports for export markets around the world has never been more important for local businesses and local jobs. So as we slowly emerge from the COVID-19 pandemic, we look ahead to next year and beyond with great excitement and anticipation.

With Australia's national freight task predicted to rise up to 35% by 2040, rail is well positioned to help meet this demand, and we are keenly aware that our role to provide a safe, reliable and efficient network for customers is as great as ever.

To that end, we thank our customers and industry partners for their ongoing support, as well as the local communities in which we operate where we will continue to proactively work to strengthen relationships.

Finally, thank you to the ARTC Executive team and again to our employees and contractors who contributed so much to our growth as a company. The dedicated efforts of our people are enormously appreciated as we continue on our journey to improve Australia's productivity by making rail the mode of choice in the national logistics chain.

Regards,

The Hon. Warren Truss AC
Chairman

Mark Campbell
CEO and Managing Director

ABOUT ARTC

OUR PURPOSE

To improve Australia's productivity by making rail the mode of choice in the national logistics chain.

OUR ROLE

At ARTC, our goal is to keep Australia moving.

We're a vital link in the nation's transport supply chain – building, maintaining and operating rail lines across the country to move freight and passengers safely, reliably, and efficiently.

More freight on rail helps ease congestion on our roads, which in turn helps make our communities safer while also significantly lowering levels of carbon emissions. Put simply, freight on rail is good for businesses, motorists, the environment, and local communities across Australia.

We continue to invest in our 8,500km rail network which spans five states, 39 worksites and the lands of more than 50 First Nations groups.

World-class projects like Inland Rail are an example of how we're expanding and modernising our network to bolster the national economy. A once-in-a-generation project, Inland Rail will complete the backbone of Australia's freight network and enhance supply chains by facilitating train journeys of less than 24 hours between Melbourne and Brisbane.

Today, we employ more than 2,000 people who help manage the transit of more than 420 passenger and freight trains every day. And as we further develop our network to be increasingly resilient, responsive, and digitally enabled, we will continue to enhance the connections between our regions, cities, and ports for the good of our economy and the Australian public.

OUR CHARTER

ARTC was established by the Commonwealth of Australia and commenced operations in 1998. Our corporate charter is to:

- Provide seamless and efficient access to users of the rail network
- Pursue a growth strategy for rail through improved efficiency and competitiveness
- Improve rail infrastructure through better asset management and coordination of capital investment
- Encourage uniformity in access, technical, operating, and safe working procedures
- Operate the business on commercially sound principles

OUR VALUES

NO HARM

We have an uncompromising commitment to safety and wellbeing. This starts by thinking safe, in order to work safe, so that we go home safe – every day.

FUTURE THINKING

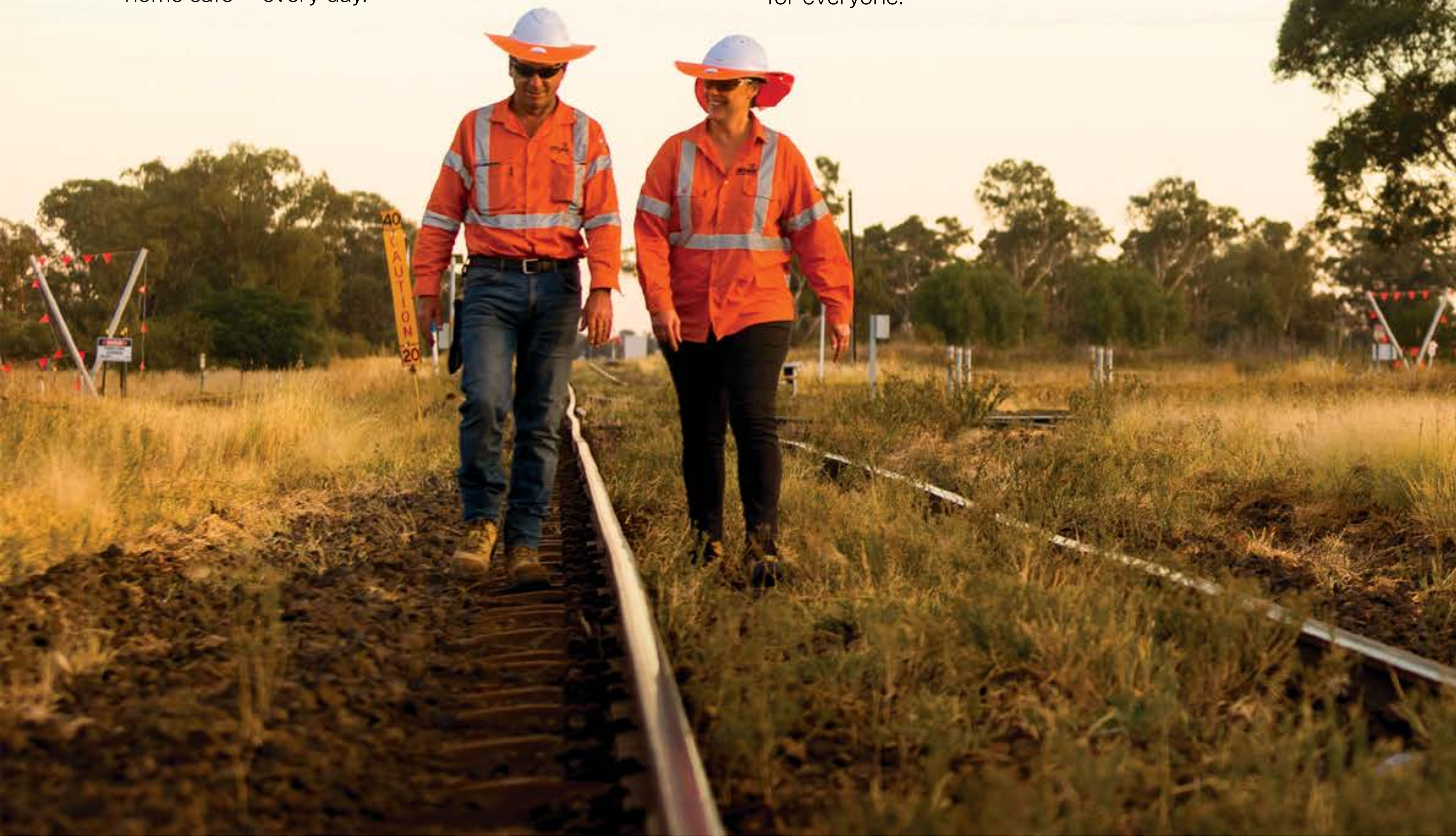
While we work hard to deliver today, we're motivated to think and plan for the world tomorrow.

ACTIVE ENGAGEMENT

When we're curious, we listen to one another and think positively. A better workplace means a stronger business for everyone.

RESULTS

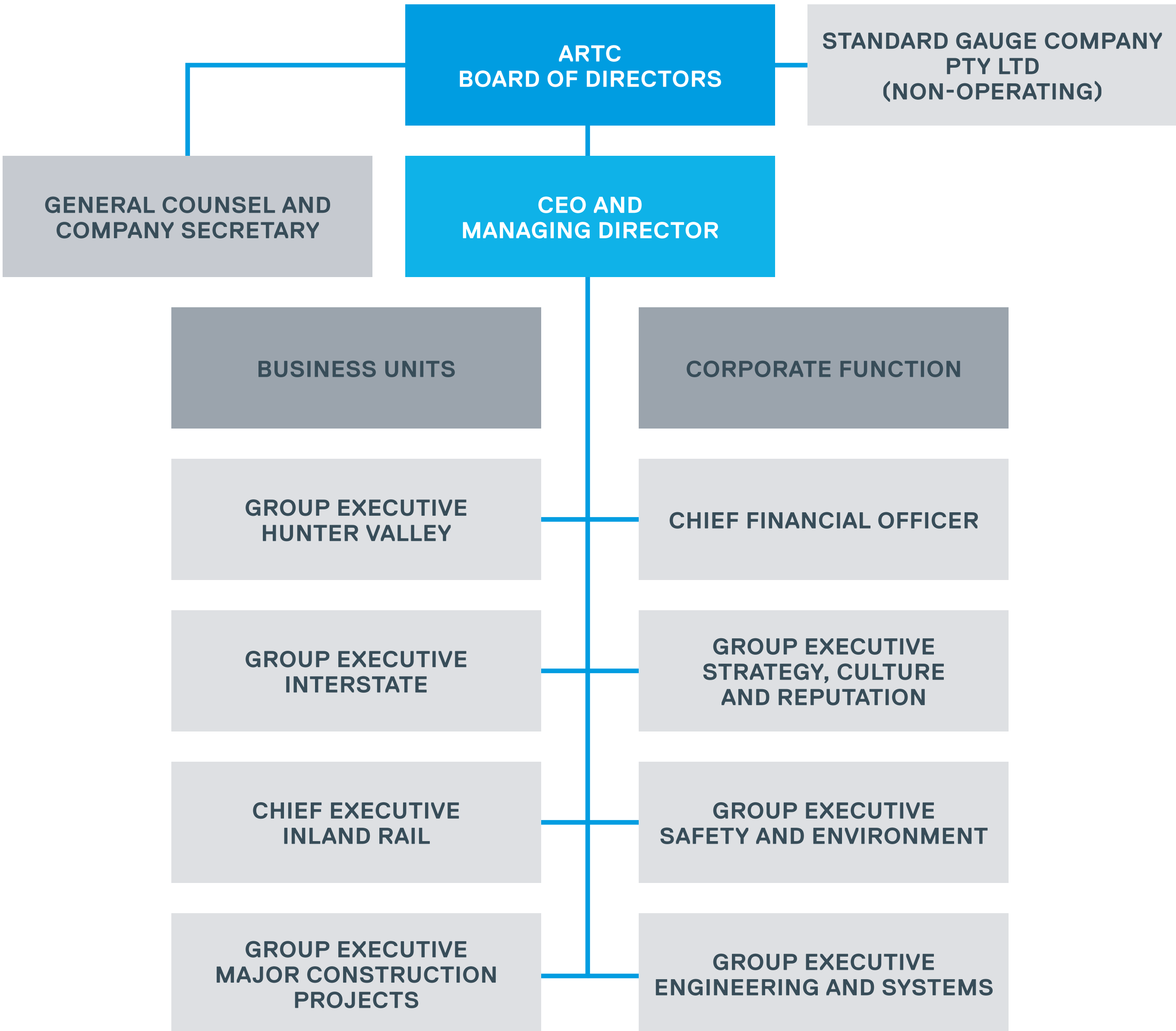
Ultimately these values help us work as a team. They help us strive towards our shared goals and deliver results.



ORGANISATIONAL STRUCTURE

ARTC is a company incorporated under the *Corporations Act 2001*. Our shares are owned by the Commonwealth of Australia, represented by the Minister for Finance and the Minister for Infrastructure, Transport, Regional Development and Local Government.

We are governed by a Board of Directors appointed by the Shareholder Ministers.



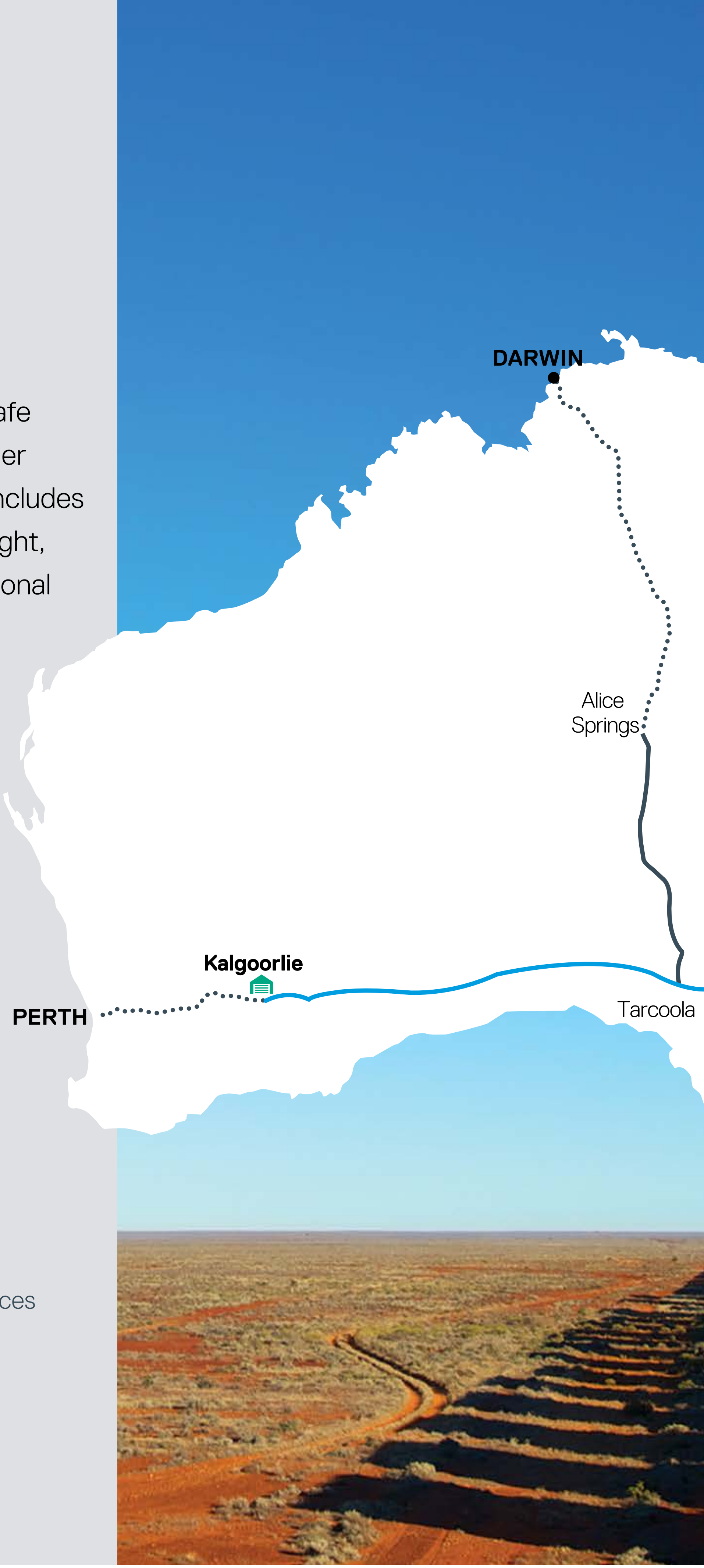
SHAREHOLDER MINISTERS

ARTC is wholly owned by the Australian Government represented by two Shareholder Ministers:

- **Senator the Hon Katy Gallagher** – Minister for Finance (succeeded Senator the Hon Simon Birmingham in May 2022)
- **The Hon Catherine King MP** – Minister for Infrastructure, Transport, Regional Development and Local Government (succeeded the Hon Barnaby Joyce MP in May 2022)

OUR NETWORK

ARTC's rail network facilitates safe passage for freight and passenger trains across the country. This includes intermodal, general and bulk freight, as well as long distance and regional passenger services.



Provisioning Centre

Metro, Regional and Project Offices

Network Control Centres


BRISBANE
Toowoomba
Moree
Parkes
Newcastle
SYDNEY
← PERTH
Albury
MELBOURNE
Inland Rail Route
Completed sections
ARTC Track
Inland Rail Route
Alice Springs to Tarcoola: owned by ARTC but is on long-term lease arrangements
Interstate Rail Network (other owners)
Gatton
BRISBANE
Toowoomba
Port Augusta
Coffs Harbour
Parkes
Broadmeadow
Newcastle
ADELAIDE
SYDNEY
Junee
Wagga Wagga
MELBOURNE

TO KEEP AUSTRALIA MOVING...

We are one of the largest **freight rail network** managers in the country

We manage more than **8,500km** of the national rail network

We have **28 Provisioning Centres** in regional and urban areas

We employ more than **2,000 people**

We operate in **five states** – South Australia, New South Wales, Victoria, Queensland and Western Australia

We have **six main offices** – Adelaide (head office), Sydney, Melbourne, Brisbane, Newcastle, Wagga Wagga

We have **three Network Control Centres** – Mile End (SA), Junee (NSW), Broadmeadow (NSW)

We manage the daily transit of around **420 freight and passenger trains** on our network

We've invested more than **$9 billion** in our network over the past 15 years

We're building **new rail projects**, including Inland Rail to enable 24-hour transit between Melbourne and Brisbane

PERFORMANCE

RESULTS AT A GLANCE

Access revenue
$744.8 million
($766.0 million in 2020–21)

EBITDAI
$253.4 million
($256.4 million in 2020–21)

LTIFR (Lost Time Injury Frequency Rate)
0.67
(0.71 in 2020–21)

MTIFR (Medically Treated Injury Frequency Rate)
0.67
(0.94 in 2020–21)

AIFR (All Injury Frequency Rate)

4.45

(6.14 in 2020–21)

Export coal transported

153.83 million tonnes

(0.77% decrease on 2020–21)

General and bulk freight gross tonne KMs (GTKs) transported on Interstate network

56,714 million

(57,396 million in 2020–21)

Customer satisfaction score

7.8/10

(7.4/10 in 2020–21)

FINANCIAL SUMMARY

	2022 $M	2021 $M
Access Revenue	744.8	766.0
Other Revenue	157.3	122.4
Total Revenue	**902.1**	**888.4**
EBITDAI	**253.4**[1]	**256.4**[1]
Depreciation and Amortisation Expense	(223.5)	(219.3)
Impairment Reversal / (Expense)	(685.0)[2]	(729.3)[2]
EBIT	**(655.1)**	**(692.2)**
Net Finance Cost	(16.9)	(14.5)
Net Profit before Tax	**(672.0)**	**(706.7)**
Tax (Expense)/Benefit	(45.6)	29.4
Net Profit after Tax	**(717.7)**	**(677.3)**
Dividends Paid	**87.8**[3]	**80.3**
Total Debt	**555.4**	**464.9**
Shareholder Equity	**2,645.86**	**2,719.12**
EBITDAI / TOTAL REVENUE	**28.09%**	**28.86%**
EBIT / TOTAL REVENUE	**(72.62%)**	**(77.92%)**
EBITDAI / SHAREHOLDER EQUITY	**9.58%**	**9.43%**
DEBT / (DEBT + SHAREHOLDER EQUITY)	**17.35%**	**14.60%**

Notes:

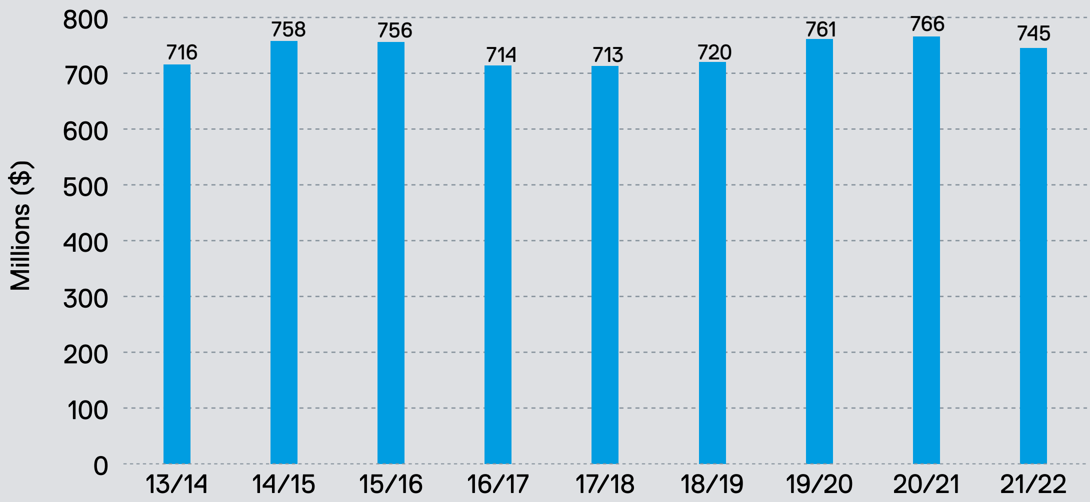
1) EBITDAI (Earnings Before Interest, Tax, Depreciation, Amortisation and Impairment) in FY22 was $253.4 million (FY21: $256.4 million), with increases in weather events impacting on insurance recoveries, access revenue and costs.

   EBITDAI includes $123.1 million (FY21: $135.0 million) related to major infrastructure projects which, due to the requirements of Accounting Standards, is required to be treated as an expense.

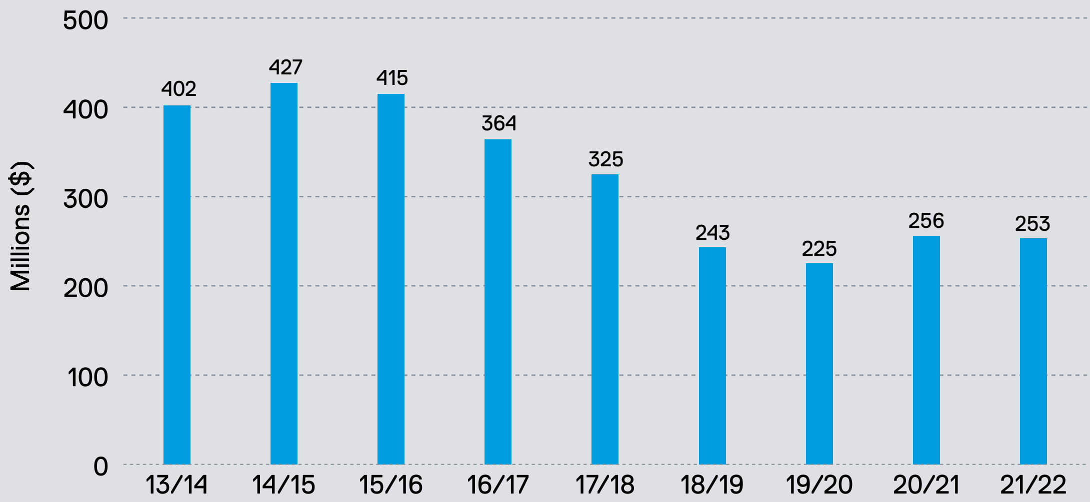
2) Impairment expense of $685.0 million (FY21: $729.3 million) relates to the Interstate business unit, along with the Inland Rail project.

3) This is the final instalment of ARTC's 2020 and 2021 dividend paid in 2022, plus the interim dividend for 2022.

ACCESS REVENUE



EBITDAI SUMMARY



BUSINESS UNITS

INTERSTATE: RISING TO THE CHALLENGES

Our Interstate network includes around 7,500km of track across New South Wales, Queensland, South Australia, Victoria and Western Australia.

It consists of two major rail corridors:

- East-west (Melbourne to Kalgoorlie)
- North-south (Brisbane to Melbourne)

Helping underpin the nation's supply chains, our Interstate network plays a pivotal role in the transportation of general and bulk freight, including groceries, beverages, grain and minerals (including steel), as well as passengers.

In 2021–22, we managed the movement of 212 trains on average per day on our Interstate network.

From 24 provisioning centres and depots across the country, our Interstate team of 670 people continued to deliver major corridor maintenance works and projects throughout the year as part of ARTC's ongoing commitment to increase the efficiency, capacity and resilience of our rail network for customers and communities.

SNAPSHOT: INTERSTATE BUSINESS RESULTS

212 train journeys per day
56,714 million general and bulk freight GTKs transported (57,396 million in 2020–21)
$153.3 million of capital investment

CASE STUDY: GROWING OUR NETWORK WITH MAJOR CONTRACTS

As part of ARTC's ongoing investment to grow Australia's rail network, we entered several major partnerships with local businesses during the year. These included:

- $292 million contract with Liberty Primary Steel for the supply of more than 147,000 tonnes of rail from its Whyalla-based steelworks in South Australia
- $143 million contract agreement with Austrak, which will supply more than 1.3 million concrete sleepers for Inland Rail from its Rockhampton and Wagga Wagga facilities.

These investments align with our corporate charter and form part of our ongoing commitment to enhance our rail network in support of Australia's supply chains and the national economy.

NETWORK RESILIENCE AND RELIABILITY

ARTC has a strong focus on increasing the resilience and reliability of our network.

To underpin our approach, we have adopted the 'Four Rs' of resilience, including:

1. **Resistance** – physical robustness in catastrophic events, preventing safety issues
2. **Reliability** – assets that can operate to a defined standard during adverse events
3. **Redundancy** – building spare capacity and alternative routes
4. **Recovery** – preparedness to respond and recover from disruptions, limiting closures

During the year, the ongoing COVID-19 pandemic, global supply change disruptions and extreme weather events again impacted Australia's transport supply chain, including our rail network.

