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 acknowledges their continuing connection to land, waters and community. We pay our respects to the people, the cultures and the Elders past and present.

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

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MESSAGE FROM THE CHAIR

PETER DUNCAN AM
CHAIR

2022–23 was a challenging year for ARTC.

In particular, the rail network was severely disrupted by extreme weather, including record-breaking floods. Network availability for customers dropped significantly and the importance of increasing the resilience of our network was highlighted. In the future, ARTC must become better able to withstand and recover from climate-related and other extraordinary events.

The Interstate network, which comprises two major rail corridors – east-west from Melbourne to Kalgoorlie and north-south from Brisbane to Melbourne – bore the brunt of the weather-related disruptions. Network availability was 59%, down from 79% the previous year, primarily due to the closure of our Broken Hill line between late October and late January because of floodwaters.

Despite these challenges, 56,577 million general and bulk freight gross tonne kilometres were transported on the Interstate network in 2022–23 (slightly down from 56,714 million in 2021–22), resulting in access revenue of $303.5 million (up from $285.6 million in 2021–22).

The Hunter Valley network across central and north-west New South Wales also faced a temporary closure in July due to flooding, however availability across the network remained similar to that in the previous year at 85.9% (85.4% in 2021–22). The budgeted operating profit was met on the back of strong coal prices, despite lower volumes than forecast.

In 2022–23, 146.59 million coal tonnes were transported on the Hunter Valley network (down from 165.16 million in 2021–22). The majority of this haulage (132 million tonnes) was transported to the Port of Newcastle for export. Related access revenue for the year was $444.3 million (down from $459.2 million in 2021–22).

Total network-wide access revenue was $747.9 million (up from $744.8 million in 2021–22), while Earnings Before Interest, Tax, Depreciation, Amortisation and Impairment (EDITDAI) was $205.6 million (down from $253.4 million in 2021–22).

To address resilience issues and improve the reliability of our network for customers in the future, we realigned our Asset Maintenance Services team to increase both safety and efficiency in the maintenance of the Interstate network.

In support of our resilience program, we continued our annual investment of more than $150 million on capital, asset renewal and maintenance activities across the Interstate network. In 2022–23, we also commenced investment of an additional $170 million on corridor capital activities to further improve resilience of the network, including additional rerailing, signalling upgrades and vegetation works.

A major hydrology study was also undertaken with the aim of understanding how to mitigate flood risks. Investigations were completed from Kalgoorlie to Crystal Brook, Crystal Brook to Parkes, and other sections of track in New South Wales and Queensland. The study will be completed in late 2023 and guide future capital expenditure and maintenance activities as we strive to improve network reliability.

During the year, an independent review of the Inland Rail Program was undertaken for the Australian Government, ARTC's Shareholder. The review identified 19 recommendations to strengthen governance arrangements for both ARTC's operational business and the new Inland Rail subsidiary in order to progress ongoing planning and construction as efficiently as possible. We commenced addressing the recommendations with the Government and will continue to progress and implement in 2023–24.

ARTC continued to progress other major construction projects as part of broader efforts to grow our network and keep pace with the increasing freight demands of Australia's rising population. This includes progress with the Botany Rail Duplication and Cabramatta Loop Project, which are both due for completion in 2024 to increase rail freight capacity on the Southern Sydney Freight Line.

In managing the daily transit of 436 freight and passenger trains on the 8,500km rail network across South Australia, New South Wales, Victoria, Queensland and Western Australia, ARTC also focused efforts during the year on safety, reconciliation and ESG (environmental, social and governance) matters.

In pursuit of a safer and more reliable network for customers and the communities in which we operate, we continued to focus on greater track protection for our employees and contractors. Key initiatives included the establishment of a Safeworking Services Panel as part of a more rigorous approach to engaging with external providers, while our Contractor Safety Management Program led to new tools and procedures to help reduce the risk of injury. Importantly, there was a 13% reduction in significant Level 1 events in 2022–23 – down from 46 to 40 – and the Total Recordable Injury Frequency Rate for employees and contractors reduced from 5.72 to 2.91.

The reconciliation journey at ARTC delivered on all 31 commitments contained in the inaugural Reconciliation Action Plan, and pleasingly, expectations were exceeded on 22 of these commitments. We look forward to expanding on our efforts next year and beyond as we build a more inclusive and culturally safe workplace.

As the world attempts to move towards a more sustainable future and as ARTC customers seek to decarbonise their operations, we continued to take a more proactive position on our environmental, social and governance responsibilities. Guided by our ESG Strategy launched in 2021–22, we are progressing towards initial ESG targets that will be committed to by June 2024, including a reduction in greenhouse gas emissions in support of Australia's commitment to net zero.

Looking forward, we will continue to sharpen our focus on managing more effective and resilient rail infrastructure for a more robust national network. This is crucial for our customers, ARTC's commercial sustainability in the future, and our ongoing efforts to facilitate safe and efficient transport in support of increasing the use of rail as the nation's freight task grows.

Finally, thank you to our customers and industry partners for their support and understanding during a difficult year.

Thanks also to our Shareholders, the ARTC Board and Executive team for ongoing guidance and leadership. In particular, I'd like to acknowledge the contributions of the Hon. Warren Truss AC who retired as ARTC Chair in November, Dr Kerry Schott AO who served as Acting Chair from April, and Mark Campbell* following his resignation as CEO and Managing Director.

Most importantly, thanks to our employees and contractors for stepping up to the tasks as we continue to modernise and improve our network to propel rail forward as a cost efficient, safe and environmentally responsible mode of transport.

Yours sincerely,

Peter Duncan AM
Chair

* *Mark Campbell announced his resignation as CEO and Managing Director with effect from the end of July 2023.*

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, we exist to keep Australia moving through the management of effective and resilient rail infrastructure.

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

In fact, our people manage the transit of more than 430 freight and passenger trains every day to connect our regions, cities and ports.

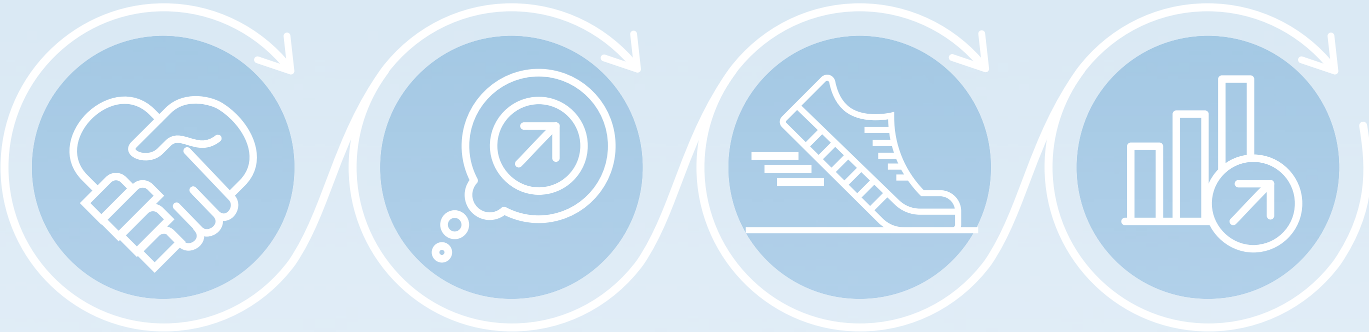
This makes us one of the largest rail network managers in Australia, with our 8,500km network spanning five states, 39 worksites and the lands of more than 50 First Nations.

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 interstate 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

In our world, safety is everything. We have an uncompromising commitment to people's wellbeing, so doing things right means doing things safely. We must do everything we can to protect ourselves, each other and the communities in which we live, work and visit.

FUTURE THINKING

We encourage everyone to find better ways of working by simplifying systems and processes, learning from what we've done previously, challenging the norm and sharing ideas. While we work hard to deliver today, we're also encouraged to think and plan for tomorrow.

ACTIVE ENGAGEMENT

When we're curious, ask questions, listen to one another and think positively, great things happen. We're committed to the success of our customers, stakeholders and employees, and are always on the front foot to provide a great workplace and a strong business.

RESULTS

We're driven by results because they lead to progress. Determined to improve Australia's productivity by making rail the mode of choice in the national logistics chain, we work together to achieve our personal and shared goals to deliver great outcomes for all.

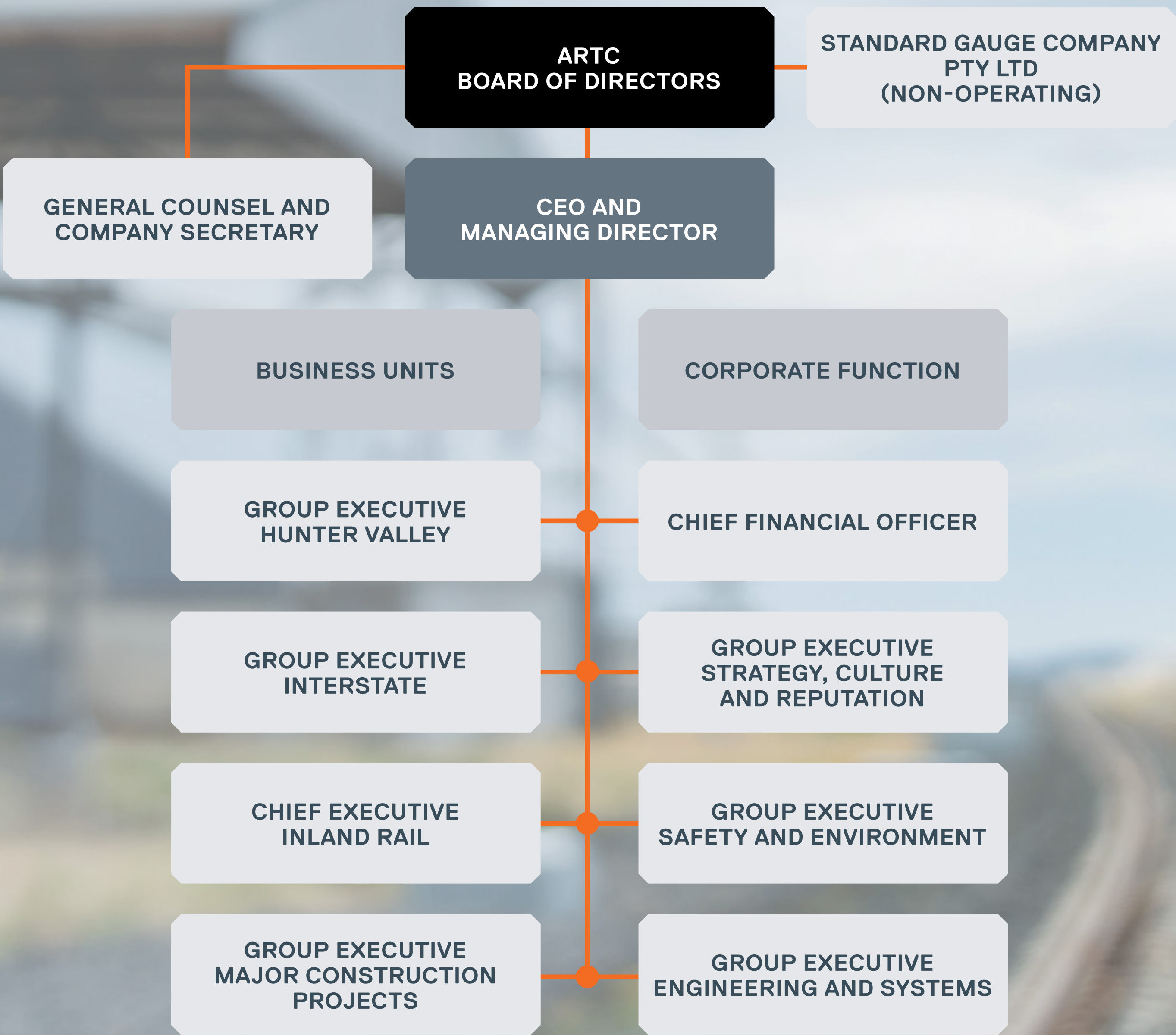
ORGANISATIONAL STRUCTURE

ARTC is an unlisted public company limited by shares incorporated under the Corporations Act and a Commonwealth company for the purposes of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

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

- **Senator the Hon Katy Gallagher** – Minister for Finance
- **The Hon Catherine King MP** – Minister for Infrastructure, Transport, Regional Development and Local Government

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



NOTE: Inland Rail to become a subsidiary company of ARTC in FY24.

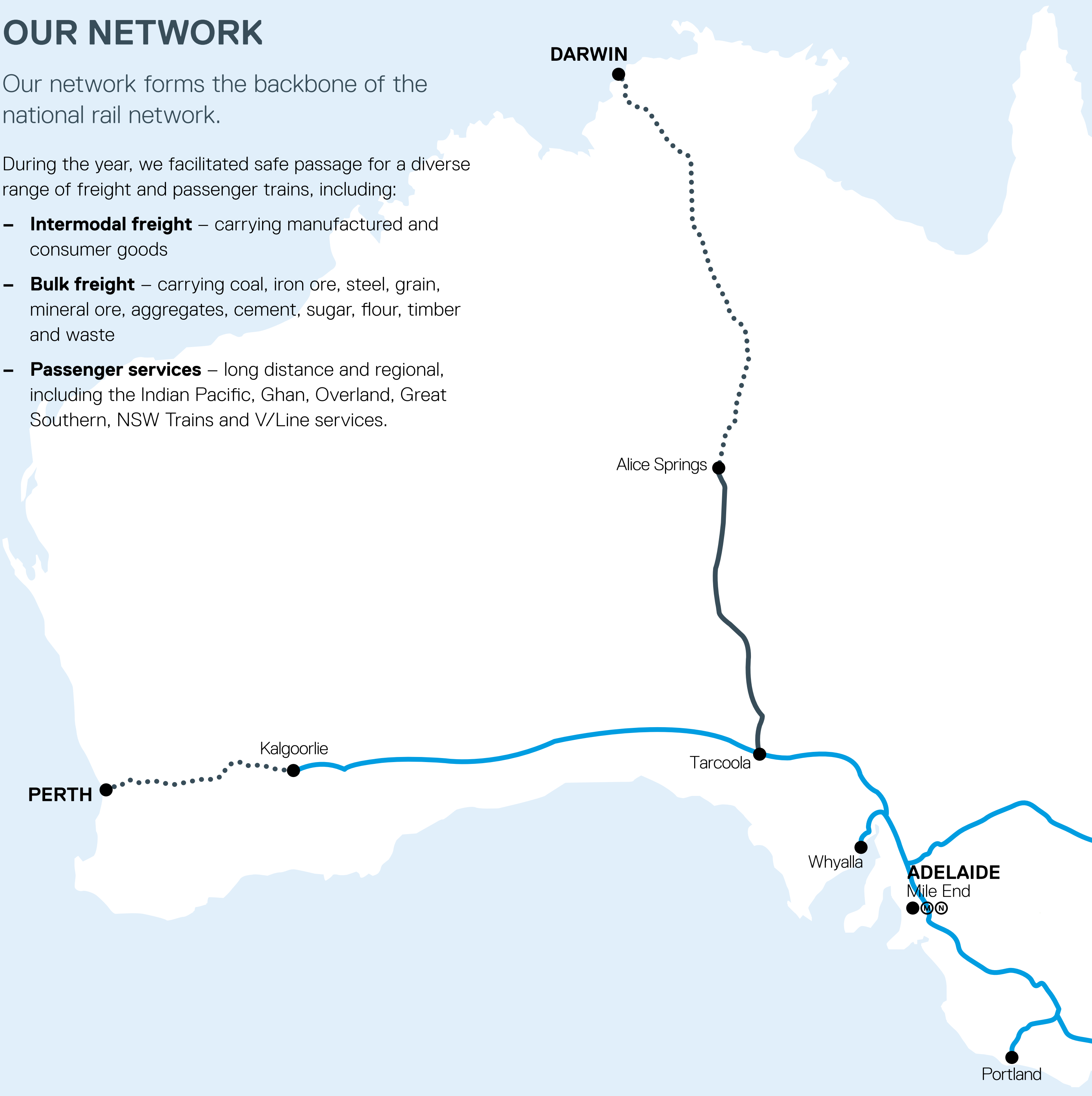

ARTC
ARTC
Bisley

OUR NETWORK

Our network forms the backbone of the national rail network.

During the year, we facilitated safe passage for a diverse range of freight and passenger trains, including:

- **Intermodal freight** – carrying manufactured and consumer goods
- **Bulk freight** – carrying coal, iron ore, steel, grain, mineral ore, aggregates, cement, sugar, flour, timber and waste
- **Passenger services** – long distance and regional, including the Indian Pacific, Ghan, Overland, Great Southern, NSW Trains and V/Line services.



Our **Interstate** network's east-west corridor links Kalgoorlie in the west to Whyalla and Crystal Brook in South Australia before diverging to Parkes and Melbourne via Adelaide. The north-south corridor links Melbourne to Acacia Ridge in Queensland via Sydney along the east coast

Our **Hunter Valley** network connects the Port of Newcastle with mines in the Hunter Valley, Gunnedah Basin and Ulan

Inland Rail will link Melbourne to Brisbane through regional Victoria, New South Wales and Queensland. As each section of Inland Rail is constructed it is transferred to our Interstate network for operation

The **Tarcoola to Alice Springs** section of the line to Darwin is operated by Aurizon (formerly One Rail Australia) under a long-term lease

Connections between our network and key locations such as Perth, Darwin and central and northern Queensland operated by third-party network owners.

ARTC BY THE NUMBERS

8,500km rail network

436 freight and passenger trains on network every day

29 Provisioning Centres in regional and urban areas

2,187 people employed (at 30 June 2023)

5 states where network operates – SA, NSW, VIC, QLD, WA

6 offices – Adelaide (head office), Sydney, Melbourne, Brisbane, Newcastle, Wagga Wagga

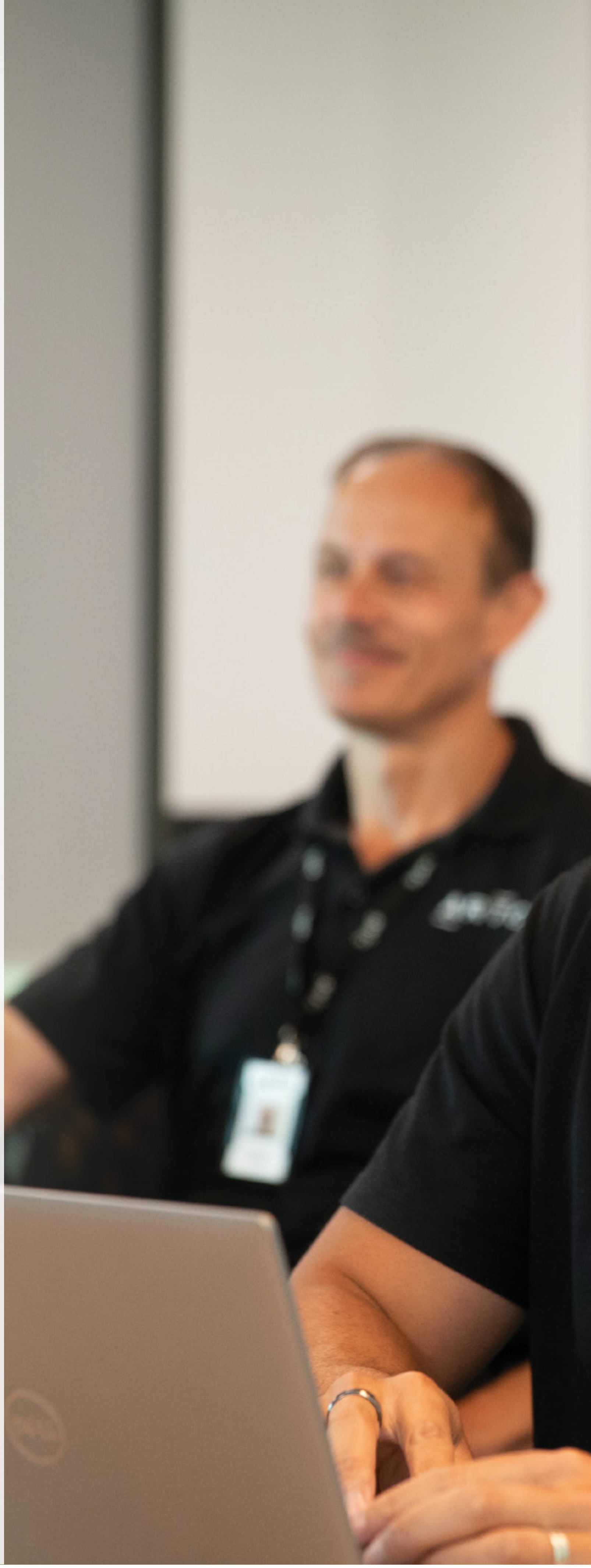
3 Network Control Centres – Mile End (SA), Junee (NSW), Broadmeadow (NSW)

