ANNUAL REPORT
FOR THE YEAR ENDED
30 JUNE 2020

ARTC

Australian
Rail Track
Corporation

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

DIRECTORS' REPORT

The Board of Directors of the Australian Rail Track Corporation Ltd (ARTC) has pleasure in submitting the Directors' Report together with the Financial Report of the Group (the Group comprises Australian Rail Track Corporation Ltd and the Standard Gauge Company Pty Ltd) for the financial year ended 30 June 2020. This Directors' Report has been prepared in accordance with the requirements of Division 1 of Part 2M.3 of the Corporations Act 2001.

DIRECTORS

The following persons were Directors of Australian Rail Track Corporation Ltd during the whole of the financial year and up to the date of this report unless otherwise stated:

W Truss
C Barlow
G Brown
M Campbell (appointed on 30 April 2020)
J Fullerton (end of term on 30 April 2020)
R Garnon
V Graham
D Saxelby
J Seabrook

QUALIFICATIONS, EXPERIENCE AND SPECIAL RESPONSIBILITIES

The Hon Warren Truss AC (Non-Executive Director)

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

Previously, Warren was Chair of the Sugar Coast Burnett Regional Tourism Board, Deputy Chair of Bulk Grains Queensland and President of the Australian Council of Rural Youth.

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

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

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

Ms Gillian Brown joined the Board as a Non-Executive Director in June 2010. Gillian is an independent non-executive director with over 15 years board experience in infrastructure, debt capital markets and funds management. Until 2017, Gillian was a leading corporate and project finance lawyer and Partner at Minter Ellison Lawyers. Gillian has experience in complex corporate transactions, including public private partnerships, mergers and acquisitions, strategy and risk allocation, workplace health and safety and environmental, social and governance initiatives. Gillian is also a Non-Executive Director of QIC Limited, QIC Private Capital Pty Ltd and BRIC Housing. Gillian's previous board roles include Chairman of Minter Ellison Lawyers and director of Queensland Treasury Corporation and DBCT Holdings Pty Ltd.

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

Ms Rosheen Garnon was appointed to the ARTC Board as Non-Executive Director on 21 November 2018. Rosheen is a seasoned professional services expert with over 29 years' experience in the accounting industry. Rosheen's qualifications include a Bachelor of Economics (Accounting Major) and Bachelor of Laws from the Australian National University. She is a Fellow of Chartered Accountants in Australia and New Zealand, a Chartered Tax Advisor and a Graduate of the Australian Institute of Company Directors. Rosheen is Chair and a Non-Executive Director of Alexium International Group Limited; and a Non-Executive Director of Resolution Life Australia. 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; Member of the University of Sydney Finance and Audit Committee; Trustee of the Sydney Cricket and Sports Ground Trust; a Non-Executive Director of Creative Partnerships Australia; and a Non-Executive Director of Women Corporate Directors.

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

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

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

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

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

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

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

Mr Mark Campbell is the Managing Director and Chief Executive Officer at ARTC, overseeing a team of more than 1,600 people in five states across Australia who manage the transit of around 450 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.

John Fullerton BTech (EEng), FIE Aust, FAICD, CMILT

Mr John Fullerton was Managing Director and Chief Executive Officer of Australian Rail Track Corporation Ltd from February 2011 to 30 April 2020. Mr Fullerton has over 35 years' experience in the rail industry across Australia and currently holds the position as Non-Executive Director of the Australasian Railway Association and is the Alternate Non-Executive Director of Hunter Valley Coal Chain Coordinator Ltd. Mr Fullerton is also a member of the Freight on Rail Group having served as its inaugural Chairman from 2015 to 2018. Mr Fullerton was previously Chief Executive Officer of Freight Link Pty Ltd and Asia Pacific Transport Pty Ltd, Chairman of Rail CRC Ltd, Non-Executive Director of Tasmanian Railway Pty Ltd, Non-Executive Director Rail Industry Safety and Standards Board Ltd and inaugural Board Member for South Australian Young Entrepreneur Scheme. Mr Fullerton has held other senior executive roles in the rail industry including Chief Operating Officer at National Rail Corporation and Divisional General Manager (Operations) at Pacific National. Mr Fullerton has been listed in the Top 100 Influential Engineers in Australia for four consecutive years from 2011 to 2014.

Company Secretary

Mr Gavin Carney BA, LLB, LLM, GradDip ACG, MAICD, FGIA was appointed Company Secretary in 2009.

Mr Carney joined ARTC in 2007 and is also the General Counsel. Mr Carney is a Fellow of the Governance Institute of Australia and a Member of the Australian Institute of Company Directors. As Company Secretary of ARTC, Mr Carney is responsible for monitoring the Company's corporate governance framework and for managing all matters relating to the Company's Board of Directors, Board Committees and Executive Team.

MEETINGS OF DIRECTORS

The number of meetings of the Group's Board of Directors and of each Board Committee held during the year ended 30 June 2020, and the numbers of meetings attended by each Director were:

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

A = Number of meetings attended

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

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

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

(3) Mr Barlow attended one Audit & Compliance Committee meeting as an invitee.

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

(5) Ms Garnon attended six Inland Rail Committee meetings as an invitee.

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

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

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

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

(10) Mr Fullerton attended the Audit & Compliance Committee and the People & Performance Committee meetings by invitation. Mr Fullerton attended one additional Audit & Compliance Committee, People & Performance Committee, Inland Rail Committee and Environment, Health & Safety Committee and two additional Board meetings as an adviser, following the end of the term of his appointment as Managing Director.

MEMBERS OF THE BOARD COMMITTEES DURING THE YEAR:

AUDIT & COMPLIANCE

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

ENVIRONMENT HEALTH & SAFETY

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

PEOPLE & PERFORMANCE

Member	Membership period (if other than full year)
J Seabrook	Chair
C Barlow	
G Brown	
R Garnon	

RISK COMMITTEE

Member	Membership period (if other than full year)
C Barlow	Chair
G Brown	
M Campbell	Appointed on 30 April 2020
J Fullerton	End of term on 30 April 2020
R Garnon	
V Graham	
D Saxelby	
J Seabrook	
W Truss	

INLAND RAIL COMMITTEE

Member	Membership period (if other than full year)
D Saxelby	Chair
C Barlow	
M Campbell	Appointed on 30 April 2020
J Fullerton	End of term on 30 April 2020
J Seabrook	
W Truss	

PRINCIPAL ACTIVITIES

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

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

1. Inland Rail Activities: -

ARTC continues to make progress on the Inland Rail program since construction commenced in December 2018 on the first of section of Inland Rail between Parkes to Narromine in New South Wales, finalisation of detailed design and pre-procurement for Narrabri to North Start and near completion of reference design across the remainder of the program.