Extreme weather events in particular caused significant disruption, including:

- **September** – a magnitude 5.9 earthquake rocked Victoria near Mansfield, which affected the north-east and western part of the state, as well as southern NSW. Our crews responded quickly to inspect critical infrastructure and enable train operations to fully resume within a day.
- **November** – extreme weather in central west NSW and subsequent flooding resulted in temporarily ceasing operations between Parkes and Wirrinya, with similar flood damage also impacting our operations for several days in the Lower Hunter region and near the border between NSW and Queensland.
- **January** – a one-in-300-year flood in South Australia's far north cut off roads and our rail network near Tarcoola, leading to a major 24-day repair and recovery effort.
- **March** – record-breaking floods across NSW and Queensland caused widespread damage to our network, prompting a rapid recovery effort by our crews to repair the many washaways and landslips to enable our network lines to re-open.

These events reinforce the importance of continuing to increase supply chain resilience, so that systems and infrastructure are better able to withstand potential threats and recover quickly from disruptive weather-related (including rain, fire and flood events) or other extraordinary events in the future.

To that end, we are planning to invest around $150 million in additional corridor capital works over the next three years, which will focus on network areas associated with train delays, including rerailing, turnout replacement, level crossing rectifications and signalling improvements.

Importantly, we also continue to work with stakeholders to better understand our network vulnerabilities and to develop plans to create a safer, more reliable and robust network.

Specifically in relation to floods, we are investigating the current hydraulic vulnerabilities across our Interstate and Hunter Valley networks, with a view to establishing improved hydraulic capacities. Knowing this future capacity target state and current hydraulic capacity gaps will enable us to develop an improvement strategy and plan to better manage these risks going forward.

We have also undertaken a review of emergency warning system processes and procedures and our approach to flood management. Areas of the review include weather event management, monitoring and modelling. This work will further support improvements to enable us to manage access to the network during extreme weather conditions.

In addition, our Inland Rail Program has a project stream that is focused on ensuring new infrastructure is climate-resilient through the use of a Climate Related Risk Assessment Framework and Register.

Fully upgrading network resilience to meet future requirements will take significant additional planning, funding commitment, market response and time, so we are focused on working with stakeholders to coordinate our ongoing efforts.

CASE STUDY: SOUTH AUSTRALIAN FLOODS

In January, a one-in-300-year flood occurred in South Australia's far north, which led to widespread infrastructure damage and the closure of roads and our rail network near Tarcoola.

The weather was so extreme that some areas recorded their annual average rainfall in less than 24 hours. Critical supply routes were cut which caused freight to stop moving between South Australia, Western Australia and the Northern Territory, in turn leading to major supply issues in supermarkets across the country.

In response, ARTC activated emergency rectification works, immediately mobilising crews to undertake a huge recovery effort to repair 18 separate remote locations along a 300km section of track. At its peak, the recovery involved more than 100 team members, 25 heavy machines and numerous supporting contractor crews.

Thanks to the tireless efforts of those involved, the line was successfully returned to operation within 24 days.

HUNTER VALLEY: MAXIMISING THE NETWORK

Our Hunter Valley network across central and north-west NSW is one of the busiest rail networks in Australia.

Connecting customers throughout the region, the network supports the nation's exports via the Port of Newcastle – including coal, grain, general and bulk freight – while the network also caters for passenger services.

The coal transported on our Hunter Valley network during the year was primarily thermal coal (90% plus 10% metallurgical), remaining among the highest quality thermal coal in the world.

In 2021–22, we managed the movement of 210 trains on average per day on our Hunter Valley network.

From provisioning centres across the region, our Hunter Valley team of 475 people continued to pride themselves on maintaining and operating a safe and efficient rail network.

SNAPSHOT: HUNTER VALLEY BUSINESS RESULTS

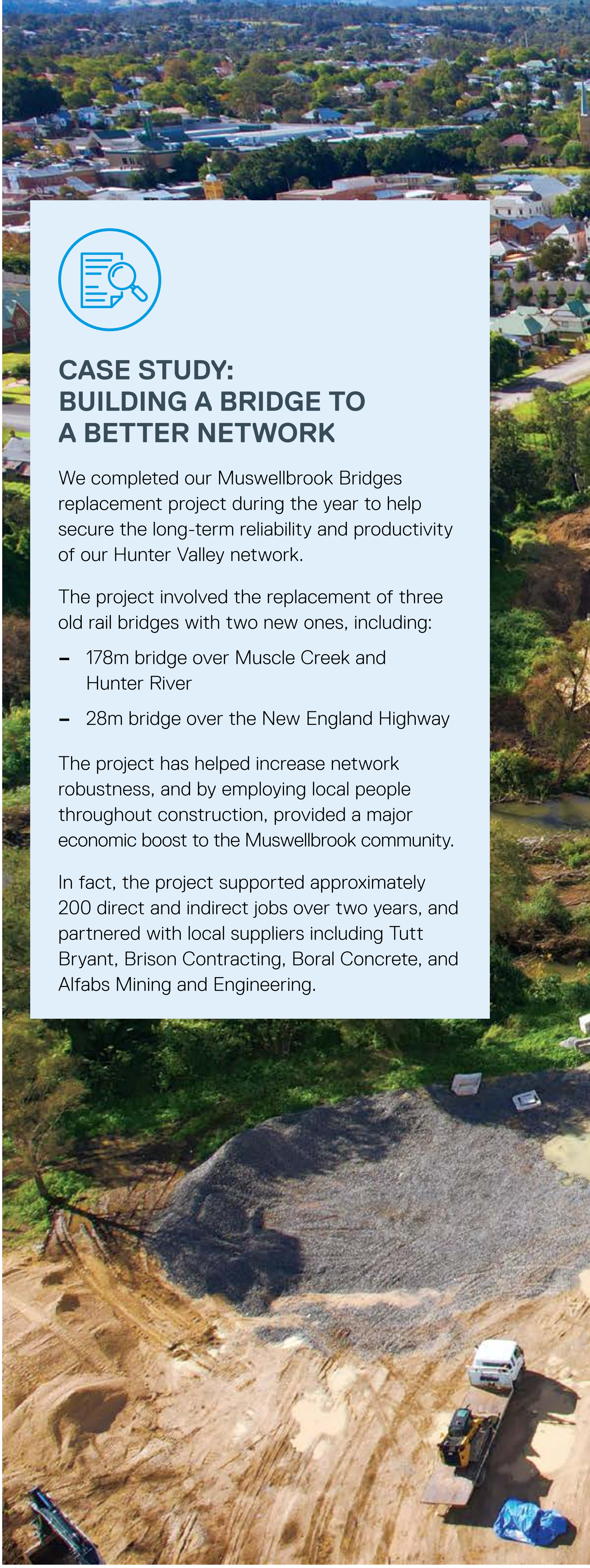
210 train journeys per day

165.16 million total coal tonnes transported

153.83 million coal tonnes transported to the Port of Newcastle for export (down 0.77% on 2020–21)

4,344 million general and bulk freight GTKs transported (3,422 million in 2020–21)

$129 million of capital investment



CASE STUDY: BUILDING A BRIDGE TO A BETTER NETWORK

We completed our Muswellbrook Bridges replacement project during the year to help secure the long-term reliability and productivity of our Hunter Valley network.

The project involved the replacement of three old rail bridges with two new ones, including:

- 178m bridge over Muscle Creek and Hunter River
- 28m bridge over the New England Highway

The project has helped increase network robustness, and by employing local people throughout construction, provided a major economic boost to the Muswellbrook community.

In fact, the project supported approximately 200 direct and indirect jobs over two years, and partnered with local suppliers including Tutt Bryant, Brison Contracting, Boral Concrete, and Alfabs Mining and Engineering.


BRISBANE
Toowoomba
Moree
Parkes
Newcastle
SYDNEY
← PERTH
Albury
MELBOURNE
Inland Rail Route
Completed sections

INLAND RAIL: DELIVERING A WORLD-CLASS FREIGHT NETWORK

Inland Rail is a once-in-a-generation project that is currently being built to create a new freight future for Australia.

As the largest freight rail infrastructure project in the nation, the 1,700km Inland Rail route between Melbourne and Brisbane will serve as a fast freight backbone and transform the way goods are moved around Australia.

Progressively unlocking opportunities for businesses and regions, Inland Rail is being delivered by ARTC on behalf of the Australian Government and in partnership with the private sector and the community.

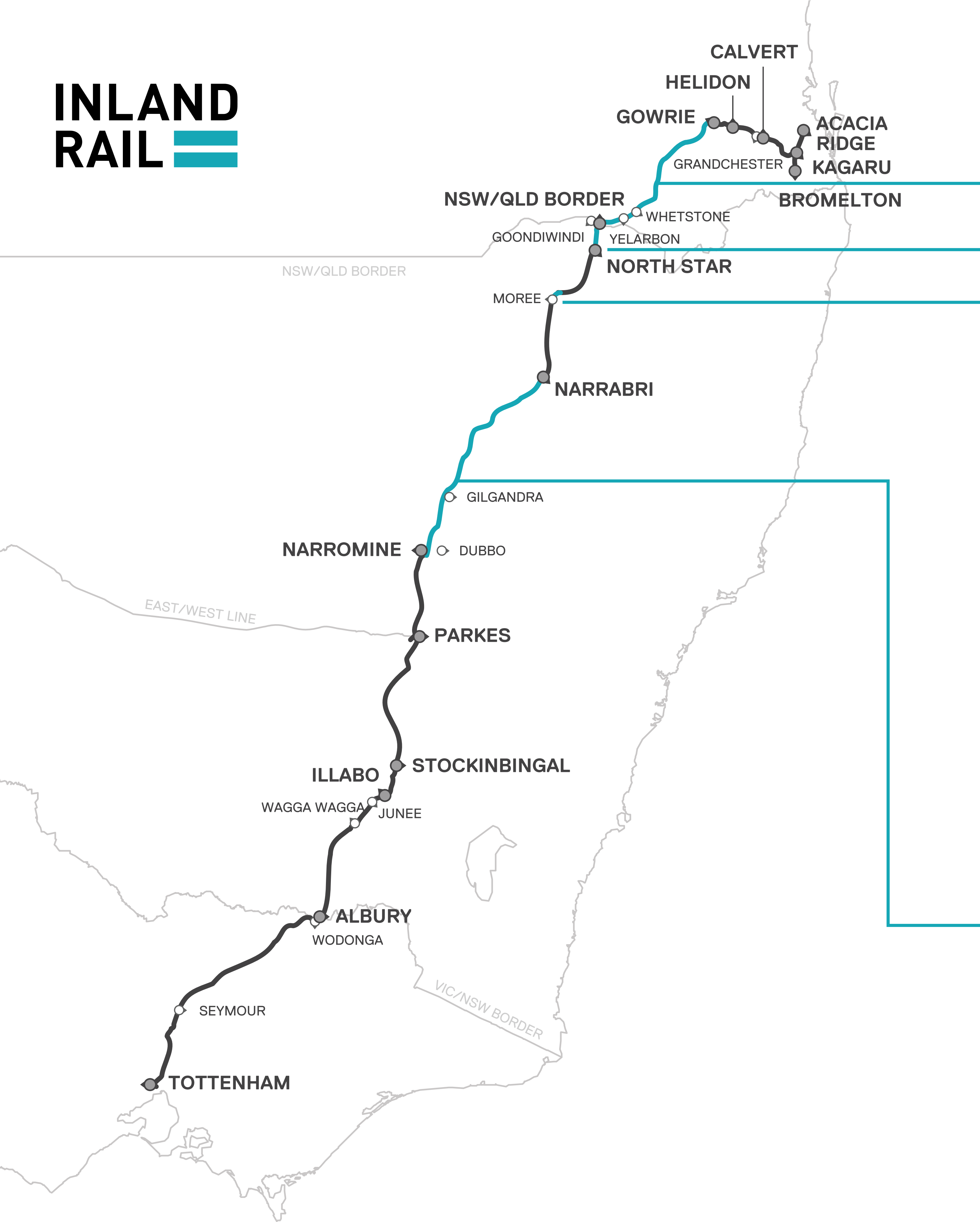
In 2021–2022, construction on the first phase of the Narrabri to North Star project in NSW continued. As part of this, we finished an important 29km stretch of track near Moree in November to successfully deliver on a promise to local farmers to re-open the line in time for the annual grain harvest.

To date, we have delivered 102km of new track for Inland Rail, which has included 170,000 concrete sleepers and 4,000 concrete culverts.

Preferred contractors were also selected for the Northern, Central and Southern Civil Works Programs, the 570km Rail Corridor Program that connects Queensland and NSW, and for the construction of the Gowrie to Kagaru section of the alignment, which will be delivered through a Public Private Partnership (PPP).

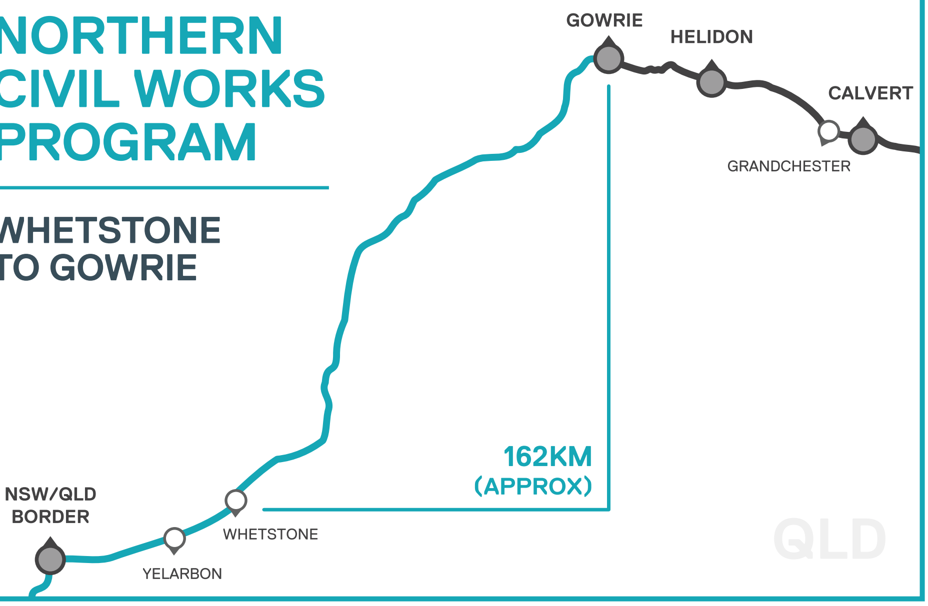
The selection of consortium Regionerate Rail to construct the 128km of new and upgraded track from Gowrie to Kagaru is a particularly significant milestone, with the project including three tunnels – the longest being a 6.2km tunnel through the Great Dividing Range – making it the most geographically challenging section of the entire Inland Rail alignment.

INLAND RAIL


CALVERT
HELIDON
GOWRIE
ACACIA RIDGE
GRANDCHESTER
KAGARU
BROMELTON
NSW/QLD BORDER
WHETSTONE
GOONDIWINDI
YELARBON
NSW/QLD BORDER
NORTH STAR
MOREE
NARRABRI
GILGANDRA
NARROMINE
DUBBO
EAST/WEST LINE
PARKES
STOCKINBINGAL
ILLABO
WAGGA WAGGA
JUNEE
ALBURY
WODONGA
VIC/NSW BORDER
SEYMOUR
TOTTENHAM

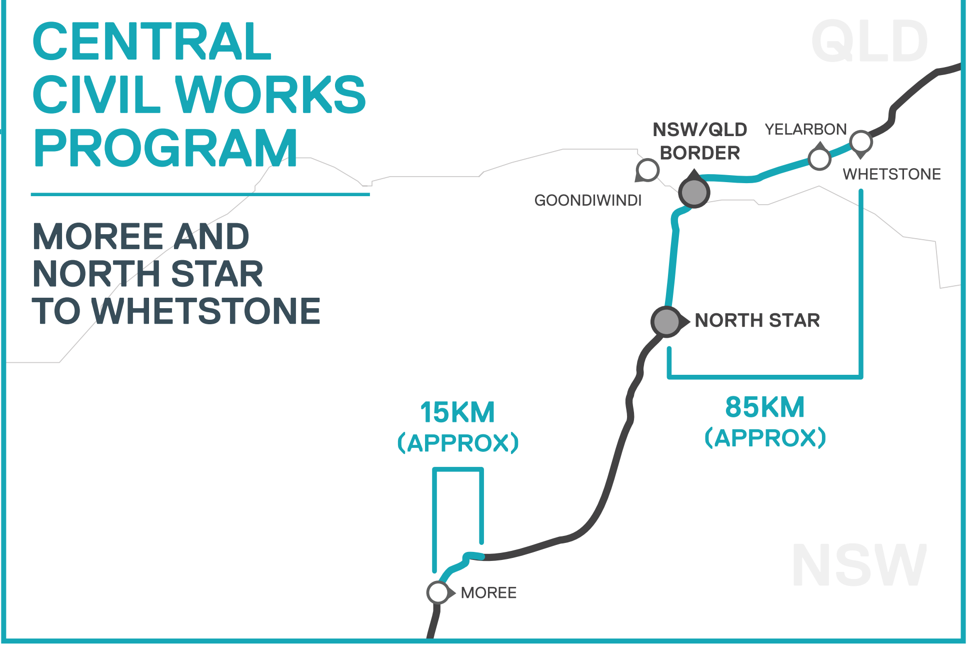
NORTHERN CIVIL WORKS PROGRAM

WHETSTONE TO GOWRIE



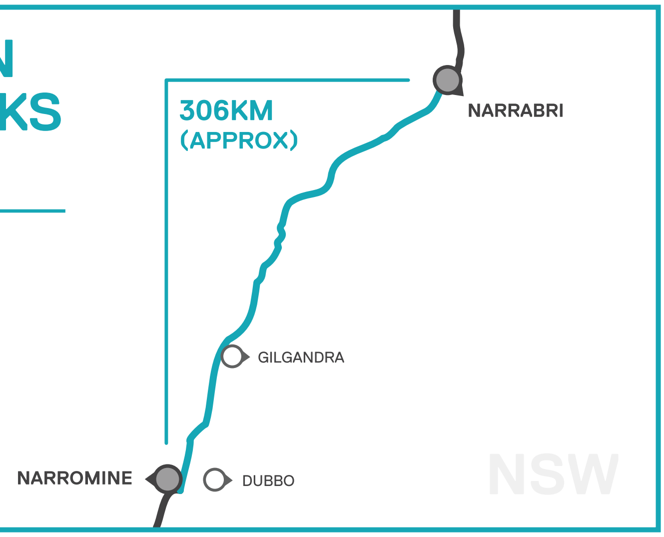
CENTRAL CIVIL WORKS PROGRAM

MOREE AND NORTH STAR TO WHETSTONE



SOUTHERN CIVIL WORKS PROGRAM

NARROMINE TO NARRABRI



MAJOR CONSTRUCTION PROJECTS: BUILDING OUR FREIGHT FUTURE

Over the past 15 years, we have invested more than $9 billion into our national network in support of local businesses and communities.

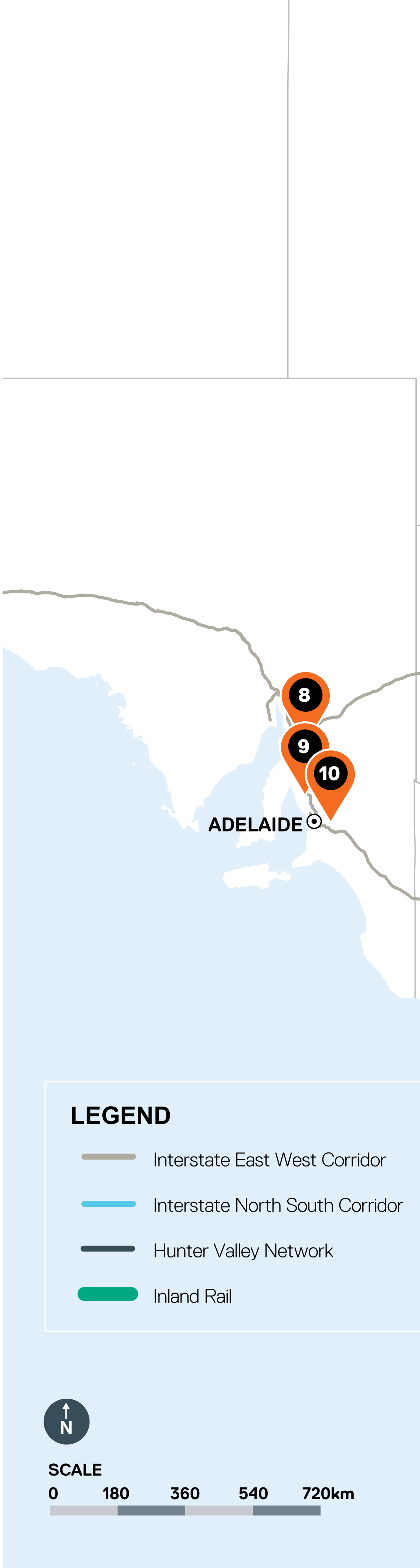
In 2021–22, our Major Construction Projects team managed the continuing growth in our capital projects portfolio, including progress on the following key projects during the year:

1 North East Rail Line Upgrade (VIC)
The 532km of track upgrade works were completed in 2021 resulting in a smoother and more reliable ride for passengers travelling between Albury-Wodonga and Melbourne. Two sets of new crossovers at Longwood and Violet Town were successfully commissioned in March to complete the major works. Aerial line wire removal works also continued as part of the project, with all works north of Seymour completed.

2 Botany Rail Duplication (NSW)
To meet predicted freight demand on the Southern Sydney Freight Line, we progressed works towards duplicating the remaining 2.9km section of single line track into Port Botany. The contract to design and construct the project was awarded in July, with works to date including service relocation, signalling and cabling works, geotechnical investigation, site establishment, earthworks and drainage work. During the year, a redundant half span at O'Riordan St bridge was also removed, while works started at O'Riordan St to prepare for the construction of a new rail bridge.

3 Cabramatta Loop Project (NSW)
The contract was awarded to design and construct the project, which will increase rail freight capacity on the Southern Sydney Freight Line by allowing freight trains travelling in either direction to pass each other. Works to date include site establishments, service relocations, signalling and cabling works, geotechnical investigations and drainage work. New stormwater infrastructure has also been installed along Broomfield St next to the rail corridor at Cabramatta, while piling works also started at Cabramatta Creek to prepare for the construction of new rail bridges.

4 Southern Highlands Overtaking Opportunities (NSW)
The project aims to reduce transit times for Melbourne to Sydney freight trains, and improve the flexibility and reliability of freight and passenger services on the Southern Highlands Line. Project development and enabling activities commenced, including a review of environmental factors, site investigations and long-lead material procurement. A detailed design contract tender was also released to market, while the construction contract expression of interest process also commenced.



5 Narrabri to Turrawan Line Upgrade (NSW)
The project involves the upgrade of 35km of track between ARTC's Hunter Valley network and the future interface with Inland Rail at Narrabri North. A review of environmental factors was placed on public exhibition in April and the associated decision report endorsed in June. Deliveries of long-lead rail materials to Narrabri have commenced and the tender process for construction works is ongoing.

6 Goobang Junction Project (NSW)
Goobang Junction in Parkes is a critical interface at the intersection of ARTC's east-west line and the future Inland Rail, with this upgrade project designed to improve network efficiency, safety and resilience. A feasibility study has been completed, with the project progressing through a concept phase following a review of options and customer connection requirements.

7 Melbourne Airport Rail (VIC) – ARTC Airport Package
This public transport project aims to connect Melbourne Airport to Victoria's regional and metropolitan train network for the first time. The ARTC Airport Package is a key enabling component of the broader $10 billion project, including reconfiguring around 6km of ARTC's Albion to Jacana freight corridor to create the space to implement the new Melbourne Airport Rail on the western site.

8 Gladstone Siding Upgrade (SA)
We are working with the SA Government to implement infrastructure upgrades to optimise train running at Gladstone in the state's Mid North, and minimise impacts on the Horrocks Highway level crossing during grain loading operations.

9 Torrens Rail Junction Signalling Upgrade (SA)
As part of the SA Government's Torrens Rail Junction Project to implement a grade separation of our freight line and the Adelaide Metro Passenger Rail Network, planning works progressed on the remaining signalling works required between Mile End and Islington, which will facilitate trains to travel through Torrens Rail Junction without delay.

10 Vulcanised Indian Rubber Cabling Replacement Project (SA)
Vulcanised Indian Rubber (VIR) cabling is utilised throughout South Australia's rail corridors to carry signalling, communications, and power. Planning works progressed to replace life-expired VIR cabling between Mile End and Salisbury North with new PVC cables to improve performance reliability.

FOCUS AREAS

SAFETY: PROTECTING OUR PEOPLE

Accidents, injuries and near-misses affect lives – including people's physical and mental health – which is why ARTC has an uncompromising commitment to the safety and wellbeing of our employees, as well as our contractors, customers and the local communities in which we operate.

As part of a new Safety & Environment division that we established in 2021–22, safety again remained central to our activities in line with our No Harm value and our Pathway to Zero Harm Strategy.

PATHWAY TO ZERO HARM STRATEGY

ARTC's Pathway to Zero Harm Strategy was established in 2017 to help drive improvements in safety culture and mitigate risks.