49% of our team work regionally

30.8% of our team identify as female

3.6% of our team identify as First Nations people

PERFORMANCE OVERVIEW



FINANCE

ACCESS REVENUE

$747.9 million

($744.8 million in 2021–22)

EARNINGS BEFORE INTEREST, TAX, DEPRECIATION, AMORTISATION AND IMPAIRMENT (EBITDAI)

$205.6 million

($253.4 million in 2021–22)

SAFETY

TOTAL RECORDABLE INJURY FREQUENCY RATE (TRIFR)

Employees – 2.88

(2.45 in 2021–22)

Contractors – 2.95

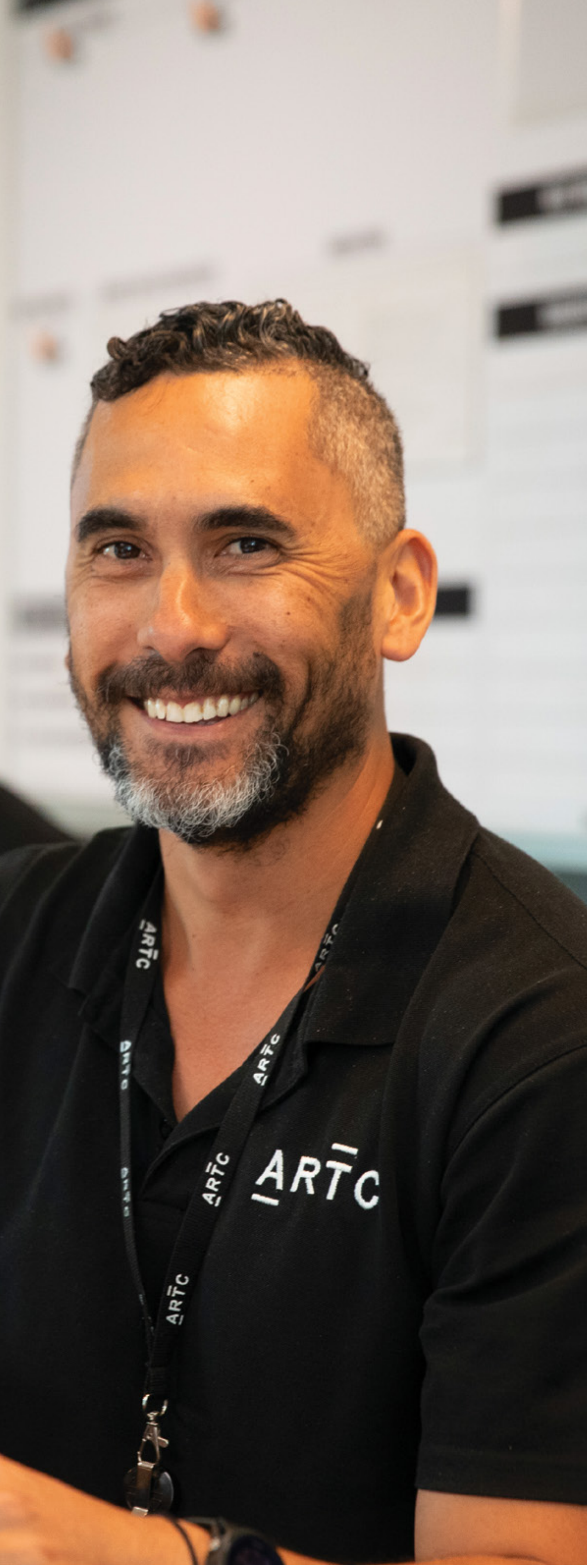
(10.32 in 2021–22)

*TRIFR = Number of injuries for every million hours worked.

SAFEWORKING EVENTS

34

(23 in 2021–22)



INTERSTATE NETWORK

TRAIN JOURNEYS PER DAY

219

(212 in 2021–22)

GENERAL AND BULK FREIGHT GROSS TONNE KMs

56,577 million

(56,714 million in 2021–22)

HUNTER VALLEY NETWORK

TRAIN JOURNEYS PER DAY

217

(210 in 2021–22)

EXPORT COAL TRANSPORTED

132 million tonnes

(153.83 million in 2021–22)

CUSTOMERS AND STAKEHOLDERS

Customer satisfaction –
7.6/10

(7.8/10 in 2021–22)

Stakeholder reputation –
47

(52 in 2021–22)

FINANCIAL SUMMARY

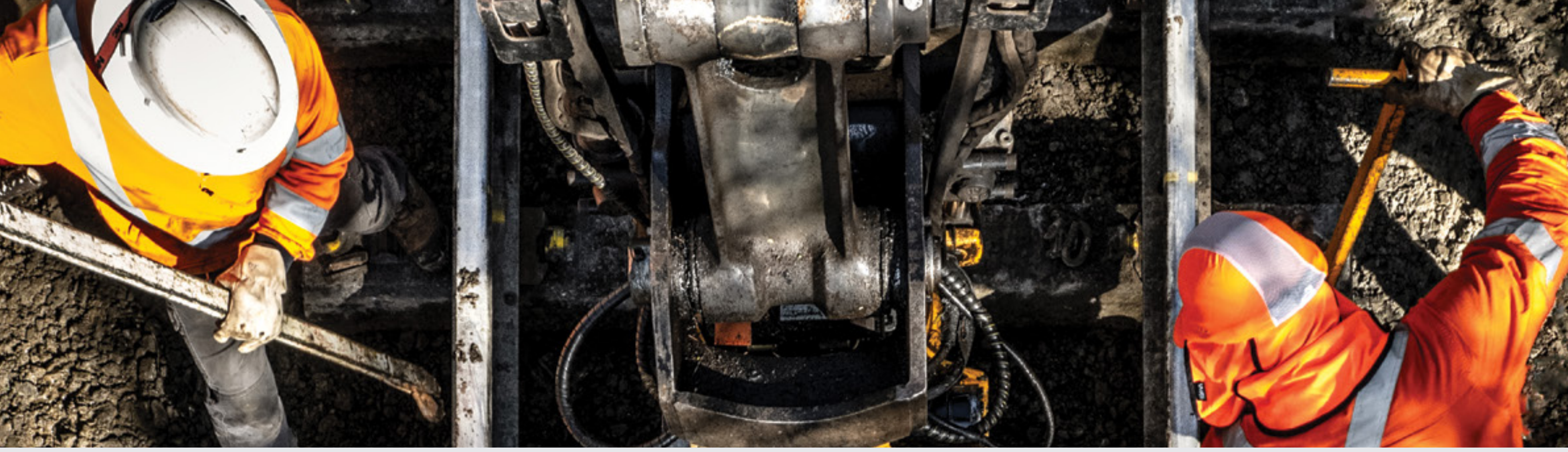
	2023	2022
	$M	$M
Access Revenue	747.9	744.8
Other Revenue	117.8	157.3
Total Revenue	**865.7**	**902.1**
EBITDAI	**205.6**[1]	**253.4**[1]
Depreciation and Amortisation Expense	(222.3)	(223.5)
Impairment Reversal/(Expense)	(1,795.4)[2]	(685.0)[2]
EBIT	**(1,812.2)**	**(655.1)**
Net Finance Cost	(32.7)	(16.9)
Net Profit before Tax	**(1,844.8)**	**(672.0)**
Tax (Expense)/Benefit	(44.6)	(45.6)
Net Profit after Tax	**(1,889.5)**	**(717.7)**
Dividends Paid	0.0	**87.8**
Total Debt	830.2	**555.4**
Shareholder Equity	**1,783.0**	**2,645.86**
EBITDAI/TOTAL REVENUE	**23.75%**	**28.09%**
EBIT/TOTAL REVENUE	**-209.33%**	**-72.62%**
EBITDAI/SHAREHOLDER EQUITY	**11.53%**	**9.58%**
DEBT/(DEBT + SHAREHOLDER EQUITY)	**31.77%**	**17.35%**

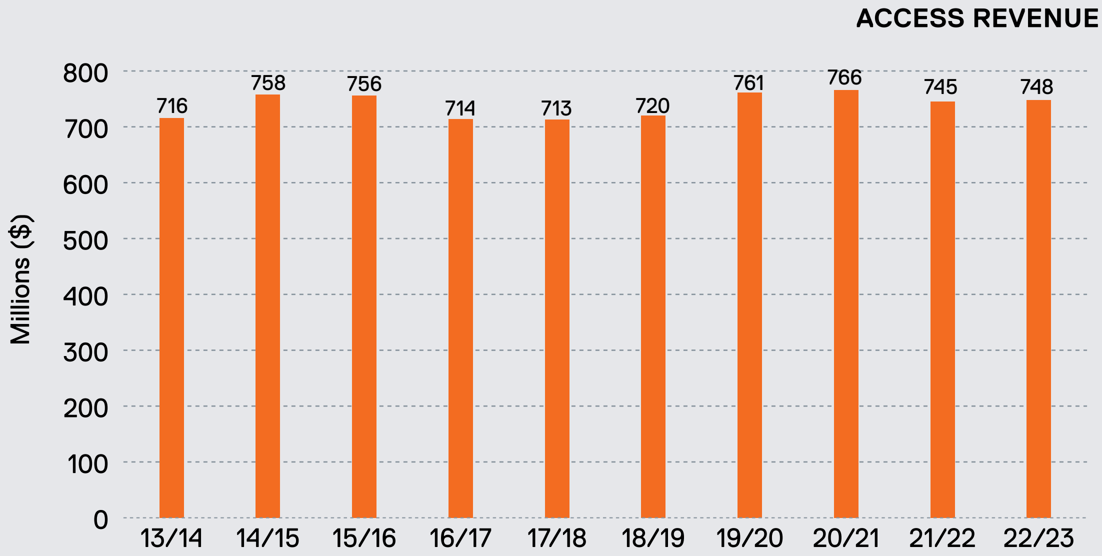
Notes:

1) EBITDAI (Earnings Before Interest, Tax, Depreciation, Amortisation and Impairment) in FY23 was $205.6 million (FY22: $253.4 million), with increases in weather events impacting on insurance recoveries, access revenue and costs.

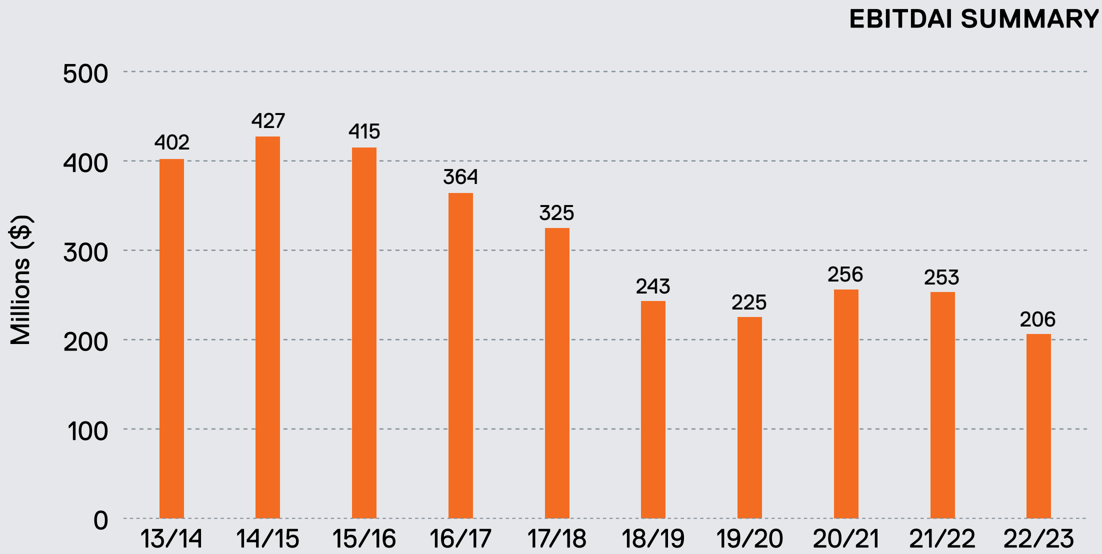
EBITDAI includes $138.8 million (FY22: $123.1 million) related to major infrastructure projects which, due to the requirements of Accounting Standards, is required to be treated as an expense.

2) Impairment expense of $1,795.4 million (FY22: $685.0 million) relates to the Interstate and Hunter Valley business units, along with the Inland Rail project.





ACCESS REVENUE
Millions ($)
800
700
600
500
400
300
200
100
0
716
758
756
714
713
720
761
766
745
748
13/14
14/15
15/16
16/17
17/18
18/19
19/20
20/21
21/22
22/23



EBITDAI SUMMARY
Millions ($)
500
400
300
200
100
0
402
427
415
364
325
243
225
256
253
206
13/14
14/15
15/16
16/17
17/18
18/19
19/20
20/21
21/22
22/23

BUSINESS UNITS

INTERSTATE

We strive to provide safe, efficient and reliable access to our Interstate network, which includes around 7,500km of track across South Australia, New South Wales, Victoria, Queensland and Western Australia.

It comprises two major rail corridors:

- East-west (Melbourne and Sydney to Kalgoorlie)
- North-south (Melbourne – Sydney – Brisbane)

The network is used by our customers to transport general and bulk freight, including groceries and beverages, consumer goods, grain, minerals and steel, as well as passengers.

In 2022–23, we managed the movement of 219 trains on average per day on our Interstate network.

During the year, we worked closely with customers to support their operations, including the ongoing evolution of our wayside rolling stock condition monitoring service, which detects at-risk rail vehicle components to mitigate the risk of derailments and network disruptions. As part of this, we progressed new wayside technology solutions to enable rolling stock operators to increase the efficiency of their maintenance programs in support of safety and reliability.

Significantly, we supported the growth of long-haul intermodal rail operations on our Interstate network, including Qube which commenced operations between Melbourne and Sydney ahead of commencing additional planned services between Melbourne and Sydney and Sydney and Brisbane in early 2024. Aurizon also announced its re-entry to the intermodal rail market through an 11-year contract with Team Global Express, and is progressively introducing new services on the east-west and north-south corridors.

We continued to work with the minerals sector to establish a growing pipeline of new business opportunities, including projects under development in South Australia and western New South Wales by a number of prospective mining companies, including Lodestone Mines, Magnetite Mines and Peak Iron. Notably, Tronox commenced a new mineral sands mining operation during the year near Ivanhoe in New South Wales, including new bulk sand movements by rail from Ivanhoe to Broken Hill and Broken Hill to Kwinana in Western Australia.

In addition, ARTC worked with stakeholders on proposed new intermodal terminals in Victoria, including at Beveridge (National Intermodal), Somerton (Intermodal Terminal Company) and Little River (Pacific National).

From 24 provisioning centres and depots across the country, our Interstate team of 697 people also undertook major corridor maintenance works throughout the year to increase the efficiency, capacity and resilience of our network for customers and communities.

These works included repair and recovery efforts following extreme weather that caused significant disruption to our Interstate network, including our Broken Hill line that was closed between October and January due to record-breaking floodwaters in central-west New South Wales.

SNAPSHOT: INTERSTATE BUSINESS RESULTS

219 train journeys per day
*212 in 2021–22

58.9% network availability
*79.1% in 2021–22

56,577 million general and bulk freight GTKs transported
*56,714 million in 2021–22

$303.5 million access revenue
*$285.6 million in 2021–22

$153.3 million of capital investment
*153.3 million in 2021–22

CASE STUDY: SUPER POSSESSION STRENGTHENS INTERSTATE NETWORK

In March, we completed a 'super possession' on the main rail line between Sydney and Melbourne to improve the safety and reliability of the network.

More than $15 million worth of essential works were undertaken across 90 worksites during the 60-hour possession, including track re-railing, resurfacing and reconditioning, as well as drainage restoration, track ballasting, level crossing upgrades, relocation of utilities, turnout maintenance and bridge maintenance.

The super possession also enabled early works to commence on our Southern Highlands Overtaking Opportunities project at Werai in New South Wales, in addition to Inland Rail construction at Glenrowan and Barnawartha North in Victoria.

HUNTER VALLEY

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

It supports the nation's exports via the Port of Newcastle, including coal, grain, general and bulk freight, as well as passengers.

In 2022–23, we managed the movement of 217 trains on average per day on our Hunter Valley network.

A key focus was working with customers to ensure a safe and efficient network, including coal producers to help them capitalise on global demand and high prices for thermal coal. As part of this, we continued to invest in track monitoring technology to identify higher risk areas based on track condition, which enabled us to strengthen the integrity of the network and improve resilience, leading to a significant reduction in temporary speed restrictions.

From five provisioning centres across the region, our Hunter Valley team of 487 people undertook regular maintenance activities throughout the year to ensure safety and reliability.

This extended to recovery works following disruptions caused by extreme weather, including in July when heavy rainfall and flooding in Maitland and surrounding areas forced the temporary closure of the network. Importantly, we remained agile throughout and responded to extreme weather disruptions by working closely with customers and other stakeholders to balance maintenance activities with network availability.

In addition, we responded quickly to key interventions during the year by the NSW Government, including from July when we participated on a taskforce with other energy supply chain stakeholders to prioritise the delivery of domestic coal in response to electricity supply shortages on Australia's east coast. We also worked with customers to ensure compliance with new State Government legislation in December around coal and domestic supply requirements.

SNAPSHOT: HUNTER BUSINESS RESULTS

217 train journeys per day
*210 in 2021–22

85.9% network availability
*85.4% in 2021–22

146.59 million coal tonnes transported (total)
*165.16 million in 2021–22

132 million coal tonnes transported to Port of Newcastle for export
*153.83 million in 2021–22

4,322 million general and bulk freight GTKs transported
*4,344 million in 2021–22

$444.3 million access revenue
*$459.2 million in 2021–22

$112.5 million of capital investment
*$129 million in 2021–22

CASE STUDY: MAINTAINING A SAFE AND EFFICIENT HUNTER NETWORK

During the year, we undertook routine closedowns of our Hunter Valley network – including six major closedowns – to ensure that it continues to operate efficiently.

For example in April, we completed a major closedown of the network from Newcastle to Ulan and Narrabri, which involved 120 separate maintenance jobs over a three-day period.

Activities included track resurfacing and level crossing upgrades, bridge maintenance and other general works to maintain the safety and reliability of the network for customers and the local community.

INLAND RAIL

Inland Rail is a critical project that will help us keep pace with the increasing freight demands of Australia's growing population.

As the largest freight rail infrastructure project in the nation, the 1,600km Inland Rail route between Melbourne and Brisbane via regional Victoria, New South Wales and Queensland will serve as a fast freight backbone to better link regional producers, manufacturers and businesses to national and global markets.

Construction of Inland Rail comprises 12 sections (see page 22–23), including approximately 1,000km of existing track upgrades and 600km of new track.

In 2022–2023, construction continued in New South Wales, with the Narrabri to North Star Phase 1 section set for completion in mid-2023, enabling trains to operate between North Star and Narrabri.

Extensive community consultation, planning and design also continued in New South Wales. State Government environmental approvals for the Narromine to Narrabri and North Star to NSW/Queensland border section were secured in early 2023, with Australian Government approvals expected in mid-2023.

In another major milestone, construction of Inland Rail started in Victoria, with the first tranche of major works underway in Glenrowan, Barnawartha North, Seymour and Wangaratta.

Designs for the second tranche of works – including modifications at Wandong, Broadford, Tallarook, Euroa and Benalla – also progressed during the year to reference design stage.

INLAND RAIL REVIEW

In April, the Australian Government released the independent review of the Inland Rail Program and its response to the 19 recommendations by Dr Kerry Schott AO.

The Government acknowledged that Inland Rail remains an important project to meet the nation's ongoing freight and supply chain needs.

The ARTC Board, Inland Rail leadership team and subject matter experts from across the company supported our involvement in the Review.

We continue to work closely with the Government to address the recommendations and implement appropriate changes to strengthen governance and introduce staging of the project construction to mitigate key project risks. Priority measures undertaken to progress the staged delivery of Inland Rail include activities towards:

- Prioritising the sections of Inland Rail between Beveridge in Victoria and Parkes in New South Wales for completion by 2027
- Progressing major works to complete construction on the Narrabri to North Star Phase 1 project by mid-2023
- Progressing essential activities north of Parkes (New South Wales and Queensland) to gain the required environmental and planning approvals and secure land required for all remaining sections of the Inland Rail corridor
- Establishing Inland Rail as a subsidiary company of ARTC, including the creation of an Inland Rail Board and appointment of a permanent Chief Executive to oversee the future delivery of the program.