The significant national benefit of Inland Rail was reconfirmed by it being listed as an Infrastructure Australia 'Priority Project' and in June being listed as an Australian Government priority project to benefit from streamlined approval processes.

These benefits will only be delivered by a combined commitment by all levels of the Government and community to work with Inland Rail to maintain social licence and support for delivery, when ultimately a program of this size has significant local impacts.

A key part of this is that Intergovernmental agreements have been in place for some time with Victoria and New South Wales and with the Queensland Intergovernmental Agreement being executed between the State and Federal Governments in November 2019 the enabling environment to deliver now exists , however a number of enabling agreements with Queensland State Agencies still remain outstanding.

Of further note this financial year:

- Construction activities on the Parkes to Narromine Project stage reached 75% and are expected to be completed in mid FY21;
- The Narrabri to North Star Project in New South Wales saw further progress with Expression of Interest (EOI) and Request for Proposal (RfP) received. Contract award is expected to occur early in FY21. Manufacturing and delivery of rail and sleepers commenced and is nearing completion;
- ARTC received a positive response from the market for the EOI to design, build, finance and maintain the Gowrie to Kagaru segment in Queensland through a Public Private Partnership (PPP);
- The Inland Rail team has been actively engaging and listening to landowners and other stakeholders. A total of eight Community Consultation Committees (CCCs) and a number of sub-committees continue to actively facilitate community involvement along the route as part of our commitment to addressing local community and environmental concerns;
- The Environmental Impact Statements (EIS) for Gowrie to Helidon and Calvert to Kagaru, were submitted to the Office of the Coordinator General for Adequacy Review. Helidon to Calvert EIS has been submitted in early FY21;
- The majority of Project stages completed Reference Design, with the two remaining projects achieving 70% of Reference Design completion;
- The Inland Rail Skills Academy was launched in August 2019 with the aim to; increase the number of skilled people eligible for employment on Inland Rail and associated regional industries, increase school student awareness and capability by connecting students with industry best practice, create opportunities for local businesses to participate in new supply chains and equip Inland Rail employees with world -class skills;
- The Community Sponsorships and Donations Program also launched in 2019 with the aim to assist community-initiated projects, events or activities with grants between $1,000 to $4,000 awarded through four rounds within FY20;
- As at 30 June, a total of 1,805 people had worked on the P2N project, with 692 of these workers being local residents, and 298 being Indigenous workers;
- In September 2019, the Senate moved that an inquiry into the management of the Inland Rail Project by ARTC would be undertaken. Public hearings have been held in January and April 2020, with a report from the inquiry currently due on 11 November 2020; and,
- A Reset exercise was undertaken which considered Program cost, scope and schedule. This has been submitted for Shareholder approval.

Consistent with prior years and all ARTC assets the Inland Rail project is assessed for impairment as required by Accounting Standards (note 7(c)). Notwithstanding all of the above it is noted that the Inland Rail project is primarily funded by the Commonwealth Government in accordance with pre-existing project agreements.

2. ACCC Hunter Valley Compliance Assessment: -

Since June 2019, calendar year 2015 and 2016 compliance assessments have been concluded with the ACCC, with subsequent Compliance Assessments being subject to progressive review. The Group continues to carry an estimated financial liability or asset on the balance sheet for the remaining compliance assessment outcomes relating to Calendar Years 2017-2019 and to 30 June 2020 for the 2020 half calendar year assessment.

3. Non-Coal Market Conditions and Impairment:-

2019/20 has seen increased challenges within the economic environment with the additional unique circumstances posed by the COVID-19 pandemic. Within the non-coal market segment, COVID-19 resulted in increased demand for a range of consumer staples leading to increased interstate freight volumes and revenue which is likely to be short-term in nature.

Experience from previous economic downturns has shown that the volume of freight will be reduced in the short to medium term and we have lowered our previous forecast growth expectations in respect of future mining developments and inter-capital growth rates as a result.

To support the Interstate customer base through the challenges posed by COVID-19, ARTC has deferred scheduled price increases from 1 July 2020 to 1 January 2021. In addition, Interstate rail customers' payment terms were extended to 90 days for a period of approximately 6 months.

As a result there has been a reduction in the Interstate Business Unit's long term cash flow forecasts which has been the key reason for a downward revaluation of the Interstate Business Unit's assets of $366.0 million, of which $366.0 million (2019: $287.9 million) was recorded in the Income Statement and nil (2019: $216.6 million) in the Asset Revaluation Reserve.

There was a partial offset to the fair valuation outcome noted above due to a 0.6% reduction in ARTC's Weighted Average Cost of Capital (refer to Note 11(d) of the financial statements for further detail) reflecting ARTC's view, based on the work of an external expert, that there has been a reduction in the long term risk free rate since the previous assessment was undertaken in June 2019.

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

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

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

As part of our COVID-19 response throughout the year, we worked closely with government and health authorities to determine and adhere to preventative measures, while navigating ever-changing travel restrictions and border closure arrangements in order to keep the nation's supply chain intact. This remains an ongoing focus for ARTC particularly noting the recent spike in COVID-19 cases in Victoria.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Likely developments and the expected results of operations of ARTC are contained in the Chairman and Chief Executive Officer's Reports.

There has been ongoing engagement with shareholders and financiers in terms of the management of ARTC's liquidity requirements, noting some of the challenges and risks in the operating and financial environment. ARTC has plans in place to manage its funding requirements for the coming financial year which include a deferral of dividends.

DIVIDENDS

On 31 October 2019 the Group made a payment of $23,325,000 to the shareholder as the final dividend for the 2018/19 financial year.

Payment of an interim dividend in respect of the 2019/20 financial year has been deferred as at balance date.

REVIEW OF OPERATIONS

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

ENVIRONMENTAL REGULATION

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

INDEMNIFICATION OF OFFICERS

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

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

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

ARTC has indemnified each of the Directors of the Company against any legal proceedings, loss or liability that arises in their capacity as a Director of ARTC. As at 30 June 2020, no material claims have been made.

NON-AUDIT SERVICES FROM EXTERNAL AUDITORS

The External Auditors did not provide any non-audit services during 2019/20 (2018/19: $144,981).

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 9.