In 2021–22, key safety initiatives that we progressed under the strategy included:

- **Safe Work Improvement Program** – to reduce safety risk across the business and establish a consistent approach to safeworking systems and practices *(see page 31)*
- **Level Crossing Strategy** – to provide an overarching guidance framework to support our business units implement local-level plans to help manage safety risks *(see page 30)*
- **Horizon 360** – a new reporting system that will significantly improve our ability to record and analyse safety and environment events and compliance
- **Driver and Vehicle Safety Program** – we commenced our Driver Vehicle Safety Strategy in August – a two-year program to improve our driving safe culture, including heavy vehicle driver training and chain of responsibility awareness.

PARTNERING WITH CONTRACTORS

Throughout the year, we engaged with a diverse range of contracting partners who made an enormous contribution to our business.

Working with us to progress major construction and maintenance projects to help us deliver more freight on rail, our contractors shared our commitment to safety and our determination to keep improving our safety performance.

To that end, we established a Contractor Safety Management Program during the year to develop a consistent approach to contractor management and further reduce the risk of injury on worksites across our network.

SAFETY PERFORMANCE

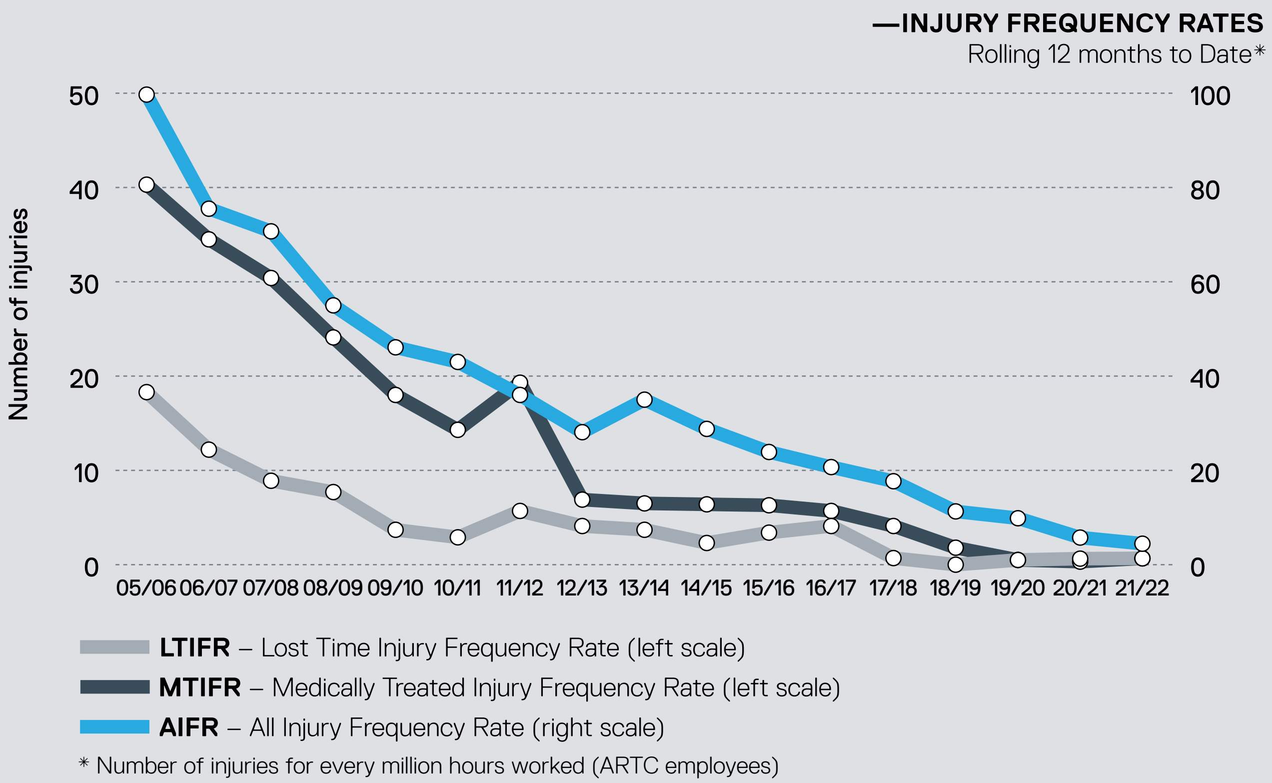
We continued to drive improvements in processes and systems to help ensure safe workplaces for our people and a safe network for our customers and the community.

Importantly, we saw a reduction across our injury frequency rates:

LTIFR/MTIFR/AIFR	12 months to 30 June 2022
Lost Time Injury Frequency Rate (LTIFR)	0.67* *(0.71 in 2020–21)*
Medically Treated Injury Frequency Rate (MTIFR)	0.67* *(0.94 in 2020–21)*
All Injury Frequency Rate (AIFR)	4.45* *(6.14 in 2020–21)*

* Number of injuries for every one million hours worked (ARTC employees).

COMPANY SAFETY PERFORMANCE



LEVEL CROSSING SAFETY

With more than 3,100 open level crossings on our network (among more than 20,000 open level crossings across Australia), ARTC continues to take level crossing safety very seriously.

In 2021–22, we developed a new Level Crossing Strategy to provide an overarching guidance framework, with our business units subsequently establishing implementation plans to help manage local safety risks.

Our Level Crossing Strategy focuses on four key areas:

Elimination

- Grade separate public crossings
- Close or consolidate public, private and service level crossings

Engineering

- Implement level crossing risk mitigation strategies
- Develop and apply consistent level crossing standards
- Support technology enhancements, innovation, and research and development

Education

- Develop campaigns by using data to target safe road behaviour and identify high exposure/risk locations

Enforcement

- Support existing law enforcement activities
- Improve road user compliance with level crossing controls
- Share incident data and trends

As part of our ongoing commitment to level crossing safety, ARTC also continued to work with state governments across the country to pursue further upgrades and improvements with the aim of reducing level crossing incidents. We also implemented awareness programs in support of national campaigns such as Rail Safety Week and Rail R U OK Day, in addition to driving safety education in schools and local communities.

LEVEL CROSSING WORKS

In 2021–22, level crossing improvement works on our network included:

94 maintenance improvements/upgrades (civil/signalling)

3 level crossing upgrades (passive to active)

10 level crossing removals

3 grade separations

CASE STUDY: ENGAGING WITH THE PUBLIC TO IMPROVE LEVEL CROSSING SAFETY

As part of efforts to raise public awareness of level crossing safety, we ran social media campaigns throughout the year, including:

- **Track Safety campaign (Dec – Jan):** Highlighted the risks of people illegally entering the rail corridor. Resulted in 151,218 views and 16,486 engagements (Facebook).
- **Stop on Red Signal campaign (Dec – Jan):** In support of the Victorian Government, highlighted the risks of motorists driving through crossings when lights are flashing. Resulted in 340,265 views and 32,624 engagements (Facebook).
- **Keep Tracks Clear campaign (Feb – Apr):** In support of the Victorian Government, highlighted the risks of motorists stopping on tracks when in traffic. Resulted in 299,651 views and 23,493 engagements (Facebook).

CASE STUDY: INNOVATIVE LEVEL CROSSING SAFETY TRIAL

During the year we completed a pilot program with road camera technology developer Acusensus to monitor how motorists respond to stop signs at level crossings.

The trial was conducted in regional NSW at level crossings at Culcairn, Red Bend and Scone using specialised equipment to detect the number of motorists who failed to heed stop signs when approaching level crossings.

The results revealed that more than half of motorists who used the Culcairn crossing ignored the stop sign, with similar non-compliance levels recorded at the Red Bend and Scone crossings. Data from the trial will be used to progress ongoing efforts with government agencies and other key stakeholders to help increase awareness and address safety risks.

SAFE WORK IMPROVEMENT PROGRAM (SWIP)

As part of our Pathway to Zero Harm Strategy, we successfully progressed our Safe Work Improvement Program (SWIP) in 2021–22.

Developed to reduce safety risk across the business and establish a consistent approach to our safeworking systems and practices, the SWIP achieved the following during the year:

- Developed and commenced delivery of a non-technical skills training program focused on enhancing behavioural skills for safeworking personnel
- Implemented a user-friendly, single point of truth for all notices, waivers and alerts
- Implemented consistent safety critical communication protocols
- Implemented a corridor access management process within our Interstate business unit
- Clarified the roles and responsibilities between safeworking personnel and site supervisors on track
- Implemented dual-confirmation of track protection and worksite location verification.

Significantly, we recorded a reduction in our injury frequency rates across the year, while the initiatives implemented through the SWIP also enabled us to fulfill the Enforceable Voluntary Undertaking commitments we made to the Office of the National Rail Safety Regulator in 2020.

Looking forward, we remain committed to further enhancing our safety processes and procedures to deliver the most effective and sustainable safeworking controls possible to protect our people and meet our business requirements.

HEALTH AND WELLBEING

We remained committed to people's mental health and wellbeing through the implementation of various activities to support employees and our local communities.

Various training programs were offered to our teams, including Mental Health First Aid training and Building Personal Resilience sessions. Over the past two years, more than 300 employees have now completed such training programs.

Our Employee Assistance Program (EAP) was also made available to all employees and their immediate family members throughout the year. Delivered by Converge International, our EAP is available 24 hours a day, seven days a week, to provide confidential counselling and support services on any issues that may impact someone's health and wellbeing.

During the year, ARTC also raised awareness of the importance of mental health and wellbeing through dedicated campaigns for community-wide events including R U OK Day (September), Mental Health Awareness Month (October) and Rail R U OK Day (April).

In addition, in the Hunter Valley we continued our partnership with Lifeline's Hunter-based face-to-face counselling service, which provides free sessions to help people struggling with emotional, social or behavioural difficulties.

And in October, we commenced a partnership with Mates in Construction through Inland Rail. Mates is a national charity dedicated to providing suicide prevention support across the construction, energy, mining and related industries. Our partnership included training opportunities for our people, including practical guidance on how to help a workmate.

COVID-19

The ongoing COVID-19 pandemic again highlighted the importance of rail as a dependable and reliable mode of freight transport.

We continued to work with governments, health authorities, customers and industry to develop and implement preventative measures to protect the health and safety of our people and the local communities in which we operate.

Guided by our Pandemic Response Group and Crisis Management Team, our ongoing response to the pandemic again included a regular flow of information and updates to our people and key stakeholders to ensure adherence to health and government advice.

Our COVID-19 response activities included:

- Business continuity initiatives to support and isolate our critical business functions, including our Network Control Centres
- Actively encouraged all employees to remain up to date with their vaccinations
- Implementation of rapid antigen testing requirements for workplace entry
- Vaccination as a condition of entry into ARTC workplaces for contractors, suppliers and visitors
- A dedicated information hub for employees
- Flexible working arrangements and wellbeing leave for employees
- Overarching message to employees to stay home if unwell.

PEOPLE: WORKING BETTER TOGETHER

In 2021–22, we remained dedicated to making ARTC a great place to work.

Through the ongoing implementation of our People Strategy, we continued to enhance our workplaces in support of our teams across the country, while continuing to attract new people to help us grow and evolve as an organisation.

Integral to this has been fostering a sense of belonging in our workplaces where people feel safe and can achieve their full potential, with the launch of our first Reconciliation Action Plan in March a key example of this *(see page 36)*.

We now have more than 2,000 employees at ARTC.

Significantly, our people are supported by a growing number of contractors who are helping us deliver a growing portfolio of projects, including Inland Rail and other major construction projects around the country.

CASE STUDY: PEOPLE PLATFORM

To simplify our internal systems and processes, we launched a new human resource information system called People Platform to better manage HR data.

Increasing efficiency and consistency across the company, the new People Platform has replaced all paper-based forms to provide employees with a modern, one-stop online shop for all their HR needs – from their personal details, payslips and leave arrangements, through to organisational charts and information guides.

2022 employee engagement survey

88% feel they are enabled to work effectively

87% are aligned with our values and behaviours

85% feel included and safe at work

DIVERSITY AND INCLUSION

Like the Australian community, ARTC's workforce is made up of people from a wide variety of backgrounds, including different ages, religions, gender and sexual orientation, as well as different skills, knowledge and experience.

We recognise that an inclusive culture combined with a talented and diverse workforce is fundamental to building a high-performing, commercially strong and customer-focused company.

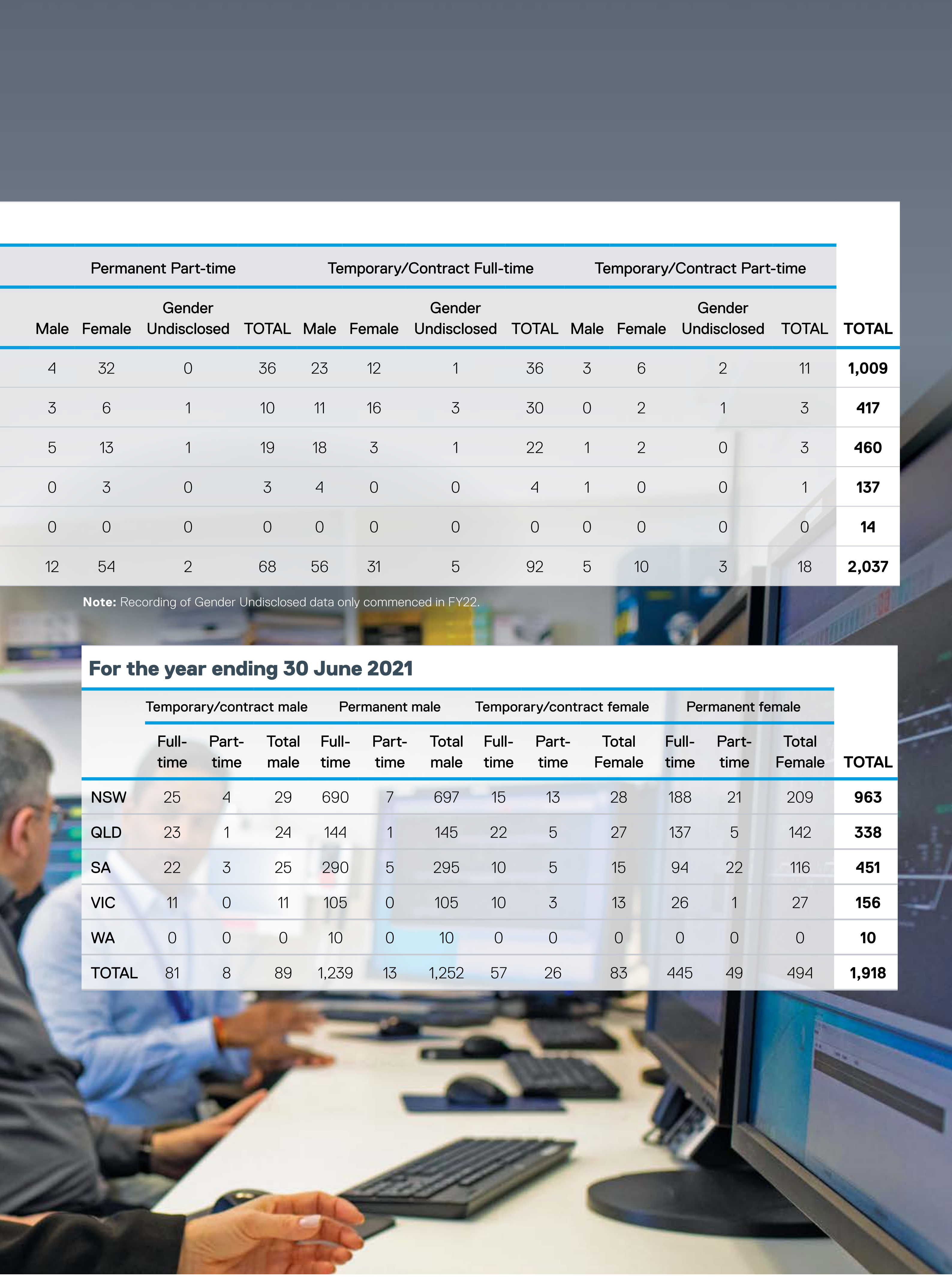
In 2021–22, ARTC continued to pursue greater diversity and inclusion in our workplaces. Key figures include:

ARTC EMPLOYEES	2020–21	2021–22
TOTAL	1,918	2,037
FEMALE	30.0%	28.0%
ABORIGINAL AND TORRES STRAIT ISLANDER	2.8%	3.1%

ARTC EMPLOYEES

For the year ending 30 June 2022

	Permanent Full-time			
	Male	Female	Gender Undisclosed	TOTAL
NSW	700	182	44	926
QLD	176	156	42	374
SA	289	109	18	416
VIC	94	27	8	129
WA	10	1	3	14
TOTAL	1,269	475	115	1,859



Permanent Part-time				Temporary/Contract Full-time				Temporary/Contract Part-time				
Male	Female	Gender Undisclosed	TOTAL	Male	Female	Gender Undisclosed	TOTAL	Male	Female	Gender Undisclosed	TOTAL	TOTAL
4	32	0	36	23	12	1	36	3	6	2	11	**1,009**
3	6	1	10	11	16	3	30	0	2	1	3	**417**
5	13	1	19	18	3	1	22	1	2	0	3	**460**
0	3	0	3	4	0	0	4	1	0	0	1	**137**
0	0	0	0	0	0	0	0	0	0	0	0	**14**
12	54	2	68	56	31	5	92	5	10	3	18	**2,037**

Note: Recording of Gender Undisclosed data only commenced in FY22.

For the year ending 30 June 2021

	Temporary/contract male			Permanent male			Temporary/contract female			Permanent female			
	Full-time	Part-time	Total male	Full-time	Part-time	Total male	Full-time	Part-time	Total Female	Full-time	Part-time	Total Female	TOTAL
NSW	25	4	29	690	7	697	15	13	28	188	21	209	**963**
QLD	23	1	24	144	1	145	22	5	27	137	5	142	**338**
SA	22	3	25	290	5	295	10	5	15	94	22	116	**451**
VIC	11	0	11	105	0	105	10	3	13	26	1	27	**156**
WA	0	0	0	10	0	10	0	0	0	0	0	0	**10**
TOTAL	81	8	89	1,239	13	1,252	57	26	83	445	49	494	**1,918**

RECONCILIATION AT ARTC

This year marked an important step in ARTC's reconciliation journey with the launch of our first Reconciliation Action Plan.

The plan was launched in March at our Muswellbrook Provisioning Centre on Wannarua Country in NSW, where we were joined by local Elders and team members from across the company to mark the occasion.

Endorsed by Reconciliation Australia, our Reflect Reconciliation Action Plan provides us with a clear strategy to positively engage and impact First Nations people, both economically and socially.

As part of ARTC's vision to create a more diverse and equitable organisation, our Reconciliation Action Plan will help foster greater employment and business opportunities for First Nations people, while also providing a foundation that allows our Aboriginal and Torres Strait Islander employees and partners to always feel safe, supported and heard.

OUR RECONCILIATION ACTION PLAN INCLUDES 31 DELIVERABLES AS PART OF 13 ACTIONS FOR DELIVERY IN 2022–23:

Relationships

1. Establish and strengthen mutually beneficial relationships with Aboriginal and Torres Strait Islander stakeholders and organisations.
2. Build relationships through celebrating National Reconciliation Week.
3. Promote reconciliation through our sphere of influence.
4, Promote and lead positive race relations through anti-discrimination strategies.

Respect

5. Increase understanding, value and recognition of Aboriginal and Torres Strait Islander cultures, histories, knowledge, and rights through cultural learning.
6. Demonstrate respect to Aboriginal and Torres Strait Islander peoples by observing cultural protocols.
7. Build respect for Aboriginal and Torres Strait Islander cultures and histories by celebrating NAIDOC Week.

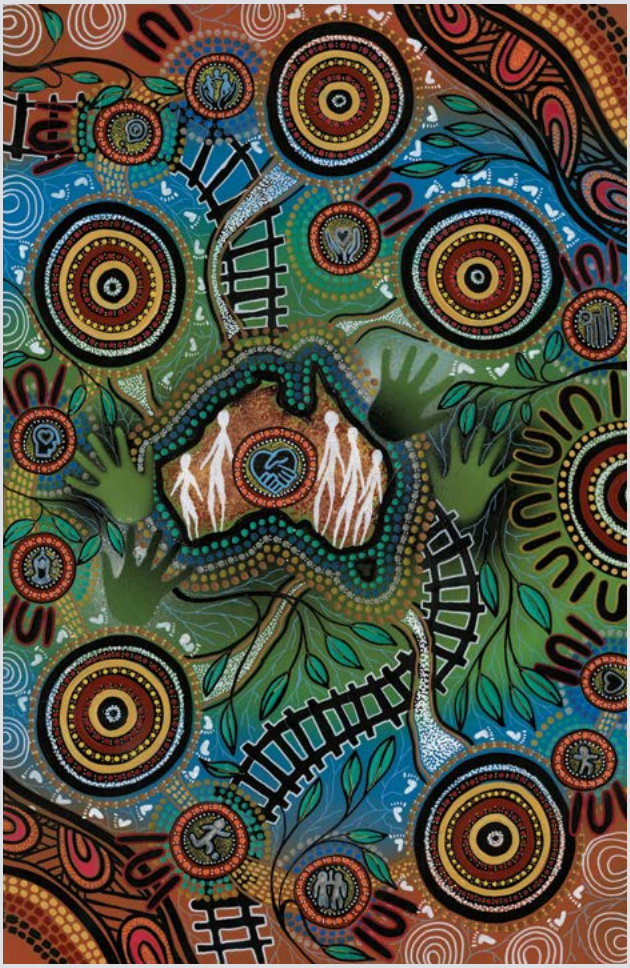
Opportunities

8. Improve employment outcomes by increasing Aboriginal and Torres Strait Islander recruitment, retention, and professional development.
9. Increase Aboriginal and Torres Strait Islander supplier diversity to support improved economic and social outcomes.

Governance

10. Maintain an effective Reconciliation Action Plan Working Team to drive governance of the Reconciliation Action Plan.
11. Provide appropriate support for effective implementation of Reconciliation Action Plan commitments.
12. Build accountability and transparency through reporting Reconciliation Action Plan achievements, challenges, and findings both internally and externally.
13. Continue our reconciliation journey by developing our next Reconciliation Action Plan.

Cultural learning: 1,300 hours of cultural awareness training have already been conducted across ARTC.



Elenore Binge creates "Journey" artwork

Artist and proud Gomeroi/Kamilaroi woman Elenore Binge created the "Journey" artwork for our Reconciliation Action Plan.

She explained the symbols and meaning in her artwork, as well as the connection with our reconciliation journey:

"Mother Earth is the land that we call Australia, and the waterways are her veins. Our ancestors have walked this Country since time began," said Elenore.

"With railway tracks depicted throughout, the blue lines are Mother Earth's veins, representing our rivers and waterways, and the meeting place to the right is ARTC with the symbol of No Harm at its heart.

"The black and white hands in the artwork are a symbolism of reconciliation between ARTC and the Traditional Custodians on which lands ARTC operates.

"Represented also are the traditional bush medicines, which is an acknowledgement of healing and moving forward with shared learning of the reconciliation journey."

ENVIRONMENT

We are committed to undertaking our activities in a safe and environmentally responsible manner to achieve positive outcomes for our customers, stakeholders, community and the environment.

In 2021–22, we were proud to achieve three years in a row of zero significant environmental non-compliance events.

Environmental Management System

Throughout the year, we looked to minimise the potential impact of construction and operational activities on the natural environment, including soil and water, biodiversity, air and responsible stewardship of waste. Our Environmental Management System – which helps us evaluate, manage and report environmental issues – again guided our activities, with performance regularly audited and reported to management.