Activities to progress these and other Review recommendations will continue in 2023–24 in accordance with a new Statement of Expectations from our Shareholder Ministers to ensure our future strategic direction aligns with the Australian Government's objectives.

For more information, visit the Australian Government's Inland Rail website: **www.inlandrail.gov.au**

INLAND RAIL ALIGNMENT

Map not to scale

INLAND RAIL SECTIONS

Inland Rail is being planned and delivered across 12 sections, which comprise approximately 1,000km of existing track upgrades and 600km of new track.

1 CALVERT TO KAGARU

Comprises 53km of new dual gauge track within existing rail corridor. This section includes 39km of dual gauge track allowing single-stacked operations between a proposed terminal at Ebenezer and Kagaru. Using 1.1km of tunnelling this section will connect Inland Rail with the existing Sydney to Brisbane coastal lines.

2 HELIDON TO CALVERT

Comprises 47km of new dual gauge track, approximately half within existing rail corridor. This section will cross the Lockyer Valley floodplain and the Little Liverpool Range with a 850m tunnel.

3 GOWRIE TO HELIDON

Comprises 28km of new dual gauge track. This section will traverse the steep terrain of the Toowoomba Range and will include a 6.2km tunnel.

4 NSW/QLD BORDER TO GOWRIE

Comprises 207km of new dual gauge track – 138km in new greenfield corridors and 69km within existing corridors from the NSW/QLD border near Yelarbon, to Gowrie Junction, north-west of Toowoomba.

5 NORTH STAR TO NSW/QLD BORDER

Comprises 14km of new track and 25km of existing track. This section will complete one of the key missing rail links between NSW and QLD, using the non-operational rail corridor or new track to connect to the operating line running to Yelarbon.

6 NARRABRI TO NORTH STAR

Comprises 184km of upgraded track and 2km of new track and is the second section of Inland Rail to enter construction.

7 NARROMINE TO NARRABRI

Comprises 306km of new rail corridor and track. This new section will reduce the overall journey time and complete one of the missing rail links between Melbourne, Adelaide, Perth and Brisbane.

8 PARKES TO NARROMINE

Comprises 98km of existing track and 5km of new track. It is the first section of Inland Rail to be completed and accommodates double-stacked trains.

9 STOCKINBINGAL TO PARKES

Comprises 170km of existing track. Inland Rail will benefit from the track upgrades ARTC has already completed to this section. Enhancement works will be undertaken to allow for double-stacked trains and a new crossing loop built to increase capacity on the line.

10 ILLABO TO STOCKINBINGAL

Comprises 37km of new track and 2km of upgraded track. The route bypasses the winding section of track called the Bethungra Spiral.

11 ALBURY (VIC/NSW BORDER) TO ILLABO

Comprises 185km of existing track. Inland Rail will benefit from the track upgrades ARTC has already completed to this section. Enhancements or modification works will be undertaken at locations to allow for safe clearance of double-stacked freight trains.

12 BEVERIDGE TO ALBURY (VIC/NSW BORDER)

Comprises 262km of existing track. This section will be enhanced to increase height and width clearances to allow for double-stacked trains.

CASE STUDY: STRONG REGIONAL AND NATIONAL BENEFITS

When fully operational, Inland Rail will provide a strategic infrastructure corridor for eastern Australia, creating the opportunity to optimise development of road and rail links by state and local governments.

The project will deliver a competitive freight service, increase national productivity and boost regional economies. Businesses, producers and manufacturers will be able to take advantage of new opportunities for export growth and get their produce to market when and where it is required.

Supply chain costs are a significant component of the price consumers pay for goods, with up to 10% of the final cost coming from transportation costs. Inland Rail has the potential to deliver both short-term and long-term economic opportunities to regional Australian communities on and off the alignment.

CASE STUDY: ISC AWARDS EXCELLENT DESIGN RATING

The Infrastructure Sustainability Council (ISC) recognised sustainable design practices used for Inland Rail, awarding an 'Excellent' Design rating for the Stockinbingal to Parkes section in New South Wales.

As the first of the Inland Rail sections between Albury and Parkes to undergo sustainability rating, the Stockinbingal to Parkes section was evaluated on economic, social and environmental performance by the ISC, which subsequently determined that the project design delivers best-practice sustainability outcomes.

The Stockinbingal to Parkes section involves modifying specific sites along the existing rail corridor to accommodate double-stacked freight trains. Works included in the ISC rating are:

- Increasing vertical clearance under the Wyndham Avenue road bridge in Forbes; and
- Building a new crossing loop north of the Daroobalgie Road level crossing.

Other Inland Rail projects to previously be recognised by the ISC include the Narrabri to North Star Phase 1 project, which was also awarded an 'Excellent' Design rating, and the Parkes to Narromine project, which was awarded an 'Excellent' As Built rating.

MAJOR CONSTRUCTION PROJECTS

We continue to invest in our network to grow rail transport in Australia, with our Major Construction Projects team progressing the following capital projects during the year:

1 BOTANY RAIL DUPLICATION (NSW)

Construction of the Botany Rail Duplication remains on track to be completed in mid-2024 to meet predicted future demand on the Southern Sydney Freight Line. The project involves duplicating the remaining 2.9km section of single line track into Port Botany and upgrading signalling.

Bridge works were a major focus during the year, including completion of new rail bridges at Robey Street in Mascot and Mill Stream in Botany. Bridge construction works also took place at Southern Cross Drive and O'Riordan Street, and bridge strengthening at Botany Road, while track construction, cable installation, retaining wall construction, drainage and signalling works progressed.

2 CABRAMATTA LOOP PROJECT (NSW)

Construction of the 1.65km Cabramatta Loop Project progressed during the year and remains on track to be completed in the first half of 2024. The project will increase rail freight capacity on the Southern Sydney Freight Line by allowing freight trains travelling in either direction to pass each other.

In 2022–23, works included construction of new bridges at Sussex Street and Cabramatta Creek. Utilities, civil and landscaping works to reconfigure Broomfield Street in Cabramatta also progressed, including relocation of a noise wall alongside the street. Other works included retaining wall construction, drainage, cable installation and signalling works.

3 SOUTHERN HIGHLANDS OVERTAKING OPPORTUNITIES (NSW)

Construction commenced on the Southern Highlands Overtaking Opportunities project at Werai, south of Moss Vale. The project involves the construction of two new rail crossovers, one at Werai and a second at Joppa Junction, south of Goulburn.

Through construction of the crossovers – including track and signalling infrastructure to allow freight trains to be overtaken by faster services – 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. The project is on track for completion in mid-2025.

4 NARRABRI TO TURRAWAN LINE UPGRADE (NSW)

Construction commenced on the Narrabri to Turrawan Line Upgrade, which is scheduled to be completed in late 2023. The project involves the upgrade of 35km of track between our Hunter Valley network and the future interface with Inland Rail at Narrabri North.

The project includes the installation of approximately 55,000 new heavy duty concrete sleepers and 55,000 linear metres of upgraded rail, as well as partial upgrades to level crossings.

5 GOOBANG JUNCTION UPGRADE (NSW)

Goobang Junction in Parkes is a critical interface at the intersection of our east-west line and the future Inland Rail. The project has been developed to upgrade signalling and track infrastructure to improve network efficiency, safety and resilience.

During the year, the project was confirmed as State Significant Infrastructure, with contractors engaged for civil and track concept design, concept signal design, signal and functional operational specification, and environmental assessment.

* *The project is currently funded to complete design.*


BRISBANE
Kagaru
Narrabri
Parkes
SYDNEY
ADELAIDE
CANBERRA
Albury
Beveridge
MELBOURNE
1
2
3
4
5
6
7
8
9
10
11
LEGEND
Interstate East West Corridor
Interstate North South Corridor
Hunter Valley Network
Inland Rail
N
SCALE
0
180
360
540
720km

❻ BEVERIDGE TO ALBURY – INLAND RAIL (VIC)

Construction of Inland Rail in Victoria commenced in February, with the first tranche of works progressing in Glenrowan and Barnawartha North through the collaborative efforts of our Inland Rail and Major Construction Projects teams. Site establishment and early works also commenced in Wangaratta and Seymour.

Designs for the second tranche of works also progressed to reference design stage. These works involve modifications at Wandong, Broadford, Tallarook, Seymour, Euroa and Benalla.

❼ WALLAN SIGNALLING UPGRADE (VIC)

The Wallan Signalling Upgrade in Victoria will update the current signalling system on a nearly 14km section of the North East Rail Line to enhance assets on the Interstate network.

Designs were developed for the project, which also includes replacing the remaining overhead copper signalling wires in the area.

❽ MELBOURNE AIRPORT RAIL – ARTC AIRPORT PACKAGE (VIC)

The Melbourne Airport Rail 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 project, including reconfiguring around 6km of our Albion to Jacana freight corridor to create space for the new Melbourne Airport Rail tracks.

A tender process progressed for a main construction contract for the ARTC Airport Package.

NOTE: Construction of the Melbourne Airport Rail project was paused by the Victorian Government in April pending the Federal Government's independent Infrastructure Investment Program review.

❾ GLADSTONE SIDING UPGRADE (SA)

We successfully completed the Gladstone Siding Upgrade within budget and schedule.

In partnership with the South Australian Government, we implemented 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. Works involved extending the existing crossing loop toward Crystal Brook, level crossing upgrades and installation of Centralised Train Control (CTC) rail signalling safeworking.

❿ TORRENS RAIL JUNCTION UPGRADE (SA)

The Torrens Rail Junction Upgrade remains on track to be completed in late 2023, including signalling upgrade works on our network between Mile End and Islington to allow follow-on movements of 1,800m long trains.

These works form part of the broader project delivered by the South Australian Government to implement a grade separation of our freight line and the Adelaide Metro Passenger Rail Network at Torrens Junction in North Adelaide.

⓫ VULCANISED INDIAN RUBBER CABLE REPLACEMENT (SA)

Vulcanised Indian Rubber (VIR) cabling is used throughout South Australia's rail corridors to carry signalling, communications and power.

To improve performance reliability by decreasing signal faults and Train Control Reports attributed to VIR signal cable faults, works progressed to replace life-expired VIR cable with new PVC cables between Mile End and Salisbury North.

Images to right:
Top – Botany Rail Duplication. Bottom – Cabramatta Loop Project.


ROBEY ST
Mascot
Redfern
"Bridge the service gap"
DHL
City
Port Botany
Wollongong
Domestic Terminals
KEEPING AUSTRALIA MOVING
ARTC


NO ENTRY
PEDESTRIANS

NETWORK RESILIENCE

Ensuring effective and resilient rail infrastructure is one of ARTC's core responsibilities.

Across the expanse of the Interstate network during the year, we realigned and bolstered our Asset Maintenance Services team, which maintains our rail infrastructure to ensure that it is safe and reliable for our people and customers. This includes routine maintenance works, periodic maintenance programs and urgent repairs in response to failures.

Throughout the Hunter region, embedding and refining asset management principles in operation also remained a key focus and improvement initiative.

Assets managed on our network include rail track, signalling systems, bridge structures, communication systems, buildings, wayside devices and civil structures, including embankments, cuttings and tunnels.

NETWORK DISRUPTIONS

We have prioritised network resilience in response to the increase in extreme weather events that have disrupted Australia's supply chains in recent times.

In 2022–23, we responded to a number of extreme weather-related events that significantly impacted our operations, including:

- **July** – heavy rainfall and widespread flooding in New South Wales resulted in a nine-day closure of our Hunter Valley network, which in turn led to restricted access on our Interstate network on the north coast. Floodwaters also forced the temporary closure of our Interstate network at Gunning south-west of Sydney.
- **October – January** – record-breaking floodwaters in Victoria and New South Wales severely impacted our operations, including the Broken Hill line on our Interstate network, which was forced to remain closed between October and January. Flooding also impacted our Cootamundra to Parkes line, and to a lesser extent, our network between Goulburn and Albury. In addition, floodwaters impacted Inland Rail construction works near Narrabri.

Our Melbourne to Adelaide line was also closed for a week in November following a freight train derailment at Inverleigh in Victoria. In its preliminary report, the Australian Transport Safety Bureau (ATSB) noted heavy rainfall prior to the incident (estimated between 50–100mm by the Bureau of Meteorology). A final report is anticipated in early 2024 at the conclusion of ATSB's investigation.

Following an investigation by the Office of Transport Safety Investigations, the ATSB also released its final report into a freight train derailment that occurred near Nana Glen in New South Wales during flooding in February 2021. ARTC acknowledges the findings of the report and has taken significant action to enhance operational safety, including:

- Installation of an additional 20 remote weather stations, with at least 350 additional weather stations planned over the next two years
- Introduced a business-wide special locations register (to capture infrastructure such as non-standard culverts), which is maintained through our asset management system
- Reviewed and expanded weather monitoring on our network
- Commissioned an independent review of every culvert on our network to determine risk profile and prioritisation of monitors and upgrades
- Working with rail operators to improve reporting by train drivers and network controllers when floodwater is observed in the rail corridor.

These events reinforce the importance of boosting supply chain resilience, so that systems and infrastructure can better withstand potential threats and recover quicker from disruptive climate-related or other extraordinary events in the future.

The 'Four Rs' of resilience continue to guide our approach, including:

1. **Resistance** – physical robustness in catastrophic events
2. **Reliability** – assets that can operate to a defined standard during adverse events
3. **Redundancy** – building spare capacity and alternative routes
4. **Recovery** – responding to disruptions to limit closures.

In support of our resilience program, we continued our annual investment of more than $150 million on capital, asset renewal and maintenance activities across our Interstate network. In 2022–23, we also commenced investment of an additional $170 million on corridor capital activities to further improve resilience of the network, including additional rerailing, signalling upgrades and vegetation works.

We also made good progress on a major hydrology study during the year to mitigate flood risks. Investigations were completed from Kalgoorlie to Crystal Brook, Crystal Brook to Parkes, and other sections of track in New South Wales and Queensland. The full study is due to be completed in late 2023, with the findings to inform future capital investments to improve hydraulic capacities, and in turn, improve network resilience.

CASE STUDY: NEW WEATHER ALERTS TO BETTER MANAGE NETWORK RISKS

During the year, ARTC partnered with Weatherzone to provide forecasting and critical alerts to help our teams better manage weather-related risks to trains on our network.

The weather alerts are also immediately provided to maintenance and construction crews across our national network to assist with works planning.

In addition, our operational teams have direct 24-hour access to Weatherzone meteorologists if further assistance is needed at any stage.

Our teams are also now using Weatherzone's "Weatherguard" app, which provides real-time weather and forecasts, as well as lightning and fire proximity alerts based on their GPS location.

SAFETY

The safety of our employees, contractors and the communities in which we operate is critically important in everything we do.

Throughout the year, our No Harm value and Pathway to Zero Harm Strategy guided our uncompromising approach to safety, which we recognise as a continuous journey that requires ongoing focus to create safer workplaces and communities.

In 2022–23, we achieved a 13% reduction in the number of significant Level 1 events – down from 46 to 40 compared to the previous financial year. However, the number of safeworking events – which is a subset of the total number of Level 1 (significant) and Level 2 (major) events reported – increased from 23 to 34.

SAFETY PERFORMANCE

Key performance indicator	Target (via Corporate Plan 2022–23)	Result (12 months to 30 June 2023)
Safeworking events	< 20	34
Total Recordable Injury Frequency Rate (TRIFR) – EMPLOYEES	< 2.21	2.88
Total Recordable Injury Frequency Rate (TRIFR) – CONTRACTORS	< 8.36	2.95

* *TRIFR: The frequency of recordable work-related injuries sustained for every one million hours worked. Reportable injuries include lost time injuries, medically treated injuries and restricted work injuries.*

PATHWAY TO ZERO HARM STRATEGY

Our Pathway to Zero Harm Strategy between 2020–23 helped drive improvements in our safety culture and mitigate safety risks across the company, particularly for those working in the rail corridor.

The strategy – which will be refreshed for FY24 and beyond – comprised several key programs that we progressed during the year as outlined below, including our Safe Work Improvement Program, Level Crossing Safety Strategy, Fatal and Severe Risk Program, and Driver and Vehicle Safety Program.

Safe Work Improvement Program (SWIP): Developed to bolster safeworking systems and processes to increase protection for trackworkers on the frontline. We have progressed all 17 solutions in the SWIP, with further work to continue in FY24 as part of ongoing business-as-usual activities to reduce risk and eliminate harm.

Horizon360: A new reporting system being developed to improve the way we record and analyse environmental health and safety (EHS) events and compliance. The cloud-based Horizon360 platform – which is anticipated to go live in late 2023 – will streamline reporting processes for our people and remove manual paper-based processes. Importantly, the new system will facilitate the capture of improved EHS data to enable better risk-based decision-making in support of a proactive safety culture.

Driver and Vehicle Safety Program: Continued to implement with our people to improve ARTC's driving safe culture, including on-site load restraint and chain of responsibility training at 18 ARTC locations. Heavy vehicle telematics systems with electronic driver diaries and prestart technology were also installed in 64 heavy vehicles, while trials were undertaken with 18 light vehicles to replace current telematics systems with the aim of further improving driver safety and fleet management.

CASE STUDY: SAFEWORKING SERVICES PANEL ESTABLISHED

We delivered a more rigorous approach to the provision of safeworking services by consolidating the number of organisations we engage on a new Safeworking Services Panel.

It means that any organisation that provides safeworking services to ARTC as part of its tendered scope of works must now be an authorised panel member or an authorised self-performer organisation. Panel members were selected for an initial three-year period after demonstrating capability and capacity to provide safeworking services to meet our business and project requirements.

CASE STUDY: AWARD FOR SAFETY TRAINING PROGRAM

A new Non-Technical Skills (NTS) training program that we launched for safeworking personnel in 2022 was recognised during the year at the Australian Institute of Training and Development Excellence Awards.

Focusing on enhancing behavioural skills to improve safeworking processes on track, our NTS training program – which we developed in partnership with Poncho eLearning – was awarded Best Use of Gamification/Simulation for Learning.

Contractor Safety Management Program: Developed to achieve a more consistent approach to contractor management to reduce the risk of injury on our network. In 2022–23, all of ARTC's contractor managers completed training workshops and new contractor management procedures and tools were implemented. Contractor management was also strengthened via the Rail Industry Worker (RIW) System – the national competency and safety management system for workers in the Australian rail industry – with rules and competencies reviewed and updated to ensure accuracy for people working on our network.

Rail safety competency matrices: We simplified the matrices that outline competency requirements for everyone who works in our rail corridor. To align with the RIW System, we updated matrices for safeworking, track and civil, and network control roles, with others to be updated in FY24 including matrices for structures, signalling, and engineering, design and project management roles.

Fatal and Severe Risk Program: We progressed a refresh of the program, with a focus on critical controls. Critical control checklists are currently being trialled, with the full program refresh to be finalised and implemented in FY24 to help our people ensure that critical controls are always in place to avoid incidents that could jeopardise worker safety.

WORKING WITH REGULATORS

In 2022–23, ARTC had zero significant non-compliances with laws and regulations relating to rail safety, worker health and safety, competition and pricing, and environment that resulted in a fine, penalty or voluntary code.

However in October, the Office of the National Rail Safety Regulator (ONRSR) laid charges against ARTC and NSW Trains over alleged failures to ensure adequate safety measures were in place before the fatal Wallan train derailment in 2020 where a train driver and co-pilot lost their lives and 62 passengers were injured (eight seriously). As of 30 June 2023, legal proceedings are ongoing. Since the incident, we have implemented additional controls into our operations, including a new operational risk assessment procedure for managing deviations from ARTC Network Rules that involves stakeholders and is subject to Executive approval. The final report from the

Australian Transport Safety Bureau (ATSB) is expected in August 2023 and we will continue to work to ensure that all recommendations from the report are implemented as quickly as possible.

LEVEL CROSSING SAFETY

To help reduce the number of level crossing incidents and near misses on our network, we ramped up our focus through our Level Crossing Strategy Action Plan.

In support of our No Harm value, the action plan provides a guidance framework to work smarter and more collaboratively to improve level crossing safety. It incorporates 33 key actions that we have committed to by 2025, encompassing four key areas:

Elimination

- Support grade separation initiatives
- Identify opportunities to close or consolidate 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

With more than 3,100 open level crossings on our network – as part of more than 20,000 open level crossings across Australia – our ongoing commitment to level crossing safety during the year included collaboration with state governments to develop and promote key safety messages, including awareness programs in schools and at community events, as well as promotion of national campaigns such as Rail Safety Week.

CASE STUDY: USING SOCIAL MEDIA TO HELP SAVE LIVES

In 2022–23, we supported level crossing safety campaigns conducted by the Victorian and New South Wales Governments to deliver vital safety messages to local communities to help prevent road/rail accidents.