Signed in accordance with a resolution of the Directors:

W Truss
Director

Signed on the 15th day of October 2020

M Campbell
Director

Signed on the 15th day of October 2020

Australian National Audit Office

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

AUSTRALIAN RAIL TRACK CORPORATION LTD FINANCIAL REPORT 2019–20
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 2020, to the best of my knowledge and belief, there have been:

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

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

Australian National Audit Office

Scott Sharp
Executive Director
Delegate of the Auditor-General

Canberra
15 October 2020

GPO Box 707 CANBERRA ACT 2601
38 Sydney Avenue FORREST ACT
Phone (02) 6203 7300 Fax (02) 6203 7777

REMUNERATION REPORT - UNAUDITED

This report outlines the approach to setting remuneration and the outcomes for ARTC's Key Management Personnel (KMP) for the year ended 30 June 2020. The personnel covered in this report include Non-Executive Directors of ARTC, its Chief Executive Officer and Managing Director (CEO & MD) and all senior executives appointed to roles that report directly to the CEO & MD.

Name	Title	2020 Status
	Non - Executive - Directors	
Warren Truss AC	Chairman	Full Year
Chris Barlow	Non - Executive Director	Full year
Gillian Brown	Non - Executive Director	Full year
Vince Graham AM	Non - Executive Director	Full year
David Saxelby	Non - Executive Director	Reappointed 28/11/2019
Jenny Seabrook	Non - Executive Director	Reappointed 28/11/2019
Rosheen Garnon	Non - Executive Director	Full year

Name	Title	2020 Status
	Executive Directors	
John Fullerton	Chief Executive Officer and Managing Director	Resigned 30/04/2020
Mark Campbell	Chief Executive Officer and Managing Director	Appointed 30/04/2020
	Other Key Management Personnel	
Andrew Bishop	Chief Financial Officer	Retired 31/12/2019
Shane Flowers	Chief Financial Officer (Acting)	Appointed 31/12/2019
Gavin Carney	General Counsel and Company Secretary	Full Year
Kylie Gallasch	Group Executive Corporate Services and Safety	Full Year
Jane Lavender - Baker	Group Executive Corporate Affairs and People	Full Year
J McAullife	Executive General Manager People	
Simon Ormsby	Group Executive Strategy & Corporate Development	Full Year
Jonathan Vandervoort	Group Executive Hunter Valley	Retired 31/01/2020
Wayne Johnson	Group Executive Hunter Valley	Appointed 31/01/2020
Peter Winder	Group Executive Interstate	Full year
Richard Wankmuller	Chief Executive Officer Inland Rail	Full Year
Damien White	Executive General Manager integration Inland Rail	Appointed 14/10/2019

KMP Remuneration Policies and Practices

Non-Executive Directors

All Non-Executive Directors of ARTC are appointed by the Commonwealth of Australia through the Shareholding Ministers. Fees for Non-Executive Directors are set by the Commonwealth Remuneration Tribunal (the Tribunal). The Tribunal reviewed the Non-Executive Directors' remuneration in 2019 and consented to increases from 1 July 2019. No increase has been applied for FY20.

Chief Executive Officer and Managing Director (CEO & MD)

As a result of planned retirement from the role, Mr John Fullerton handed over responsibilities to incoming ARTC CEO & MD, Mr Mark Campbell on 30 April 2020 following Mr Campbell's appointment by the Commonwealth Government through the Shareholder Ministers.

In March 2020, the Remuneration Tribunal confirmed the role as a Principal Executive Officer (PEO) Band E under the Principal Executive Office - Classification Structure and Terms and Conditions. The Tribunal confirmed an 'at risk' incentive opportunity of up to 60% of the total remuneration would apply as determined by the Board.

Senior Executives (Executive KMP)

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

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

Executives received a 2% increase in October 2019. No increase has been applied for FY20.

KMP Remuneration Governance Arrangements

ARTC's Board monitors performance and reward practice against its corporate governance objectives. The Board is accountable for remuneration related activities and manages these matters through the People and Performance Committee (the Committee).

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

The Committee responsibilities include and are not limited to, assisting the Company:

- in building a high performance organisation through policies designed to recruit, develop, reward and retain the best people, and
- the orderly succession of KMP staff and the Chief Executive Officer (CEO)

The Committee makes specific recommendations to the Board regarding remuneration of the Chief Executive Officer (CEO) and Executive KMP and provides oversight at Board level of the related Company policies, procedures and practices.

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	Reviews and recommends · Strategies to grow a customer-focused culture, aligned with and underpinning the organisation's strategic objectives · High performance organisation policies designed to recruit, reward and retain the best people · Sucession of Executive KMP and the CEO & MD · Remuneration of the Executive KMP · The company's policies, procedures and practices	Determines · Remuneration reference rates for the CEO & 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 & MD and Executives	Reviews and recommends Performance & Remuneration · CEO & 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 interpretation of reward practices · Relocation related expense	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 performance and reward frameworkds to enable the attraction and retention of business-critical talent required to achieve our objectives
	Monitors and evaluates · Workplace, enterprise and industrial agreements and instruments · 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 interests

REMUNERATION REPORT - UNAUDITED (CONTINUED)

Remuneration Policies and Related Practices

Remuneration Structure

For FY20 the CEO & MD and senior executive remuneration arrangements are comprised as follows:

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

Changes to Fixed Remuneration in 2019/20

In July 2019, the ARTC Board approved a 2% increase in FAR for each of the KMP reporting to the CEO & MD which took effect in October 2019. This decision was informed by the Remuneration Tribunal determination regarding the CEO & MD's remuneration and a review of the relevant market data comparators. This included, the Consumer Price Index, remuneration guidance for the general market and the engineering market, provided by our remuneration consulting partners and the average Federal Government enterprise bargaining wage increase.

As a result of the Australian Government's decision in April 2020 to place a six-month pause on wage and salary increases, ARTC has similarly suspended Executive KMP remuneration review in 2020. Ordinarily a review would be undertaken in July and increases payable from October. This pause also applies to ARTC CEO and Directors.

Future Reward Considerations

Overall, as the impact of the Covid-19 pandemic continues to evolve, we expect to see continuing impacts on our business, with the economic downturn, leading to declining freight volumes and revenue, which will require appropriate efficiency adjustments.

In contrast, ARTC's project delivery task is growing. The delivery of the Inland Rail project and potential fast tracking or further investment in an already busy infrastructure sector, presents challenges around our ability to attract and retain critical talent and the need to adopt a tailored approach to retention and reward strategies will be crucial.

The ability to effectively balance competing priorities and secure the capability required to execute complex, high profile projects that deliver value over the longer term, will remain a key focus in the management of business cost and risk.

ARTC's Board and People and Performance Committee will continue to review the critical strategic objectives and exercise discretion to ensure prudent management of ARTC resources, including the basis upon which remuneration and short term incentives is determined.