Environment Policy and Principles

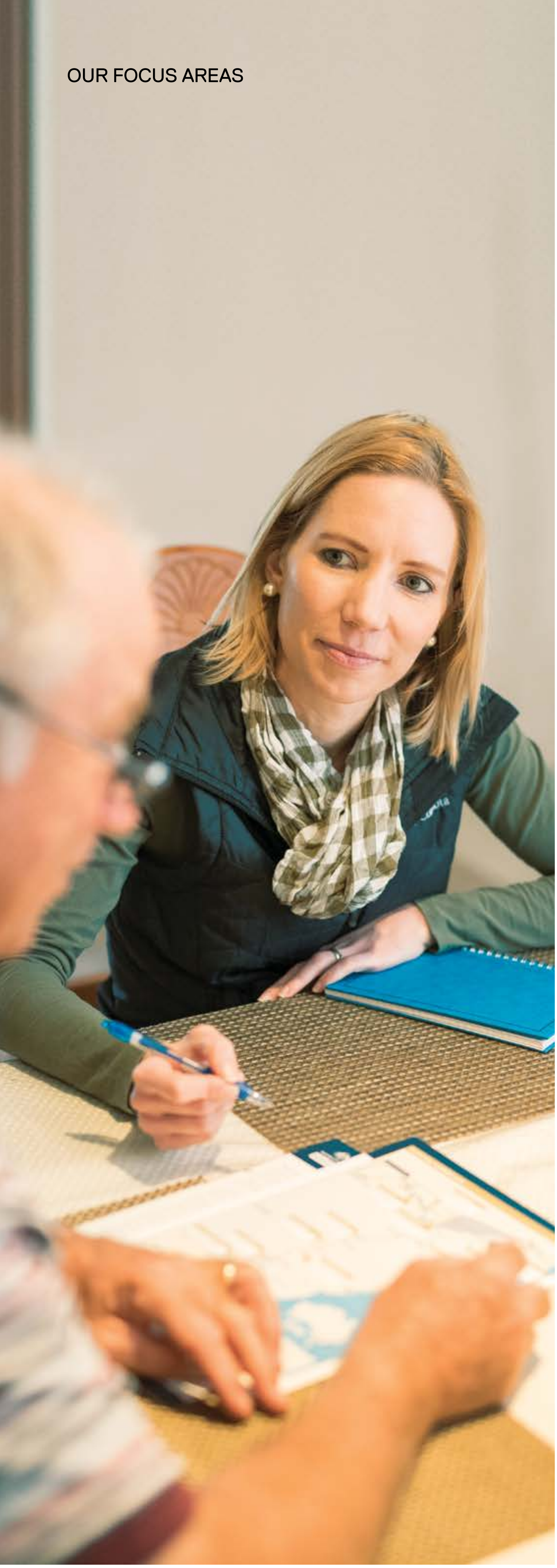
We embedded our Environment Policy and Principles that we developed in 2020–21 to further demonstrate our commitment to working in a safe and environmentally responsible way. Our Environment Policy goes beyond compliance and considers how we want to operate into the future, while our Environment Principles continued to guide our behaviour to build a strong environmental culture across ARTC.

Greenhouse gas emissions reduction plan

ARTC reports operational greenhouse gas (GHG) emissions to the Australian Government under the *National Greenhouse and Energy Reporting Act 1997*. During the year, we commenced the development of a GHG reduction plan to help reduce emissions as part of our broader ESG goals.

Waste stream assessment project

The effective management of waste – generated by our maintenance, upgrade and construction activities – brings an opportunity to reduce costs to the business and minimise impacts on the environment. During the year, we commenced the development of a waste stream assessment project to help identify process improvements and assist in identifying waste diversion, reuse and recycling opportunities.



ESG: ENVIRONMENTAL, SOCIAL AND GOVERNANCE

As the world moves towards a more sustainable future, ARTC is taking a proactive position on our environmental, social and governance (ESG) responsibilities.

During the year, we released ARTC's first ESG Strategy, which includes a three-year roadmap to help us achieve our ESG ambition to support a more sustainable future through modal shift to rail.

Our ESG ambition supports our core business purpose of making rail the mode of choice in the national logistics chain. Through ESG, we are supporting key activities already being implemented across our business and increasing our focus on how we create value for all our stakeholders, including employees, customers, regulators, Shareholders and communities.

Our ESG Strategy focuses on five strategic priorities:

- Growing new markets
- Skilled and diverse workforce
- Network safety and resilience
- Social responsibility
- Environmental benefits

We have committed to reach specific ESG targets by June 2024, including:

- 33.3% female workforce
- 4% Aboriginal and Torres Strait Islander workforce
- Network assessment for climate change risks and vulnerabilities
- 10% reduction in Scope 1 and 2 greenhouse gas emissions

ARTC's inaugural ESG Report outlines progress against our ESG Strategy (view at **www.artc.com.au/about/reports**)

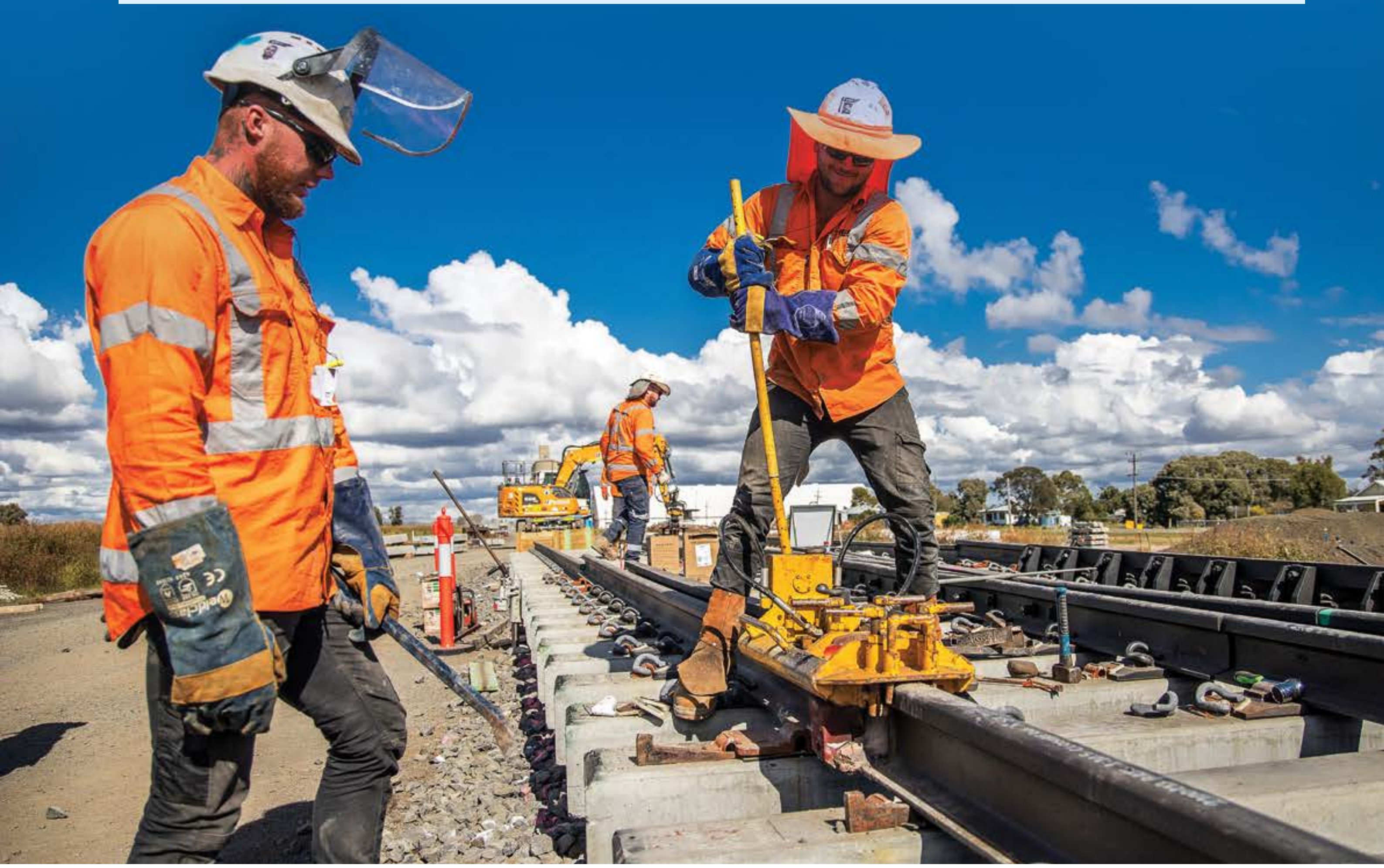
CASE STUDY: INLAND RAIL SUSTAINABILITY REPORT

Integrating environmental, social and governance principles into the work we do is becoming an increasing focus across ARTC as part of our commitment to being a good corporate citizen.

During the year, we released a targeted Inland Rail 2020–21 Annual Sustainability Report to highlight how we are creating additional value to local communities, businesses, and the natural environment through construction of the nation-building program.

Key report highlights:

- On the completed Parkes to Narromine section of Inland Rail, we installed certified carbon neutral concrete culverts that enabled us to reduce carbon emissions by more than 7,250 tonnes (the equivalent of removing 1,350 vehicles off the road for a year).
- For the Narrabri to North Star (Phase 1) section, site offices and the workers' camp were supplied with 50% renewable electricity. In addition, site caravans were retrofitted with solar panels and batteries to reduce diesel use and maintenance costs.
- We achieved our first Infrastructure Sustainability verification with an 'excellent' design rating for the Narrabri to North Star (Phase 1) project – an independent rating from the Infrastructure Sustainability Council of Australia.



Task Force on Climate-Related Financial Disclosures (TCFD)

The impacts of climate change, both physical and in transition, are increasingly being realised around the world. ARTC's management of climate risks and maximisation of opportunities is critical if we are to fulfill our ESG ambition of modal shift to rail for a sustainable future.

ARTC will progressively adopt the recommendations of the TCFD guidelines. Provided below is a summary of progress made against TCFD recommendations, with further information on our TCFD roadmap available in our ESG Report:

Governance

ARTC's Board has primary oversight of the company's strategic approach to ESG and receives ESG updates at each Board meeting as a standing agenda item, while ESG-specific risks are overseen by the Risk Committee. The Risk Committee is provided bi-annual updates on all corporate risks, including ESG and climate-related risks. ARTC's ESG executive champion is the Chief Financial Officer.

In future, we plan to further develop the process for Board oversight of climate-related risks and opportunities and to further embed management's responsibility for climate-related risks and opportunities into all relevant strategies.

Strategy

ARTC has developed an ESG Strategy to guide our progress – reporting in alignment with TCFD is a deliverable of the strategy. The ESG Strategy identifies 15 material topics of most significance to our business activities and includes key climate-related considerations including decarbonisation, network resilience to climate impacts, and access to finance in a context where ESG and climate issues are influencing financiers' decision-making.

ARTC is already experiencing and responding to natural disasters and mitigating impacts where possible. In 2021–2022, we managed three significant flooding events alone. Our Network Resilience Strategy will identify assets vulnerable to the potential physical impacts of climate change and increase resilience through capital expenditure planning.

We recognise that decarbonisation and the global energy transition will impact our client base. Currently, 63% of ARTC's revenue is related to infrastructure charges for the movement of coal, primarily in the Hunter Valley. We are already working with our customers and stakeholders to define the future supply chain and assessing and analysing long-term diversification scenarios as part of business planning strategies. ARTC is also growing intermodal and intercapital markets through Inland Rail which will also reduce the risks associated with declining coal production.

In future, ARTC intends to undertake detailed scenario planning in line with TCFD recommendations to complement the work already being done within the company.

Risk management

ARTC has well established whole-of-organisation risk management processes for assessing and identifying risks to our business. ESG risk has been identified as being of enterprise-wide significance and we provide updates to executive management and the Board on a bi-annual basis. In addition, ESG matters are treated as a standing agenda item for all Board meetings.

We do not currently assess climate-related risks independent of ESG risk, however integrating the identification, assessment and management of climate-related risks into our overall risk management systems is a key item on the TCFD roadmap which is included in our ESG Report.

We recognise the different exposures of our business to climate-related risks. In addition to managing the network resilience (physical) and customer-related (transition) risks outlined above, we are also designing and constructing Inland Rail – a long-term asset that requires consideration of climate risks and opportunities in accordance with environment and planning approvals and infrastructure sustainability rating requirements. Climate change risk assessments and adaptation planning is informing design, construction and future operation of Inland Rail.

ARTC is exploring possible processes for integrating climate-related risks into our overall risk management systems, and ensuring that enterprise-wide risks are assessed using consistent scenarios and timelines.

Metrics and targets

We currently have a number of metrics for tracking our ESG performance that factors in climate-related risks and opportunities, including:

- % reduction in Scope 1 and 2 greenhouse gas emissions
- % progress of network assessment for climate change risks and vulnerabilities

We will develop relevant metrics and targets once we have undertaken detailed scenario analysis and identified a range of climate-related risks and opportunities specific to our business.

ARTC collects and measures emissions data in line with our requirements under the *National Greenhouse and Energy Reporting Act 2007*. We do not currently collect data on Scope 3 emissions but have commenced work on better understanding these emissions.

	2019–2020	**2020–2021**	**2021–2022**
Scope 1	11,375	12,816	11,957
Scope 2	9,701	8,223	8,143
Total (tCO2e)	21,076	21,039	20,100

As part of future work on aligning with the recommendations of the TCFD, we will determine relevant medium and long-term climate targets.

COMMUNITY SUPPORT

ARTC operates in local communities across the country, including metropolitan, rural and remote areas.

During the year, we continued to support these communities in many ways, including school visits to educate young people about safe rail behaviours through to sponsorship of local events.

We also provided direct financial assistance to community groups across regional Australia, as well as to flood-affected communities in New South Wales and Queensland via partnerships with The Salvation Army and Australian Red Cross.

Inland Rail – actively engaging communities

During the year, we remained committed to working proactively with communities where Inland Rail is being delivered, including the following examples where our project teams listened to and acted on community feedback:

- **Tottenham to Albury in Victoria** – we worked with the Euroa community to reduce six proposed design options down to two – a vehicle underpass and a road bridge. And in Benalla, we revisited designs for the Benalla Station precinct following extensive consultation with the local community.
- **Narromine to Narrabri in New South Wales** – we are proposing to relocate seven crossing loops to new locations to improve traffic access and safety outcomes. We are also changing the location and treatment of public level crossings to improve safety outcomes, while several public roads are also proposed for re-alignment to minimise property impacts and improve traffic access.
- **New South Wales/Queensland Border to Gowrie in Queensland** – we have updated designs to relocate banks of concrete culverts, add new culverts and increase their diameter in response to landowner feedback.
- **Albury to Illabo in southern New South Wales** – we are working with the local community to gift the Culcairn footbridge deck structure back to the community once it is removed to allow for double-stacked freight trains.
- **Gowrie to Kagaru in Queensland** – we are incorporating community feedback into proposed design refinements to replace several existing level crossings with overpasses to improve town access and maximise safety.

Responding to Senate Inquiry recommendations

In late 2021, the Senate Rural and Regional Affairs and Transport References Committee tabled the recommendations from its Inquiry into the Management of Inland Rail in Parliament. The Inquiry was an opportunity to hear many different perspectives about the project and understand more about the benefits and impact of this important infrastructure.

A number of the Senate Inquiry recommendations related to ARTC Inland Rail's engagement, namely:

- **Recommendation 16:** The committee recommended ARTC engage an independent mediator to facilitate an improved working relationship with the NSW Farmers Association and Country Women's Association of NSW. In response, discussions started with a view to commencing the facilitation process.
- **Recommendation 17:** The committee recommended ARTC fosters improved local government consultation through regional forums aimed at generating community support for Inland Rail. In response, we are reviving the Melbourne to Brisbane Inland Rail Alliance in partnership with Toowoomba Regional Council. An Inland Rail "summit" is scheduled for October 2022, providing a chance for local governments to discuss opportunities and challenges. This is in addition to regular engagement by ARTC with all 36 councils along the Inland Rail alignment.

- **Recommendation 18:** The committee recommended ARTC conducts biennial independent reviews of its stakeholder engagement and consultation processes to ensure relevancy is maintained throughout all stages of the Inland Rail project. This is already underway, with reviews commencing in 2015. ARTC also audits stakeholder engagement on the projects for our Infrastructure Sustainability Council requirements.
- **Recommendation 19:** The committee recommends ARTC, in partnership with the Australian and state governments, establish a broader consultation and engagement framework to address community concerns for matters that extend beyond, but are interconnected to, the Inland Rail project.

We remain committed to resolving such matters with the involvement and support of government. We continue to work with communities, regulators and other agencies to resolve out-of-scope matters to either mitigate community impacts and/or improve outcomes without impacting the service offering or required engineering standards.

Governance forums have long been established with each state government (Victoria, New South Wales and Queensland) to ensure engagement and collaboration on matters that extend beyond the current program scope. Within ARTC, a Scope Pressure Working Group has been established to evaluate requests for work that are out of the project scope, while a Shared Risk Working Group has been established with the Department of Infrastructure to discuss matters that require greater bi-lateral collaboration and/or federal involvement to help resolve issues arising from potential scope variations.

ARTC continues to seek support from state and federal governments to help communities optimise the opportunities this major infrastructure program presents and to help ARTC confirm the Inland Rail baseline scope for program and stakeholder certainty.

CASE STUDY: INLAND RAIL HELPS LOCAL CAFÉ SERVE UP COMMUNITY SPIRIT

The Vicarage Cafe in North Star is one of the many local businesses in north-west NSW already benefitting from Inland Rail.

In 2021, lifelong friends and farmers Simon Doolin and James Hardcastle opened the café, which has become a meeting place for the local community.

“There was nowhere to run into our neighbours and have a quick catch-up, and a lot of people were staying at home due to the drought. We have so many people around, we had to find a way to draw them out,” said Simon.

Offering a great vantage point to view Inland Rail construction and trains once operational, the café has become a hotspot for construction teams.

“They have started using our cafe for meetings and mixing in well with the local North Star community,” said James. “Although we are only a small village, I hope that everyone can see that this rail project will bring value to our community in the coming years.”

Skills Academy providing pathways for young people

ARTC's Inland Rail Skills Academy continued to provide opportunities for young people and businesses. To date, the Academy has achieved the following:

- 23 university scholarships awarded
- 120 people trained in Civil Construction competencies
- 200 businesses skilled in Capability Statements
- 248 projects awarded funds over 12 rounds of sponsorships and donations
- 66 schools, 2,817 students, 120 teachers and 157 community volunteers involved.

During the year, as part of the Academy we partnered with the Clontarf Foundation to further support the education, training and employment of Indigenous youth in communities along the Inland Rail alignment.

The Academy will provide $500,000 to 13 Clontarf Academies in Queensland and New South Wales to help boost school retention, develop leadership and create pathways to employment through training opportunities for Indigenous youth.

Stakeholder reputation

Corporate identity and reputation are important, both as a tool for bringing cohesion and a sense of pride to employees, as well as underpinning our standing in the communities in which we operate and the relationships we foster with our customers and broader stakeholders.

In 2021–22, we extended the way we measure reputation to address broader involvement from stakeholder groups.

According to our independent research firm, our trust score with external stakeholders is in the "positive" reputation range. However, the results also indicate the need to continue to improve our stakeholder relationships, including our responsiveness and openness to community concerns.

TECHNOLOGY AND INNOVATION

During the year, we maintained a strong focus on developing new technologies in pursuit of a more resilient and digitally enabled network.

Advanced Train Management System

We progressed implementation of our ground-breaking Advanced Train Management System (ATMS), which we have developed in conjunction with Lockheed Martin.

A communications-based train control system that precisely tracks trains using GPS and mobile telecommunication technologies, our ATMS has already been successfully deployed between Port Augusta and Whyalla in regional South Australia.

During the year, planning continued on a 1,200km stretch of track between Tarcoola and Kalgoorlie, including preparatory works ahead of the anticipated installation of ATMS trackside equipment in 2023.

ARTC Network Control Optimisation

Our ARTC Network Control Optimisation (ANCO) program continued to support service delivery across our Hunter Valley network by enhancing operational capabilities.

Through our ongoing focus on making more efficient use of available track and train assets, we delivered enhancements to the ANCO system which facilitated:

- **Advanced network flow management** – application of advanced data analytics and data science to increase train flow and network utilisation
- **Integrated rail scheduling** – dynamic maintenance plans integrated with train movement plans for greater scheduling certainty and more effective maintenance
- **Enhanced performance reporting** – enabling monitoring and proactive decision-making for the achievement of KPIs

Going forward, we will also continue to explore an integrated, network-wide solution to operate in tandem with our ATMS.

Backing up our Network Control Centres

ARTC's three Network Control Centres play a crucial role in our network operations.

To assist our efforts to build a more resilient freight future, we enabled replication of our critical train control systems in back-up control centres. This means if one or more of our primary Network Control Centres are disrupted at any stage due to an emergency event (e.g. fire, flood, cyber breach), we have greater back-up options available to maintain business continuity and keep people safe.

National Train Communications System

With Telstra set to phase out its 3G network across Australia in 2024, we embarked on a technology refresh project for our National Train Communications System (NTCS).

Operating since 2010, our NTCS provides the mobile communications network for communications between our Network Control Centres and our customers' trains, as well as train positioning data used in our systems and across the wider logistics chain.

As part of the technology refresh project, we worked closely with Telstra and will continue to do so over coming years to ensure the future mobile connectivity needs of our business are met.

In addition, our Operational Technology team completed a major hardware upgrade for our NTCS this year, including planning, consulting and communicating the important upgrade with rail haulage providers, system vendors and other rail infrastructure managers to organise necessary outages and minimise impacts on rail traffic.

KM2ME app pinpoints track worker safety and productivity

Building on the success of our KM2ME (Kilometrage to Me) mobile app, an Android version was developed and launched during the year.

Now available to employees and contractors via the **Apple App Store** or **Google Play**, the innovative app helps protect people working on track by using mobile phone GPS location technology to inform users exactly where they are located on our rail network.

The app allows people to convert GPS coordinates to and from their precise track position and take geotagged photos, as well as serving as an important support tool in the event of incidents or if immediate assistance is needed.

REPORTS AND STATEMENTS

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 and the Standard Gauge Company Pty Ltd) for the financial year ended 30 June 2022. This Directors' Report has been prepared in accordance with the requirements of Division 1 of Part 2M.3 of the *Corporations Act 2001*.

OUR BOARD

The Hon Warren Truss AC (Chair, Non-Executive Director)

The Hon Warren Truss AC was appointed to the ARTC Board as Chairman on 21 April 2018. Previously Warren served as a Member of the House of Representatives for 26 years including more than eight years as Federal Leader of the National Party. He served as a Minister for more than 12 years including as Minister for Agriculture, Fisheries and Forestry, Minister for Community Services, and Minister for Trade. As Australia's 16th Deputy Prime Minister and Minister for Infrastructure and Regional Development, Warren was responsible for the delivery of several major Australian Government infrastructure investments including the development and early funding for the Inland Rail project.

Prior to entering Federal Parliament, Warren served in Local Government for 14 years, holding many roles including Councillor and Chairman of the Kingaroy Shire Council and President of the Burnett Local Government Association. He was also Chairman of the Sugar Coast Burnett Regional Tourism Board. Warren was a Member of the State Council and State Executive of the Queensland Graingrowers Association and Deputy Chairman of the Board of Bulk Grains Queensland. As a young farmer Warren was a foundation member of the Kumbia Rural Youth Club and went on to serve as State and National President of the Rural Youth Organisation.

Ryan Arrold MA LLM, GAICD (Non-Executive Director)

Mr Ryan Arrold was appointed to the ARTC Board as a Non-Executive Director on 30 March 2022. Ryan is a lawyer, corporate advisor, company director and founder with more than 20 years international experience. Currently, Ryan is a co-founder of Nautilus Life Sciences, an advisory and investments business focusing on the development and commercialisation of Australian medical innovations. Previously, Ryan worked as a corporate and projects lawyer with leading New York firm Skadden, Arps, Slate Meagher and Flom LLP and as a corporate advisor with J.P. Morgan, both roles focusing on global emerging markets debt and equity finance transactions in the power, infrastructure and transport sectors. Ryan also spent time in Asian principal infrastructure investment and agribusiness, most notably co-founding (and exiting) dairy distributor Aspen Nutritionals Hong Kong. Ryan holds Masters' degrees in laws and criminology from the University of Sydney and is a Graduate of the Australian Institute of Company Directors.

Keira Brennan BA/LLB (Non-Executive Director)

Ms Keira Brennan was appointed to the ARTC Board as a Non-Executive Director on 30 March 2022. Keira is a corporate lawyer with 30 years' experience, specialising in mergers and acquisitions, joint ventures and the operational requirements of energy and resources companies. For the last 15 years, her particular focus has been on the logistics and supply chain contracts required for the movement of bulk commodities. Keira has been a board member for the Energy and Resources Lawyers Association Limited and a member of the partnership council of Norton Rose Fulbright Australia.

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

Ms Rosheen Garnon was appointed to the ARTC Board as a Non-Executive Director on 21 November 2018. Rosheen is a seasoned professional services expert with over 29 years' experience in the accounting industry. Rosheen's qualifications include a Bachelor of Economics (Accounting Major) and Bachelor of Law 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 Chair and a Non-Executive Director of Alexium International Group Limited; a Non-Executive Director of Resolution Life Australia; and Deputy Chair of the Australia Council for the Arts. She is also Chair of the Board of Taxation. Her volunteer and not for profit roles include a Non-Executive Director of The Smith Family; Non-Executive Director of Venues NSW; and a Non-Executive Director of Women Corporate Directors.

Katrina Hodgkinson MBA, GAICD
(Non-Executive Director)

The Hon Katrina Hodgkinson was appointed to the ARTC Board as a Non-Executive Director on 30 March 2022 and is a Director of several Australian Boards. She is Chair of the Realise Business Board and Chair of the multi-billion dollar Holdmark Property Group's Advisory Board. Katrina is Vice Chair of Korean Metals Exploration, a Board Member of Shake It Up Australia Foundation (in affiliation with the Michael J Fox Foundation for Parkinson's Research), and she is a NSW Patron of the Justice Reform Initiative. Katrina is immediate past Director of Government and Regulatory Affairs at Australia's Academic and Research Network. She has been a NSW Justice of the Peace for the past 30 years, has a Masters in Business Administration, and she is a Graduate of the Australian Institute of Company Directors.