With minimal investment, we delivered an 'always on' safety awareness campaign via Facebook in level crossing hot spots where collisions and near hits have previously occurred. Areas of focus included the Hunter Valley, the Tarcoola to Wolseley section of the Kalgoorlie to Serviceton and Ivanhoe rail corridor, and the Melbourne to Serviceton and Albury rail corridor.

From 28 April to 30 June 2023, the Facebook campaign reached 298,250 individuals who engaged with our level crossing safety messages 73,214 times, equating to an engagement rate of 13.1%. The campaign will continue in 2023–24.

HEALTH AND WELLBEING

The health and wellbeing of our people was a priority throughout the year, with key activities including:

- Employee Assistance Program delivered by Converge International to employees and family members, which provided confidential counselling and support services
- A dedicated health and wellbeing intranet hub with regularly updated news, information, tips and tools
- Mental Health First Aid training courses
- Campaigns to promote the importance of mental health and wellbeing in support of community-wide events including R U OK Day (September), Mental Health Awareness Month (October) and Rail R U OK Day (April)
- Fitness Passport providing employees and family members with access to a variety of facilities around the country, including gyms and pools at discounted rates
- In the Hunter Valley, we continued our community partnership with Lifeline's Hunter-based face-to-face counselling service, which provides free sessions to help people struggling with emotional, social and behavioural difficulties
- Inland Rail Wellbeing Challenge involving team members walking the distance of the project, while "Wellness Wednesday" activities were also held in support of people's physical and mental wellbeing.

We also continued to respond to the COVID-19 pandemic, including ongoing preventative measures to protect the health and safety of our people, including:

- Encouraged all employees to remain up to date with their vaccinations
- Implemented rapid antigen testing requirements where necessary
- Ongoing flexible working arrangements for employees
- Regular reminders for people to stay home if unwell and follow their state government guidance.

ESG: ENVIRONMENTAL, SOCIAL AND GOVERNANCE

We progressed environmental, social and governance (ESG) activities throughout the year to help us achieve a more sustainable future through modal shift to rail.

Our activities are guided by our ESG Strategy – launched in 2021–22 – which includes a three-year roadmap with specific targets for us to reach by June 2024. The strategy is based on five strategic priorities:

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

We are building the capacity and reliability of our rail network, including working with customers and developers of intermodal precincts to help meet freight demand. Freight volumes on Australia's east coast are projected to more than double by 2050 while the Australian Government is aiming to achieve its net zero emission target in the same period.

Modal shift from road to rail that arises from investments in the rail network – such as Inland Rail – will be key to meeting these targets, helping reduce truck movements by an estimated 200,000 per year and lower carbon emissions by around 750,000 tonnes by 2050. Significantly, rail freight is estimated to generate 92% less PM10 than road freight for each tonne per kilometre of freight moved, while for every 1% of the national freight task that moves to rail, there are estimated benefits to Australian communities of approximately $72 million a year from avoided road accidents and greenhouse gas and particulate emissions.

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD)

Climate change is increasingly being recognised as a material financial risk and the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations provide a guide to assessing, managing and disclosing these risks to stakeholders.

ARTC's business activities and value chain will be impacted by both the physical and transition risks of climate change, including:

- Acute and chronic physical risks such as widescale flooding and extended periods of extreme heat disrupting and delaying operations, impacting supply chains, reducing revenue and increasing capital expenditure
- Transition risks necessary to achieve a low carbon economy will drive modal shift, accelerate demand for enabling infrastructure to support rail decarbonisation, and most significantly, affect the demand for commodities such as coal moved across our network.

In 2022, we published our first TCFD disclosure which included a roadmap for how we will progressively implement climate change considerations into our strategy, risk, management, metrics and reporting. It was an opportunity to present the various climate-related initiatives underway across our business under a consolidated TCFD view, namely network resilience to climate, reporting of Scope 1 and 2 emissions and financial scenario analysis of coal volumes.

As at 30 June 2023, we are on track to meet the target milestones in our TCFD roadmap by the end of June 2024. We have partially completed the scenario-based qualitative physical and transition risk analysis and have progressed in other areas including governance, emissions reduction and network resilience.

For more information, read our latest ESG Report at www.artc.com.au/about/reports

CASE STUDY: EMPLOYEES ENGAGE WITH SUSTAINABLE DEVELOPMENT GOALS

We support Australia's commitment to net zero emissions by 2050 and the United Nations' call for countries to step up their efforts to achieve the 2030 Sustainable Development Goals (SDGs).

In October, ARTC employees took time to learn about the United Nations' SDGs and how they link with our ESG Strategy.

Facilitated by the Business Council for Sustainable Development Australia (of which ARTC is a member), the engagement sessions enabled our people to reflect on key issues and how we can take action, including where ARTC can make the greatest contribution and impact. In particular, the sessions highlighted our contribution and ongoing support of the following SDGs:

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Industry, innovation and infrastructure

We are contributing to this goal's target for reliable, sustainable and resilient infrastructure to support economic development and human wellbeing.

13 CLIMATE ACTION

Climate action

We support this goal's target to strengthen resilience and adaptive capacity to climate-related hazards and natural disasters, and to integrate climate change measures into national policies, strategies and planning.

8 DECENT WORK AND ECONOMIC GROWTH

Decent work and economic growth

We employ more than 2,000 people and indirectly support many more jobs through our business activities, and support this goal's target to sustain per capita economic growth in accordance with national circumstances.

5 GENDER EQUALITY

Gender equality

We are committed to increasing the number of women in our workforce, and in particular support this goal's target to ensure women's full and effective participation and equal opportunities for leadership positions.

ENVIRONMENT

ARTC recognises that we have a responsibility to act on climate change and minimise any negative environmental impacts from our operations.

As we progress to a lower carbon economy, we are committed to reducing our operational carbon footprint by investing in low carbon solutions in support of broader efforts to decarbonise Australia's transport sector.

In 2022–23, we achieved seven years of no significant environmental non-conformance events.

Environmental Management System

Our Environmental Management System (EMS) helped us evaluate, manage and report environmental issues throughout the year. Our EMS underpinned our work to minimise the potential impact of construction and operational activities on the natural environment, including soil and water, biodiversity, air and waste.

Environment Policy and Principles

Our Environment Policy and Principles guided 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 influenced behaviour to help strengthen our environmental culture.

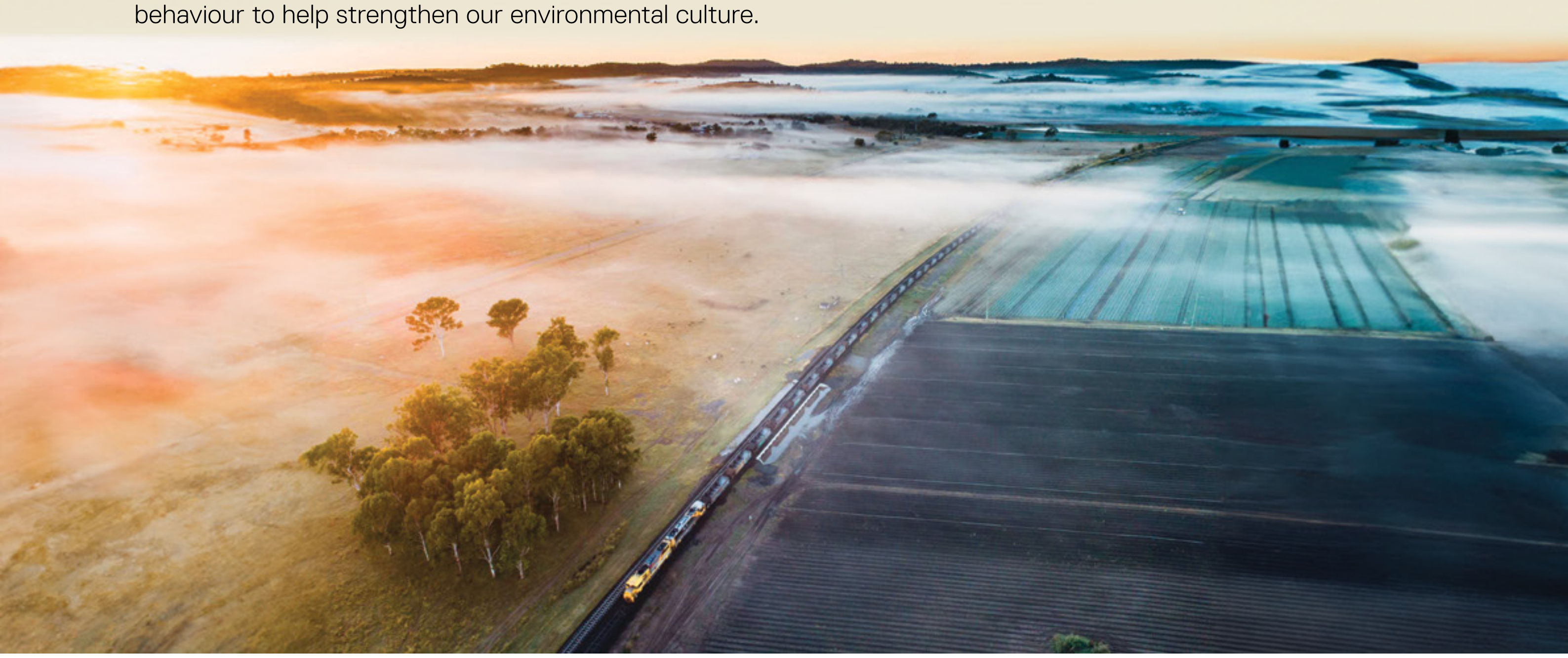
Greenhouse Gas Reduction Plan

ARTC reports operational greenhouse gas (GHG) emissions to the Australian Government under the *National Greenhouse and Energy Reporting Act 1997*. In support of our ESG Strategy, we developed our first GHG Reduction Plan, including 10 priority actions to help us achieve a 10% reduction target in Scope 1 and Scope 2 emissions intensity by June 2024.

Waste management

We continued to identify and implement process improvements to effectively manage waste generated by our construction and maintenance activities, including waste diversion, re-use and recycling activities. For example, our Inland Rail and Major Construction Projects teams consistently diverted more than 60% of waste streams from their construction activities in support of our ESG Strategy.

For more information, read our latest ESG Report at www.artc.com.au/about/reports



CASE STUDY: SOLAR POWERED SIGNALLING

Solar powered signalling was installed on a section of Inland Rail in New South Wales – a first for the program.

Installed on a passing loop at Coolleearlee (around 50km from Moree) as part of the Narrabri to North Star section, the solar powered signalling eliminated the need for a 2.2km trench to be constructed through local properties to deliver mains power, while also saving on construction and ongoing electricity costs.

CASE STUDY: CLEANING AND CONSERVING

This year we turned Clean Up Australia Day into "Clean Up Australia Week" as employees across the country got involved by cleaning up offices, worksites and community areas.

Our people also supported Earth Hour in March, including our Newcastle team which reduced its weekend power consumption by 44% – the equivalent of powering 60 homes for a day.

PEOPLE

We are dedicated to making ARTC a great place to work and continued to drive a more collaborative and inclusive culture as part of our ongoing efforts to build a high-performing, commercially strong and customer-focused company.

We continued to implement our People Strategy to enhance our workplaces in support of teams across the country, with our Diversity and Inclusion Policy also guiding our approach to attract and retain employees.

A variety of incentives and programs were provided to employees during the year covering five focus areas:

- **Work:** We invested in improved technology solutions for our people, end of trip facilities and relocation assistance
- **Life:** We continued to offer our people salary sacrifice options and flexible working arrangements
- **Wellbeing:** We provided our people with access to discounted private health insurance and fitness facilities, as well as subsidised flu vaccinations
- **Community:** We provided tools for our people to positively and productively engage and contribute to the local communities in which we operate
- **Growth:** We supported our people in their personal and professional development through training opportunities, access to mentoring and coaching, and study leave provisions.

We also supported employee skills and capability development through:

- Implementation of development plans to help achieve individual and corporate goals
- Traineeships to attract new employees to ARTC and the rail industry
- Certificate IV and Diploma in Leadership and Management programs to foster employee leadership skills.

To align with our business strategy priorities, we developed our Leadership Capability Framework, which we will continue to build and embed across our people processes as a key driver for our future success.

We also formed a new Talent Acquisition team to manage all recruitment activities as part of moving from a decentralised to a centralised talent function to deliver quality, time and cost efficiencies, whilst improving ARTC brand awareness. As a result of the change, we have already seen a reduction in time to fill vacant positions and a significant saving in recruitment agency spend.

In late 2021, we launched our "People Platform" for employees – a new human resource information system (HRIS) to better manage HR data. In 2022–23, we continued to evolve the platform to further simplify systems for employees, including processes around performance conversations and internal career opportunities. New Learning Management System and Succession Planning modules were implemented during the year, with the HRIS now transitioning from implementation phase to business-as-usual.

In addition, we conducted an employee engagement survey in April to help identify areas of strength and what we can do better in the future. We recorded a 61% engagement score, including 81% of employees believing ARTC is a culturally safe workplace.

ABOUT OUR WORKFORCE

2,187 employees nationally

49% of our team work regionally

30.8% of our team identify as female

3.6% of our team identify as First Nations people

58% of our team are aged 30–50

29% of our team are aged over 50

13% of our team are aged under 30

We are also supported by contractors who help us progress and deliver major construction projects around the country.

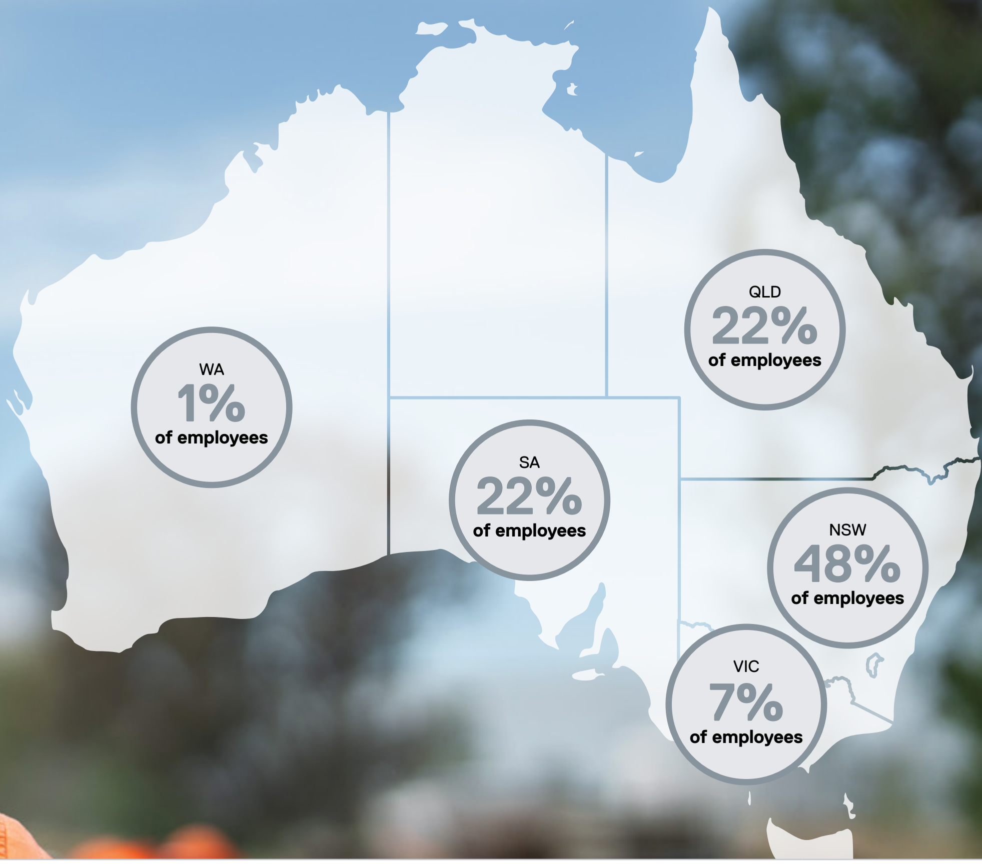
EMPLOYEE NUMBERS

All ongoing (permanent) employees in previous reporting period (2021–22)

	Man/Male			Woman/Female			Non-binary			Prefers not to answer			Uses a different term			TOTAL
	Full time	Part time	Total	Full time	Part time	Total	Full time	Part time	Total	Full time	Part time	Total	Full time	Part time	Total	
NSW	700	4	704	182	32	214	–	–	–	44	–	44	–	–	–	962
QLD	176	3	179	156	6	162	–	–	–	42	1	43	–	–	–	384
SA	289	5	294	109	13	122	–	–	–	18	1	19	–	–	–	435
VIC	94	–	94	27	3	30	–	–	–	8	–	8	–	–	–	132
WA	10	–	10	1	–	1	–	–	–	3	–	3	–	–	–	14
TOTAL	1,269	12	1281	475	54	529	–	–	–	115	2	117	–	–	–	1,927

All non-ongoing (temporary/contract) employees in previous reporting period (2021–22)

	Man/Male			Woman/Female			Non-binary			Prefers not to answer			Uses a different term			TOTAL
	Full time	Part time	Total	Full time	Part time	Total	Full time	Part time	Total	Full time	Part time	Total	Full time	Part time	Total	
NSW	23	3	26	12	6	18	–	–	–	1	2	3	–	–	–	47
QLD	11	–	11	16	2	18	–	–	–	3	1	4	–	–	–	33
SA	18	1	19	3	2	5	–	–	–	1	–	1	–	–	–	25
VIC	4	1	5	–	–	–	–	–	–	–	–	–	–	–	–	5
WA	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
TOTAL	56	5	61	31	10	41	–	–	–	5	3	8	–	–	–	110



All ongoing (permanent) employees in current reporting period (2022–23)

	Man/Male			Woman/Female			Non-binary			Prefers not to answer			Uses a different term			TOTAL
	Full time	Part time	Total	Full time	Part time	Total	Full time	Part time	Total	Full time	Part time	Total	Full time	Part time	Total	
NSW	751	7	758	215	28	243	–	–	–	4	–	4	–	–	–	1,005
QLD	234	4	238	207	12	219	–	–	–	3	–	3	1	–	1	461
SA	321	7	328	122	20	142	–	–	–	1	–	1	–	–	–	471
VIC	119	1	120	30	3	33	–	–	–	1	–	1	–	–	–	154
WA	10	–	10	1	–	1	–	–	–	–	–	–	–	–	–	11
TOTAL	1,435	19	1,454	575	63	638	–	–	–	9	–	9	1	–	1	2,102

All non-ongoing (temporary/contract) employees in current reporting period (2022–23)

	Man/Male			Woman/Female			Non-binary			Prefers not to answer			Uses a different term			TOTAL
	Full time	Part time	Total	Full time	Part time	Total	Full time	Part time	Total	Full time	Part time	Total	Full time	Part time	Total	
NSW	20	6	26	14	9	23	–	–	–	–	–	–	–	–	–	49
QLD	7	1	8	8	3	11	–	–	–	–	–	–	–	–	–	19
SA	13	–	13	2	–	2	–	–	–	–	–	–	–	–	–	15
VIC	2	–	2	–	–	–	–	–	–	–	–	–	–	–	–	2
WA	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
TOTAL	42	7	49	24	12	36	–	–	–	–	–	–	–	–	–	85

RECONCILIATION

After launching our first Reconciliation Action Plan in March 2022, we continued our reconciliation journey during 2022–23.

We have exceeded expectations on 22 out of the 31 Reconciliation Action Plan deliverables and also achieved the other nine deliverables that we continue to build on. Key achievements include:

- The number of ARTC employees identifying as Aboriginal and Torres Strait Islander people has increased by 30 to 84 people
- More than 2,400 hours of cultural awareness training have been delivered to more than 1,600 of our people
- More than 60 employees have become Reconciliation Action Plan champions to drive positive change and promote reconciliation across the business
- We have updated our supplier processes, joined Supply Nation, and engaged First Nations businesses on a variety of projects – from printing and workwear to catering and vegetation management.

Endorsed by Reconciliation Australia, our Reconciliation Action Plan is serving as an important way for ARTC to build a more inclusive and culturally safe workplace and to develop business opportunities within the communities we operate.

CASE STUDY: CELEBRATING RECONCILIATION TOGETHER

In February, our Adelaide-based teams came together outside our Mile End head office to celebrate reconciliation.

The special event included a Welcome to Country from Uncle Michael O'Brien – a descendant of the Kaurna and Narrunga people – with a reconciliation plaque also unveiled on the day featuring artwork by proud Gomeroi/Kamilaroi woman Elenore Binge.

Overall, major reconciliation events with employees have now been held at five office locations following the launch of our Reconciliation Action Plan, including Muswellbrook and Newcastle (New South Wales), Kensington (Victoria) and Brisbane (Queensland).