Short Term Incentive (STI) Performance Program

The Corporate Measures used to assess Company performance for FY20 are set by the Board and aligned to the measures in the Corporate Plan, approved by the Shareholders.

The three critical objectives for FY20 are:

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

To achieve its strategic objectives, ARTC seeks to ensure it has the right people capabilities and business systems to demonstrate and deliver:

- Safe working environments free from harm;
- Company-wide commitment to its core values;
- Respect and value creation for its stakeholders and communities;
- Strong leadership and corporate governance;
- Effective safety, procurement, people and risk management including security, reliability and performance of systems and confidentiality of ARTC and customers' data.

Linking Company and Individual Performance to STI Payments

The STI Program is linked to individual balanced scorecards of Key Performance Indicators (KPIs), and an assessment against overall results and alignment to the Company's values and Leadership behaviours.

ARTC KMP Corporate Performance Measures

Key Performance Indicators (KPIs) are a mix of Company financial and non-financial measures (including safety, customer and employee targets), and specific individual performance objectives, directly related to the Executive's accountability.

The STI is based on a percentage of the FAR as follows:

Role	Potential STI As % FAR
ARRTC CEO & MD	60 (*)
Inland Rail CEO	50 (**)
Other Eligible KMP	20-30 (**)

(*) ARTC CEO & MD Short Term Incentive is capped at 60%

(**) with stretch the potential STI for the Inland Rail CEO is 62% of FAR and for other eligible KMP 23 to 35% of their FAR

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

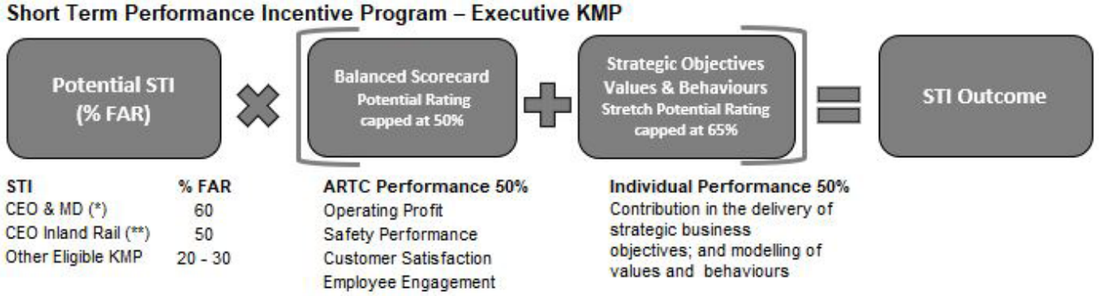
A Performance Plan is created with each Executive KMP based on the accountabilities specific to their role, and the part that they play in leading the delivery of the Corporate Plan objectives. Each plan contains stretch targets aligned to each of the objectives which are designed to incentivise high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

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

The Board determines the payment of short term incentives as an outcome of the assessment of each Executive KMP's performance against the objectives set out in ARTC's Corporate Plan.

Payment under the STI Program is at the discretion of the Board and is dependent on the overall performance of the business.

Short Term Performance Incentive Program – Executive KMP



(*) The CEO & MD STI is capped at 60%
(**) The CEO of Inland Rail has the following STI arrangements:
20% Balanced Scorecard
80% Strategic Objectives, Values, Behaviours
With stretch the potential STI for Inland Rail CEO is 62% of his FAR
(***) With stretch the potential STI for other eligible KMP is 23 to 35% of their FAR

REMUNERATION REPORT - UNAUDITED (CONTINUED)

Executive KMP Performance and Payment of STI for 2019 - 2020

The FY20 performance year proved extremely challenging due initially to the protracted Australian Bushfires commencing in October 2019 on the Telarah to Acacia Ridge Corridor and extending through New South Wales, Victoria, South Australia and Western Australia. The fires continued until late February 2020. In February severe flooding occurred in South Australia and in March, there was the tragic train derailment in Wallan, Victoria.

The significant track losses were rebuilt ahead of schedule as the organisation mobilised and maintained focus on keeping the national network running for its customers and other key stakeholders.

The rapid onset of the Covid-19 pandemic resulted in a substantial amount of work to be reprioritised and operationalised for the movement of freight across Australia. Continuous adjustments to maintain critical maintenance and project work in a safe manner and effectively support customers in the delivery of freight has been and will continue to be an overarching priority. A number of key stakeholders have acknowledged ARTC's speed and adjustment to new safe working requirements. As an essential service ARTC has successfully mobilised and continues to deliver high volumes of freight across the country. There have been no significant outages or shutdowns due to Covid-19.

Corporate Performance Outcomes

- ARTC assesses financial performance on the basis of operating profit performance against budget. Operating Profit is defined as earnings before interest, tax, depreciation, amortisation and impairment (EBITDAI) excluding impacts on earnings from expenditure related to ARTC's major infrastructure works program and grant revenue. ARTC had a solid year with operating profit exceeding the budgeted target, with some increases in interstate freight activity and revenue coupled with general operating expenditure savings helping to offset higher incident expense and corridor maintenance costs.
- The corporate performance measure for safety exceeded the target, however, the Board in taking account of the holistic safety performance exercised discretion and reduced the rating score.
- Customer satisfaction was slightly below target; the employee engagement measures achieved target remaining above the industry average benchmarks.

EXECUTIVE KMP PERFORMANCE OUTCOMES

Delivering Critical Outcomes

- The Automatic Train Management System (ATMS) implementation and change management deployment plan was approved with development commenced for broader network deployment underway with Freight on Rail Group (FORG) and Department of Infrastructure, Transport, Regional Development and Communications (DITRDC).
- ARTC Network Control Optimisation (ANCO) commissioned in the Hunter Valley and ATMS IS1 passed its final acceptance testing prior to achieving practical completion
- Inland Rail capability was further enhanced with the establishment of the Program Management Office (PMO) to support the program and strengthen the capability of the program team.
- Inland Rail maintained its commitment and focus on engaging transparently, respectfully and consistently with key stakeholders, landowners and communities.
- Delivery of Victorian Projects and full integration with Inland Rail across the Project was successful.
- Hunter Valley Business Unit achieved 2 years Lost Time Injury free during FY20.

BUILDING CAPABILITY

- Good progress was made to continue the strengthening of organisational capability across the business, specifically safety, procurement, systems & technology, finance and legal, and this capability further supported the delivery of Inland Rail.
- The Risk Management System was fully commissioned,
- The Digital Strategy to build ARTC's capability to manage its large asset base, operating trains across the network and providing corporate support and control systems, was approved and implementation commenced.
- ARTC's leadership succession for the role of Chief Executive Officer and Managing Director, has been effectively
- transitioned with a strong focus on the early engagement of all key customers and other stakeholders.
- A key focus was the deployment of the ARTC People Strategy - Stage 1, securing critical talent, building leadership capability and renewed focus on performance contribution and related systems and processes.