Katrina was involved in both State and Federal parliaments for over 21 years, as a Minister and Assistant Minister in the NSW Government with the portfolios of Primary Industries (including Lands and Water), Small Business, and Tourism and Major Events and as a senior adviser in the Howard Government. As a Member of Parliament representing the large inland regional NSW electorates of Burrinjuck and Cootamundra, Katrina represented the railway townships of Goulburn, Cootamundra and Junee for nearly 20 years and she has extensive experience in working with railway communities, managing cultural change and driving reform in regional areas. Katrina has been involved with both the Inland Rail and the operations of ARTC since their inception.

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

Mr David Saxelby was appointed to the Board as a 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 Minerals 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.

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

Ms Jennifer Seabrook was appointed to the ARTC Board as a 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 the Independent Chair of ASX listed Deterra Royalties Limited and holds directorships at BGC (Australia) Pty Ltd, Esther Investments and HBF Health Limited.

Previous Non-Executive Director roles include West Australian Newspapers, Bank of Western Australia, Western Power Corporation, MMG Limited, IRESS Limited, Iluka Resources Limited, Alinta Gas 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.

Mark Campbell BEng (Civil), GAICD
(CEO and Executive Director)

Mr Mark Campbell is the Managing Director and Chief Executive Officer at ARTC, overseeing a team of more than 2,000 people in five states across Australia who manage the transit of around 420 trains per day. With more than 30 years of international experience in light and heavy industrial fields, Mark joined ARTC in April 2020 from leading construction materials firm Holcim, where he led the company's Australia and New Zealand divisions for eight years. A civil engineer by trade, Mark also has significant board experience as a former director of Holcim Australia and New Zealand, Cement Australia, Cement Concrete & Aggregates Australia, Penrith Lakes Development Corporation, Skills DMC and Metromix.

Gavin Carney BA, LLB, LLM, GradDip ACG, MAICD, FGIA, FCA (Company Secretary)

Mr Gavin Carney was appointed Company Secretary in 2009. Gavin joined ARTC in 2007 and is also the General Counsel. Gavin is a Fellow of the Governance Institute of Australia and a Member of the Australian Institute of Company Directors. As Company Secretary of ARTC, Gavin 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.

DIRECTORS WHOSE TERM CEASED DURING FINANCIAL YEAR

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

Mr Chris Barlow's term as a Non-Executive Director ended on 25 March 2022.

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

Ms Gillian Brown's term as a Non-Executive Director ended on 25 March 2022.

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

Mr Vince Graham's term as a Non-Executive Director ended on 18 February 2022.

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 2022, and the numbers of meetings attended by each Director were:

	Meeting of Directors											
	Full meeting of Directors		Audit and Compliance Committee		Environment Health and Safety Committee		People and Performance Committee[1]		Risk Committee		Inland Rail Committee[2]	
	A	B	A	B	A	B	A	B	A	B	A	B
W Truss[3]	9	9	5	5	3	3	5	5	2	2	8	8
R Arrold[4]	2	2	1	1	1	1	–	1	1	1	2	2
C Barlow	7	7	–	4	–	2	4	4	1	1	6	6
K Brennan[5]	2	2	1	1	1	1	1	1	1	1	2	2
G Brown	6	7	4	4	2	2	4	4	1	1	4	6
R Garnon[6]	9	9	5	5	1	3	5	5	2	2	7	8
V Graham	4	5	4	4	2	2	–	3	–	1	3	5
K Hodgkinson[7]	2	2	1	1	1	1	1	1	1	1	2	2
D Saxelby[8]	8	9	2	5	3	3	2	5	2	2	8	8
J Seabrook	9	9	5	5	–	3	5	5	2	2	8	8
M Campbell[9]	9	9	5	5	3	3	5	5	2	2	8	8

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 and Performance Committee.

(2) Inland Rail Committee became a whole of Board Committee on 24 August 2021.

(3) Mr Truss attended five Audit and Compliance Committee meetings, three Environment, Health and Safety Committee meetings and five People and Performance Committee meetings as an invitee.

(4) Mr Arrold attended one Audit and Compliance Committee meeting and one Environment, Health and Safety Committee meeting as an invitee.

(5) Ms Brennan attended one Audit and Compliance Committee meeting, one Environment, Health and Safety Committee meeting and one People and Performance Committee meeting as an invitee.

(6) Ms Garnon attended one Environment, Health and Safety Committee meeting and one Inland Rail Committee meeting as an invitee.

(7) Ms Hodgkinson attended two Inland Rail Committee meetings as an invitee.

(8) Mr Saxelby attended two Audit and Compliance Committee meetings and two People and Performance Committee meetings as an invitee.

(9) Mr Campbell attended five Audit and Compliance Committee meetings, three Environment, Health and Safety Committee meetings, five People and Performance Committee meetings and two Inland Rail Committee meetings as an invitee.

MEETINGS OF DIRECTORS (continued)

MEMBERS OF THE BOARD COMMITTEES DURING THE YEAR:

Audit and Compliance

Member	Membership period (if other than full year)
R Garnon	Appointed Chair 28 March 2022
R Arrold	Appointed 13 May 2022
G Brown	End of term 25 March 2022
V Graham	End of term 18 February 2022
J Seabrook	

Environment Health and Safety

Member	Membership period (if other than full year)
K Hodgkinson	Appointed Chair 13 May 2022
K Brennan	Appointed 13 May 2022
G Brown	End of term 25 March 2022
V Graham	End of term 18 February 2022
D Saxelby	

People and Performance

Member	Membership period (if other than full year)
J Seabrook	Chair
C Barlow	End of term 25 March 2022
G Brown	End of term 25 March 2022
R Garnon	
K Hodgkinson	Appointed 13 May 2022

Risk Committee

Member	Membership period (if other than full year)
K Brennan	Appointed Chair 13 May 2022
R Arrold	Appointed 13 May 2022
C Barlow	End of term 25 March 2022
G Brown	End of term 25 March 2022
M Campbell	
R Garnon	
V Graham	End of term 18 February 2022
K Hodgkinson	Appointed 13 May 2022
D Saxelby	
J Seabrook	
W Truss	

Inland Rail Committee

Member	Membership period (if other than full year)
D Saxelby	Chair
R Arrold	Appointed 13 May 2022
C Barlow	End of term 25 March 2022
K Brennan	Appointed 13 May 2022
G Brown	Appointed 24 August 2021, End of term 25 March 2022
M Campbell	
R Garnon	Appointed 24 August 2021
V Graham	Appointed 24 August 2021, End of term 18 February 2022
K Hodgkinson	Appointed 13 May 2022
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 progress on the Inland Rail program, including completion of the first section of the upgrade of existing rail corridor in Narrabri to North Star. This is despite continuing delays from inclement weather events and the general impact of COVID-19 on the supply chain.

Pre-construction activities continue on other sections of the project although challenged by impacts of inflationary pressures, approval delays and changes to scope. The project continues to work through a number of impacts including: a heated infrastructure delivery market, COVID-19 induced labour shortages, obtaining state approvals while furthering understanding of technical, cultural heritage, safety, connectivity and other design requirements.

The Private Public Partnership (PPP) tenders were evaluated during the year, and a joint venture group selected as the preferred proponent in March 2022. This commenced the preferred phase of the process where contractual details will be progressed during the course of the financial year FY23 and settled in the financial year FY24.

Consistent with prior years, and all ARTC assets, the Inland Rail project is assessed for impairment as required by Accounting Standards (note 13). Notwithstanding that, it is noted that the Inland Rail project is primarily funded by the Commonwealth Government in accordance with pre-existing project agreements.

2. Market conditions

Challenges with incidents have continued this year with significant weather-related events impacting the freight network. ARTC is actively pursuing resilience activities as part of an overall multi-year resilience program, as well as continuing to invest in the network with the aim to improve freight network capacity, efficiency and resilience.

Coal volumes have declined relative to forecast due to ongoing severe weather and COVID-19 absenteeism affecting mine production. The mechanism for the pricing under the Hunter Valley Access Undertaking and contractual arrangements mean the impact of lower than forecast coal volume on revenue for the period has been minimal.

The capitalised losses mechanism for Pricing Zone 3 ends on 31 December 2022, the FY22 financial statements include recognition of 50% of the forecasted liability owed to Access Holders at this date. Due to heightened inflation this adjustment is higher than forecast and has reduced FY22 revenues. Expenditure on the coal network continues to be assessed to ensure resources are put to the best use for the network.

FY22 has seen grain volumes perform strongly with freight, passenger and other bulk commodity market segments demand remaining consistent with prior years. Inflationary and economic pressures are being noted in several areas of costs and ARTC is seeking to manage risks where possible arising as a result.

3. Valuation

The market impacts have been considered in ARTC's fair value assessment of the Hunter Valley and Interstate Business Units.

There has been a reduction in the Hunter Valley Business Unit's valuation of $69.5 million (a decline of 4% on the prior year asset base). Of the movement nil (2021: $100.4 million) was recorded in the Income Statement and $69.5 million (2021: $137.3 million) in the Asset Revaluation Reserve.

The fluctuations in the Interstate Business Unit's long-term cash flow forecasts have resulted in minimal valuation movements overall. There has been a minor upward revaluation of the Interstate Business Unit's assets of $15.9 million (2021: decrease of $213.2 million) an increase of 1% on the prior year asset base. Of the movement $8.3 million (2021: ($213.2 million)) was recorded in the Income Statement and $7.5 million (2021: nil) in the Asset Revaluation Reserve.

Refer to Note 13 of the financial statements for further detail on asset values.

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

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

No events have occurred after the balance sheet date that should be brought to account or disclosed in the year ended 30 June 2022 financial statements.

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 Report.

DIVIDENDS

On 29 October 2021 the Group made a payment of $59,377,000 to the shareholder as the final dividend for 2020/21 financial year. The basis of the payment included $34,176,000 relating to the 2020/21 financial year and $25,201,000 relating to 2019/20.

On 27 April 2022 the Group made a payment of $28,380,000 to the shareholder as an interim dividend.

REVIEW OF OPERATIONS

The review of operations of the Group is contained in the Chairman's and the Chief Executive Officer's 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 New South Wales. 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.

ARTC has indemnified each of the Directors of the company against any legal proceedings, loss or liability that arises in their capacity as a Director of ARTC. As at 30 June 2022, no material claims have been made.

NON-AUDIT SERVICES FROM EXTERNAL AUDITORS

The External Auditors did not provide any non-audit services during 2021/22 (2020/21: nil).

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 55.

Signed in accordance with a resolution of the Directors:

W Truss Director
Signed on the 20th day of September 2022

M Campbell Director
Signed on the 20th day of September 2022

Australian National
Audit Office

Mr Warren Truss
Chairman
Australian Rail Track Corporation Ltd
PO Box 10343, Gouger Street
Adelaide SA 5000

AUSTRALIAN RAIL TRACK CORPORATION LTD FINANCIAL REPORT 2021–22
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 2022, 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

Rebecca Reilly
Executive Director

Delegate of the Auditor-General

Canberra
20 September 2022

REMUNERATION REPORT – UNAUDITED

1. INTRODUCTION

This report outlines the approach to setting remuneration and the outcomes for ARTC's Key Management Personnel (KMP) for the year ended 30 June 2022. The personnel covered in this report include Non-Executive Directors of ARTC, its Chief Executive Officer and Managing Director (CEO and MD) and all senior executives appointed to roles that report directly to the CEO and MD.

Name	Position	Term
	Non-Executive Directors	
Warren Truss AC	Chair	Full Year
Ryan Arrold	Non-Executive Director	Appointed 30/03/2022
Chris Barlow	Non-Executive Director	Ceased 25/03/2022
Keira Brennan	Non-Executive Director	Appointed 30/03/2022
Gillian Brown	Non-Executive Director	Ceased 25/03/2022
Rosheen Garnon	Non-Executive Director	Full year
Vince Graham AM	Non-Executive Director	Ceased 18/02/2022
Katrina Hodgkinson	Non-Executive Director	Appointed 30/03/2022
David Saxelby	Non-Executive Director	Full year
Jenny Seabrook	Non-Executive Director	Full year
	Executive Directors	
Mark Campbell	Chief Executive Officer and Managing Director	Full year
	Other Key Management Personnel	
Gavin Carney	General Counsel and Company Secretary	Full year
Peter Clements	Group Executive Safety and Environment	Appointed 04/04/2022
Kylie Gallasch	Chief Financial Officer	Full year
Wayne Johnson	Group Executive Hunter Valley	Full year
Jane Lavender-Baker	Group Executive Strategy, Culture and Reputation	Appointed 18/10/2021
Jane Lavender-Baker	Group Executive Corporate Affairs and People	Ceased 17/10/2021
Brad Moorhouse	Group Executive Engineering and Systems	Appointed 18/10/2021
Brad Moorhouse	Acting Group Executive Strategy and Corporate Development	Ceased 17/10/2021
Simon Ormsby	Group Executive Interstate Network	Full year
Rebecca Pickering	Interim Chief Executive Inland Rail	Appointed 12/07/2021
Damien White	Group Executive Safety, Engineering and Technology	Ceased 12/10/2021
Richard Wankmuller(1)	Chief Executive Officer Inland Rail	Ceased 31/07/2021
Michael Zambelli	Group Executive Major Construction Projects	Full year

(1) R Wankmuller retired as CEO Inland Rail on 31 July 2021 while R Pickering was appointed as Interim Chief Executive Inland Rail prior to this date to facilitate a smooth transition.

2. REMUNERATION – OPERATING CONTEXT

As a Government Business Enterprise (GBE), a key objective of ARTC is to operate on commercially sound principles as it fosters and supports a viable Australian rail industry which contributes to an efficient national transport system.

In FY2022 we were able to safely support our essential workforce to continue our critical role in the supply chain. With comprehensive health, safety and wellbeing support, we were able to manage the impacts of COVID-19 and floods on our people, customers and the community to continue our vital role in our national transport system.

To deliver on our significant capital project portfolio – most notably Inland Rail, we are continuing to attract, develop and retain more specialist project delivery, design and engineering skills than ever before. The competition for these skills along with professional project accounting, environmental and community roles are in significant demand in Australia as a result of the record investment in infrastructure by Commonwealth and State Governments. Remaining competitive on remuneration with the private sector construction and engineering industry is challenging, and we seek to find an appropriate balance between market competitiveness and our GBE status.

With this operating environment in mind, ARTC's remuneration practices are designed to:

- Create value for the company through effective and well governed reward practice;
- Attract, motivate and retain the talent we need to achieve our business objectives;
- Support ARTC's values, desired culture, fair and equitable pay, avoid bias, including gender;
- Align with business performance and contribution; apply effective risk management and governance; and
- Reflect our status as a Government Business Enterprise.

Overview of FY2022 company performance and link to remuneration

FY2022 was a year of resilience for ARTC, through a period of severe weather conditions. As an essential service, ARTC continued to provide a safe and reliable network as a critical part of the supply chain.

Financial performance: operating profit was above threshold despite impacts of significant weather events. ARTC assesses financial performance on the basis of operating profit performance against budget. Operating Profit is defined as earnings before interest, tax, depreciation, amortisation and impairment (EBITDAI) excluding impacts on earnings from expenditure related to ARTC's major infrastructure works program and grant revenue. Annual major project expenditure did not achieve threshold due to project delays. The executive team has worked hard on maintaining and building future value in challenging conditions, resulting in a stabilisation of our Interstate and Hunter Valley business valuations.

From a non-financial performance perspective, incident rectification and delivery of capital programs, has ensured the improvement of customer satisfaction with our rail assets performance. Network availability for the Interstate business was impacted by weather events. Stakeholder reputation continues to be impacted by community concerns around Inland Rail. Whilst our employee safety performance continues to improve, focus needs to remain on our contractor safety performance which remains well below the Board and management's expectations. This particular aspect of total contractor safety performance continues to receive increasing focus and effort to reduce injury rates, safety incidents and improve overall safety outcomes.

Consequently, Executive KMP STI outcomes typically met Target performance which supports our pay-for-performance philosophy.

Remuneration in the context of ARTC as a GBE

Given our status as a GBE, we understand there is a greater expectation on us to ensure the prudent use of Shareholder funds, including in the way we compensate our people. Accordingly, our reward practices within our remuneration framework enable us to attract and retain key talent to deliver on our Corporate Plan objectives, including long-term capital projects and fulfil our responsibilities to the Australian Government and community.

The CEO's remuneration is determined by the Remuneration Tribunal and includes a short term performance incentive (STI). Other Executive KMP are also eligible to receive STI payments in addition to fixed pay. The STI only delivers reward outcomes for achievement against pre-set targets. These targets are based on the company's Corporate Plan and require "stretch" performance in order to be achieved. If achieved, any payment is subject to the overall discretion of the Board.

Changes to FY2022 remuneration

We regularly review our remuneration framework to ensure ongoing refinement and improvement to our remuneration structure, practices and governance.

In relation to our STI plan, we continued with the simplified structure put in place in FY2021.

3. REMUNERATION STRUCTURE

Based on ARTC's remuneration principles, the FY2022 remuneration structure for Executive KMP is outlined below.

Remuneration Principles			
Attract, motivate and retain talent to achieve business objectives	Support ARTC's values and culture	Align with business performance and contribution	Reflect our status as a GBE

Remuneration Structure		
	Fixed Annual Reward (FAR)	Short Term Performance Incentive (STI)
Link to principles	To attract and retain key talent through competitive remuneration relative to market	To reward executives based on the achievement of company and individual objectives during the financial year, based on a rigorous performance assessment
Maximum opportunity	N/A	CEO and MD: 60% of FAR[2] Interim Chief Executive Inland Rail: 30% of FAR Senior Executives: 30% of FAR
Delivery timeframe	1 year	1 year performance period
Delivery	Cash	Cash
Performance measures	N/A	Mix of quantitative financial and non-financial measures, assessed on a company-wide (55%) and individual basis (45%) as detailed in the next section.

(2) CEO and MD STI level is set by the Remuneration Tribunal.

4. EXECUTIVE KMP FY2022 STI OUTCOMES

The Board determines the payment of the STI based on an assessment of each Executive KMP's performance against corporate and individual objectives. Payment under the STI plan is dependent on the overall performance of the business and is at the discretion of the Board.

FY2022 continued with the STI scorecard structure and the simplification of the STI performance assessment process, which included:

- Streamlining the way performance is assessed between corporate and individual objectives, ensuring an overall weighting of 100%;
- "Threshold" performance is set on the basis of prior years' performance and other factors and equates to 50% of the available STI;
- "On target" is set at a level that requires outperformance by incorporating improvement on the previous year's outcome and equates to 80% of the available STI; and
- "Stretch" represents an outstanding level of achievement above and beyond the already high bar set for "On target" level of performance and is capped at 100% of available STI.

Outlined below is the ARTC's FY2022 approach towards STI assessment.

STI opportunity (%) × [Corporate objectives outcome (55%) + Individual objectives outcome (45%)] = Final STI outcome ($)

OVERALL COMPANY PERFORMANCE OUTCOMES

ARTC Corporate objectives performance outcomes for FY2022 are summarised in the following table, which resulted in 62.7% of the available corporate incentive being awarded and for individual objectives the outcomes ranged between 72% and 100%.

Category	Weighting	Corporate Objectives	Outcome
Financial	25%	– Operating profit	Above threshold
		– Annual Major Project Expenditure	No award
		– Corporate Valuation	Above target
Safety	15%	– All injury frequency rate (employees)	Stretch
		– All injury frequency rate (contractors)	No award
		– Safety breaches	Stretch
		– SWIP Progress	Target
People	5%	– Employee engagement score	Target
Network Availability	4%	– Network Availability (IS)	No award
		– Network Availability (HV)	Above threshold
Stakeholder	6%	– Customer Satisfaction	Stretch
		– Stakeholder Reputation	No award
Corporate objectives	55%		35%
Individual objectives	45%	– Mix of strategic, customer, stakeholder and safety objectives	Ranged between 32% to 45%
Total	**100%**		**Ranged between 67% to 80%**

Executive KMP Performance Outcomes (combining corporate and individual incentive outcomes shown in prior table)

Role	Maximum Potential STI as % FAR	Actual STI as % FAR	STI Outcome %
ARTC CEO and MD	60	42	70
INTERIM CHIEF EXECUTIVE INLAND RAIL	30	20	67
OTHER ELIGIBLE KMP	30	22–24	73–80

No Board discretion was exercised in FY2022.

EXECUTIVE REMUNERATION

The following table represents the remuneration receivable by KMP executives applicable to the relevant year.

The short-term incentives for financial year 2022 represent the amounts awarded to KMP for stretch performance outcomes associated with FY2022 and are to be paid in October 2022.

		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**		
		$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
M Campbell	**2022**	**752,176**	**319,395**	–	**23,659**	–	**19,224**	–	**1,114,454**
	2021	740,886	406,346	–	21,783	–	17,712	–	1,186,727
G Carney	**2022**	**368,118**	**95,472**	–	**23,659**	–	**11,558**	–	**498,807**
	2021	342,937	101,300	–	21,783	–	8,549	–	474,569
P Clements	**2022**	**99,000**	–	–	**5,801**	–	**1,438**	–	**106,239**
	2021	–	–	–	–	–	–	–	–
S Flowers	**2022**	–	–	–	–	–	–	–	–
	2021	110,502	29,659	–	7,682	–	2,815	–	150,658
K Gallasch	**2022**	**427,350**	**104,620**	–	**23,659**	–	**12,845**	–	**568,474**
	2021	401,183	114,000	–	21,783	–	26,641	–	563,607
W Johnson	**2022**	**402,014**	**91,710**	–	**23,659**	–	**7,264**	–	**524,647**
	2021	384,816	108,000	–	21,783	–	6,201	–	520,800
J Lavender-Baker	**2022**	**395,614**	**98,345**	–	**23,659**	–	**16,048**	–	**533,666**
	2021	412,143	112,900	–	21,783	–	12,281	–	559,107
B Moorhouse	**2022**	**355,292**	**80,666**	–	**23,659**	–	**29,547**	–	**489,164**
	2021	193,633	79,700	–	13,851	–	4,439	–	291,623
S Ormsby	**2022**	**423,980**	**100,995**	–	**23,659**	–	**11,279**	–	**559,913**
	2021	398,050	111,000	–	21,783	–	14,873	–	545,706
R Pickering	**2022**	**504,537**	**101,810**	–	**23,024**	–	**14,499**	–	**643,870**
	2021	–	–	–	–	–	–	–	–
D White	**2022**	**131,185**	–	–	**8,793**	–	**(15,196)**	–	**124,782**
	2021	349,757	45,700	–	21,783	–	9,501	–	426,741
P Winder	**2022**	–	–	–	–	–	–	–	–
	2021	248,866	53,990	–	11,019	–	3,968	–	317,843
R Wankmuller	**2022**	**137,609**	–	–	**11,512**	–	**(56,723)**	534,004	**626,402**
	2021	1,081,884	355,875	–	21,783	–	17,744	–	1,477,286
M Zambelli	**2022**	**529,896**	**126,422**	–	**23,659**	–	**8,381**	–	**688,358**
	2021	45,710	–	–	1,919	–	615	–	48,244
Total Executive KMP	**2022**	**4,526,771**	**1,119,435**	–	**238,402**	–	**60,164**	**534,004**	**6,478,776**
	2021	4,710,367	1,518,470	–	208,735	–	125,339	–	6,562,911
Total NED remuneration	**2022**	**696,364**	–	–	**58,075**	–	–	–	**754,439**
	2021	715,481	–	–	56,663	–	–	–	772,144
Total KMP remuneration expense	**2022**	**5,223,135**	**1,119,435**	–	**296,477**	–	**60,164**	**534,004**	**7,233,215**
	2021	5,425,848	1,518,470	–	265,398	–	125,339	–	7,335,055

Please refer to section 1, the KMP listing and notes, for explanation of periods in position as these are the key drivers for significant variances in remuneration amounts in the table above.

5. REMUNERATION GOVERNANCE

ARTC's Board monitors performance and reward practice against its corporate governance objectives. The Board is accountable for remuneration related activities and oversees the management of these matters through the People and Performance Committee (the Committee). As at 30 June 2022, the Committee comprised of Jenny Seabrook (Chair), Rosheen Garnon and Katrina Hodgkinson.

The Committee assists the Board to fulfil its governance responsibilities in relation to people management, performance and remuneration policy and practice. 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.

The table below outlines the roles and responsibilities of the Board, the Committee, the Remuneration Tribunal and management in relation to the people, performance and remuneration agenda at ARTC.