We also commemorated significant community events across the company during the year, including NAIDOC Week (July), National Sorry Day (May) and National Reconciliation Week (May/June).

COMMUNITY SUPPORT

At ARTC, we have more than 40,000 direct neighbours around Australia, so we are committed to engaging positively and productively with our stakeholders and the communities in which we operate.

To help guide our day-to-day interactions, we launched a new Community Engagement Policy and five Community Engagement Principles, including:

We're considerate – we care about how we impact people and communities. We're timely in our responses and mindful of their needs.

We're fair – We listen, free of judgement and assumptions, to understand the perspectives and needs of our communities.

We're inclusive – We're approachable. We build relationships with our communities and encourage meaningful participation through our engagement activities.

We're trustworthy – We're transparent and honest. We're clear with our people and communities about their ability to influence an outcome.

We're connected – We value our connections in the communities where we live, work and visit. We support initiatives and opportunities that build shared value.

Our new Community Engagement Policy and Principles provide the framework for the ongoing support we provide to local communities in metropolitan, rural and remote areas.

In 2022–23, this included maintaining our 24/7 Enviroline (1300 550 402/enviroline@artc.com.au) to address public enquiries across our operational network.

We also conducted school visits to educate young people about safe rail behaviours, and sponsored local events including the Henty Machinery Field Days, AgQuip Field Days in Gunnedah and the Hunter Valley Steamfest where we organised displays to update communities about our operations.

In addition, we provided direct financial assistance to community groups across regional Australia, including organisations impacted by the Victoria and New South Wales floods in late 2022.

During the year, the Inland Rail Community Sponsorships and Donations Program also surpassed $1 million in funding support for local communities and associations along the Inland Rail alignment since the program commenced in 2019.

And we continued our partnership with Lifeline Hunter, helping them deliver free face-to-face counselling sessions to people across the Hunter Valley and central north-west region of New South Wales. Over the past 12 months, we funded more than 1,500 Lifeline counselling sessions for people who are struggling with their mental health.

CASE STUDY: SUPPORTING STEAMFEST IN THE HUNTER

After three years of cancellations due to the COVID-19 pandemic, the Hunter Valley Steamfest returned in April, attracting tens of thousands of visitors to Maitland for the popular community event.

We had a stand at the two-day festival to facilitate conversations with local residents, and also sponsored the "ARTC Great Train Race" – the highlight of the event involving steam locomotives against a Tiger Moth aeroplane.

CASE STUDY: BACKING REGIONAL FIELD DAYS

ARTC supported country shows and events during the year, including the AgQuip and Henty Machinery Field Days as part of our engagement with regional communities.

At the three-day AgQuip Field Days in August – which drew more than 100,000 visitors to Gunnedah in New South Wales – ARTC team members hosted displays for visitors, including a dedicated presence for our Inland Rail Program.

We then hosted similar displays at the three-day Henty Machinery Field Days in September, which attracted a record 70,000 visitors. Team members interacted with local farmers from across southern New South Wales to explain the vital role we play in helping deliver their produce to markets, while the importance of level crossing safety was also highlighted.

TECHNOLOGY AND INNOVATION

Modernising our rail network – including our internal systems and processes – by harnessing the power of technology was again a major focus at ARTC during the year.

NATIONAL TRAIN COMMUNICATIONS SYSTEM

With Telstra to phase out its 3G network across Australia in 2024, we progressed a major technology refresh project for our National Train Communications System (NTCS) to ensure a seamless transition to the 4G network.

Operating since 2010, the 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.

The NTCS uses around 850 Telstra mobile phone towers across Australia to provide coverage across our rail network. We continued to work with Telstra to upgrade mobile base sites in regional and remote areas, and with Base2 and above rail operators to upgrade more than 1,600 In-Train Communications Equipment (ICE) radios in Australia's locomotive fleet.

ADVANCED TRAIN MANAGEMENT SYSTEM

The Advanced Train Management System (ATMS) is a train control system that is being developed to precisely track trains using GPS and mobile telecommunication technologies to increase the safety, capacity and reliability of operations.

ARTC has been working with customers and our Shareholder to reap the benefits of this technology to facilitate progressive improvements in safety whilst ensuring a sustainable approach to interoperability and harmonisation of rail signalling systems.

Following a review of alternative existing technologies to deliver on these goals, plans are underway to incorporate the benefits of ATMS into an updated network-wide deployment plan. Completion of this plan will enable assessment of and alignment on the way forward to address interoperability and safety requirements.

CYBER SECURITY

As part of managing effective and resilient rail infrastructure, ARTC has an ongoing adaptive and risk-based cyber security program to monitor the evolving threat landscape.

Security and resilience issues are integral in our decision-making, which is why we are progressively implementing the Australian Signals Directorate's Essential Eight to keep strengthening our security posture.

As a partner of the Australian Cyber Security Centre, we continued to review and strengthen our systems and processes to monitor and detect potential cyber crime, including social engineering exercises with employees during the year to help protect against phishing attacks. In 2022–23, we did not experience any cyber security incidents.

NETWORK INFORMATION BOOKS

Network Information Books and detailed track diagrams of our rail operations are now available via an interactive map on the ARTC website to provide a more user-friendly way for employees, contractors and customers to access information.

Our Interstate and Engineering & Systems teams collaborated during the year to develop the new interactive map to deliver a simpler and faster way for people to access critical safety and operational information about working on track.

ETAP

eTAP is a mobile app that we continued to develop during the year to improve safety for frontline workers and operational productivity.

Our eTAP app has replaced traditional paper forms and phone calls to Network Control to provide a more efficient way for our people to manage work on track authorities.

KM2ME

Our KM2ME (Kilometrage to Me) mobile app was recognised with a high commendation in the Rail Innovation of the Year category at the 2022 Australasian Rail Industry Awards.

The app helps people working on track by using mobile phone GPS location technology to inform them where they are on our network. It also allows people to convert GPS coordinates to and from their track position and take geotagged photos, as well as being a support tool in the event of an incident or if immediate assistance is required.

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 2023. 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

Peter Duncan AM, JP, FIPAA, MAICD, CompIEA (Chair, Non-Executive Director)

Mr Peter Duncan AM was appointed Chair of the ARTC Board on 31 January 2023. Peter took a leave of absence from the ARTC Board in April 2023 to serve as Acting Secretary of the Department of the Premier and Cabinet in NSW. He has over 40 years' experience in government and infrastructure, working at local, state and national level. He has held various senior public sector roles with local government, NSW Premier and Cabinet, Transport for NSW, Primary Industries and the Olympic Coordination Authority.

Peter's current appointments include Chair of Water NSW, Deputy Chair and Commissioner of the NSW Independent Planning Commission, Non-Executive Director of the Westpac Rescue Helicopter Service, and Advisory Board member of NSW Northern Rivers Reconstruction Corporation and the Office of Projects Victoria. He is also the principal of his own advisory business.

In addition, Peter was previously Chair of InfraSol Group, the NSW Corrective Services Advisory Board, the Australian Road Research Board and Austroads, and was also formerly Chair and Advisor for Project Control Groups and Precinct Board at the University of Sydney. Peter is a Fellow of the Institute of Public Administration Australia and a Companion of the Institution of Engineers Australia.

Dr Kerry Schott AO, BA (Hons), MA, PhD (Acting Chair, Non-Executive Director)

Dr Kerry Schott AO was appointed as Acting Chair of the ARTC Board on 18 April 2023 to cover Peter Duncan's leave of absence. Kerry is currently a Director of AGL, Chair of the Carbon Market Institute, and a member of the Aware Super Direct Asset Committee. She has been a Chair and Non-Executive Director of a number of unlisted companies mainly in the infrastructure sector.

Kerry was Managing Director and CEO of Sydney Water from 2006 to 2011. Before that Kerry spent 15 years as a senior investment banker at Bankers Trust and Deutsche Bank focusing on privatisations, restructuring and infrastructure finance, including in the rail industry.

Kerry holds a doctorate from Oxford University, a Master of Arts from the University of British Columbia, Vancouver and a Bachelor of Arts (first class Honours) from the University of New England, Armidale NSW. She was awarded an Order of Australia in 2015 for services to business and commerce and holds honorary doctorates from Sydney University, Western Sydney University and the University of New England.

Ryan Arrold BA LLB, M.Crim, 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 works with developers and principal investors in the power sector across Australia and South East Asia.

Ryan commenced his career as a corporate and projects lawyer in Tokyo, Sydney, London and New York – most latterly with US firm Skadden, Arps, Slate, Meagher & Flom LLP. He then joined J.P. Morgan's London office as Vice President to advise on debt and equity financings in the power, infrastructure, private equity and transport sectors across the emerging markets of Central and Eastern Europe, the former USSR, the Middle East and North Africa. Subsequent to this period in professional services, Ryan spent time in private equity, investing across the Asia-Pacific power sector and in Australasian agribusinesses, notably co-founding (and successfully exiting) dairy distributor Aspen Nutritionals Hong Kong. For a short time Ryan was interim CFO of Airnorth – Northern Australia's regional airline – co-ordinating its sale to current owners. Ryan holds Masters' degrees in laws and criminology from the University of Sydney and is a Graduate of the Australian Institute of Company Directors.

OUR BOARD (continued)

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 more than 25 years' experience advising in the energy and resources sectors. She has been a Partner of several leading law firms including Minter Ellison, Clayton Utz and Norton Rose Fulbright. Keira particularly focuses on the logistics chain from mine to port, and has advised both regulators and customers of rail services. Keira is also a former Director of the Energy and Resources Law Association Board.

Dr Collette Burke BE (Civil), M.Eng.Sci, PhD, FIEAust, GAICD
(Non-Executive Director)

Dr Collette Burke was appointed to the ARTC Board as a Non-Executive Director on 30 January 2023. Collette is a highly qualified and experienced engineer with over 30 years' experience in the infrastructure construction sector. Collette was the inaugural Victorian Chief Engineer and has a strong understanding of the rail industry.

Notably, she's held various senior roles with Leighton Contractors and management positions with Thiess and John Holland. In addition, Collette is a Non-Executive Director of Marinus Link, Australian Road Research Board and VicTrack.

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 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; a Non-Executive Director of Creative Partnerships Australia; 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. Katrina is Chair of the Realise Business Board, Chair of Holdmark Property Group's Advisory Board, a Board Member of Shake It Up Australia Foundation (in affiliation with the Michael J Fox Foundation for Parkinson's Research), and a NSW Patron of the Justice Reform Initiative. Katrina 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 working with railway communities, managing cultural change and driving reform in regional areas. Katrina has been involved with both Inland Rail and the operations of ARTC since their inception.

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

Mr Mark Campbell was the Managing Director and Chief Executive Officer at ARTC until 31 July 2023, and oversaw a team of more than 2,100 people in five states across Australia who manage the transit of more than 430 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.

Wayne Johnson MBA
(Acting CEO)

Mr Wayne Johnson was appointed as Acting Chief Executive Officer on 1 August 2023, overseeing a team of more than 2,100 people in five states across Australia who manage the transit of more than 430 trains per day. Wayne joined ARTC in 2015 in the Hunter Valley business area managing the complex supply chain logistics while focusing on efficiencies for customers. Wayne has more than 15 years' leadership experience across Australia's resources, freight and logistics industries including Hunter Valley Coal Chain Coordinator, Newcastle Coal Infrastructure Group, Rio Tinto and Port Waratah Coal Services.

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 Group's corporate governance framework and for managing all matters relating to the Board of Directors, Board Committees and Executive Team.

DIRECTORS WHOSE TERM CEASED DURING THE FINANCIAL YEAR

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

The Hon Warren Truss AC's term as Chair and as a Non-Executive Director ended on 30 November 2022.

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

Ms Jennifer Seabrook's term as a Non-Executive Director ended on 25 November 2022.

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

Mr David Saxelby's term as a Non-Executive Director ended on 24 February 2023.

DIRECTORS WHOSE TERM CEASED AFTER THE FINANCIAL YEAR

Dr Kerry Schott AO, BA (Hons), MA, PhD
(Acting Chair, Non-Executive Director)

Dr Kerry Schott's term as a Non-Executive Director ended on 31 August 2023.

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

Mr Mark Campbell resigned as CEO and Executive Director on 31 July 2023.

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 2023, 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)	5	5	2	2	1	1	2	2	1	1	4	4
P Duncan(4)	2	2	1	1	1	1	1	1	1	1	2	2
K Schott(5)	4	4	1	1	1	1	1	2	–	1	1	1
R Arrold(6)	12	12	4	4	1	3	4	4	3	3	7	7
K Brennan(7)	12	12	4	4	3	3	3	4	3	3	7	7
C Burke(8)	5	6	–	1	1	2	1	2	1	2	2	3
R Garnon(9)	10	12	4	4	2	3	4	4	3	3	7	7
K Hodgkinson(10)	12	12	3	4	3	3	4	4	2	3	7	7
D Saxelby(11)	7	7	2	3	2	2	1	2	1	1	5	5
J Seabrook	4	5	2	2	1	1	2	2	1	1	4	4
M Campbell(12)	12	12	4	4	3	3	4	4	3	3	7	7

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 was incorporated into the Board Meeting during the year.

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

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

(5) Ms Schott 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) Mr Arrold attended one Environment, Health and Safety Committee meeting and four People and Performance Committee meetings as an invitee.

(7) Ms Brennan attended four Audit and Compliance Committee meetings and three People and Performance Committee meetings as an invitee.

(8) Ms Burke attended one Environment, Health and Safety Committee meeting and one People and Performance Committee meeting as an invitee.

(9) Ms Garnon attended two Environment, Health and Safety Committee meetings as an invitee.

(10) Ms Hodgkinson attended three Audit and Compliance Committee meetings as an invitee.

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

(12) Mr Campbell attended four Audit and Compliance Committee meetings, three Environment, Health and Safety Committee meetings and four People and Performance Committee meetings as an invitee.

MEMBERS OF THE BOARD COMMITTEES DURING THE YEAR:

Audit and Compliance

Member	Membership period (if other than full year)
R Garnon	Chair
R Arrold	
K Brennan	Appointed 8 February 2023
J Seabrook	End of term 25 November 2022

Environment Health and Safety

Member	Membership period (if other than full year)
K Hodgkinson	Chair
K Brennan	
D Saxelby	End of term 24 February 2023

People and Performance

Member	Membership period (if other than full year)
J Seabrook	Chair – end of term 25 November 2022
K Hodgkinson	Acting Chair – appointed 22 March 2023
R Garnon	

Risk Committee

Member	Membership period (if other than full year)
K Brennan	Chair
R Arrold	
C Burke	Appointed 30 January 2023
M Campbell	
P Duncan	Appointed 31 January 2023, Leave of Absence from 17 April 2023
R Garnon	
K Hodgkinson	
D Saxelby	End of term 24 February 2023
K Schott	Appointed 18 April 2023
J Seabrook	End of term 25 November 2022
W Truss	End of term 30 November 2022

Inland Rail Committee

Member	Membership period (if other than full year)
D Saxelby	Chair – ceased chairing 30 November 2022, end of term 24 February 2023
R Garnon	Acting Chair – appointed 1 December 2022
R Arrold	
K Brennan	
C Burke	Appointed 30 January 2023
M Campbell	
P Duncan	Appointed 31 January 2023, Leave of Absence from 17 April 2023
K Hodgkinson	
K Schott	Appointed 18 April 2023
J Seabrook	End of term 25 November 2022
W Truss	End of term 30 November 2022

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

In 2022–2023, construction continued in New South Wales, with the Narrabri to North Star Phase 1 section substantially completed in mid-2023. Construction also commenced in Victoria, with the first tranche of major works underway in Glenrowan, Barnawartha North, Seymour and Wangaratta.

Extensive community consultation, planning and design continued in New South Wales. State Government environmental approvals for the Narromine to Narrabri and North Star to NSW/Queensland Border section were secured in early 2023. Designs for the second tranche of works in the Beveridge to Albury section – including modifications at Wandong, Broadford, Tallarook, Euroa and Benalla – also progressed during the year to reference design stage.

In April 2023, the Australian Government released the Independent Review of Inland Rail by Dr Kerry Schott AO and its response to the 19 recommendations. The Government agreed with 15 recommendations and agreed in-principle with the remaining four recommendations, while acknowledging that Inland Rail remains an important project to meet the nation's ongoing freight and supply chain task.

ARTC continues to work closely with the Government to address the recommendations. Priority measures to progress the staged delivery of Inland Rail include:

- Construction focused on segments south of Parkes
- Any expenditure north of Parkes has focused on targeting approvals to help secure approvals, gazettal of rail corridors, and completion of land acquisitions
- Establishing Inland Rail as a subsidiary company of ARTC, including the creation of an Inland Rail Board and appointment of a permanent Chief Executive to oversee the future delivery of the program.

Consistent with prior years, and all ARTC assets, the Inland Rail project is assessed for impairment as required by Accounting Standards (note 14). Additionally this year consideration has been given to any implications on valuation, of the actions undertaken in the project due to the Inland Rail Review. 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 again this year with significant weather-related events impacting the freight network. ARTC continues to actively pursue 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 the prior year linked to weather-related impacts and customer demand. The mechanism for 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. Coal access revenue is lower than prior years primarily as a result of the negative impact of higher than forecast CPI on the Pricing Zone 3 capitalised losses mechanism which ended on 31 December 2022.

FY23 has seen grain volumes continue to perform strongly. Whilst there is some general economic softening evident, the largest impact is as a result of the abnormal flooding resulting in lost access revenue which is unlikely to be recoverable through insurance, especially as insurance deductibles have increased over the last few years. The increasing inflationary and economic pressures are being experienced across all areas of the business. As a result, costs are under significant pressure and ARTC is seeking to manage these risks where possible.

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 $189.2 million (a decline of 10.6% on the prior year asset base). Of the movement $179.6 million (2022: nil) was recorded in the Income Statement and $9.5 million (2022: $69.5 million) in the Asset Revaluation Reserve.

The fluctuations in the Interstate Business Unit's long-term cash flow forecasts, driven by investment in resilience and increasing economy cost pressures, have resulted in significant valuation movements. There has been a significant reduction in valuation of the Interstate Business Unit's assets of $749.5 million (2022: increase of $15.9 million) a decrease of 57.4% on the prior year asset base. Of the movement $748.3 million (2022: $8.3 million) was recorded in the Income Statement and $1.3 million (2022: $7.5 million) in the Asset Revaluation Reserve.

Refer to Note 14 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

On 3 July 2023, resolutions were passed to rename the existing subsidiary Standard Gauge Company Pty Ltd to Inland Rail Proprietary Limited and adopt a new constitution as the delivery vehicle for the Inland Rail project.

Governance arrangements between ARTC and the repurposed subsidiary will be implemented during the first part of FY24 with an expectation of trading commencing in Inland Rail Proprietary Limited at that point. The Chair of the ARTC Board and five Independent Directors have been appointed to the Inland Rail Board, with complete operational separation expected in the first part of FY24. It is expected that the subsidiary will be consolidated with ARTC under Australian Accounting Standards.

Mr Mark Campbell resigned as CEO and Managing Director on 31 July 2023. The Board of ARTC appointed Mr Wayne Johnson as Acting CEO on 1 August 2023 whilst the Board conducts a competitive search for a permanent CEO and Managing Director.

As a result of the staging of activity on sections of Inland Rail north of Parkes, a restructuring plan for the Inland Rail Program was announced 31 August 2023. Under the plan between 60 and 80 job reductions in Inland Rail are expected over a period of six months. As the impact of the plan was communicated to employees after the balance sheet date, the constructive obligation that has arisen represents a non-adjusting post-balance sheet event. The anticipated costs for this plan are expected to be in the range of $3m to $5m and will be recognised in the financial year 2024.

ARTC is undertaking debt raising activities and will increase the debt facility available during the early part of FY24.

No other events have occurred after the balance sheet date that should be brought to account or disclosed in the year ended 30 June 2023 financial statements.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

As noted above there are cost pressures evident across Inland Rail, Hunter Valley and Interstate. ARTC is responding, strategically reviewing cost structures across the business.

All other likely developments and the expected results of operations of ARTC are contained in the Message from the Chair (see page 2).

DIVIDENDS

There were no dividends paid in the financial year.

REVIEW OF OPERATIONS

The review of operations of the Group is contained in the Message from the Chair (see page 2).

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.

NON-AUDIT SERVICES FROM EXTERNAL AUDITORS

The External Auditors provided non-audit services during 2022/23 of $355,000 excluding GST (2021/22: nil). The Directors are satisfied that the non-audit services provided are compatible and do not compromise the general standard of independence for auditors imposed by the *Corporations Act 2001*.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as received by the Directors as required under Section 307C of the *Corporations Act 2001* is set out on page 59.