In assessing ARTC performance in FY20, the Board considered the respective Executive KMP's performance contribution in the achievement of priority objectives together with the strategic decisions and initiatives put in place during the year to respond to the extraordinary circumstances facing the business and the wider community. The outcome of the Executive KMP performance assessments resulted in the Board awarding the outcomes specified in the table below and in the Executive Remuneration table on page 21.

EXECUTIVE KMP PERFORMANCE OUTCOMES

Role	Potential STI as % FAR	Actual STI as % FAR (*)
ARTC CEO & MD	60	54
Inland Rail CEO	50	43
Other eligible KMP	20-30	15-26

(*) Annualised

REMUNERATION GOVERNANCE ARRANGEMENTS

The Board

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

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

The People and Performance Committee (The Committee)

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

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

The relevant excerpts from the Charter include:

Culture and Capability

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

Diversity

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

Policies

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

Remuneration & Performance

Chief Executive Officer and Managing Director

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

Senior Executive Staff

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

Remuneration Report

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

As at 30 June 2020 the Committee comprised Jenny Seabrook (Chair), Chris Barlow, Gillian Brown and Rosheen Garnon.

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

REMUNERATION REPORT - UNAUDITED (CONTINUED)

NON-EXECUTIVE DIRECTOR REMUNERATION

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

Name	Year	Based fixed annual salary $	Post-employment Superannuation $	Total $
W Truss	2019	162,665	15,453	178,118
	2020	**167,569**	**15,919**	**183,488**
C Barlow	2019	81,332	7,727	89,059
	2020	**83,790**	**7,960**	**91,750**
G Brown	2019	97,209	7,727	104,936
	2020	**100,235**	**7,960**	**108,195**
V Graham	2019	89,271	7,727	96,998
	2020	**92,013**	**7,960**	**99,973**
D Saxelby (reappointed 28 November 2019)	2019	81,332	7,727	89,059
	2020	**83,790**	**7,960**	**91,750**
J Seabrook (reappointed 28 November 2019)	2019	89,271	7,727	96,998
	2020	**92,013**	**7,960**	**99,973**
R Garnon	2019	49,533	7,727	54,239
	2020	**92,013**	**7,960**	**99,973**
Total non-executive	2019	650,613	58,794	709,407
Director remuneration	**2020**	**711,423**	**63,679**	**775,102**

EXECUTIVE REMUNERATION

The following table represents the remuneration receivable by KMP executives applicable to the relevant year.
E.g. The short-term incentives for financial year 2020 represent the amounts awarded to KMP for performance outcomes associated with FY2020 and are to be paid in October 2020.

Name	Year	Short-term benefits			Post-employment	Other long-term benefits		Termination benefits	Total remuneration
		Base salary and fees $	STI/ Bonuses $	Non-cash benefits $	Superannuation contributions $	STI deferral $	Long service leave $	$	$
Executive Director M Campbell (1)	2019	-	-	-	-	-	-	-	-
	2020	129,254	-	-	4,201	-	2,864	-	136,319
J Fullerton (2)	2019	703,670	313,283	-	20,531	-	61,131		1,098,615
	2020	**627,089**	**437,771**		**17,691**	-	**19,569**	-	**1,102,120**
Other key management personnel (group)									
A Bishop (3)	2019	376,815	94,307	-	20,531	-	19,606	-	511,259
	2020	**191,622**	**54,292**	-	**11,309**	-	**6,057**	-	**263,280**
S Flowers (4)	2019	-	-	-	-		-	-	-
	2020	**158,684**	**35,160**	-	**10,501**		**3,427**	-	**207,772**

EXECUTIVE REMUNERATION (CONTINUED)

Name	Year	Short-term benefits			Post-employment	Other long-term benefits		Termination benefits	Total remuneration
		Base salary and fees $	STI/ Bonuses $	Non-cash benefits $	Superannuation contributions $	STI deferral $	Long service leave $	$	$
G Carney	2019	323,956	72,603	-	20,531	-	14,692	-	431,782
	2020	**353,335**	**88,128**	-	**21,164**	-	**10,416**	-	**473,043**
D White (5)	2019	-	-	-	-	-	-		-
	2020	**238,619**	**37,477**	-	**15,510**	-	**5,694**		**297,300**
K Gallasch	2019	331,294	80,491	-	20,531	-	16,228	-	448,544
	2020	**373,506**	**97,681**	-	**21,164**	-	**11,281**	-	**503,632**
J Lavender - Baker	2019	368,964	80,014	-	20,531	-	14,029	-	483,538
	2020	**379,215**	**105,700**	-	**21,164**	-	**10,582**	-	**516,661**
S Ormsby (6)	2019	349,731	69,426	-	20,531	-	13,912	-	453,600
	2020	**340,945**	**92,804**	-	**21,164**	-	**9,419**	-	**464,332**
J Vandervoort (7)	2019	454,458	104,205	-	20,531	-	10,283	-	589,477
	2020	**292,133**	**71,494**	-	**12,925**	-	**(33,937)**	-	**342,615**
W Johnson (8)	2019	-	-	-	-	-	-	-	-
	2020	**176,157**	**40,590**	-	**8,643**	-	**8,562**	-	**233,952**
P Winder (9)	2019	477,112	86,531	-	20,531	-	11,331	-	595,505
	2020	**468,780**	**110,925**	-	**21,164**	-	**8,963**	-	**609,832**
R Wankmuller	2019	994,821	390,500	-	20,531	-	16,214	-	1,422,066
	2020	1,017,738	**450,548**	-	**21,164**	-	**19,646**	-	**1,509,096**
Total Executive KMP	2019	4,380,821	1,291,360	-	184,779	-	177,426	-	6,034,386
	2020	**4,747,077**	**1,622,570**	-	**207,764**	-	**82,543**	-	**6,659,954**
Total NED remuneration	2019	650,613	-	-	58,794	-	-	-	709,407
	2020	**711,423**	-	-	**63,679**	-	-	-	**775,102**
Total KMP remuneration expense (10)	2019	5,031,434	1,291,360	-	243,573	-	177,426	-	6,743,793
	2020	**5,458,500**	**1,622,570**	-	**271,443**	-	**82,543**	-	**7,435,056**

(1) Mr Campbell was appointed by the Shareholding Ministers to the position of Chief Executive Officer and Managing Director on 30/04/2020.