The Board	The Committee	The Remuneration Tribunal	Management
Approves – Reward practice is formally reviewed on an annual basis by the Chairman with the support of the People and Performance Committee. Any changes to Executive KMP are subject to Board approval.	Reviews and Recommends – Strategies to ensure company culture and capability are aligned to support business strategy and performance. – High performance organisation policies designed to support a culture of high performance where diversity is valued and retained. – Succession of Executive KMP and the CEO and MD. – Remuneration of the Executive KMP. – The company's policies, procedures and practices.	Determines – Remuneration reference rates for the CEO and MD and non-executive Board members.	Develops and proposes – Policy and other recommendations to support effective attraction and retention of business-critical roles.
Approves – Performance incentive plan including conditions for payment. – The recruitment and employment terms and conditions including remuneration of the CEO and MD and Executives.	Reviews and Recommends – Performance and Remuneration. – CEO and MD and Executive. – Performance targets and results. – Reward (fixed and variable remuneration components) Chief Executive Officer contract of employment. – Succession of KMP. – KMP Remuneration Report to be adopted within the Annual Report.	Determines – Guidelines supporting the interpretation and application of applicable Tribunal reward practices.	Manages – The employment of the workforce to meet the workload. – Oversees key workforce data analyses to ensure policies and practices are fit for purpose. – Develops the reward frameworks to enable the attraction and retention of business-critical talent required to achieve our objectives.
	Monitors and evaluates – Workplace culture and employee engagement. – Compliance with relevant people and workplace policy legislation.		Manages – Strengthens the linkages between individual performance and effective reward practices that are affordable, sustainable, defensible and aligned with our Shareholder's interest.

From time to time, external advisors may also be engaged to provide remuneration advice.

ARTC received external remuneration advice from Mercer which was used in the determination of appropriate remuneration benchmarks for Executive appointments during FY2022. None of the advice provided by Mercer consultants included a remuneration recommendation as defined by the *Corporations Act 2001*.

6. NON-EXECUTIVE DIRECTOR REMUNERATION

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 reviewed the Non-Executive Directors' remuneration in 2021 and determined there would be no fee increases in FY2022.

The current fees paid to Non-Executive Directors (excluding superannuation) are outlined below. It is noted that the Chair receives no additional fees for membership on ARTC's Committees.

Position	FY2022 fee ($)
Chair	166,290
Non-Executive Director	83,150
Audit Committee Chair	16,320
Audit Committee Member	8,160

Amounts paid to each Non-Executive Director are disclosed on an accruals basis below as required. The accrual basis does result in artificial differences to the fees indicated above.

Name	Year	Short-term benefits fees	Audit committee fees	Post-employment Benefits (Superannuation)	Total
		$	$	$	$
W Truss	**2022**	**166,930**	–	**16,693**	**183,623**
	2021	166,930	–	15,858	182,788
R Arrold	**2022**	**21,427**	**1,098**	**2,143**	**24,668**
	2021	–	–	–	–
C Barlow	**2022**	**61,403**	–	**6,300**	**67,703**
	2021	83,470	–	7,930	91,400
K Brennan	**2022**	**21,427**	–	**2,143**	**23,570**
	2021	–	–	–	–
G Brown	**2022**	**61,403**	**12,052**	**6,300**	**79,755**
	2021	83,470	16,383	7,930	107,783
R Garnon	**2022**	**83,470**	**10,357**	**8,347**	**102,174**
	2021	83,470	8,191	7,930	99,591
V Graham	**2022**	**53,408**	**5,242**	**6,300**	**64,950**
	2021	83,470	8,191	7,930	99,591
K Hodgkinson	**2022**	**15,021**	–	**1,502**	**16,523**
	2021	–	–	–	–
D Saxelby	**2022**	**91,465**	–	–	**91,465**
	2021	90,245	–	1,155	91,400
J Seabrook	**2022**	**83,470**	**8,191**	**8,347**	**100,008**
	2021	83,470	8,191	7,930	99,591
Total Non-Executive Director remuneration	**2022**	**659,424**	**36,940**	**58,075**	**754,439**
	2021	674,525	40,956	56,663	772,144

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 that the Board has reserved for itself are the approval of:

(a) Strategic Plan for the company;

(b) Annual Business Plan and Budget;

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

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

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

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

(g) Parameters for Workplace Enterprise Agreements;

(h) Senior Executive variable reward scheme;

(i) Long term price paths for train operators;

(j) The framework for the Wholesale Sales Agreement;

(k) The framework for the Rail Access Agreement; and

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

ARTC's Board has primary oversight of the company's strategic approach to environmental, social and governance (ESG) related issues, with ESG a standing agenda item for all Board meetings.

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 49 to 51 of this Annual Report. Directors are appointed by the Shareholder Ministers in accordance with the company's Constitution and GBE Guidelines.

Government policy (Section 121(c), Cabinet Handbook 2020, 14th 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 four women and four 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 and 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 (view ARTC Audit and Compliance Committee Charter at **www.artc.com.au/about/our-charter**)
- 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.

Committee	Composition	Main Areas of Responsibility
Audit and Compliance	– At least three Non-Executive Directors appointed by the Board – The Chair cannot be the Chair of the company – CEO plus any other company Executive or advisor attend by invitation	The primary responsibility of the Committee is to assist the Board to fulfil its responsibilities for corporate governance, probity, due diligence, effectiveness of internal control, management of financial risks, financial and performance reporting and compliance with relevant laws and policies.
People and Performance	– At least two 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 provide oversight at Board level of the company's policies, procedures and practices as they affect employees, contractors or others performing work for the company, to assist the company with KMP and CEO succession, and to make recommendations to the Board regarding remuneration of the CEO and KMP.
Environment Health and Safety	– At least two 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 to 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 – CEO plus any other company Executive or advisor attend by invitation	The primary responsibility of the Committee is to assist the company to fulfil its responsibilities for corporate governance, by overseeing the way the company manages risk in accordance with its Risk Management Policy.
Inland Rail Committee	– All Non-Executive members or the Board of Directors – Inland Rail Chief Executive attends other than by agreement with the Committee Chairman – Other company Executives or advisor attend by invitation	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 enhance its risk management framework and maintains 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 including construction projects where required, 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

Following a competitive tender process KPMG were reappointed as ARTC's co-sourced internal audit provider. A new contract was entered into with KPMG in August 2021. ARTC maintains a three-year Internal Audit Plan which is updated and approved by the relevant Board sub-committees and Executive Committee annually. KPMG assisted Internal Audit to review and update the FY23–FY25 Internal Audit Plan (Plan). The Plan covers all three ARTC Business Units and all Support Divisions.

In May 2022, the Audit and Compliance Committee and the Environment, Health and Safety Committee approved the revised FY23–FY25 Plan. A report which provides an update on Internal Audit's progress to deliver the annual Plan is presented to each Audit and Compliance and Environment Health and Safety 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 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 Senator the Hon Katy Gallagher, Minister for Finance, and the Hon Catherine King MP, Minister for Infrastructure, Transport, Regional Development and Local Government. 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 Secretary Shareholder meetings and related reports.

GOVERNANCE POLICIES

An Integrity unit has been established which is responsible for the oversight of the following policies and procedures along with increasing awareness of integrity matters across ARTC.

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.

Whistleblower and 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 whistleblowers. The framework applies to disclosures made by ARTC staff (current and former) as well as eligible whistleblowers as defined by the *Public Interest Disclosure Act*.

Conflicts of Interest and Gifts

Under the ARTC Code of Conduct and the ARTC Conflict of Interest and Gifts Policy, all staff are required to disclose any actual, perceived or potential conflicts of interest to the General Counsel and Company Secretary 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

The notes have been grouped into sections to help readers understand how the Australian Rail Track Corporation Ltd (the "Group" or "ARTC") strategy, as outlined in the Annual Report, is reflected in the financial performance and position of the Group.

CONSOLIDATED INCOME STATEMENT

for the year ended 30 June 2022

	Notes	Consolidated 2022 $'000	2021 $'000
Revenue from continuing operations			
Access revenue	6	**744,762**	765,998
Total revenue		**744,762**	765,998
Other income			
Incident and insurance recovery	6	**57,639**	16,260
Government grants	6	**58,405**	62,573
Other income	6	**41,277**	43,612
Total other income		**157,321**	122,445
Total revenue and other income		**902,083**	888,443
Employee benefits expense	7	**(254,734)**	(241,222)
Infrastructure maintenance	7	**(161,840)**	(145,370)
Infrastructure costs	7	**(119,128)**	(130,550)
Depreciation and amortisation expense	7	**(223,457)**	(219,270)
Reversal/(recognition) of impairment	7	**(685,023)**	(729,295)
Incident costs	7	**(44,916)**	(43,394)
Other expenses	7	**(68,101)**	(71,552)
Expenses, excluding finance costs		**(1,557,199)**	(1,580,653)
Profit/(Loss) from operating activities		**(655,116)**	(692,210)
Finance income		**229**	293
Finance expenses	23	**(17,140)**	(14,784)
Net Finance costs		**(16,911)**	(14,491)
Profit/(Loss) before income tax		**(672,027)**	(706,701)
Income tax (expense)/benefit	8	**(45,627)**	29,441
Net Profit/(Loss) after tax		**(717,654)**	(677,260)
Profit/(Loss) is attributable to: **Equity holder of Australian Rail Track Corporation Ltd**		**(717,654)**	(677,260)
Earnings metrics			
EBITDAI	11	**253,364**	256,355

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 2022

		Consolidated	
	Notes	**2022 $'000**	2021 $'000
Profit/(Loss) for the year		**(717,654)**	(677,260)
Other comprehensive income/(loss)			
Items that may be reclassified to profit or loss – net of tax			
Cash flow hedge charged to equity – interest rate swap		**7,560**	–
Cash flow hedge charged to equity – foreign exchange		**242**	488
Total items that may be reclassified subsequently to profit or loss		**7,802**	488
Items that will not be reclassified to profit or loss – net of tax			
Revaluation adjustment property, plant and equipment		**(43,341)**	(96,115)
Re–measurement gains/(losses) on defined benefit plans		**4,188**	(1,416)
Total items that will not be reclassified to profit or loss		**(39,153)**	(97,531)
Other comprehensive income/(loss) for the year, net of tax		**(31,351)**	(97,043)
Total comprehensive income/(loss) for the year, net of tax		**(749,005)**	(774,303)
Total comprehensive income/(loss) for the year is attributable to:			
Equity holder of Australian Rail Track Corporation Ltd		**(749,005)**	(774,303)

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

CONSOLIDATED BALANCE SHEET

as at 30 June 2022

		Consolidated	
	Notes	**2022 $'000**	2021 $'000
ASSETS			
Current assets			
Cash and cash equivalents	9	**39,076**	17,083
Trade and other receivables	12	**216,553**	148,549
Inventories – raw materials		**88,627**	75,700
Held for sale	16	**66**	604
Prepayments		**19,175**	33,586
Total current assets		**363,497**	275,522
Non-current assets			
Trade and other receivables	12	**11,318**	516
Prepayments		**46,496**	11,416
Property, plant and equipment	13	**4,129,300**	3,842,340
Deferred tax assets	8	**124,037**	156,228
Intangible assets	15	**96,180**	68,598
Total non-current assets		**4,407,331**	4,079,098
Total assets		**4,770,828**	4,354,620
LIABILITIES			
Current liabilities			
Trade and other payables	22	**212,920**	123,942
Other provisions	17	**131,133**	53,275
Employee provisions	19	**70,183**	64,978
Other financial liabilities		**7,301**	7,764
Interest bearing liabilities	23	**12,394**	355,660
Deferred income – government grants	24	**54,361**	46,659
Total current liabilities		**488,292**	652,278
Non-current liabilities			
Employee provisions	19	**8,603**	7,210
Defined benefit plans	19	**2,092**	9,058
Other financial liabilities		**10,987**	681
Interest bearing liabilities	23	**615,304**	189,531
Deferred income – government grants	24	**999,693**	776,741
Total non-current liabilities		**1,636,679**	983,221
Total liabilities		**2,124,971**	1,635,499
Net assets		**2,645,857**	2,719,121
EQUITY			
Contributed equity	25	**5,054,830**	4,291,332
Reserves	25	**371,993**	495,560
Retained earnings		**(2,780,966)**	(2,067,771)
Total equity		**2,645,857**	2,719,121

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 2022

Consolidated	Notes	Contributed Equity $'000	Asset Revaluation reserve $'000	Hedging reserve $'000	Profit reserve $'000	Retained Earnings $'000	Total Equity $'000
		Attributable to owners of Australian Rail Track Corporation Ltd					
Balance at 1 July 2020		3,544,093	504,825	(141)	168,038	(1,390,349)	**2,826,466**
Total profit for the year		–	–	–	–	(677,260)	**(677,260)**
Re-measurement gains/(losses) on defined benefit plans*	19	–	–	–	–	(1,416)	**(1,416)**
Cash flow hedge foreign exchange*		–	–	488	–	–	**488**
Asset revaluation reserve adjustment*	13	–	(96,115)	–	–	–	**(96,115)**
Total comprehensive income for the year		–	(96,115)	488	–	(678,676)	**(774,303)**
Dividends provided for or paid	10	–	–	–	(80,281)	–	**(80,281)**
Asset disposal revaluation reserve adjustment		–	(1,254)	–	–	1,254	–
Contributions of equity	25	747,239	–	–	–	–	**747,239**
Balance at 30 June 2021		**4,291,332**	**407,456**	**347**	**87,757**	**(2,067,771)**	**2,719,121**

Consolidated	Notes	Contributed Equity $'000	Asset Revaluation reserve $'000	Hedging reserve $'000	Profit reserve $'000	Retained Earnings $'000	Total Equity $'000
		Attributable to owners of Australian Rail Track Corporation Ltd					
Balance at 1 July 2021		4,291,332	407,456	347	87,757	(2,067,771)	**2,719,121**
Total profit for the year		–	–	–	–	(717,654)	**(717,654)**
Re–measurement gains/(losses) on defined benefit plans*	19	–	–	–	–	4,188	**4,188**
Cash flow hedge interest rate swap*		–	–	7,560	–	–	**7,560**
Cash flow hedge foreign exchange*		–	–	242	–	–	**242**
Asset revaluation reserve adjustment*	13	–	(43,341)	–	–	–	**(43,341)**
Total comprehensive income for the year		–	(43,341)	7,802	–	(713,466)	**(749,005)**
Dividends provided for or paid	10	–	–	–	(87,757)	–	**(87,757)**
Asset disposal revaluation reserve adjustment		–	(271)	–	–	271	–
Contributions of equity	25	763,498	–	–	–	–	**763,498**
Balance at 30 June 2022		**5,054,830**	**363,844**	**8,149**	–	**(2,780,966)**	**2,645,857**

* net of tax

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

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2022

	Notes	Consolidated 2022 $'000	2021 $'000
Cash flows from operating activities			
Receipts from customers		**857,695**	917,486
Payments to suppliers and employees		**(600,126)**	(742,120)
Government grants – revenue		**20,484**	32,892
		278,053	208,258
Interest received		**229**	293
Net cash inflow from operating activities	9	**278,282**	208,551
Cash flows from investing activities			
Payments for property, plant and equipment		**(1,217,735)**	(957,109)
Payments for intangibles		**(35,195)**	(6,047)
Proceeds from sale of property, plant and equipment		**1,822**	5,153
Net cash outflow from investing activities		**(1,251,108)**	(958,003)
Cash flows from financing activities			
Government grants – deferred		**268,575**	195,292
Payments for interest costs relating to borrowings		**(19,240)**	(10,533)
Payments for transaction costs relating to borrowings		**(72)**	(215)
Proceeds (repayments) for interest bearing liabilities	23	**90,564**	(97,778)
Proceeds from equity funding	25	**763,498**	747,239
Payments for the principal relating to leases		**(16,832)**	(16,047)
Payments for interest relating to leases	23	**(3,917)**	(4,251)
Dividends paid to Group's Shareholder	10	**(87,757)**	(80,281)
Net cash inflow/(outflow) from financing activities		**994,819**	733,426
Net increase(decrease) in cash and cash equivalents		**21,993**	(16,026)
Cash and cash equivalents at the beginning of the financial year		**17,083**	33,109
Cash and cash equivalents at end of year	9	**39,076**	17,083

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

ABOUT THE FINANCIAL STATEMENTS

This section outlines the basis on which Australian Rail Track Corporation Ltd financial statements have been prepared.

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 2022 comprise the company and its subsidiary 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 2022 was authorised for issue in accordance with a resolution of the Directors on the 20th of September 2022.

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 property, plant and equipment 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 29 (Other accounting policies).

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
Revenue from contracts with customers – Access revenue – Hunter Valley	6
Fair value and carrying value of assets	13
Deferred tax recognition	8
Incident and biodiversity recognition	17
Defined benefit plan	19

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

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.

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. Interest rate swaps and foreign exchange contracts are 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. Infrastructure assets are included in level 3.

Disclosed fair values

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 certain assets and liabilities include:

- 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.
- 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 discount rates used were adjusted for counterparty and the Group's credit risk, which are not considered to materially alter the swap valuation outcome.
- 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 discounted cash flow projections based on reasonable estimates of future cash flows.

5. GOING CONCERN

The consolidated financial statements have been prepared on a going concern basis as the Directors consider that the Group will be able to meet the mandatory repayment terms of banking facilities see note 22 and other amounts payable.

At 30 June 2022, the Group has a net deficiency of current assets (2022: $363.5m, 2021: $275.5m) to current liabilities (2022: $488.3m, 2021: $652.3m) of $124.8m (2021: $376.8m). 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 2022:

- The Group has net assets of $2,646m (2021: $2,719m)
- The Group generated cash from operating activities of $278.3m (2021: $208.6m)
- The Group expects to continue to generate positive cash flows from operating activities in the next twelve months
- The Group has $570m (2021: $460m) of unutilised funds available through a Syndicated Debt Facility Agreement (as detailed in note 22)
- The Group engages in active financial risk management, which includes maintaining an average liquidity headroom of $250 million over a forward 12-month horizon on a rolling basis and is subject to ongoing governance at all levels of the business (as detailed in note 22)
- The Group has an established debt capital market programme which is subject to ongoing governance at Committee and Board level (as detailed in note 22)
- 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 and
- Shareholder Ministers have endorsed the financing summary including major components of the Inland Rail construction project through the annual Corporate Plan progress.

OUR BUSINESS PERFORMANCE

This section analyses the financial performance of the Group for the year ended 30 June 2022. The focus is on Group revenue streams, expenses, taxation, cash flows and dividend performance.

6. REVENUE AND OTHER INCOME

	Consolidated	
	2022 $'000	2021 $'000
Access Revenue		
Hunter Valley	**459,192**	478,226
Interstate	**285,570**	287,772
Total revenue from contracts with customers	**744,762**	765,998
Incident and insurance recovery	**57,639**	16,260
Government grants	**58,405**	62,573
Other income	**41,277**	43,612
Total other income	**157,321**	122,445
Total revenue and other income	**902,083**	888,443

Accounting Policy

ARTC generates access revenue through granting of contracted or adhoc train paths to operators covered by either a Track Access Agreement or an Access Holder and Sub-Operator Agreement.

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 stand-alone 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 portion of the obligations satisfied at the end of the reporting period.

All access pricing is currently regulated through two separate voluntary access undertakings with the ACCC.

The Hunter Valley access revenue is determined on an economic cost basis through application of a Ceiling Limit for each combination of segments in compliance with the parameters of the Hunter Valley Access Undertaking (HVAU).

Significant accounting estimates and judgements – Revenue recognition

The recovery of the economic cost estimate is subject to a compliance assessment by the ACCC, for each completed calendar year, to ensure that the amount recognised is within the guidelines of the HVAU combinatorial Ceiling Test. As a result, the Group has recognised a refund liability or receivables asset being the estimated under or over recovery tested against the ceiling on an annual calendar year basis giving rise to the recognition of the estimated obligation for receipt or refund of some of the consideration received or receivable. Recent increases in the CPI have impacted the 2022 calendar year assessment.

The Group updates its estimates of each refund liability or receivables asset at the end of each reporting period based on the outcomes of ACCC assessments. Refer to note 12.

Recoveries and costs associated with rail access related incidents

Income attributable to insurance or other recoveries arising from 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 in line with the company's accounting policies.

Where the Group has suffered damage to its rail network due to other parties, access agreements require the party in breach should bear responsibility for such loss or damage to the extent of such cause or contribution. The recourse is through reliance on the contractual mechanism supported by commercial negotiation. If this is not successful, legal proceedings are initiated, as appropriate.

Assets are raised when recoveries are virtually certain and not yet received. Provisions are raised for incident costs in line with note 17 noting future capital works are only provided for on the balance sheet when they are legally obligated to be incurred.

7. EXPENSES

The components of expenses for the year ended 30 June 2022 were as follows:

	Consolidated	
	2022 $'000	2021 $'000
Employee benefits expenses		
Short-term employee benefits	**349,568**	314,057
Workers' compensation	**4,541**	4,114
Defined benefit plan expense	**447**	503
Less: salaries capitalised[1]	**(99,822)**	(77,452)
Total employee benefits expenses	**254,734**	241,222
Infrastructure maintenance		
Direct maintenance costs	**149,788**	132,035
Expense relating to variable lease payments not included in the measurement of the lease liability[2]	**12,052**	13,335
Total infrastructure maintenance	**161,840**	145,370
Infrastructure costs	**119,128**	130,550
Depreciation and amortisation		
Property, plant and equipment	**198,004**	193,292
Right-of-use assets	**17,840**	17,417
Amortisation	**7,613**	8,561
Total depreciation and amortisation	**223,457**	219,270
Recognition of impairment		
Property, plant and equipment	**685,023**	729,295
Total Recognition of impairment	**685,023**	729,295
Incident costs[3]	**44,916**	43,394
Other expenses		
Expense relating to short term leases[2]	**519**	601
Expense relating to leases of low value assets[2]	**128**	197
Other	**67,454**	70,754
Total other expenses	**68,101**	71,552
Total expenses	**1,557,199**	1,580,653

1 Expenses capitalised as permitted by AASB 102 Inventories and AASB 116 Property, plant and equipment.

2 Expenses recognised as per the application of AASB 16 Leases. Refer to note 14 for the accounting policy.

3 Net incident costs for the year ended 30 June 2022 was a recovery of $12.723 million (2021: $27.134 million cost). Refer to note 6 for the accounting policy.

7. EXPENSES (continued)

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.

Infrastructure costs

Infrastructure costs expensed reflect Major Construction Project costs that are not capital in nature, e.g. including pre construction concept and feasibility work. As these projects progress it is expected the expense component will reduce. Amounts will vary with the specific work undertaken each year.

8. TAXATION

	Consolidated	
	2022 $'000	2021 $'000
Current tax expense	–	–
Deferred tax relates to the following:		
Tax losses and offsets available for offsetting against future taxable income	**10,125**	(6,490)
Origination or reversal of temporary differences in relation to the following items:		
Property, plant and equipment	**24,223**	(26,239)
Other receivables	**10,984**	3,069
Other	**295**	219
Total income tax expense/(benefit)	**45,627**	(29,441)
Reconciliation of Tax Expense to Income Tax Payable		
Less movements in temporary differences recognised in deferred tax expense:		
Property, plant and equipment	**(24,223)**	26,239
Other amounts accrued	**(11,279)**	(3,288)
Recognition/(utilisation) tax losses and offset	**(10,125)**	6,490
Total movements in temporary differences recognised in deferred tax expense	**(45,627)**	29,441
Income tax payable in respect of financial year	–	–

Numerical reconciliation of Accounting profit before tax to prima facie tax expense

	Consolidated	
	2022 $'000	2021 $'000
Profit from continuing operations before income tax expense	**(672,027)**	(706,701)
Tax at the Group's statutory tax rate of 30%	**(201,608)**	(212,010)
Unrecognised temporary differences	**247,158**	182,645
Unrecognised Capital Loss Utilised	–	(145)
Non-taxable items	**77**	69
Total income tax expense	**45,627**	(29,441)

The Group's current tax expense for the year ended 30 June 2022 is nil (2021: nil) due to the Group's ability to claim accelerated tax depreciation deductions on infrastructure assets (which have been subject to accounting fair value decrements and impairments) and on NSW lease assets (utilising Division 58 of the *Income Tax Assessment Act 1997*).

ARTC had an Effective Tax Rate (ETR) of -6.79% as a result of the movement in unrecognised temporary differences. Excluding the deferred tax asset recognition, the normalised ETR is 29.99%.

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.