Signed in accordance with a resolution of the Directors:

P Duncan Director
Signed on the 19th day of September 2023

Mr Peter Duncan

Chairman

Australian Rail Track Corporation Ltd

PO Box 10343 Gouger Street

Adelaide SA 5000

AUSTRALIAN RAIL TRACK CORPORATION LTD FINANCIAL REPORT 2022–23
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 2023, 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

Bola Oyetunji
Group Executive Director
Delegate of the Auditor-General

Canberra

19 September 2023

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 2023. 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	Ceased 30/11/2022
Peter Duncan AM	Chair	Appointed 31/01/2023, Leave of absence from 17/04/2023
Kerry Schott AO	Acting Chair	Appointed 18/04/2023
Ryan Arrold	Non-Executive Director	Full year
Keira Brennan	Non-Executive Director	Full year
Collette Burke	Non-Executive Director	Appointed 30/01/2023
Rosheen Garnon	Non-Executive Director	Full year
Katrina Hodgkinson	Non-Executive Director	Full year
David Saxelby	Non-Executive Director	Ceased 24/02/2023
Jenny Seabrook	Non-Executive Director	Ceased 25/11/2022
	Executive Directors	
Mark Campbell(13)	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	Full year
Kylie Gallasch	Chief Financial Officer	Full year
Wayne Johnson	Group Executive Hunter Valley	Full year
Jane Lavender-Baker	Group Executive Strategy, Culture and Reputation	Full year
Brad Moorhouse	Group Executive Engineering and Systems	Full year
Simon Ormsby	Group Executive Interstate Network	Full year
Rebecca Pickering	Interim Chief Executive Inland Rail	Full year
Michael Zambelli	Group Executive Major Construction Projects	Full year

(13) M Campbell resigned effective 31 July 2023, and is receiving a contractual payment of six months notice in FY24.

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.

The 2022–23 year for ARTC has been extraordinarily challenging. The rail network has been impacted by extreme flooding at levels never previously experienced. This impacted availability for our customers, predominantly on the interstate (non-coal) network, and showed the future importance of resilience to freight networks as extreme weather events increase with climate change.

Like many industries, rail continues to grapple with the challenge of attracting and growing a diverse, vibrant workforce, well-equipped to provide the skills needed to support services. The competition for these skills along with professional project management and engineering, safety and 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 FY23 company performance and link to remuneration

During 2022–23 a report on the major Inland Rail infrastructure project was commenced and completed for the Australian Government, ARTC's shareholder. The recommendations in the report have been largely adopted by the Government and ARTC is now ensuring that these recommendations are implemented. These significant matters have led to a very difficult year for most ARTC employees and the Executive in particular.

ARTC assesses financial performance for remuneration targets on the basis of operating profit margin 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. Operating profit margins were above threshold for the year despite the challenging weather and economic environment.

From a non-financial performance perspective, extreme weather events are expected to continue whilst at the same time ARTC's customers seek to decarbonise their operations. The customer's objective to decrease emissions is expected to increase demand for rail freight services reflecting the fact that its emissions intensity is significantly less than alternative modes of freight transport. Over an extended period of time this should increase the value of the network and highlight the importance of its resilience.

Although Hunter Valley availability remained within target, Interstate availability fell below threshold in light of impacts of significant weather events. The implementation of the Community Engagement Framework and Principles continued across the business as ARTC works to strengthen its connection to community. Stakeholder reputation continues to be impacted by community concerns around the building of Inland Rail. Whilst our contractor safety performance continues to improve, focus needs to remain on our employee safety performance which remains well below the Board and management's expectations.

Executive KMP STI outcomes are reflective of the challenging year and the impact this has had on overall business outcomes. Consequently, both the corporate and individual components of the STI have paid out lower than previous years and this is reflective of our Executive KMP remuneration structure and 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 for payment to be achieved. If achieved, any payment is subject to the overall discretion of the Board.

2. REMUNERATION – OPERATING CONTEXT (continued)

Changes to FY23 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 FY22 and are now looking to further align the Executive KMP with the Australian Government Performance Bonus Guidelines – Principles governing performance bonus use in Commonwealth entities and companies for FY24 and beyond.

3. REMUNERATION STRUCTURE

Based on ARTC's remuneration principles, the FY23 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[14] 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.

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

4. EXECUTIVE KMP FY23 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 at the discretion of the Board and is dependent on the overall performance of the business.

FY23 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 FY23 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 FY23 are summarised in the following table, which resulted in 33.3% of the available corporate incentive being awarded and for individual objectives the outcomes ranged between 35% and 75%.

Category	Weighting	Corporate Objectives	Outcome
Working Safely and Sustainability	12%	– Total Recordable Injury Frequency rate (ARTC)	Below Threshold
		– Total Recordable Injury Frequency rate (Contractor)	Above Stretch
		– Safework Events	Below Threshold
Excelling at our Core business	25%	– Availability (Interstate)	Below Threshold
		– Availability (Hunter Valley)	Above Target
		– Operating Margin	Above Threshold
Delivering our Key Projects	5%	– Major Project Expenditure	Below Threshold
Working better together	13%	– Customer Satisfaction	Above Threshold
		– Stakeholder Reputation	Below Threshold
		– Employee Engagement	Below Threshold
Corporate objectives	55%		18%
Individual objectives	45%	– Mix of strategic, customer, stakeholder and safety objectives	Ranged between 16% to 34%
Total	**100%**		**Ranged between 34% to 52%**

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	Nil	Nil
INTERIM CHIEF EXECUTIVE INLAND RAIL	30	10	35
OTHER ELIGIBLE KMP	30	10–16	34–52

No Board discretion was exercised in FY23. No bonus payment is being made to the CEO for FY23 due to resignation on 31 July 2023.

4. EXECUTIVE KMP FY23 STI OUTCOMES (continued)

Executive Remuneration

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

The short-term incentives for financial year 2023 represent the amounts awarded to KMP for stretch performance outcomes associated with FY23 and are to be paid in October 2023.

		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[15]	**2023**	**831,321**	**–**	**–**	**25,390**	**–**	**16,822**	**–**	**873,533**
	2022	752,176	319,395	–	23,659	–	19,224	–	1,114,454
G Carney	**2023**	**393,115**	**67,186**	**–**	**25,390**	**–**	**1,458**	**–**	**487,149**
	2022	368,118	95,472	–	23,659	–	11,558	–	498,807
P Clements	**2023**	**379,117**	**54,360**	**–**	**25,842**	**–**	**6,197**	**–**	**465,516**
	2022	99,000	–	–	5,801	–	1,438	–	106,239
K Gallasch	**2023**	**436,644**	**64,076**	**–**	**25,390**	**–**	**4,799**	**–**	**530,909**
	2022	427,350	104,620	–	23,659	–	12,845	–	568,474
W Johnson	**2023**	**397,918**	**67,223**	**–**	**25,390**	**–**	**9,020**	**–**	**499,551**
	2022	402,014	91,710	–	23,659	–	7,264	–	524,647
J Lavender-Baker[16]	**2023**	**440,505**	**47,449**	**–**	**25,390**	**–**	**(55,206)**	**–**	**458,138**
	2022	395,614	98,345	–	23,659	–	16,048	–	533,666
B Moorhouse	**2023**	**368,521**	**53,449**	**–**	**25,390**	**–**	**13,056**	**–**	**460,416**
	2022	355,292	80,666	–	23,659	–	29,547	–	489,164
S Ormsby	**2023**	**431,980**	**63,127**	**–**	**25,390**	**–**	**12,706**	**–**	**533,203**
	2022	423,980	100,995	–	23,659	–	11,279	–	559,913
R Pickering	**2023**	**472,621**	**53,125**	**–**	**25,390**	**–**	**7,934**	**–**	**559,070**
	2022	504,537	101,810	–	23,024	–	14,499	–	643,870
D White	**2023**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	2022	131,185	–	–	8,793	–	(15,196)	–	124,782
R Wankmuller	**2023**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	2022	137,609	–	–	11,512	–	(56,723)	534,004	626,402
M Zambelli	**2023**	**523,920**	**86,897**	**–**	**25,390**	**–**	**9,234**	**–**	**645,441**
	2022	529,896	126,422	–	23,659	–	8,381	–	688,358
Total Executive	**2023**	**4,675,662**	**556,892**	**–**	**254,352**	**–**	**26,020**	**–**	**5,512,926**
KMP	2022	4,526,771	1,119,435	–	238,402	–	60,164	534,004	6,478,776
Total NED	**2023**	**621,256**	**–**	**–**	**56,085**	**–**	**–**	**–**	**677,341**
remuneration	2022	696,364	–	–	58,075	–	–	–	754,439
Total KMP remuneration expense	**2023**	**5,296,918**	**556,892**	**–**	**310,437**	**–**	**26,020**	**–**	**6,190,267**
	2022	5,223,135	1,119,435	–	296,477	–	60,164	534,004	7,233,215

(15) M Campbell resigned effective 31 July 2023, and is receiving a contractual payment of six months notice in FY24.
(16) Negative long service leave for J Lavender-Baker is as a result of payment out of previously earned long service leave.

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 2023, the Committee comprised of Katrina Hodgkinson, Rosheen Garnon and Ryan Arrold.

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 FY23. 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 and determined the new fees in May 2023 to be applicable from 1 July 2022.

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	FY23 fee ($)
Chair	170,870
Non-Executive Director	85,440
Audit Committee Chair	16,770
Audit Committee Member	8,390

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	**2023**	**69,714**	**–**	**7,320**	**77,034**
	2022	166,930	–	16,693	183,623
P Duncan	**2023**	**36,145**	**–**	**4,400**	**40,545**
	2022	–	–	–	–
K Schott	**2023**	**34,919**	**–**	**3,667**	**38,586**
	2022	–	–	–	–
R Arrold	**2023**	**85,813**	**8,531**	**9,008**	**103,352**
	2022	21,427	1,098	2,143	24,668
C Barlow	**2023**	**–**	**–**	**–**	**–**
	2022	61,403	–	6,300	67,703
K Brennan	**2023**	**85,813**	**2,904**	**9,008**	**97,725**
	2022	21,427	–	2,143	23,570
C Burke	**2023**	**36,192**	**–**	**3,800**	**39,992**
	2022	–	–	–	–
G Brown	**2023**	**–**	**–**	**–**	**–**
	2022	61,403	12,052	6,300	79,755
R Garnon	**2023**	**85,813**	**17,047**	**9,008**	**111,868**
	2022	83,470	10,357	8,347	102,174
V Graham	**2023**	**–**	**–**	**–**	**–**
	2022	53,408	5,242	6,300	64,950
K Hodgkinson(17)	**2023**	**60,161**	**–**	**6,315**	**66,476**
	2022	15,021	–	1,502	16,523
D Saxelby	**2023**	**60,977**	**–**	**–**	**60,977**
	2022	91,465	–	–	91,465
J Seabrook	**2023**	**33,900**	**3,327**	**3,559**	**40,786**
	2022	83,470	8,191	8,347	100,008
Total Non-Executive Director remuneration	**2023**	**589,447**	**31,809**	**56,085**	**677,341**
	2022	659,424	36,940	58,075	754,439

(17) As per the Tribunal, the annual fee has been capped at $59,900.

CORPORATE GOVERNANCE STATEMENT

The ARTC Board currently comprises seven 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 Environment, Social and Governance (ESG) related issues, with ESG being a standing agenda item for all Board meetings.

THE BOARD (continued)

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 six Non-Executive Directors and one Executive Director. The Directors of ARTC are listed with a brief description of their qualifications and experience on pages 51 to 53 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 five women and two 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 a 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

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. Each year ARTC's annual Internal Audit Plan is updated to ensure that it focuses on ARTC's key risks, and it is approved by the relevant Board-sub committees and Executive Committee. KPMG assisted Internal Audit to review and update the FY24 Internal Audit Plan (Plan). The Plan covers all three ARTC Business Units and all Support Divisions.

In May 2023, the Audit and Compliance Committee and the Environment, Health and Safety Committee approved the revised FY24 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 Ernst and Young (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. The objective of the Framework is to provide further guidance and limits on the Group's activities and ensures that the Shareholder Ministers are fully informed of activities that may impact on the Group's business and risk profile.

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.

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 2023

	Notes	Consolidated 2023 $'000	2022 $'000
Revenue from contracts with customer			
Access revenue	6	**747,873**	744,762
Total revenue		**747,873**	744,762
Other income			
Incident and insurance recovery	6	**11,644**	57,639
Government grants and funding	6	**68,804**	58,405
Other income	6	**37,359**	41,277
Total other income		**117,807**	157,321
Total revenue and other income		**865,680**	902,083
Employee benefits expense	7	**(285,540)**	(254,734)
Infrastructure maintenance	7	**(156,474)**	(161,840)
Infrastructure costs	7	**(126,145)**	(119,128)
Depreciation and amortisation expense	7	**(222,334)**	(223,457)
Reversal/(recognition) of impairment	7	**(1,795,406)**	(685,023)
Incident costs	7	**(21,596)**	(44,916)
Other expenses	7	**(70,350)**	(68,101)
Expenses, excluding finance costs		**(2,677,845)**	(1,557,199)
Profit/(Loss) from operating activities		**(1,812,165)**	(655,116)
Finance income		**2,675**	229
Finance expenses	23	**(35,326)**	(17,140)
Net Finance costs		**(32,651)**	(16,911)
Profit/(Loss) before income tax		**(1,844,816)**	(672,027)
Income tax (expense)/benefit	8	**(44,645)**	(45,627)
Net Profit/(Loss) after tax		**(1,889,461)**	(717,654)
Profit/(Loss) is attributable to: **Equity holder of Australian Rail Track Corporation Ltd**		**(1,889,461)**	(717,654)
Earnings metrics			
EBITDAI	11	**205,575**	253,364

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 2023

	Notes	Consolidated 2023 $'000	2022 $'000
Profit/(Loss) for the year		**(1,889,461)**	(717,654)
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	25	**1,024**	7,560
Cash flow hedge charged to equity – foreign exchange	25	**1,363**	242
Total items that may be reclassified subsequently to profit or loss		**2,387**	7,802
Items that will not be reclassified to profit or loss – net of tax			
Revaluation adjustment property, plant and equipment		**(7,540)**	(43,341)
Re–measurement gains/(losses) on defined benefit plans		**824**	4,188
Total items that will not be reclassified to profit or loss		**(6,716)**	(39,153)
Other comprehensive income/(loss) for the year, net of tax		**(4,329)**	(31,351)
Total comprehensive income/(loss) for the year, net of tax		**(1,893,790)**	(749,005)
Total comprehensive income/(loss) for the year is attributable to:			
Equity holder of Australian Rail Track Corporation Ltd		**(1,893,790)**	(749,005)

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

CONSOLIDATED BALANCE SHEET

as at 30 June 2023

	Notes	Consolidated 2023 $'000	2022 $'000
ASSETS			
Current assets			
Cash and cash equivalents	9	**26,612**	39,076
Trade and other receivables	12	**174,598**	215,840
Inventories – raw materials		**117,149**	88,627
Held for sale		**–**	66
Prepayments		**16,532**	19,175
Other financial assets	13	**2,137**	713
Total current assets		**337,028**	363,497
Non-current assets			
Trade and other receivables	12	**4,553**	247
Prepayments		**13,600**	46,496
Property, plant and equipment	14	**3,675,044**	4,129,300
Deferred tax assets	8	**81,247**	124,037
Intangible assets	16	**112,540**	96,180
Defined benefit plans	19	**307**	–
Other financial assets	13	**128,621**	11,071
Total non-current assets		**4,015,912**	4,407,331
Total assets		**4,352,940**	4,770,828
LIABILITIES			
Current liabilities			
Trade and other payables	22	**264,255**	212,920
Other provisions	17	**130,513**	131,133
Employee provisions	19	**73,826**	70,183
Other financial liabilities		**6,577**	7,301
Interest bearing liabilities	23	**16,719**	12,394
Deferred income	24	**106,283**	54,361
Total current liabilities		**598,173**	488,292
Non-current liabilities			
Employee provisions	19	**8,649**	8,603
Defined benefit plans	19	**–**	2,092
Other financial liabilities		**22,359**	10,987
Interest bearing liabilities	23	**885,530**	615,304
Deferred income	24	**1,055,233**	999,693
Total non-current liabilities		**1,971,771**	1,636,679
Total liabilities		**2,569,944**	2,124,971
Net assets		**1,782,996**	2,645,857
EQUITY			
Contributed equity	25	**6,085,759**	5,054,830
Reserves	25	**366,840**	371,993
Retained earnings		**(4,669,603)**	(2,780,966)
Total equity		**1,782,996**	2,645,857

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 2023

		Attributable to owners of Australian Rail Track Corporation Ltd					
Consolidated	Notes	**Contributed Equity $'000**	**Asset Revaluation reserve $'000**	**Hedging reserve $'000**	**Profit reserve $'000**	**Retained Earnings $'000**	**Total Equity $'000**
Balance at 1 July 2021		4,291,332	407,456	347	87,757	(2,067,771)	**2,719,121**
Total loss 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*	14	–	(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**

		Attributable to owners of Australian Rail Track Corporation Ltd					
Consolidated	Notes	**Contributed Equity $'000**	**Asset Revaluation reserve $'000**	**Hedging reserve $'000**	**Profit reserve $'000**	**Retained Earnings $'000**	**Total Equity $'000**
Balance at 1 July 2022		5,054,830	363,844	8,149	–	(2,780,966)	**2,645,857**
Total profit for the year		–	–	–	–	(1,889,461)	**(1,889,461)**
Re–measurement gains/(losses) on defined benefit plans*	19	–	–	–	–	824	**824**
Cash flow hedge interest rate swap*		–	–	1,024	–	–	**1,024**
Cash flow hedge foreign exchange*		–	–	1,363	–	–	**1,363**
Asset revaluation reserve adjustment*	14	–	(7,540)	–	–	–	**(7,540)**
Total comprehensive income for the year		–	(7,540)	2,387	–	(1,888,637)	**(1,893,790)**
Contributions of equity	25	1,030,929	–	–	–	–	**1,030,929**
Balance at 30 June 2023		**6,085,759**	**356,304**	**10,536**	–	**(4,669,603)**	**1,782,996**

* 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 2023

	Notes	Consolidated 2023 $'000	2022 $'000
Cash flows from operating activities			
Receipts from customers		**927,196**	857,695
Payments to suppliers and employees		**(703,254)**	(600,126)
Government grants and funding – revenue		**27,684**	20,484
		251,626	278,053
Interest received		**2,037**	229
Net cash inflow from operating activities	9	**253,663**	278,282
Cash flows from investing activities			
Payments for property, plant and equipment		**(1,531,350)**	(1,217,735)
Payments for intangibles		**(24,113)**	(35,195)
Proceeds from sale of property, plant and equipment		**2,835**	1,822
Payments of deposits held in trust		**(115,463)**	–
Net cash outflow from investing activities		**(1,668,091)**	(1,251,108)
Cash flows from financing activities			
Government grants – deferred		**148,582**	268,575
Payments for interest costs relating to borrowings		**(31,469)**	(19,240)
Payments for transaction costs relating to borrowings		**78**	(72)
Proceeds (repayments) for interest bearing liabilities	23	**274,696**	90,564
Proceeds from equity funding	25	**1,030,929**	763,498
Payments for the principal relating to leases		**(16,995)**	(16,832)
Payments for interest relating to leases	23	**(3,857)**	(3,917)
Dividends paid to Group's Shareholder	10	**–**	(87,757)
Net cash inflow/(outflow) from financing activities		**1,401,964**	994,819
Net (decrease)/increase in cash and cash equivalents		**(12,464)**	21,993
Cash and cash equivalents at the beginning of the financial year		**39,076**	17,083
Cash and cash equivalents at end of year	9	**26,612**	39,076

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 2023 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 2023 was authorised for issue in accordance with a resolution of the Directors on the 19th day of September 2023.

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	14
Deferred tax recognition	8
Incident and biodiversity liability 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 2023, the Group has a net deficiency of current assets (2023: $337.0m, 2022: $363.5m) to current liabilities (2023: $598.1m, 2022: $488.3m) of $261.1m (2022: $124.8m). 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 2023:

- The Group has net assets of $1,783.0m (2022: $2,645.9m)
- The Group generated cash from operating activities of $253.7m (2022: $278.3m)
- The Group expects to continue to generate positive cash flows from operating activities in the next twelve months
- The Group has $295m (2022: $570m) of unutilised funds available through a Syndicated Debt Facility Agreement (as detailed in note 22) while additionally receiving approval for increases in facilities during FY24.
- The Group engages in active financial risk management, which includes maintaining an average liquidity headroom of $250m 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 infrastructure project.