(2) Mr Fullerton ceased the position of Chief Executive Officer and Managing Director on 30/04/2020 and assumed the role of Advisor to the CEO & MD until 31/07/2020.

(3) Mr Bishop retired from the position of Chief Financial Officer on 31/12/2019.

(4) Mr Flowers was appointed to the position of Acting Chief Financial Officer on 31/12/2019.

(5) Mr White was appointed to the position of Executive General Manager Integration Inland Rail on 14/10/2020. (6) Mr Ormsby earned higher remuneration in FY19 due to a period where he acted as CEO (08/09/2019 - 05/10/2019).

(7) Mr Vandervoort retired from the position of Group Executive Hunter Valley on 31/01/2020

(8) Mr Johnson was appointed to the position of Group Executive Hunter Valley on 31/01/2020.

(9) Mr Winder earned higher remuneration in FY19 due to a period where he acted as CEO (26/8/2018 - 6/10/2018).

(10) Total KMP STI remuneration expense for 2019 has been increased by $47,253 above the total KMP STI remuneration expense of $1,244,107 disclosed in the 2018/19 year to reflect final bonuses paid in respect of that financial year. This is reflected in increases in the individual STI amounts for all KMP who were in their positions at 30 June 2019.

CORPORATE GOVERNANCE STATEMENT

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

ASX PRINCIPLES OF GOOD CORPORATE GOVERNANCE

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

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

THE BOARD

Board role and responsibilities

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

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

(a) Annual Business Plan and Budget;

(b) Strategic Plan for the Company;

(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.

Board composition and membership

The Board's size and composition is subject to limits imposed by ARTC's constitution, which provides for a minimum of three Directors and a maximum of eight Directors. The Board currently comprises seven Non-Executive Directors and one Executive Director. The Directors of ARTC are listed with a brief description of their qualifications and experience on pages 1 to 3 of this Annual Report. Directors are appointed by the Shareholder Ministers in accordance with the Company's Constitution and GBE Guidelines.

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

Conflicts of interest

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

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

Chairman

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

Board evaluation

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

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

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

Director induction and education

On appointment, each Director receives a formal letter of appointment from the Shareholder Ministers. ARTC has an induction program for new Directors which includes individual meetings with Executive Members, Directors and visiting ARTC's operational locations. Directors are provided with a detailed manual with information on the Company's corporate strategy, company policies, meeting arrangements, rail industry and general company matters. The Board has regular discussions with the CEO and Management and attends site tours of ARTC's operational sites. The site tours have been suspended during the COVID-19 period.

Board access to information and independent advice

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

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

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

Board Committees

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

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

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

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

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

ACCOUNTABILITY AND AUDIT

Risk Management

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

Insurance

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

Internal audit

ARTC has a contract with KPMG for the provision of internal audit services which expires after FY21. ARTC Internal Audit maintains a three year Internal Audit Plan which is updated and agreed annually. KPMG assisted Internal Audit to review and update the FY21 - FY23 Internal Audit Plan (Plan).

In May 2020, the Audit and Compliance Committee and the Environment, Health and Safety Committee approved the revised FY21 - FY23 Plan. A progress report which provides an update on Internal Audit's progress on delivering the annual Plan is presented to each Audit and Compliance and Environment Health and Safety Committee meeting.

External Audit

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

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

Our Shareholder

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

Shareholder communication

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

Governance Policies

Code of Conduct

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

Public Interest Disclosure Procedure

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

Conflicts of Interest

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

Equal Opportunity

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

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

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2020

FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

for the year ended 30 June 2020

		Consolidated	
		2020	2019
	Notes	**$'000**	$'000
Revenue from continuing operations			
Access revenue	5(a)	**761,240**	720,122
Interest revenue		**2,349**	4,843
Total revenue		**763,589**	724,965
Other income	5(e)	**10,602**	15,148
Incident and insurance recovery			
Government grants		**48,830**	84,709
Other income		**29,262**	22,890
Total other income		**88,694**	122,747
Total revenue and other income		**852,283**	847,712
Employee benefits expense	5(b)	**(272,755)**	(224,624)
Infrastructure maintenance		**(152,670)**	(151,178)
Infrastructure costs	5(c)	**(86,875)**	(115,611)
Depreciation and amortisation expense	5(d)	**(219,867)**	(193,324)
Reversal/(recognition) of impairment	5(i)	**(766,547)**	(450,692)
Incident costs	5(e)	**(25,020)**	(24,624)
Other expenses	5(f)	**(87,678)**	(83,891)
Expenses, excluding finance costs		**(1,611,412)**	(1,243,944)
Profit/(Loss) from operating activities		**(759,129)**	(396,232)
Finance costs	5(g)	**(17,488)**	(17,534)
Profit/(Loss) before income tax		**(776,617)**	(413,766)
Income tax (expense)/benefit	5(h)	**(83,700)**	(34,620)
Net Profit/(Loss) after tax		**(860,317)**	(448,386)
Profit/(Loss) is attributable to:			
Equity holder of Australian Rail Track Corporation Ltd		**(860,317)**	(448,386)
Earnings metrics			
EBITDAI	5(j)	**224,936**	242,941
EBIT	5(j)	**(761,478)**	(401,075)

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 2020

	Notes	Consolidated 2020 $'000	2019 $'000
Profit/(Loss) for the year		**(860,317)**	**(448,386)**
Other comprehensive income/(loss)			
Items that may be reclassified to profit or loss - net of tax			
Cash flow hedge charged to equity - foreign exchange	8(b)	**(141)**	-
Total items that may be reclassified subsequently to profit or loss		**(141)**	-
Items that will not be reclassified to profit or loss - net of tax			
Revaluation adjustment property plant and equipment	8(b)	**(31,988)**	(136,023)
Re-measurement (losses)/gains on defined benefit plans	8(c)	**2,593**	(2,485)
Total items that will not be reclassified to profit or loss		**(29,395)**	(138,508)
Other comprehensive income/(loss) for the year, net of tax		**(29,536)**	(138,508)
Total comprehensive income/(loss) for the year, net of tax		**(889,853)**	(586,894)
Total comprehensive income/(loss) for the year is attributable to: Equity holder of Australian Rail Track Corporation Ltd		**(889,853)**	(586,894)