Amounts charged or credited directly to equity

	Consolidated 2022 $'000	Consolidated 2021 $'000
Deferred income tax related to items charged directly to equity		
Net (loss)/gain on net revaluation of infrastructure assets	**(18,574)**	(41,192)
Net (loss)/gain on defined benefit plan	**1,795**	(608)
Net (loss)/gain on interest rate swap	**3,240**	–
Net (loss)/gain on foreign exchange hedge	**104**	209
	(13,435)	(41,591)
Deferred income tax charge included in equity comprises:		
(Decrease)/increase in deferred tax liabilities	**(17,491)**	(40,983)
(Increase)/decrease in deferred tax assets	**4,056**	(608)
	(13,435)	(41,591)

Deferred tax assets

	Consolidated 2022 $'000	Consolidated 2021 $'000
The balance comprises temporary differences attributable to:		
Property plant and equipment	**222,802**	282,087
Income tax losses and non-refundable offsets	**26,853**	36,978
Defined benefit plan	**628**	2,717
	250,283	321,782
Movements:		
Opening balance at 1 July	**321,782**	263,588
(Charged)/credited to the Consolidated Income Statement related to tax losses and offsets	**(10,125)**	6,490
(Charged)/credited to the Consolidated Income Statement related to property plant and equipment	**(57,024)**	51,375
(Charged)/credited to the Consolidated Income Statement, other	**(294)**	(279)
(Charged)/credited to equity related to property, plant and equipment	**(2,261)**	–
(Charged)/credited to equity related to defined benefit plan	**(1,795)**	608
Closing balance at 30 June before set off	**250,283**	321,782
Set off of deferred tax liabilities	**(126,246)**	(165,554)
Net deferred tax asset	**124,037**	156,228

8. TAXATION (continued)

At 30 June 2022, the Group has unrecognised deferred tax assets in relation to temporary differences and tax losses of $1,169.1m (2021: $921.9m). 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.

The Group also has an unrecognised deferred tax asset in relation to a carried forward tax loss of $35.5m (2021: $0m). It is not recognised on the basis that there is not sufficient forecast future taxable income against which the loss could be utilised.

The Group has an unrecognised deferred tax asset in relation to a carried forward capital loss of $1.2m (2021: $1.2m). It is not recognised on the basis that there are no forecast future capital gains against which the loss could be utilised.

Deferred tax liabilities

	Consolidated	
	2022 $'000	2021 $'000
The balance comprises temporary differences attributable to:		
Property, plant and equipment	**98,525**	152,161
Other receivables	**24,228**	13,244
Cash flow hedges – interest rate swap	**3,240**	–
Cash flow hedges – foreign exchange	**253**	149
Deferred tax liabilities	**126,246**	165,554
Movements:		
Opening balance at 1 July	**165,554**	178,392
Charged/(credited) to the Consolidated Income Statement related to property, plant and equipment	**(32,801)**	25,136
Charged/(credited) to the Consolidated Income Statement related to other receivables	**10,984**	3,069
Charged/(credited) to the Consolidated Income Statement related to cash flow hedge – foreign exchange	–	(61)
Charged to equity related to cash flow hedge – interest rate swap	**3,240**	–
Charged to equity related to cash flow hedge – foreign exchange	**104**	210
Charged/(credited) to equity related to property, plant and equipment	**(20,835)**	(41,192)
Closing balance at 30 June before set off	**126,246**	165,554
Set off to deferred tax assets	**(126,246)**	(165,554)
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.

ARTC has adopted the Australian Taxation Office (ATO) "Voluntary Tax Transparency Code" which contains a set of principles and minimum and optional standards for tax disclosure and is listed on the ATO public register of participants. ARTC publishes an annual Tax Transparency Report under the code, which meets all the minimum and optional disclosure requirements.

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 taxable income profile of the Group.

8. TAXATION (continued)

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. The application of Division 58 together with the cumulative impact of impairments and fair value reductions to the accounting value of infrastructure assets means the tax depreciable value of these assets significantly exceeds the carrying value. This 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 are 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.

9. CASH FLOWS

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

	Notes	Consolidated 2022 $'000	Consolidated 2021 $'000
Net profit/(loss) for the year after tax		**(717,654)**	(677,260)
Adjustments for:			
Depreciation		**215,844**	210,709
Amortisation		**7,613**	8,561
Recognition of impairment (reversal)/expense		**685,023**	729,295
Recognition of government grant income attributable to financing activities		**(37,921)**	(29,681)
Net loss/(gain) on sale of non-current assets		**4,147**	8,272
Finance costs including RoU leases interest		**17,140**	14,784
Income tax expense		**45,627**	(29,441)
Net (gain)/loss on leases		**(126)**	–
Operating profit before changes in working capital and provisions		**219,693**	235,239
Change in operating assets and liabilities:			
Change in trade debtors and other receivables		**(67,164)**	6,348
Change in inventories		**(12,927)**	(12,388)
Change in other and held for sale assets		**(14,652)**	(27,935)
Change in trade and other payables		**59,032**	(12,313)
Change in other liabilities		**9,843**	(17,349)
Change in provisions		**84,457**	36,949
Net cash inflow from operating activities		**278,282**	208,551

		Consolidated 2022 $'000	Consolidated 2021 $'000
Right of use assets – payments			
Fixed payments (included in lease)		**4,086**	4,086
Variable payments (excluded from lease)	7	**12,052**	13,335
		16,138	17,421

Some of the leases in which the Group is a lessee contain variable lease payment terms that are linked to usage rates of the assets. The breakdown of the Group's total lease payments for these leases are as per above.

	Consolidated 2022 $'000	Consolidated 2021 $'000
Cash and cash equivalents		
Cash at bank and in hand	**39,076**	17,083
	39,076	17,083

Accounting Policy

Cash and cash equivalents comprise demand deposits and highly liquid investments such as term deposits. Cash at bank earns interest at floating rates based on daily bank deposit rates. 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 22.

10. DIVIDENDS

	Consolidated	
	2022 $'000	2021 $'000
Interim dividend for the year ended 30 June 2022 of 0.06 cents (2021: 0.19 cents) per fully paid share	**28,380**	80,281
Final dividend for the year ended 30 June 2021 of 0.14 cents (2021: 0.00 cents) per fully paid share	**59,377**	–
	87,757	80,281

11. RECONCILIATION OF EBITDAI AND EBIT

	Consolidated	
	2022 $'000	2021 $'000
Net Profit/(Loss) after tax	**(717,654)**	(677,260)
Interest revenue	**(229)**	(293)
Depreciation	**215,844**	210,709
Amortisation	**7,613**	8,561
Recognition of impairment loss	**685,023**	729,295
Finance expenses	**17,140**	14,784
Income tax (benefit)/expense	**45,627**	(29,441)
EBITDAI	**253,364**	256,355

Profit/(loss) from operating activities equates to Earnings before interest and tax (EBIT).

OUR ASSET PLATFORM

This section analyses the primary elements of our asset platform used to generate the Group's financial performance and operating liabilities incurred as a result.

12. TRADE AND OTHER RECEIVABLES

30 June 2022

	Total $'000	Non Current $'000	Current $'000	30 Days> $'000	60 Days> $'000	90 Days $'000	>90 Days (Specific Provision) $'000
Trade Receivables	55,018	–	53,418	374	184	902	140
Other Receivables	161,357	247	161,110	–	–	–	–
Other Financial Assets	11,784	11,071	713	–	–	–	–
Total	**228,159**	**11,318**	**215,241**	**374**	**184**	**902**	**140**
Expected credit loss rate			0.05%	0.44%	1.66%	12.74%	–
Allowance for expected credit loss	(288)		(28)	(2)	(3)	(115)	(140)
Current receivables	216,553						
Non-current receivables	11,318						

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

	Trade receivables	
	2022 $'000	2021 $'000
Opening balance at 1 July	**(236)**	(108)
Increase in expected credit loss allowance recognised in profit or loss during the year	**(125)**	2
Receivables written back/off during the year as collectible/uncollectible	**22**	132
Change in provision amount	**51**	(262)
Closing balance at 30 June	**(288)**	(236)

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.

Credit quality: Allowance for impairment

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 which has been reassessed in light of COVID-19 impacts on the economy. 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.

The individually impaired items primarily relate to rental on property where the lessees have fallen behind on lease payments.

The above table provides information about the exposure to credit risk and expected credit losses for trade receivables as at 30 June 2022.

12. TRADE AND OTHER RECEIVABLES (continued)

Other receivables

Other receivables are primarily comprised of incident recoveries and receivables in respect of the under recovery of the constrained network coal revenue. Under recoveries on the constrained network coal revenue arise from Compliance Assessments which remain open pending final ACCC determination. Refer to note 6.

Information on credit risk, impairment and fair value of trade and other receivables can be found in note 22.

Significant accounting estimate and judgements

Access Revenue – Coal asset

As at 30 June 2022 receivables have been recognised when applicable for the ACCC Compliance Assessments which remain open i.e. relating to calendar years 2019–21 and to 30 June 2022 for the 2022 calendar year assessment (which is not due for lodgement until 2023).

Accounting policy

Financial assets

Financial assets classified as either 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 and characteristics of the contractual terms 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.

13. PROPERTY, PLANT AND EQUIPMENT

	Consolidated	
	2022 $'000	2021 $'000
Construction in progress		
At cost	**617,192**	462,395
	617,192	462,395
Freehold land		
At cost	**67,842**	16,924
	67,842	16,924
Buildings		
At cost	**33,758**	21,000
Accumulated depreciation	**(9,208)**	(7,765)
	24,550	13,235
Leasehold buildings		
At cost	**64,939**	57,851
Accumulated depreciation	**(27,845)**	(20,730)
	37,094	37,121
Leasehold improvements – infrastructure		
At valuation	**2,815,369**	2,977,023
Accumulated depreciation	**(193,185)**	(395,873)
	2,622,184	2,581,150

	Consolidated	
	2022 $'000	2021 $'000
Plant and equipment – infrastructure		
At valuation	**711,471**	957,933
Accumulated depreciation	**(46,064)**	(336,547)
	665,407	621,386
Plant and equipment – other		
At cost	**176,842**	173,573
Accumulated depreciation	**(99,784)**	(84,081)
	77,058	89,492
Motor vehicles		
At cost	**34,786**	31,791
Accumulated depreciation	**(16,813)**	(11,154)
	17,973	20,637
	4,129,300	3,842,340

At 30 June 2022 the Group undertook a fair value assessment using an income method approach as there are no similar market quoted assets for infrastructure assets.

At 30 June 2022 the Group undertook an impairment assessment on the construction in progress assets that are not in a fair value asset grouping. 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 assets are expected to make an operating profit on completion, capital recovery will take a significant period of time, as such this assessment has resulted in impairment. The results of these assessments are shown in the following table.

Recognition/(reversal) of impairment

	Interstate $'000	Hunter Valley $'000	Construction in progress $'000	ROU Assets $'000	Total $'000
For year ended 30 June 2021					
Fair Value Revaluation decrement recognised through the revaluation reserve	–	137,308	–	–	137,308
Fair Value Impairment expense recognised in the Consolidated Income Statement	213,241	100,383	–	–	313,624
Impairment expense recognised in the Consolidated Income Statement	413	–	415,258	–	415,671
	213,654	**237,691**	**415,258**	–	**866,603**
For year ended 30 June 2022					
Fair Value Revaluation (increment)/decrement recognised through the revaluation reserve	(7,535)	69,450	–	–	61,915
Fair Value Impairment (reversal)/expense recognised in the Consolidated Income Statement	(8,326)	–	–	–	(8,326)
Impairment (reversal)/expense recognised in the Consolidated Income Statement	4,045	1,734	687,571	(1)	693,349
	(11,816)	**71,184**	**687,571**	**(1)**	**746,938**

13. PROPERTY, PLANT AND EQUIPMENT (continued)

Consolidated	Construction in progress $'000	Freehold land $'000	Freehold buildings $'000	Leasehold buildings $'000
At 1 July 2020				
Cost or fair value	550,457	16,504	21,482	54,195
Accumulated depreciation	–	–	(7,020)	(14,253)
Net book amount – year ended 30 June 2020	**550,457**	**16,504**	**14,462**	**39,942**
Opening net book amount	550,457	16,504	14,462	39,942
Additions	957,556	420	939	5,545
Transfers	(630,360)	–	(1,455)	–
Impairment expense	(415,258)	–	–	(324)
Depreciation charge	–	–	(617)	(8,040)
Written down value of assets disposed	–	–	(28)	(2)
Reversal of revaluation of assets	–	–	–	–
Transfer to held for sale assets	–	–	(66)	–
Closing net book amount at 30 June 2021	**462,395**	**16,924**	**13,235**	**37,121**

Consolidated	Construction in progress $'000	Freehold land $'000	Freehold buildings $'000	Leasehold buildings $'000
Opening net book amount	462,395	16,924	13,235	37,121
Additions	1,285,484	50,918	12,757	8,084
Reversal of impairment expense	–	–	–	1
Transfers	(443,116)	–	1	–
Impairment expense	(687,571)	–	–	–
Depreciation charge	–	–	(1,443)	(8,112)
Written down value of assets disposed	–	–	–	–
Revaluation of assets	–	–	–	–
Closing net book amount at 30 June 2022	**617,192**	**67,842**	**24,550**	**37,094**

Leasehold Improvements – Infrastructure $'000	Plant and Equipment – Infrastructure $'000	Plant and Equipment – Other $'000	Motor Vehicles $'000	Total $'000
3,096,203	654,071	162,591	24,874	4,580,377
(330,291)	(175,421)	(67,206)	(6,793)	(600,984)
2,765,912	**478,650**	**95,385**	**18,081**	**3,979,393**
2,765,912	478,650	95,385	18,081	3,979,393
290,821	305,170	12,583	7,516	1,580,550
(2,545)	2,545	–	1,690	(630,125)
(174,761)	(138,952)	–	–	(729,295)
(150,984)	(26,026)	(18,392)	(6,650)	(210,709)
(9,985)	(1)	(84)	–	(10,100)
(137,308)	–	–	–	(137,308)
–	–	–	–	(66)
2,581,150	**621,386**	**89,492**	**20,637**	**3,842,340**

Leasehold Improvements – Infrastructure $'000	Plant and Equipment – Infrastructure $'000	Plant and Equipment – Other $'000	Motor Vehicles $'000	Total $'000
2,581,150	621,386	89,492	20,637	3,842,340
342,943	22,697	10,182	4,371	1,737,436
6,597	1,729	–	–	8,327
(81,180)	42,292	(1)	1	(482,003)
–	–	(5,779)	–	(693,350)
(159,230)	(23,192)	(16,831)	(7,036)	(215,844)
(5,686)	–	(5)	–	(5,691)
(62,410)	495	–	–	(61,915)
2,622,184	**665,407**	**77,058**	**17,973**	**4,129,300**

13. PROPERTY, PLANT AND EQUIPMENT (continued)

Accounting policy

Property, plant and equipment

Infrastructure is valued on a fair value basis and subject to revaluation assessment at each reporting date. While all non-infrastructure is on a cost basis and subject to an impairment assessment at each reporting date.

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.

The Group elected that the deemed cost of assets on hand at 30 June 2005 was the revalued amount of those assets. 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.

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. 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. The Group chooses on occasion to utilise expert valuation reports. The infrastructure assets valued at fair value were measured at Level 3, with no transfers between fair value hierarchy levels at the end of the reporting period.

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.

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.

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 2021 and 30 June 2022 for the Group:

	$'000
Opening balance 1 July 2020	**3,244,562**
Additions	595,991
Impairment included in expenses	(313,713)
Depreciation	(177,010)
Disposals	(9,986)
Changes in fair value included in other comprehensive income	(137,308)
Closing balance 30 June 2021	**3,202,536**
Additions	326,752
Reversal of impairment expense	8,326
Depreciation	(182,422)
Disposals	(5,686)
Changes in fair value included in other comprehensive income	(61,915)
Closing balance 30 June 2022	**3,287,591**

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 above for the valuation techniques adopted.

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 either on a probability basis or the Gordon growth method.	Forecast annual revenue, Maintenance and capital expenditure, Risk-adjusted discount rate, Terminal growth 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); – if the risk-adjusted discount rate were lower (higher); – or if terminal growth rates were higher (lower). Generally, a change in the annual revenue growth rate is accompanied by a directionally similar change in maintenance and capital expenditure.

13. PROPERTY, PLANT AND EQUIPMENT (continued)

Valuation processes

The asset groupings for fair value have been assessed as Hunter Valley and Interstate Business Units.

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

- 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.
- 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.
- 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 economic, climate and risk environment impacts. Cash flows are then 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, pricing and market contraction assumptions. Long term average growth rates used range from 1.8% to 4.4% (2021: 2.1% to 3.9%).
- Terminal valuation probabilities include an assessment of climate, other emerging environmental and market risk impacts.
- An external expert is used to determine a nominal post-tax weighted average cost of capital and valuation 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 2022, the range determined across all business units is 6.2%–7.3% (2021: 5.8%–6.8%). The valuation adopted is the mid of the range applicable to each business unit.

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			
	2022		2021	
	Increase $'000	**Decrease $'000**	Increase $'000	Decrease $'000
Annual revenue (1% revenue movement p.a.)	**134,572**	**(134,670)**	140,816	(140,962)
Maintenance and capital expenditure (1% cost movement p.a.)	**(58,101)**	**58,101**	(64,687)	64,688
Discount rate (+/– 100bps movement)	**(544,566)**	**778,438**	(598,251)	903,227
Terminal growth rate (+/– 100bps movement)	**344,183**	**(282,334)**	375,263	(251,234)

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

	2022		2021	
	Increase %	**Decrease %**	Increase %	Decrease %
Annual revenue (1% revenue movement p.a.)	**4.4**	**(4.4)**	4.7	(4.7)
Maintenance and capital expenditure (1% cost movement p.a.)	**(1.9)**	**1.9**	(2.1)	2.1
Discount rate (+/– 100bps movement)	**(17.9)**	**25.6**	(19.9)	30.0
Terminal growth rate (+/– 100bps movement)	**11.3**	**(9.3)**	12.5	(8.3)

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.

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 Useful Life*

Infrastructure assets

Ballast 60 years

Bridges 100 years

Culverts 100 years

Rail 110 years

Sleepers 70 years

Signals and Communications 30 years

Turnouts 60 years

Tunnels 100 years

Non-Infrastructure assets

Buildings 50 years

Information Technology and 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 are transferred when these new assets are ready for economic use.

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.

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 of disposal. If infrastructure assets were stated on the historical cost basis less impairment, the amounts would be as noted in the adjacent table:

	Consolidated
	2022 $'000
Infrastructure assets	
Plant and Equipment	
Cost less impairment	1,245,258
Accumulated depreciation	(249,790)
Net book amount	995,468
Leasehold Improvements	
Cost less impairment	6,506,893
Accumulated depreciation	(1,384,297)
Net book amount	5,122,596

14. LEASES

Group as a Lessee

ARTC assesses whether a contract is or contains a lease, at inception of a contract. ARTC recognises a right-of-use (RoU) asset and a corresponding lease liability at commencement date with respect to all lease agreements in which it is the lessee, except where there is a lease exclusion.

For short-term leases (lease term of 12 months or less, excluding those with purchase options present) and leases of low-value assets (AUD$10,000 or less when new), ARTC has opted to recognise a lease expense on a straight-line basis as permitted by AASB 16.6. This expense is presented within other expenses in profit or loss.

Arrangements not assessed as leases under AASB 16 are charged to the Consolidated Income Statement on a straight line basis over the period of the arrangement. For leases of intangible assets, ARTC has opted to continue to apply AASB 138 Intangible Assets as permitted by AASB 16.4.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the rate implicit in the lease. If this rate cannot be readily determined, ARTC uses the incremental borrowing rates determined by applying the debt-linked component in its WACC as a proxy for the discount rate.

Lease payments included in the measurement of the lease liability comprise:

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

The lease liability is presented with 'interest bearing liabilities' in the Consolidated Balance Sheet. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

ARTC remeasures the lease liability by discounting the revised lease payments using a revised discount rate (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the amount expected to be payable under a residual value guarantee has changed due to a change in a floating interest rate.
- the lease term has changed or there is a change in the assessment of exercise of a purchase option.
- a lease contract is modified and the lease modification is not accounted for as a separate lease. ARTC remeasures the lease liability by discounting the revised lease payments using the initial discount rate when the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value (unless the lease payments change is due to a change in a floating interest rate).

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day less lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment with the exception of investment property right-of-use assets which are subsequently measured at fair value.

Whenever ARTC incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under AASB 137. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated from the commencement date of the lease to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that ARTC expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset starting at the commencement date of the lease. The right-of-use assets are presented with 'property, plant and equipment' in the Consolidated Balance Sheet.

Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "other expenses" in the statement of profit or loss.

As a practical expedient, AASB 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. ARTC has not applied this practical expedient. Information about leases for which the Group is a lessee is presented below.

The Group leases several assets including buildings, equipment and motor vehicles. The average lease term is 4.6 years (2021: 4.4 years). The group has options to extend for an additional period at the end of the lease term for a number of contracts. Where the Group is reasonably certain to exercise the option, the measurement of the right of use assets and lease liability takes into account payments made during the extended period.

At 30 June 2022, the Group is committed to nil (2021: nil) for short-term leases and $94.8m (2021: nil) for leases for which the contract terms have been agreed but the lease has not yet commenced.

Additions to right-of-use assets during the 2022 financial year were $8.8m (2021: $12.9m).

Right-of-use assets presented as Property, Plant and Equipment (see note 13)

	Buildings $'000	Plant and Equipment $'000	Motor Vehicles $'000
Balance at 1 July 2020	**27,794**	**34,692**	**18,081**
Depreciation charge for the year	(7,233)	(3,534)	(6,650)
Additions to the right-of-use assets	3,525	146	9,206
Balance at 30 June 2021	**24,086**	**31,304**	**20,637**
Balance at 1 July 2021	**24,086**	**31,304**	**20,637**
Depreciation charge for the year	(7,416)	(3,388)	(7,036)
Additions to the right-of-use assets	4,393	84	4,372
Balance at 30 June 2022	**21,063**	**28,000**	**17,973**

	Notes	Consolidated 2022 $'000	Consolidated 2021 $'000
Amounts recognised in the Comprehensive Income Statement			
Interest on lease liabilities	23	**3,917**	4,251
Expense relating to short term leases	7	**519**	601
Expense relating to leases of low value assets*	7	**128**	197
		4,564	5,049
Amounts recognised in the Statement of Cash Flows			
Fixed payments (included in lease)		**4,086**	4,086
Variable payments (excluded from lease)		**12,052**	13,335
Cash flow impact for leases with variable and fixed components		**16,138**	17,421

* excluding short term leases of low value assets

14. LEASES (continued)

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.

Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the Consolidated Statement of Income due to its operating nature.

ARTC enters into lease agreements as a lessor with respect to some of its properties. Leases for which ARTC is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When ARTC is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are capitalised and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of ARTC's net investment in the leases. Finance lease income is allocated to reporting periods so as to reflect a constant periodic rate of return on ARTC's net investment outstanding in respect of the leases.

15. INTANGIBLE ASSETS

Consolidated	Computer Software $'000	Land Rights $'000	Other $'000	Total $'000
At 1 July 2020				
Cost	26,464	44,735	55,000	126,199
Accumulated amortisation	(20,117)	(6,363)	(28,607)	(55,087)
Net book amount	**6,347**	**38,372**	**26,393**	**71,112**
Year ended 30 June 2021				
Opening net book amount as at 1 July	6,347	38,372	26,393	71,112
Additions into asset register	2,544	389	3,117	6,050
Impairment charge	–	(3)	–	(3)
Amortisation charge	(3,913)	(876)	(3,772)	(8,561)
Closing net book amount	**4,978**	**37,882**	**25,738**	**68,598**
At 30 June 2021				
Cost	29,008	45,121	58,118	132,247
Accumulated amortisation	(24,030)	(7,239)	(32,380)	(63,649)
Net book amount	**4,978**	**37,882**	**25,738**	**68,598**
Year ended 30 June 2022				
Opening net book amount as at 1 July	4,978	37,882	25,738	68,598
Additions into asset register	1,890	13	33,293	35,196
Amortisation charge	(2,959)	(883)	(3,772)	(7,614)
Closing net book amount	**3,909**	**37,012**	**55,259**	**96,180**
At 30 June 2022				
Cost	30,864	45,134	91,411	167,409
Accumulated amortisation	(26,955)	(8,122)	(36,152)	(71,229)
Net book amount	**3,909**	**37,012**	**55,259**	**96,180**

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 corridor land access rights when costs are incurred to obtain land which ARTC does not retain title but through operating agreements has the ability to utilise the land. Under operating 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 network operating arrangements 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 of 14.6 years.

Biodiversity credits of $35.9m (2021: $3.1m) have been recorded as other intangible assets carried at cost and have indefinite lives.

Annual impairment considerations are performed as part of the impairment analysis in note 13.

16. HELD FOR SALE

	Consolidated	
	2022 $'000	2021 $'000
Current assets		
Held for sale	**66**	604
	66	604

Current held for sale assets relate to land usage rights in relation to the P2N project. The Group has expectations of the land being 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.

Prior to transfer to held for sale assets the items were reviewed for impairment with no impairment required.

17. OTHER PROVISIONS

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

2022	**Biodiversity obligation $'000**	**Restructuring costs $'000**	**Incident $'000**	**Make Good $'000**	**Total $'000**
Carrying amount at 1 July	16,916	200	36,159	–	53,275
Additional provisions recognised	63,762	–	44,916	876	109,554
Amounts used during the year	(2,946)	(200)	(28,550)	–	(31,696)
Carrying amount at 30 June	**77,732**	–	**52,525**	**876**	**131,133**

17. OTHER PROVISIONS (continued)

Information about individual provisions and significant estimates

The Biodiversity provision is recognised due to major construction projects in NSW. The balance represents the Group's estimate of amounts required to settle obligations under the NSW Biodiversity Offset Scheme and associated legislation.