OUR BUSINESS PERFORMANCE

This section analyses the financial performance of the Group for the year ended 30 June 2023. The focus is on Group revenue streams, expenses, taxation, cash flows and dividend performance.

6. REVENUE AND OTHER INCOME

	Consolidated	
	2023 $'000	2022 $'000
Access Revenue		
Hunter Valley	**444,345**	459,192
Interstate	**303,528**	285,570
Total revenue from contracts with customers	**747,873**	744,762
Incident and insurance recovery	**11,644**	57,639
Government grants and funding	**68,804**	58,405
Other income	**37,359**	41,277
Total other income	**117,807**	157,321
Total revenue and other income	**865,680**	902,083

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.

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.

6. REVENUE AND OTHER INCOME (continued)

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 2023 were as follows:

	Consolidated	
	2023 $'000	2022 $'000
Employee benefits expenses		
Short-term employee benefits	**396,881**	349,568
Workers' compensation	**5,217**	4,541
Defined benefit plan expense	**208**	447
Less: salaries capitalised[1]	**(116,766)**	(99,822)
Total employee benefits expenses	**285,540**	254,734
Infrastructure maintenance		
Direct maintenance costs	**143,651**	149,788
Expense relating to variable lease payments not included in the measurement of the lease liability[2]	**12,823**	12,052
Total infrastructure maintenance	**156,474**	161,840
Infrastructure costs	**126,145**	119,128
Depreciation and amortisation		
Property, plant and equipment	**196,826**	198,004
Right-of-use assets	**17,755**	17,840
Amortisation	**7,753**	7,613
Total depreciation and amortisation	**222,334**	223,457
Recognition of impairment		
Property, plant and equipment	**1,795,406**	685,023
Total Recognition of impairment	**1,795,406**	685,023
Incident costs[3]	**21,596**	44,916
Other expenses		
Expense relating to short term leases[2]	**719**	519
Expense relating to leases of low value assets[2]	**175**	128
Other	**69,456**	67,454
Total other expenses	**70,350**	68,101
Total expenses	**2,677,845**	1,557,199

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 15 for the accounting policy.

3 Net incident costs for the year ended 30 June 2023 was a cost of $9.952 million (2022: $12.723 million recovery). Refer to note 6 for the accounting policy on incident recoveries.

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	
	2023 $'000	2022 $'000
Current tax expense	**–**	–
Deferred tax relates to the following:		
Tax losses and offsets available for offsetting against future taxable income	**19,634**	10,125
Origination or reversal of temporary differences in relation to the following items:		
Property, plant and equipment	**19,479**	24,223
Other receivables	**5,166**	10,984
Other	**366**	295
Total income tax expense/(benefit)	**44,645**	45,627
Reconciliation of Tax Expense to Income Tax Payable		
Less movements in temporary differences recognised in deferred tax expense:		
Property, plant and equipment	**(19,479)**	(24,223)
Other amounts accrued	**(5,532)**	(11,279)
Recognition/(utilisation) tax losses and offset	**(19,634)**	(10,125)
Total movements in temporary differences recognised in deferred tax expense	**(44,645)**	(45,627)
Income tax payable in respect of financial year	**–**	–

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

	Consolidated	
	2023 $'000	2022 $'000
Profit from continuing operations before income tax expense	**(1,844,816)**	(672,027)
Tax at the Group's statutory tax rate of 30%	**(553,445)**	(201,608)
Unrecognised temporary differences	**597,942**	247,158
Non-taxable items	**148**	77
Total income tax expense	**44,645**	45,627

8. TAXATION (continued)

The Group's current tax expense for the year ended 30 June 2023 is nil (2022: 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 -2.42% (2022: -6.79%) as a result of the movement in unrecognised temporary differences. Excluding the deferred tax asset impacts, the normalised ETR is 29.99% (2022: 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 accelerated 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	
	2023 $'000	2022 $'000
Deferred income tax related to items charged directly to equity		
Net (loss)/gain on net revaluation of infrastructure assets	**(3,232)**	(18,574)
Net (loss)/gain on defined benefit plan	**353**	1,795
Net (loss)/gain on interest rate swap	**439**	3,240
Net (loss)/gain on foreign exchange hedge	**584**	104
	(1,856)	(13,435)
Deferred income tax charge included in equity comprises:		
(Decrease)/increase in deferred tax liabilities	**(1,831)**	(17,491)
(Increase)/decrease in deferred tax assets	**(25)**	4,056
	(1,856)	(13,435)

Deferred tax assets

	Consolidated	
	2023 $'000	2022 $'000
The balance comprises temporary differences attributable to:		
Property plant and equipment	**157,756**	222,802
Income tax losses and non-refundable offsets	**7,219**	26,853
Defined benefit plan	**–**	628
	164,975	250,283
Movements:		
Opening balance at 1 July	**250,283**	321,782
(Charged)/credited to the Consolidated Income Statement related to tax losses and offsets	**(19,634)**	(10,125)
(Charged)/credited to the Consolidated Income Statement related to property plant and equipment	**(65,424)**	(57,024)
(Charged)/credited to the Consolidated Income Statement, other	**–**	(294)
(Charged)/credited to the Consolidated Income Statement related to defined benefit fund	**(275)**	–
(Charged)/credited to equity related to property, plant and equipment	**378**	(2,261)
(Charged)/credited to equity related to defined benefit plan	**(353)**	(1,795)
Closing balance at 30 June before set off	**164,975**	250,283
Set off of deferred tax liabilities	**(83,728)**	(126,246)
Net deferred tax asset	**81,247**	124,037

Deferred tax assets (continued)

At 30 June 2023, the Group has unrecognised deferred tax assets in relation to temporary differences of $1,718.9m (2022: $1,133.6m). 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 $48.2m (2022: $35.5m). 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 (2022: $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	
	2023 $'000	2022 $'000
The balance comprises temporary differences attributable to:		
Property, plant and equipment	**49,726**	98,525
Other receivables	**29,394**	24,228
Defined benefit fund	**92**	–
Cash flow hedges – interest rate swap	**3,679**	3,240
Cash flow hedges – foreign exchange	**837**	253
Deferred tax liabilities	**83,728**	126,246
Movements:		
Opening balance at 1 July	**126,246**	165,554
Charged/(credited) to the Consolidated Income Statement related to property, plant and equipment	**(45,945)**	(32,801)
Charged/(credited) to the Consolidated Income Statement related to other receivables	**5,166**	10,984
Charged/(credited) to the Consolidated Income Statement related to defined benefit fund	**92**	–
Charged to equity related to cash flow hedge – interest rate swap	**439**	3,240
Charged to equity related to cash flow hedge – foreign exchange	**584**	104
Charged/(credited) to equity related to property, plant and equipment	**(2,854)**	(20,835)
Closing balance at 30 June before set off	**83,728**	126,246
Set off to deferred tax assets	**(83,728)**	(126,246)
Net deferred tax liability	–	–

8. TAXATION (continued)

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.

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 – *Tax Consolidation Accounting*, 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 2023 $'000	Consolidated 2022 $'000
Net profit/(loss) for the year after tax		**(1,889,461)**	(717,654)
Adjustments for:			
Depreciation		**214,581**	215,844
Amortisation		**7,753**	7,613
Recognition of impairment (reversal)/expense		**1,795,406**	685,023
Recognition of government grant income attributable to financing activities		**(41,120)**	(37,921)
Net loss/(gain) on sale of non-current assets		**(679)**	4,147
Finance costs including RoU leases interest		**35,326**	17,140
Income tax expense		**44,645**	45,627
Net (gain)/loss on leases		**–**	(126)
Operating profit before changes in working capital and provisions		**166,451**	219,693
Change in operating assets and liabilities:			
Change in trade debtors and other receivables		**36,835**	(67,164)
Change in inventories		**(28,522)**	(12,927)
Change in other and held for sale assets		**36,906**	(14,652)
Change in trade and other payables		**28,276**	59,032
Change in other liabilities		**10,648**	9,843
Change in provisions		**3,069**	84,457
Net cash inflow from operating activities		**253,663**	278,282

		Consolidated 2023 $'000	Consolidated 2022 $'000
Right of use assets – payments			
Fixed payments (included in lease)		**4,086**	4,086
Variable payments (excluded from lease)	7	**12,823**	12,052
		16,909	16,138

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 2023 $'000	Consolidated 2022 $'000
Cash and cash equivalents		
Cash at bank and in hand	**26,612**	39,076
	26,612	39,076

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	
	2023 $'000	2022 $'000
Interim dividend for the year ended 30 June 2023 (2022: 0.06 cents) per fully paid share	**–**	28,380
Final dividend for the year ended 30 June 2022 (2022: 0.14 cents) per fully paid share	**–**	59,377
	–	87,757

11. RECONCILIATION OF EBITDAI AND EBIT

	Consolidated	
	2023 $'000	2022 $'000
Net Profit/(Loss) after tax	**(1,889,461)**	(717,654)
Interest revenue	**(2,675)**	(229)
Depreciation	**214,581**	215,844
Amortisation	**7,753**	7,613
Recognition of impairment loss	**1,795,406**	685,023
Finance expenses	**35,326**	17,140
Income tax (benefit)/expense	**44,645**	45,627
EBITDAI	**205,575**	253,364

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 2023

	Total $'000	Non Current $'000	Current $'000	30 Days> $'000	60 Days> $'000	90 Days $'000	>90 Days (Specific Provision) $'000
Trade Receivables	48,954	–	47,848	163	108	750	85
Other Receivables	130,360	4,553	125,807	–	–	–	–
Total	**179,314**	**4,553**	**173,655**	**163**	**108**	**750**	**85**
Expected credit loss rate			0.07%	0.66%	1.37%	9.02%	–
Allowance for expected credit loss	(163)		(33)	(1)	(1)	(68)	(60)
Current receivables	174,598						
Non-current receivables	4,553						
	179,151						

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

	Trade receivables 2023 $'000	Trade receivables 2022 $'000
Opening balance at 1 July	**(288)**	(236)
Decrease/(Increase) in expected credit loss allowance recognised in profit or loss during the year	**45**	(125)
Receivables written back/off during the year as collectible/uncollectible	**25**	22
Change in provision amount	**55**	51
Closing balance at 30 June	**(163)**	(288)

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 not significant and 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 the current 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 previous table provides information about the exposure to credit risk and expected credit losses for trade receivables as at 30 June 2023.

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 2023 receivables have been recognised when applicable for the ACCC Compliance Assessments which remain open i.e. relating to the full calendar years 2021–22 and the half year to 30 June 2023 for the 2023 calendar year assessment (which is not due for lodgement until 2024).

13. OTHER FINANCIAL ASSETS

	Consolidated					
	2023			2022		
	Current $'000	**Non-current $'000**	**Total $'000**	Current $'000	Non-current $'000	Total $'000
Other financial assets						
Derivative financial instruments	**1,895**	**13,158**	**15,053**	571	11,071	11,642
Other assets	**242**	**–**	**242**	142	–	142
Deposits held in trust	**–**	**115,463**	**115,463**	–	–	–
	2,137	**128,621**	**130,758**	713	11,071	11,784

Other financial assets

Other financial assets comprise derivative financial instruments, deposits held in trust and other assets including property bonds. Deposits held in trust are for the NSW government in association with construction biodiversity obligations. These accounts are expected to be held in trust for a maximum of two years, release of the funds prior to that period expiring is contingent on biodiversity obligations being satisfied.

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 transaction costs in the balance sheet, in the case of a financial asset not at fair value this is through profit or loss. 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, other receivables and deposits held in trust.

14. PROPERTY, PLANT AND EQUIPMENT

	Consolidated	
	2023 $'000	2022 $'000
Construction in progress		
At cost	**999,666**	617,192
	999,666	617,192
Freehold land		
At cost	**96,158**	67,842
	96,158	67,842
Buildings		
At cost	**39,266**	33,758
Accumulated depreciation	**(10,883)**	(9,208)
	28,383	24,550
Leasehold buildings		
At cost	**68,949**	64,939
Accumulated depreciation	**(32,430)**	(27,845)
	36,519	37,094
Leasehold improvements – infrastructure		
At valuation	**2,245,649**	2,815,369
Accumulated depreciation	**(314,054)**	(193,185)
	1,931,595	2,622,184
Plant and equipment – infrastructure		
At valuation	**545,579**	711,471
Accumulated depreciation	**(58,142)**	(46,064)
	487,437	665,407
Plant and equipment – other		
At cost	**189,397**	176,842
Accumulated depreciation	**(114,820)**	(99,784)
	74,577	77,058
Motor vehicles		
At cost	**41,958**	34,786
Accumulated depreciation	**(21,249)**	(16,813)
	20,709	17,973
	3,675,044	4,129,300

At 30 June 2023 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 2023 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 ($'000s)

	Interstate	Hunter Valley	Construction in progress	ROU Assets	Total
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**
For year ended 30 June 2023					
Fair Value Revaluation decrement recognised through the revaluation reserve	1,259	9,513	–	–	10,772
Fair Value Impairment expense recognised in the Consolidated Income Statement	748,269	179,638	–	–	927,907
Impairment expense recognised in the Consolidated Income Statement	996	–	866,503	–	867,499
	750,524	**189,151**	**866,503**	**–**	**1,806,178**

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Consolidated	Construction in progress $'000	Freehold land $'000	Freehold buildings $'000	Leasehold buildings $'000
At 1 July 2021				
Cost or fair value	462,395	16,924	20,496	58,744
Accumulated depreciation	–	–	(7,461)	(21,423)
Net book amount – year ended 30 June 2021	**462,395**	**16,924**	**13,035**	**37,321**
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
Impairment expense	(687,571)	–	–	–
Transfers	(443,116)	–	1	–
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**

Consolidated	Construction in progress $'000	Freehold land $'000	Freehold buildings $'000	Leasehold buildings $'000
Opening net book amount	617,192	67,842	24,550	37,094
Additions	1,592,617	29,210	5,565	7,304
Impairment expense	(866,503)	(960)	(36)	–
Transfers	(343,640)	–	–	–
Depreciation charge	–	–	(1,696)	(7,879)
Written down value of assets disposed	–	–	–	–
Revaluation of assets	–	–	–	–
Transfer from Assets held for sale	–	66	–	–
Closing net book amount at 30 June 2023	**999,666**	**96,158**	**28,383**	**36,519**

Leasehold Improvements – Infrastructure $'000	Plant and Equipment – Infrastructure $'000	Plant and Equipment – Other $'000	Motor Vehicles $'000	Total $'000
2,977,023	957,933	173,573	31,791	4,698,879
(395,873)	(336,547)	(84,081)	(11,154)	(856,539)
2,581,150	**621,386**	**89,492**	**20,637**	**3,842,340**
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
–	–	(5,779)	–	(693,350)
(81,180)	42,292	(1)	1	(482,003)
(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**

Leasehold Improvements – Infrastructure $'000	Plant and Equipment – Infrastructure $'000	Plant and Equipment – Other $'000	Motor Vehicles $'000	Total $'000
2,622,184	665,407	77,058	17,973	4,129,300
259,238	46,295	14,582	10,033	1,964,844
(782,302)	(145,605)	–	–	(1,795,406)
(627)	(52,416)	(1)	30	(396,654)
(154,861)	(25,859)	(16,959)	(7,327)	(214,581)
(1,552)	(98)	(103)	–	(1,753)
(10,485)	(287)	–	–	(10,772)
–	–	–	–	66
1,931,595	**487,437**	**74,577**	**20,709**	**3,675,044**

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Accounting policy

Land

Land is initially recognised at cost, which includes the purchase price and all directly attributable costs incurred. After initial recognition, land is carried at cost less impairment. Land with covenants associated with Biodiversity Stewardship Agreements (BSA) are assessed for impairment on an annual basis, and when there are impairment indicators, using a valuation undertaken by an appropriately qualified professional. Land with covenants associated with BSAs are tested annually due to the developing nature of the market for the land. All other land holdings will be assessed if impairment indicators are identified.

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 (Infrastructure assets) for the periods ended 30 June 2022 and 30 June 2023 for the Group:

	$'000
Opening balance 1 July 2021	**3,202,536**
Reversal of impairment expense	8,326
Additions	326,752
Disposals	(5,686)
Depreciation	(182,422)
Changes in fair value included in other comprehensive income	(61,915)
Closing balance 30 June 2022	**3,287,591**
Additions	252,490
Impairment included in expenses	(927,907)
Disposals	(1,650)
Depreciation	(180,720)
Changes in fair value included in other comprehensive income	(10,772)
Closing balance 30 June 2023	**2,419,032**

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.

14. 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. The most likely forecast cashflow impact of resilience programs is incorporated based on the information available at the time of valuation. 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 1.1% to 4.3% (2022: 1.8% to 4.4%).
- Terminal valuation probabilities include an annual 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 2023, the range determined across all business units is 6.8% - 7.9% (2022: 6.2% - 7.3%). 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			
	2023		2022	
	Increase $'000	**Decrease $'000**	Increase $'000	Decrease $'000
Annual revenue (1% revenue movement p.a.)	**121,389**	**(121,228)**	134,572	(134,670)
Maintenance and capital expenditure (1% cost movement p.a.)	**(51,217)**	**52,059**	(58,101)	58,101
Discount rate (+/– 100bps movement)	**(361,402)**	**492,117**	(544,566)	778,438
Terminal growth rate (+/– 100bps movement)	**138,907**	**(96,507)**	344,183	(282,334)

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

	2023		2022	
	Increase %	**Decrease %**	Increase %	Decrease %
Annual revenue (1% revenue movement p.a.)	**5.1**	**(5.1)**	4.4	(4.4)
Maintenance and capital expenditure (1% cost movement p.a.)	**(2.2)**	**2.2**	(1.9)	1.9
Discount rate (+/– 100bps movement)	**(15.2)**	**20.8**	(17.9)	25.6
Terminal growth rate (+/– 100bps movement)	**5.9**	**(4.1)**	11.3	(9.3)

Cost

Subsequent capital 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 less impairment, 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 follows:

	Consolidated	
	2023 $'000	2022 $'000
Infrastructure assets		
Plant and Equipment		
Cost less impairment	**1,237,660**	1,245,258
Accumulated depreciation	**(280,797)**	(249,790)
Net book amount	**956,863**	995,468
Leasehold Improvements		
Cost less impairment	**6,759,469**	6,506,893
Accumulated depreciation	**(1,547,435)**	(1,384,297)
Net book amount	**5,212,034**	5,122,596

15. 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 within '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 (2022: 4.6 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 2023, the Group is committed to nil (2022: nil) for short-term leases and $88.3m (2022: $94.8m) 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 financial year were $16.8m (2022: $8.8m).

Right-of-use assets presented as Property, Plant and Equipment and Intangibles (see note 14 and 16)

	Buildings $'000	**Plant and Equipment $'000**	**Motor Vehicles $'000**	**Land Usage Rights* $'000**
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**	**–**
Balance at 1 July 2022	**21,063**	**28,000**	**17,973**	**–**
Depreciation/amortisation charge for the year	(7,149)	(3,279)	(7,327)	(8)
Additions to the right-of-use assets	6,242	272	10,063	196
Balance at 30 June 2023	**20,156**	**24,993**	**20,709**	**188**

* asset categorised as intangible as at June 2023.

	Notes	**Consolidated 2023 $'000**	Consolidated 2022 $'000
Amounts recognised in the Comprehensive Income Statement			
Interest on lease liabilities	23	**3,857**	3,917
Expense relating to short term leases	7	**719**	519
Expense relating to leases of low value assets*	7	**175**	128
		4,751	4,564
Amounts recognised in the Statement of Cash Flows			
Fixed payments (included in lease)		**4,086**	4,086
Variable payments (excluded from lease)		**12,823**	12,052
Cash flow impact for leases with variable and fixed components		**16,909**	16,138

* excluding short term leases of low value assets

15. 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. 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.

16. INTANGIBLE ASSETS

Consolidated	Computer Software $'000	Land Rights $'000	Biodiversity Credits $'000	Other $'000	Total $'000
At 1 July 2021					
Cost	29,008	45,121	3,118	55,000	132,247
Accumulated amortisation	(24,030)	(7,239)	–	(32,380)	(63,649)
Net book amount	**4,978**	**37,882**	**3,118**	**22,620**	**68,598**
Year ended 30 June 2022					
Opening net book amount as at 1 July	4,978	37,882	3,118	22,620	68,598
Additions into asset register	1,890	13	32,764	529	35,196
Amortisation charge	(2,959)	(883)	–	(3,772)	(7,614)
Closing net book amount	**3,909**	**37,012**	**35,882**	**19,377**	**96,180**
At 30 June 2022					
Cost	30,864	45,134	35,882	55,529	167,409
Accumulated amortisation	(26,955)	(8,122)	–	(36,152)	(71,229)
Net book amount	**3,909**	**37,012**	**35,882**	**19,377**	**96,180**
Year ended 30 June 2023					
Opening net book amount as at 1 July	3,909	37,012	35,882	19,377	96,180
Additions into asset register	3,434	1,882	29,858	150	35,324
Amortisation charge	(3,068)	(913)	–	(3,772)	(7,753)
Disposals	(8)	–	–	–	(8)
Transfers	–	–	(11,203)	–	(11,203)
Closing net book amount	**4,267**	**37,981**	**54,537**	**15,755**	**112,540**
At 30 June 2023					
Cost	32,603	47,015	54,537	55,679	189,834
Accumulated amortisation	(28,336)	(9,034)	–	(39,924)	(77,294)
Net book amount	**4,267**	**37,981**	**54,537**	**15,755**	**112,540**

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. These 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.