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

CONSOLIDATED BALANCE SHEET

as at 30 June 2020

	Notes	Consolidated 2020 $'000	2019 $'000
ASSETS			
Current assets			
Cash and cash equivalents	6(a)	**33,109**	21,852
Trade and other receivables	6(b)	**137,189**	87,677
Inventories	7(a)	**63,312**	45,451
Held for sale	7(b)	**3,253**	5,667
Other assets		**11,766**	10,296
Total current assets	19(f)	**248,629**	170,943
Non-current assets			
Receivables	6(b)	**17,405**	27,474
Other assets		**3,471**	3,924
Property, plant and equipment	7(c)	**3,979,393**	4,167,887
Deferred tax assets	7(e)	**85,196**	156,238
Intangible assets	7(d)	**71,112**	72,522
Total non-current assets		**4,156,577**	4,428,045
Total assets		**4,405,206**	4,598,988
LIABILITIES			
Current liabilities			
Trade and other payables	6(c)	**155,501**	142,582
Interest bearing liabilities	6(d)	**14,699**	175,401
Provisions	7(f)	**82,795**	63,535
Other liabilities	6(e)	**23,563**	73,443
Deferred income - government grants	7(h)	**33,028**	48,768
Total current liabilities	19(f)	**309,586**	503,729
Non-current liabilities			
Interest bearing liabilities	6(d)	**628,485**	274,674
Deferred income - government grants	7(h)	**624,761**	483,998
Provisions	7(f)	**5,719**	5,058
Defined benefit plans	7(g)	**7,959**	12,348
Other liabilities	6(e)	**2,230**	5,269
Total non-current liabilities		**1,269,154**	781,347
Total liabilities		**1,578,740**	1,285,076
Net assets		**2,826,466**	3,313,912
EQUITY			
Contributed equity	8(a)	**3,544,093**	3,118,361
Reserves	8(b)	**672,722**	757,811
Retained earnings	8(c)	**(1,390,349)**	(562,260)
Total equity		**2,826,466**	3,313,912

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 2019

		Attributable to owners of Australian Rail Track Corporation Ltd					
Consolidated	Notes	Contributed Equity $'000	Property, plant and equipment revaluation reserve $'000	Profit reserve $'000	Total Reserves $'000	Retained Earnings $'000	Total Equity $'000
Balance at 1 July 2018		2,827,656	720,868	259,675	980,543	(129,453)	3,678,746
Adjustment on adoption of AASB 9 (net of tax) (i)		-	-	-	-	(25)	(25)
Adjustment on adoption of AASB 15 (net of tax) (ii)		-	-	-	-	(308)	(308)
Restated total equity at the beginning of the financial year		2,827,656	720,868	259,675	980,543	(129,786)	3,678,413
Total profit for the year as reported in the financial statements	8(c)	-	-	-	-	(448,386)	(448,386)
Re-measurement gains/(losses) on defined benefit plans - (net of tax)	8(c)	-	-	-	-	(2,485)	(2,485)
Asset revaluation reserve adjustment - (net of tax)	8(b)	-	(136,023)	-	(136,023)	-	(136,023)
Total comprehensive income for the year		-	(136,023)	-	(136,023)	(450,871)	(586,894)
Dividends provided for or paid	8(b)	-	-	(68,312)	(68,312)	-	(68,312)
Asset disposal revaluation reserve adjustment	8(b)	-	(18,397)	-	(18,397)	18,397	-
Contributions of equity	8	290,705	-	-	-	-	290,705
Balance at 30 June 2019		3,118,361	566,448	191,363	757,811	(562,260)	3,313,912

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

(ii) The Group has adopted AASB 15 Revenue from Contracts with Customers on a modified retrospective basis. This resulted in an adjustment of $0.439 million to retained earnings (tax impact of $0.131m) as at 1 July 2018, being the cumulative effect on initial application of the standard (refer to Note 5(a)).

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2020

Consolidated	Notes	Contributed Equity $'000	Property, plant and equipment revaluation reserve $'000	Hedging reserve – cash flow hedge - interest rate swap $'000	Profit reserve $'000	Total Reserves $'000	Retained Earnings $'000	Total Equity $'000
Balance at 1 July 2019		3,118,361	566,448	-	191,363	757,811	(562,260)	3,313,912
Total profit for the year as reported in the Financial Statements	8(c)	-	-	-	-	-	(860,317)	(860,317)
Re-measurement gains/(losses) on defined benefit plans - (net of tax)	8(c)	-	-	-	-	-	2,593	2,593
Cash flow hedge foreign exchange - (net of tax)	8(b)	-	-	(141)	-	(141)	-	(141)
Asset revaluation reserve adjustment - (net of tax)	8(b)	-	(31,988)	-	-	(31,988)	-	(31,988)
Total comprehensive income for the year		-	(31,988)	(141)	-	(32,129)	(857,724)	(889,853)
Dividends provided for or paid	8(b)	-	-	-	(23,325)	(23,325)	-	(23,325)
Asset disposal revaluation reserve adjustment	8(b)	-	(29,635)	-	-	(29,635)	29,635	-
Contributions of equity	8(a)	425,732	-	-	-	-	-	425,732
Balance at 30 June 2020		3,544,093	504,825	(141)	168,038	672,722	(1,390,349)	2,826,466

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 2020

	Notes	Consolidated 2020 $'000	2019 $'000
Cash flows from operating activities			
Receipts from customers		**843,031**	803,046
Payments to suppliers and employees		**(752,054)**	(677,064)
Government grants - revenue		**4,516**	45,545
		95,493	171,527
Interest received		**2,349**	4,843
Net cash inflow from operating activities	9(a)	**97,842**	176,370
Cash flows from investing activities			
Payments for property, plant and equipment		**(734,068)**	(582,268)
Payments for intangibles		**(6,671)**	(1,830)
Proceeds from sale of property, plant and equipment		**6,011**	5,317
Net cash outflow from investing activities		**(734,728)**	(578,781)
Cash flows from financing activities			
Government grants - deferred		**169,337**	75,173
Payments for interest costs relating to borrowings		**(14,163)**	(17,534)
Payments for transaction costs relating to borrowings		**(2,015)**	(2,859)
Proceeds (repayments) for interest bearing liabilities	6(d)	**110,033**	85,536
Proceeds from equity funding	8(a)	**425,732**	290,705
Payments for the principal relating to leases	6(d)	**(14,131)**	-
Payments for interest relating to leases	6(d)	**(3,325)**	-
Dividends paid to Group's Shareholder	10(b)	**(23,325)**	(68,312)
Net cash inflow/(outflow) from financing activities		**648,143**	362,709
Net increase(decrease) in cash and cash equivalents		**11,257**	(39,702)
Cash and cash equivalents at the beginning of the financial year		**21,852**	61,554
Cash and cash equivalents at end of year	6(a)	**33,109**	21,852

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

CONTENTS OF THE NOTES TO THE FINANCIAL STATEMENTS

1 Reporting entity

Australian Rail Track Corporation (the parent) is a Company limited by shares incorporated in Australia located at 11

Sir Donald Bradman Drive, Keswick Terminal, South Australia. The consolidated financial statements of the Company as at and for the year ended 30 June 2020 comprise the Company and its subsidiaries together referred to as the "Group". The Group is a Government Business Enterprise (GBE) and the ultimate controlling entity is the Commonwealth Government.