As required by Accounting Standards the Group notes that future capital works estimated at $31.5m (2021: $4.3m) required due to incidents are not included in the above provision. These are excluded in the provisioning as the expenditure is not as yet legally obligated to be incurred.

Accounting policy

Provisions

Provisions for legal claims and incident provisions, Biodiversity legal requirements, 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 or capital improvements.

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

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 events, derailments and extreme weather with potential for third party and/or insurance recoveries recognised as an asset. Significant judgement is required to estimate the cost to repair damaged assets due to the nature of incidents.

Biodiversity recognition

The provision for biodiversity credits recognises the Group's estimated liability to settle environmental obligations arising from major construction projects in NSW under Critical State Significant Infrastructure Conditions of Approval issued by NSW Department of Planning, Infrastructure and Environment. To estimate credit obligation levels details of progress on construction clearing and conversion of credit types are required to be made. Estimates are based on expert reports and past experience.

The cost of settlement approach, utilising a weighted average cost, is used to remeasure the liability at each period end. The weighted average cost is the carrying amount of applicable Biodiversity Credits on hand plus the cost of meeting the shortfall of the market value at the period end averaged across the required credits. Market value includes unsettled contracted rates as the best estimate of the amount expected to be paid.

18. COMMITMENTS AND CONTINGENCIES

Capital commitments

At 30 June 2022, the Group has commitments in the order of $879.8m (2021: $966.1m) 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 Group has committed to improving the rail infrastructure through a range of projects such as Inland Rail, while renovating and rebuilding the corridor assets to enhance performance.

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	
	2022 $'000	2021 $'000
Commitments in relation to leases contracted for at the end of each reporting period but not recognised as assets, receivable:		
Within one year	**7,079**	6,139
Later than one year but not later than five years	**15,557**	19,666
Later than five years	**11,950**	13,475
	34,586	39,280

Contingencies

The Group accounts for costs associated with rectifying rail infrastructure 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.

OUR PEOPLE

This section describes a range of employment and post employment benefits provided to our people.

19. EMPLOYEE BENEFITS

	Consolidated	
	2022 $'000	2021 $'000
Net defined benefit liability	**2,092**	9,058
Short term employee benefits provision	**70,183**	64,978
Long term employee benefits provision	**8,603**	7,210
	80,878	81,246
Current	**70,183**	64,978
Non-Current	**10,695**	16,268
	80,878	81,246

Accounting policy

Employee benefits

Short term obligations

Liabilities for wages and salaries, including non-monetary benefits expected to be settled within 12 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.

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.

Annual leave is measured on a discounted basis utilising high quality corporate bond rates when there is an expectation of the leave not being taken within 12 months. Otherwise they are measured at the amounts expected to be paid when the liabilities are settled.

Defined benefit plans

Movement in net defined liability

The following table shows a reconciliation from the opening balances to the closing balances for the net defined benefit (asset) liability and its components.

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability	
	2022 $'000	2021 $'000	**2022 $'000**	2021 $'000	**2022 $'000**	2021 $'000
Balance as at 1 July	**(45,740)**	(40,673)	**36,682**	32,714	**(9,058)**	(7,959)
Included in Consolidated Income Statement						
Current service cost	**(188)**	(296)	**–**	–	**(188)**	(296)
Interest expense/(income)	**(1,371)**	(1,120)	**1,112**	913	**(259)**	(207)
	(1,559)	(1,416)	**1,112**	913	**(447)**	(503)
Included in Other Comprehensive Income						
Return on plan assets excluding interest income	**–**	–	**(1,414)**	3,303	**(1,414)**	3,303
Actuarial loss (gain) arising from:						
Demographic assumptions	**–**	(1,231)	**–**	–	**–**	(1,231)
Financial assumptions	**7,577**	314	**–**	–	**7,577**	314
Experience adjustments	**(180)**	(4,412)	**–**	–	**(180)**	(4,412)
	7,397	(5,329)	**(1,414)**	3,303	**5,983**	(2,026)
Contributions						
Employers	**–**	–	**1,430**	1,430	**1,430**	1,430
Plan participants	**(218)**	(230)	**218**	230	**–**	–
Benefits paid	**4,490**	1,908	**(4,490)**	(1,908)	**–**	–
Balance as at 30 June	**(35,630)**	(45,740)	**33,538**	36,682	**(2,092)**	(9,058)

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.

High quality corporate bond rates have been utilised when discounting employee benefit liabilities as of 30 June 2022.

Superannuation Plans

On commencement of the 60-year lease on 5 September 2004 with the NSW Government to operate the NSW interstate main lines, the Hunter Valley coal network and dedicated metropolitan freight lines to the Sydney Ports, employees previously employed by Rail Infrastructure Corporation/State Rail Authority and who are 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.

19. EMPLOYEE BENEFITS (continued)

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 2021. The next actuarial investigation will be performed as at 30 June 2024.

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.

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 SAS 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.

	Consolidated 2022				Consolidated 2021			
	Quoted $m	**Un-quoted $m**	**Total $m**	**2022 %**	Quoted $m	Un-quoted $m	Total $m	2021 %
Equity instruments	**17,896**	**797**	**18,693**	**51**	22,193	7	22,200	53
Property	**–**	**2,362**	**2,362**	**6**	627	2,661	3,288	8
Short term securities	**1,855**	**3,186**	**5,041**	**14**	2,399	2,710	5,109	12
Fixed interest securities	**4**	**1,681**	**1,685**	**4**	45	2,614	2,659	7
Alternatives	**–**	**9,096**	**9,096**	**25**	1	8,529	8,530	20
	19,755	**17,122**	**36,877**	**100**	25,265	16,521	41,786	100

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.

Actuarial assumptions and sensitivity

Actuarial assessment undertaken by Mercer as at 30 June 2022 contains the following significant independent actuarial assumptions (expressed as weighted averages):

	Consolidated	
	2022 %	2021 %
Discount rate	**5.3%**	3.1%
Rate of CPI increase	**3.1%**	2.4%
Future salary increases	**3.2%**	3.0%

The pensioner mortality assumptions are as per the 2021 Actuarial Investigation of the Pooled Fund. These assumptions are disclosed in the actuarial investigation report available from the trustee's website. The report shows the pension mortality rates for each age.

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 2022 under several scenarios is shown below.

		Impact on defined benefit obligation			
	Change in assumption	**Increase in assumption**		**Decrease in assumption**	
		2022 $'000	2021 $'000	**2022 $'000**	2021 $'000
Discount rate	0.5%	**1,697**	2,674	**(1,547)**	(2,404)
Salary growth rate	0.5%	**461**	683	**(447)**	(661)
Rate of CPI increase	0.5%	**1,218**	1,908	**(1,114)**	(1,728)
Pensioner mortality rate	Higher mortality** /Lower mortality*	**63**	(49)	**(404)**	(829)

* Assumes the short term pensioner mortality improvement factors for years 2022–2026 also apply for years after 2026.

** Assumes the long term pensioner mortality improvement factors for years post 2026 also apply for years 2022 to 2026.

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

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 that legislative changes could be made which increases 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.

19. EMPLOYEE BENEFITS (continued)

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 2021. Contribution rates are set after discussions between the employer, SAS Trustee Corporation (STC) and NSW Treasury.

The next triennial review is at 30 June 2024.

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 2023 are $1.4m. Following the triennial review of the Defined Benefit Fund as at 30 June 2021 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 11.7 years (2021: 13.5 years).

20. KEY MANAGEMENT PERSONNEL

	Consolidated	
	2022 $	2021 $
Short term employee benefits	**6,342,570**	6,944,318
Post-employment benefits	**296,477**	265,398
Other long-term benefits	**60,164**	125,339
Termination benefits	**534,004**	–
	7,233,215	7,335,055

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

OUR FUNDING STRUCTURE AND MANAGING OUR RISKS

As a result of its operations, the Group is exposed to multiple forms of risk. This section sets out the nature of the financial risks and their quantification and management. This section also sets out the strategies and practices the Group utilises to minimise the exposure to these risks in order to execute our Group strategy as well as outlining the current Group funding structure.

21. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to:

- safeguard the ability to continue as a long-term going concern (refer to note 5), 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, and comply with Government Business Enterprise (GBE) guidelines.

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

Gearing ratios are one component considered when ensuring compliance with the GBE guidelines. The gearing ratios were as follows:

		Consolidated	
	Notes	**2022 $'000**	2021 $'000
Trade and other payables		**212,920**	123,942
Interest Bearing liabilities		**627,698**	545,191
Less cash and cash equivalents		**(39,076)**	(17,083)
Net debt		**801,542**	652,050
Total equity		**2,645,857**	2,719,121
Adjusted equity		**3,447,399**	3,371,171
Net debt to adjusted equity ratio		**23.3%**	19.3%

22. FINANCIAL RISK MANAGEMENT

The Group's principal financial instruments comprise receivables, payables, 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, including establishing a Treasury Policy to manage risks relating to Treasury activities. Management provides updates to the Audit and Compliance Committee which oversees adequacy, quality and effectiveness of governance and financial risk management. In addition, recurring monitoring of Treasury activities is undertaken by the Budget and Investment Committee, a committee reporting to the CEO.

The Group's activities expose it to the financial risks shown below. 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.

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.

22. FINANCIAL RISK MANAGEMENT (continued)

Market risk

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 and Euro purchases.

During the year ended 30 June 2022 there was $0.1m of cash flow hedge from equity to the income statement (2021: $0.1m). There was no hedge ineffectiveness in the current year expensed to the income statement (2021: $0.0m).

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. As at reporting date, cash reserves are being held as cash and short-term investments.

The Group manages its interest rate risk on a portfolio basis by entering into and designating interest rate related authorised hedging instruments as hedges.

As at 30 June 2022, the Group executed a 5-year interest rate swap agreement amongst 6 banks with a notional amount of $118.8 million (2021: nil). Whereby the Group pays a fixed rate of interest of 1.574% per annum and receives interest at a variable rate equal to 3-month BBSY. The fixed rate of 1.574% includes credit and execution charges of 0.010%. The swap is being used to hedge the base rate (BBSY) of the Group's floating rate unsecured banking facility.

For the year ended 30 June 2022 there were six (2021: nil) interest rate hedges established, resulting in a net asset position of $10.8m (2021: nil). Refer below for details of the accounting policy.

Sensitivity analysis – interest rate

	Interest rate risk			
	-0.5%		+0.5%	
	Profit $'000	Equity $'000	Profit $'000	Equity $'000
30 June 2022				
Financial assets				
Cash and cash equivalents	(195)	(195)	195	195
Total increase/(decrease) in financial assets	**(195)**	**(195)**	**195**	**195**
30 June 2021				
Financial assets				
Cash and cash equivalents	(60)	(60)	60	60
Total increase/(decrease) in financial assets	(60)	(60)	60	60

This analysis assumes all other variables are constant. All 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.

Credit risk

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. Default arises when, in Management's view, debts are considered no longer collectable.

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 risk related to cash and cash equivalents by outlining the approach to the management of counterparty credit risk as approved by the Board. The Group generally utilises large banks with credit ratings in the AA and A rating bands, 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 which has continued this year. The Group's extension to some customers of longer payment terms for a period of time, in response to COVID-19 challenges, has been considered in the risk component of the ECL calculations. 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. Information on the credit quality of the trade and other receivables can be found in note 12.

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 12 months on a rolling monthly basis.

In November 2021 the Group re-financed its Syndicated Debt Facility arrangements. Prior to this re-financing the Group maintained a Syndicated Debt Facility totalling $800.0m with maturities split across two tranches: $435.0m maturing in December 2021 and $365.0m maturing in December 2023. Following the re-financing the Group's single tranche Syndicated Debt Facility now totals $1,000.0m maturing in December 2026.

As at 30 June 2022, $430.0m of the Syndicated Debt Facility has been utilised (2021: $340.0m). The Group has a $1,500.0m Australian Dollar Domestic Note programme under which one $125.0m bond is currently issued (2021: $125.0m), maturing in December 2024. The Group also has access to business card facilities of $2.0m (2021: $2.0m).

22. FINANCIAL RISK MANAGEMENT (continued)

Maturities of financial liabilities based on contractual maturities

The tables below analyse the Group's financial 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 2022	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Financial liabilities					
Trade and other payables	212,920	–	–	–	212,920
Bond issue	2,813	2,813	133,437	–	139,063
Borrowings	432,026	–	–	–	432,026
Other financial liabilities	5,859	1,442	10,594	393	18,288
Lease liability	9,882	9,118	47,618	21,482	88,100
Total financial liabilities	**663,500**	**13,373**	**191,649**	**21,875**	**890,397**
30 June 2021					
Financial liabilities					
Trade and other payables	123,942	–	–	–	123,942
Bond issue	2,813	2,813	139,062	–	144,688
Borrowings	340,290	–	–	–	340,290
Other financial liabilities	6,830	1,098	109	408	8,445
Lease liability	10,020	9,158	50,859	24,776	94,813
Total financial liabilities	483,895	13,069	190,030	25,184	712,178

The above maturity for borrowings is not based on the facility maturity date of December 2026, rather the individual drawing maturity dates. This demonstrates when ARTC has the choice to either extend or repay the individual drawings on the facility.

Accounting policy

Financial liabilities

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments. 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. Other than derivatives, all financial liabilities are accounted for using amortised cost.

Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments to hedge its foreign currency and interest rate 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.

23. INTEREST BEARING LIABILITIES

	Consolidated					
	2022			2021		
	Current $'000	**Non-current $'000**	**Total $'000**	Current $'000	Non-current $'000	Total $'000
Bonds – maturing:						
11 December 2024	–	**124,928**	**124,928**	–	124,785	124,785
Syndicated debt facility	–	**430,499**	**430,499**	340,151	–	340,151
Lease liabilities	**12,394**	**59,877**	**72,271**	15,509	64,746	80,255
	12,394	**615,304**	**627,698**	355,660	189,531	545,191

Changes in liabilities

			Non-cash changes		
Consolidated	**1 July $'000**	**Cashflow $'000**	**Transfer $'000**	**Other $'000**	**30 June $'000**
Financial liabilities 2022					
Current					
Interest bearing liabilities	**355,660**	**(3,266)**	**(340,000)**	–	**12,394**
Non-Current					
Interest bearing liabilities	**189,531**	**85,773**	**340,000**	–	**615,304**
	545,191	**82,507**	–	–	**627,698**
2021					
Current					
Interest bearing liabilities	14,699	961	340,000	–	355,660
Non-Current					
Interest bearing liabilities	628,485	(98,954)	(340,000)	–	189,531
	643,184	(97,993)	–	–	545,191

The cashflow movement (excluding lease liabilities) of $90.6m (2021: $97.8m) differs from the variance between the balances above due to the impact of effective interest. The cashflow movement on lease liabilities of $20.7m does not relate to the current component of lease liabilities due to additions, variations and terminations in the year.

Other movements include lease liability additions in the year and effective interest elements.

Finance costs

	Consolidated	
	2022 $'000	2021 $'000
Financing costs – borrowings	**13,223**	10,533
Right of use lease interest	**3,917**	4,251
	17,140	14,784

23. INTEREST BEARING LIABILITIES (continued)

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.

Refer to the lease liability interest accounting policy in note 14.

24. DEFERRED INCOME – GOVERNMENT GRANTS

	Consolidated					
	2022			2021		
	Current $'000	**Non-current $'000**	**Total $'000**	Current $'000	Non-current $'000	Total $'000
Deferred income – government grants	**54,361**	**999,693**	**1,054,054**	46,659	776,741	823,400
	54,361	**999,693**	**1,054,054**	46,659	776,741	823,400

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 Consolidated Income Statement on a systematic basis in the periods in which expenses are recognised e.g. Inland Rail Project.

25. CAPITAL AND RESERVES

Contributed equity

Share capital	2022 Shares	2021 Shares	2022 $'000	2021 $'000
Ordinary shares – fully paid	**4,963,079,100**	4,199,581,100	**5,054,830**	4,291,332
	4,963,079,100	4,199,581,100	**5,054,830**	4,291,332

Equity injections for Inland Rail of $763.5m (2021: $732.2m) have been received throughout the year, with none being received for the Adelaide to Tarcoola Re-Railing Project this year (2021: $15m).

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, where applicable.

Reserves

	Consolidated	
	2022 $'000	2021 $'000
Asset revaluation reserve	**363,844**	407,456
Cash flow hedging reserve	**8,149**	347
Profit reserves	**–**	87,757
	371,993	495,560

Asset revaluation reserve

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

Profit reserve

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

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 (foreign exchange and interest rate swaps) related to hedged transactions that have not yet occurred. Amounts are reclassified to the consolidated income statement when the associated hedged transaction settles.

OTHER INFORMATION

This section includes additional financial information that is required by either accounting standards or the Public Governance, Performance and Accountability (Financial Reporting) Rule 2015. In addition it includes discussion on any new accounting standards or government rules that directly impact financial report disclosure requirements.

26. RELATED PARTY DISCLOSURES

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.

Directors

There were no related party transactions with Directors at year end (2021: $ nil).

There were no loans to Directors at year end (2021: nil).

Significant investment in subsidiary

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

Name of subsidiary	Country of Incorporation	Equity holding	
		2022 %	2022 %
Standard Gauge Company Pty Ltd	Australia	**100**	100

Accounting policy

Subsidiary

The consolidated financial statements incorporate the assets and liabilities of the entity controlled by the Australian Rail Track Corporation Ltd (''Company'' or ''Parent entity'') as at each balance date and the results of the controlled entity for the year then ended. Australian Rail Track Corporation Ltd and its controlled entity 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.

Investment in subsidiary is accounted for at cost in the individual financial statements of Australian Rail Track Corporation Ltd and is not material to the Group.

27. REMUNERATION OF AUDITORS

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

Audit and other assurance services

	Consolidated	
	2022 $	2021 $
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 it contractors EY for auditing the financial report of the entity in the Group (GST exclusive)	**360,000**	350,000
Other 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 (GST exclusive)	**12,700**	12,500
Total remuneration services for audit and other services	**372,700**	362,500

28. SIGNIFICANT EVENTS AFTER THE BALANCE DATE

No events have occurred after the balance sheet date that should be brought to account or disclosed in the year ended 30 June 2022 financial statements.

29. OTHER ACCOUNTING POLICIES

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.

Inventories

Inventories are valued at lower of cost and net realisable value. Cost is assigned on a weighted average basis.

Prepayments

Prepayments are inclusive of amounts paid in advance for services to be performed in the future. This includes amounts for the joint venture group preferred proponent in relation to the Inland Rail Private Public Partnership expected to be settled in the financial year FY24, as well as amounts paid in advance for insurance and other general expenses.

New and amended standards adopted by the Group

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021 as noted below.

- Interest Rate Benchmark Reform Phase 2 (AASB 2020–8)
- COVID-19 – related rent concessions (AASB 2020–4 and AASB 2021–3)
- Extending transition relief under AASB 1 (AASB 2022–2)

These amendments had no impact on the Group’s financial statements. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2022 reporting periods and are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions and have not been early adopted by the Group.

DIRECTORS' DECLARATION 30 JUNE 2022

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 68 to 114 are in accordance with the *Corporations Act 2001*, including:

  (i) complying with Accounting Standards, *Public Governance, Performance and Accountability Act 2013*, 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 2022 and of its performance for the year ended on that date, and

(b) the financial statements and notes set out on pages 68 to 114 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 the Directors.

W Truss
Director

Signed on the 20th day of September 2022

INDEPENDENT AUDITOR'S REPORT

To the members of Australian Rail Track Corporation Ltd

Report on the financial report

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 2022 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 2022 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 2022 and for the year then ended

- Consolidated income statement
- Consolidated statement of comprehensive income;
- Consolidated balance sheet;
- Consolidated statement of changes in equity;
- Consolidated statement of cashflow statement;
- Notes to the consolidated 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 (including Independence Standards)* (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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

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19 National Circuit BARTON ACT
Phone (02) 6203 7300 Fax (02) 6203 7777

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 2022 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.

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 as 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.

I also provide the directors with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Australian National Audit Office

Rebecca Reilly
Executive Director

Delegate of the Auditor-General

Canberra
21 September 2022

LIST OF ANNUAL REPORT REQUIREMENTS

As set out in Schedule 2B of the PGPA Rule, Section 28E(p), the following table outlines Annual Report content requirements for ARTC as a Commonwealth company:

PGPA Rule Reference	Part of Report	Description	Requirement
28E	Contents of annual report		
28E(a)	Page 4	The purposes of the company as included in the company's corporate plan for the reporting period	Mandatory
28E(aa)	Page 12–15, Reports & Statements	The results of a measurement and assessment of the company's performance during the reporting period, including the results of a measurement and assessment of the company's performance against any performance measures and any targets included in the company's corporate plan for the reporting period	Mandatory
28E(b)	Page 7	The names of the persons holding the position of responsible Minister or responsible Ministers during the reporting period, and the titles of those responsible Ministers	Mandatory
28E(c)	N/A	Any directions given to the entity by a Minister under the company's constitution, an Act or an instrument during the reporting period	If applicable, mandatory
28E(d)	N/A	Any government policy order that applied in relation to the company during the reporting period under section 93 of the Act	If applicable, mandatory
28E(e)	N/A	Particulars of non compliance with: (a) a direction given to the entity by the Minister under the company's constitution, an Act or instrument during the reporting period; or (b) a government policy order that applied in relation to the company during the reporting period under section 93 of the Act	If applicable, mandatory
28E(f)	Reports & Statements	Information on each director of the company during the reporting period	Mandatory
28E(g)	Page 6	An outline of the organisational structure of the company (including any subsidiaries of the company)	Mandatory

PGPA Rule Reference	Part of Report	Description	Requirement
28E(ga)	Page 34–35	Statistics on the entity's employees on an ongoing and non ongoing basis, including the following: (a) statistics on full time employees (b) statistics on part time employees (c) statistics on gender (d) statistics on staff location	Mandatory
28E(h)	Page 8–9	An outline of the location (whether or not in Australia) of major activities or facilities of the company	Mandatory
28E(i)	Reports & Statements	Information in relation to the main corporate governance practices used by the company during the reporting period	Mandatory
28E(j), 28E(k)	N/A	For transactions with a related Commonwealth entity or related company where the value of the transaction, or if there is more than one transaction, the aggregate of those transactions, is more than $10,000 (inclusive of GST): (a) the decision making process undertaken by the directors of the company for making a decision to approve the company paying for a good or service from, or providing a grant to, the related Commonwealth entity or related company; and (b) the value of the transaction, or if there is more than one transaction, the number of transactions and the aggregate value of the transactions	If applicable, mandatory
28E(l)	Page 2–3, Reports & Statements	Any significant activities or changes that affected the operations or structure of the company during the reporting period	If applicable, mandatory
28E(m)	N/A	Particulars of judicial decisions or decisions of administrative tribunals that may have a significant effect on the operations of the company	If applicable, mandatory
28E(n)	Page 44	Particulars of any reports on the company given by: (a) the Auditor General, or (b) a Parliamentary Committee, or (c) the Commonwealth Ombudsman; or (d) the Office of the Australian Information Commissioner; or (e) the Australian Securities and Investments Commission	If applicable, mandatory

PGPA Rule Reference	Part of Report	Description	Requirement
28E(o)	N/A	An explanation of information not obtained from a subsidiary of the company and the effect of not having the information on the annual report	If applicable, mandatory
28E(oa)	Reports & Statements	Information about executive remuneration	Mandatory
28E(ob)	Reports & Statements	The following information about the audit committee for the company: (a) a direct electronic address of the charter determining the functions of the audit committee; (b) the name of each member of the audit committee; (c) the qualifications, knowledge, skills or experience of each member of the audit committee; (d) information about each member's attendance at meetings of the audit committee; (e) the remuneration of each member of the audit committee	Mandatory
28F	**Disclosure requirements for government business enterprises**		
28F(1)(a)(i)	Reports & Statements	An assessment of significant changes in the company's overall financial structure and financial conditions	If applicable, mandatory
28F(1)(a)(ii)	Reports & Statements	An assessment of any events or risks that could cause financial information that is reported not to be indicative of future operations or financial condition	If applicable, Mandatory
28F(1)(b)	Reports & Statements	Information on dividends paid or recommended	If applicable, mandatory
28F(1)(c)	N/A	Details of any community service obligations the government business enterprise has including: (a) an outline of actions taken to fulfil those obligations; and (b) an assessment of the cost of fulfilling those obligations	If applicable, mandatory
28F(2)	Reports & Statements	A statement regarding the exclusion of information on the grounds that the information is commercially sensitive and would be likely to result in unreasonable commercial prejudice to the government business enterprise	If applicable, mandatory