Within intangible assets, other land access rights exist for land that has been leased by ARTC. These are accounted for as ROU leases and their asset lives recorded in line with the signed contract.

Biodiversity credits are carried at cost less impairment and have indefinite lives.

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.

Annual impairment considerations are performed as part of the impairment analysis in note 14.

17. OTHER PROVISIONS

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

2023	Biodiversity obligation $'000	Incident $'000	Make Good $'000	Other $'000	Total $'000
Carrying amount at 1 July	77,732	52,525	876	–	131,133
Additional provisions recognised	–	21,596	272	22,700	44,568
Amounts used during the year	(16,188)	(28,710)	(290)	–	(45,188)
Carrying amount at 30 June	**61,544**	**45,411**	**858**	**22,700**	**130,513**

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 $24.2m (2022: $31.5m) 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.

Other provisions relate to potential contractual obligations incurred as a result of implementing the 19 recommendations of the Inland Rail Review.

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.

17. OTHER PROVISIONS (continued)

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 when virtually certain. 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 2023, the Group has commitments in the order of $1,280.8m (2022: $879.8m) 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	
	2023 $'000	2022 $'000
Commitments in relation to leases contracted for at the end of each reporting period but not recognised as assets, receivable:		
Within one year	**6,268**	7,079
Later than one year but not later than five years	**16,245**	15,557
Later than five years	**13,455**	11,950
	35,968	34,586

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.

As part of the Inland Rail Review recommendations several components of the program are being reviewed. Accordingly, potential changes to contract arrangements may result in a future obligation. However, it is not possible to quantify or define the specific obligations at this point in time.

OUR PEOPLE

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

19. EMPLOYEE BENEFITS

	Consolidated	
	2023 $'000	2022 $'000
Net defined benefit (asset)/liability	**(307)**	2,092
Short term employee benefits provision	**73,826**	70,183
Long term employee benefits provision	**8,649**	8,603
	82,168	80,878
Current	**73,826**	70,183
Non-current assets	**(307)**	–
Non-current liabilities	**8,649**	10,695
	82,168	80,878

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.

19. EMPLOYEE BENEFITS (continued)

Defined benefit plans

There are three defined benefits schemes that a small number of employees belong to: the State Authorities Superannuation Scheme (SASS), the State Superannuation Scheme (SSS) and the State Authorities Non-Contributory Superannuation Scheme (SANCS).

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.

All schemes are closed to new members.

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	
	2023 $'000	2022 $'000	**2023 $'000**	2022 $'000	**2023 $'000**	2022 $'000
Balance as at 1 July	**(35,630)**	(45,740)	**33,538**	36,682	**(2,092)**	(9,058)
Included in Consolidated Income Statement						
Current service cost	**(135)**	(188)	**–**	–	**(135)**	(188)
Interest expense/(income)	**(1,825)**	(1,371)	**1,752**	1,112	**(73)**	(259)
	(1,960)	(1,559)	**1,752**	1,112	**(208)**	(447)
Included in Other Comprehensive Income						
Return on plan assets excluding interest income	**–**	–	**1,299**	(1,414)	**1,299**	(1,414)
Actuarial loss (gain) arising from assumptions and expedience	**(122)**	7,397	**–**	–	**(122)**	7,397
	(122)	7,397	**1,299**	(1,414)	**1,177**	5,983
Contributions						
Employers	**–**	–	**1,430**	1,430	**1,430**	1,430
Plan participants	**(192)**	(218)	**192**	218	**–**	–
Benefits paid	**3,942**	4,490	**(3,942)**	(4,490)	**–**	–
Balance as at 30 June	**(33,962)**	(35,630)	**34,269**	33,538	**307**	(2,092)

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 net 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 2023.

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.

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 three years and be subject to ongoing review.

The weighted average duration of the defined benefit obligation is 11.2 years (2022: 11.7 years).

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 2023 contains the following significant independent actuarial assumptions (expressed as weighted averages):

	Consolidated	
	2023	2022
Discount rate	**5.7%**	5.3%
Rate of CPI increase	**3.1%**	3.1%
Future salary increases	**3.3%**	3.2%

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.

19. EMPLOYEE BENEFITS (continued)

Actuarial assumptions and sensitivity (continued)

The sensitivity of the total defined benefit obligation as at 30 June 2023 under several scenarios is shown below.

		Impact on defined benefit obligation			
	Change in assumption	Increase in assumption		Decrease in assumption	
		2023 $'000	2022 $'000	**2023 $'000**	2022 $'000
Discount rate	0.5%	**1,348**	1,697	**(1,233)**	(1,547)
Salary growth rate	0.5%	**314**	461	**(305)**	(447)
Rate of CPI increase	0.5%	**1,034**	1,218	**(948)**	(1,114)
Pensioner mortality rate	Higher mortality** /Lower mortality*	**94**	63	**(306)**	(404)

*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.

All funding and valuation information has been advised by Mercer as per AASB 119. There are a number of risks to which the Fund exposes the employer. Investment risk, longevity, pension indexation, salary growth and legislative risk are the more significant risks relating to the defined benefits. The defined benefit fund assets are invested with independent fund managers and have a diversified asset mix.

Further disclosures have not been included by ARTC for the Pooled Fund as the impact is not material to the Financial Statements. No known plan amendments, curtailments or settlements which would affect ARTC's liability or contribution to the schemes have occurred in the year.

20. KEY MANAGEMENT PERSONNEL

	Consolidated	
	2023 $	2022 $
Short term employee benefits	**5,853,810**	6,342,570
Post-employment benefits	**310,437**	296,477
Other long-term benefits	**26,020**	60,164
Termination benefits	**–**	534,004
	6,190,267	7,233,215

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	**2023 $'000**	2022 $'000
Trade and other payables		**264,255**	212,920
Interest Bearing liabilities	23	**902,249**	627,698
Less cash and cash equivalents	9	**26,612**	(39,076)
Net debt		**1,193,116**	801,542
Total equity		**1,782,996**	2,645,857
Adjusted equity		**2,976,112**	3,447,399
Net debt to adjusted equity ratio		**40.0%**	23.3%

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.

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 2023 there was $0.2m of cash flow hedge balances released from equity to the income statement (2022: $0.1m). There was no hedge ineffectiveness in the current year expensed to the income statement (2022: Nil).

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 has borrowings through its Syndicated Debt facility which have variable interest rates.

The Group manages its interest rate risk on a portfolio basis by entering into and designating interest rate related authorised hedging instruments as hedges. The objective is to reduce the impact of material adverse interest rate movements arising from the Group's borrowings and minimise volatility in interest costs for the business. Interest rate swap levels are based on assessment of core debt requirements and duration of debt holdings.

As at 30 June 2023, the Group's five year interest rate swap agreements amongst six banks remain in place. In addition six new swaps were executed between two banks (2022: six swaps). The swaps are being used to hedge the base rate (BBSY) of the Group's floating rate unsecured banking facility.

	Notional ($m)	Rate		Fair Value Asset ($m)
		Payable	Receivable	
6 Interest Rate Swaps	118.8	Fixed 1.574%*	Variable 3mth BBSY	10.5
6 Interest Rate Swaps	256.3	Fixed 3.569%**	Variable 3mth BBSY	1.8
	375.1			**12.3**

* The fixed rate of 1.574% includes credit and execution charges of 0.010%.

** The fixed rate of 3.569% includes credit and execution charges of 0.025%.

Details of the accounting policy follow after the maturity analysis.

Sensitivity analysis – interest rate

	Interest rate risk			
	-0.5%		+0.5%	
	Profit $'000	Equity $'000	Profit $'000	Equity $'000
30 June 2023				
Financial assets				
Cash and cash equivalents	(133)	(133)	133	133
Total increase/(decrease) in financial assets	**(133)**	**(133)**	**133**	**133**
Financial liabilities				
Interest Bearing Liabilities	389	389	(389)	(389)
Total increase/(decrease) in financial liabilities	**389**	**389**	**(389)**	**(389)**
Total increase/(decrease)	**256**	**256**	**(256)**	**(256)**

	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**

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

22. FINANCIAL RISK MANAGEMENT (continued)

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 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 to a single tranche Syndicated Debt Facility totalling $1,000.0m maturing in December 2026. The Group has credit approval to increase Syndicated Debt Facility amounts in FY24. The Group reviewed interest rates offered in the light of externally perceived risk of generating revenue from coal producers and considered interest rates to have included a risk premium.

As at 30 June 2023, $705.0m of the Syndicated Debt Facility has been utilised (2022: $430.0m). The Group has a $1,500.0m Australian Dollar Domestic Note programme under which one $125.0m bond is currently issued (2022: $125.0m), maturing in December 2024. The Group also has access to business card facilities of $4.9m (2022: $2.0m).

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 2023	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Financial liabilities					
Trade and other payables	264,255	–	–	–	264,255
Bond issue	2,813	2,813	127,812	–	133,438
Borrowings	710,780	–	–	–	710,780
Other financial liabilities	5,220	1,356	21,979	381	28,936
Lease liability	10,233	9,693	46,014	17,061	83,001
Total financial liabilities	**993,301**	**13,862**	**195,805**	**17,442**	**1,220,410**
30 June 2022					
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

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. The Group only currently utilises cash flow hedges to hedge exposure to variability in cash flows such as forecast foreign currency transactions and variable interest rate risk. 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 other comprehensive income and later reclassified to profit or loss when the hedge item affects profit or loss. Any hedging ineffectiveness is recognised through 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.

At the inception of the hedging transaction, the Group formally designates and documents each hedge in line with Treasury Policy. Where a hedge qualifies for hedge accounting, the documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the entity will assess the hedged item's fair value or cash flows attributable to the hedged risk. Hedge accounting allows the matching of the gains and losses on hedged items and associated hedging instruments in the same accounting period to minimise volatility in the income statement. In all our hedge relationships, the critical terms of the hedging instrument and hedged item are generally aligned. Such hedges are expected to be highly effective in achieving offsetting changes in cash flows and are assessed on an ongoing basis to determine their effectiveness.

23. INTEREST BEARING LIABILITIES

	Consolidated					
	2023			2022		
	Current $'000	**Non-current $'000**	**Total $'000**	Current $'000	Non-current $'000	Total $'000
Bonds – maturing:						
11 December 2024	**–**	**125,078**	**125,078**	–	124,928	124,928
Syndicated debt facility	**–**	**705,121**	**705,121**	–	430,499	430,499
Lease liabilities	**16,719**	**55,331**	**72,050**	12,394	59,877	72,271
	16,719	**885,530**	**902,249**	12,394	615,304	627,698

Changes in liabilities

			Non-cash changes		
Consolidated	**1 July $'000**	**Cashflow $'000**	**Transfer $'000**	**Other $'000**	**30 June $'000**
Financial liabilities 2023					
Current					
Interest bearing liabilities	**12,394**	**4,325**	**–**	**–**	**16,719**
Non-Current					
Interest bearing liabilities	**615,304**	**270,226**	**–**	**–**	**885,530**
	627,698	**274,551**	**–**	**–**	**902,249**
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

The cashflow movement (excluding lease liabilities) of $274.8m (2022: $90.6m) differs from the variance between the balances above due to the impact of effective interest. The cashflow movement on lease liabilities of $20.9m 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	
	2023 $'000	2022 $'000
Financing costs – borrowings	**31,469**	13,223
Right of use lease interest	**3,857**	3,917
	35,326	17,140

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 15.

24. DEFERRED INCOME

	Consolidated					
	2023			2022		
	Current $'000	**Non-current $'000**	**Total $'000**	Current $'000	Non-current $'000	Total $'000
Government grants	**106,145**	**1,055,233**	**1,161,378**	54,361	999,693	1,054,054
Other deferred income	**138**	**–**	**138**	–	–	–
	106,283	**1,055,233**	**1,161,516**	54,361	999,693	1,054,054

The Government 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.

24. DEFERRED INCOME (continued)

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.

Biodiversity Stewardship Agreement (BSA)

A BSA is a legal agreement between the Biodiversity Conservation Trust (BCT) and landowner to establish a biodiversity site to enable the generation of biodiversity credits (recognised as intangible assets as per Note 15). It sets out the actions that need to be taken by the landowner to improve and maintain biodiversity values into perpetuity, the cost to improve and maintain the land (Total Fund Deposit – TFD) and the biodiversity credits that can be generated from doing so.

Once the TFD is paid in full to the BCT, it triggers an active management phase whereby the landowner has an ongoing annual obligation to satisfy the management actions outlined in the BSA. Management actions are pre-defined actions agreed between the landowner and the BCT for improving the biodiversity of the land and maintaining the desired level of biodiversity into the future. At this point in time, the landowner will also be entitled to an annual income stream from the BCT which is calculated based on the TFD to offset the maintenance costs. Future income is contingent on successful inspection by the BCT. On receipt of the annual income stream, it is recognised as deferred income and released to the Consolidated Income Statement to match with the maintenance costs they are intended to compensate.

Significant accounting estimates and judgements

Biodiversity Stewardship Agreement (BSA)

ARTC judgement is that the BSA obligation and income streams fall within the definition of an Executory Contract. This is due to obligations on both ARTC and the BCT being of equal monetary value and equally unperformed at the time of commencement of the active management phase. Additionally, the risk of forfeiture of the credits in the situation of non-performance is considered negligible, supporting the determination of the arrangement as an Executory Contract.

25. CAPITAL AND RESERVES

Contributed equity

Share capital	2023 Shares	2022 Shares	2023 $'000	2022 $'000
Ordinary shares – fully paid	**5,994,008,100**	4,963,079,100	**6,085,759**	5,054,830
	5,994,008,100	4,963,079,100	**6,085,759**	5,054,830

Equity injections all for Inland Rail of $1,030.9m (2022: $763.5m) have been received throughout the year.

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	
	2023 $'000	2022 $'000
Asset revaluation reserve	**356,304**	363,844
Cash flow hedging reserve	**10,536**	8,149
	366,840	371,993

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

ARTC Non-Executive Director David Saxelby provided additional services to ARTC in regards to Inland Rail during the financial year, amounting to $103.4k (excluding GST).

There were no other related party transactions with Directors at year end (2022: nil).

There were no loans to Directors at year end (2022: 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	
		2023 %	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	
	2023 $	2022 $
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 Ernst and Young for auditing the financial report of the entity in the Group (GST exclusive)	**388,000**	360,000
Other assurance services		
The following total remuneration was received or is due and receivable, by the Australian National Audit Office in respect of its services, including those performed by its contractors Ernst and Young relating to fees for Infrastructure Investment Grant Audit (GST exclusive)	**13,000**	12,700
Total remuneration services for audit and other assurance services	**401,000**	372,700
Other services		
Other non-audit services – strategic advice from EY Port Jackson Partners (GST exclusive)	**355,000**	–
Total remuneration services for non-audit services	**355,000**	–

28. SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 3 July 2023, resolutions were passed to rename the existing subsidiary Standard Gauge Company Pty Ltd to Inland Rail Proprietary Limited and adopt a new constitution as the delivery vehicle for the Inland Rail project. Governance arrangements between ARTC and the repurposed subsidiary will be implemented during the first part of FY24 with an expectation of trading commencing in Inland Rail Proprietary Limited at that point. The Chair of the ARTC Board and five Independent Directors have been appointed to the Inland Rail Board, with complete operational separation expected in the first part of FY24. It is expected that the subsidiary will be consolidated with ARTC under Australian Accounting Standards.

Mr Mark Campbell resigned as CEO and Managing Director on 31 July 2023. The Board of ARTC appointed Mr Wayne Johnson as Acting CEO on 1 August 2023 whilst the Board conducts a competitive search for a permanent CEO and Managing Director.

As a result of the staging of activity on sections of Inland Rail north of Parkes, a restructuring plan for the Inland Rail Program was announced 31 August 2023. Under the plan between 60 and 80 job reductions in Inland Rail are expected over a period of six months. As the impact of the plan was communicated to employees after the balance sheet date, the constructive obligation that has arisen represents a non-adjusting post-balance sheet event. The anticipated costs for this plan are expected to be in the range of $3m to $5m and will be recognised in the financial year 2024.

As noted above there are cost pressures evident across Inland Rail, Hunter Valley and Interstate. ARTC is responding, strategically reviewing cost structures across the business.

ARTC is undertaking debt raising activities and will increase the debt facility available during the early part of FY24.

No other events have occurred after the balance sheet date that should be brought to account or disclosed in the year ended 30 June 2023 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 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 July 2022 as noted below.

- Annual Improvements 2018–2020 and Other Amendments (AASB 2020-3)

ARTC has adopted the following amendment in the current year, to ensure alignment with the Federal government early adoption.

- Disclosure of Accounting Policies and Definition of Accounting Estimates (AASB 2021-2)

These amendments had no impact on the Group's financial statements.

New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2023 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

DIRECTORS' DECLARATION 30 JUNE 2023

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 72 to 120 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 2023 and of its performance for the year ended on that date, and

(b) the financial statements and notes set out on pages 72 to 120 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.

P Duncan
Director

Signed on the 19th day of September 2023

INDEPENDENT AUDITOR'S REPORT

To the members of Australian Rail Track Corporation Ltd

Opinion

In my opinion, the financial report of Australian Rail Track Corporation Ltd ('the Entity') and its subsidiaries (together 'the Group') for the year ended 30 June 2023 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 2023 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 as at 30 June 2023 and for the year then ended

- Consolidated Statement of Comprehensive Income;
- Consolidated Statement of Financial Position;
- Consolidated Statement of Changes in Equity;
- Consolidated Cash Flow Statement;
- Notes to the financial statements, comprising a summary of significant accounting policies and other explanatory information; and
- Directors' Declaration.

Basis for opinion

I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report. I am independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the relevant ethical requirements for financial report audits conducted by the Auditor-General and his delegates. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (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 Entity, 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.

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 2023, 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.

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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 Entity 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 matters, as applicable, 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

Bola Oyetunji

Group Executive Director

Delegate of the Auditor-General

Canberra

20 September 2023

LIST OF ANNUAL REPORT REQUIREMENTS

As a Commonwealth company, ARTC's 2022–23 Annual Report addresses the following requirements as specified by the Public Governance, Performance and Accountability Rule 2014 (PGPA Rule):

PGPA Rule Reference	Part of Report	Description	Requirement
28E	Contents of annual report		
28E(a)	About ARTC	The purposes of the company as included in the company's corporate plan for the reporting period	Mandatory
28E(aa)	Performance Overview; Reports and 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)	About ARTC	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)	Business Units (Inland Rail); Reports and Statements	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)	Not applicable	Any government policy orders that applied in relation to the company during the reporting period under section 93 of the Act	If applicable, mandatory
28E(e)	Not applicable	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 and Statements	Information on each director of the company during the reporting period	Mandatory
28E(g)	About ARTC	An outline of the organisational structure of the company (including any subsidiaries of the company)	Mandatory
28E(ga)	People	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)	About ARTC	An outline of the location (whether or not in Australia) of major activities or facilities of the company	Mandatory
28E(i)	Reports and Statements	Information in relation to the main corporate governance practices used by the company during the reporting period	Mandatory

PGPA Rule Reference	Part of Report	Description	Requirement
28E(j), 28E(k)	Reports and Statements	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 of value of the transactions	If applicable, mandatory
28E(l)	Message from the Chair; Reports and Statements	Any significant activities or changes that affected the operations or structure of the company during the reporting period	If applicable, mandatory
28E(m)	Not applicable	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)	Not applicable	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
28E(o)	Not applicable	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 and Statements	Information about executive remuneration	Mandatory
28E(ob)	Reports and 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

PGPA Rule Reference	Part of Report	Description	Requirement
28F	Disclosure requirements for government business enterprises		
28F(1)(a)(i)	Reports and Statements	An assessment of significant changes in the company's overall financial structure and financial conditions	If applicable, mandatory
28F(1)(a)(ii)	Reports and 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)	Performance Overview; Reports and Statements	Information on dividends paid or recommended	If applicable, mandatory
28F(1)(c)	Not applicable	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 and 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


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