The financial report of ARTC for the year ended 30 June 2020 was authorised for issue in accordance with a resolution of the Directors on 27 August 2020.

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, with the exception of the application of AASB 16 Leasing which has not been restated as permitted in the standard.

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

Where applicable the significant accounting policies are contained in the notes to the financial statements to which they relate and note 19 (Other accounting policies).

The financial statements have been prepared on a going concern basis. See note 19(f).

3 Functional and presentation currency

The financial statements are presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated under the option available to the Group under ASIC Corporations (Rounding in

Financial/Directors' Reports) Instrument 2016/191. The Group is an entity to which the Instrument applies.

4 Significant accounting estimates and judgements

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

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

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

5 INCOME AND EXPENSES

(a) Access revenue

	Consolidated	
	2020 $'000	2019 $'000
Hunter Valley	**486,534**	446,725
Interstate	**274,706**	273,397
	761,240	720,122

Accounting Policy

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

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

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

(b) Employee benefits expenses

		Consolidated	
	Notes	**2020 $'000**	2019 $'000
Wages and salaries		**268,516**	220,942
Workers compensation		**3,493**	2,916
Defined benefit plan expense	7(g)	**746**	766
		272,755	224,624

Accounting Policy

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

(c) Infrastructure costs

	Notes	**2020 $'000**	2019 $'000
Infrastructure costs		**86,875**	115,611
		86,875	115,611

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

(d) Depreciation & Amortisation

	Consolidated	
	2020 $'000	2019 $'000
Depreciation		
Buildings	**1,249**	1,142
Plant and equipment	**194,275**	184,074
Right of use (RoU) - motor vehicles	**6,848**	-
Right of use (RoU) - buildings	**7,795**	-
Right of use (RoU) - plant and equipment	**1,818**	-
	211,985	185,216
Amortisation		
Computer software	**3,238**	3,458
Land rights	**872**	872
Other	**3,772**	3,778
	7,882	8,108
	219,867	193,324

Accounting policy

Depreciation and amortisation

Accounting policies for depreciation and amortisation refer to note 7(c) and 19(d).

(e) Net incident costs

	Consolidated	
	2020 $'000	2019 $'000
Expenses - Incident costs	**25,020**	24,624
Less: Other income - Incident and insurance recovery	**10,602**	15,148
	14,418	9,476

Accounting policy

Recoveries and costs associated with rail access related incidents

Income attributable to insurance or other recoveries arising from rail access related incidents is only recognised where a contractual agreement is in place and receipt of amounts outstanding is virtually certain. Costs of rectification are recognised when incurred as operating or capital expenditure as appropriate in line with the company's accounting policies.

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

Potential liabilities and assets are reviewed throughout the year and finalised at reporting date for inclusion in the financial statements.

5 INCOME AND EXPENSES (CONTINUED)

(f) Other expenses

	Consolidated	
	2020 $'000	2019 $'000
Amounts recognised in relation to AASB 16:		
Expense relating to short term leases	**356**	
Expense relating to leases of low value assets	**461**	-
Expense relating to variable lease payments not included in the measurement of the lease liability	**6,798**	-
Other expenses	**80,063**	83,891
	87,678	83,891

Comparative figures have been adjusted to conform to changes in the presentation in the current year.

(g) Finance costs

	Consolidated	
	2020 $'000	2019 $'000
Financing costs – borrowings		
Expense relating to short term leases	**14.163**	17,534
RoU lease interest	**3,325**	-
	17,488	17,534

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 Right of use interest policy in note 19(d).

(h) Income tax expense/(benefit)

	Consolidated	
	2020 $'000	2019 $'000
Current tax expense	**-**	-
Deferred tax relates to the following:		
Tax losses & offsets available for offsetting against future taxable income	**857**	(31,159)
Origination or reversal of temporary differences in relation to the following items:		
Property, plant and equipment	**79,065**	61,893
Other receivables	**3,486**	3,524
Other	**292**	362
Total income tax expense/(benefit)	**83,700**	34,620

The Group's current tax expense for the year ended 30 June 2020 is nil (2019: nil) due to the existence of tax deductions available to the Group as a result of the Group's ability to claim tax depreciation on NSW lease assets utilising Division 58 of the Income Tax Assessment Act 1997 and to utilise offsets generated in previous years.

Accounting policy

Income tax

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

Reconciliation of Tax Expense to Income Tax Payable

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

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

	Consolidated	
	2020 $'000	2019 $'000
Total income tax expense/(benefit)	**83,700**	34,620
Less movements in temporary differences recognised in deferred tax expense:		
Property, plant and equipment	**(79,065)**	(61,893)
Other amounts accrued	**(3,778)**	(3,886)
Recognition/(utilisation) tax losses and offset	**(857)**	31,159
Total movements in temporary differences recognised in deferred tax expense	**(83,700)**	(34,620)
Income tax payable in respect of financial year	**-**	-

5 INCOME AND EXPENSES (CONTINUED)

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

	Consolidated	
	2020 $'000	2019 $'000
Profit from continuing operations before income tax expense	**(776,617)**	(413,766)
Tax at the Group's statutory tax rate of 30%	**(232,985)**	(124,130)
Unrecognised temporary differences	**315,173**	159,539
Amendments and prior year adjustments	**1,463**	12
Non-taxable items	**49**	(801)
Total income tax expense	**83,700**	34,620

ARTC had an Effective Tax Rate (ETR) of 9.36% as a result of the movement in unrecognised temporary differences. Excluding the deferred tax asset recognition, the normalised ETR is 29.83%.

Amounts charged or credited directly to equity

	Consolidated	
	2020 $'000	2019 $'000
Deferred income tax related to items charged directly to equity		
Net (loss)/gain on net revaluation of infrastructure assets	**(13,709)**	(58,296)
Net (loss)/gain on defined benefit plan	**1,112**	(1,063)
Net (loss)/gain on foreign exchange hedge	**(61)**	-
	(12,658)	(59,359)
Deferred income tax charge included in equity comprises:		
(Decrease)/increase in deferred tax liabilities	**(13,709)**	6,693
(Increase)/decrease in deferred tax assets	**1,051**	(66,052)
	(12,658)	(59,359)

The income tax charged directly to equity of $13.7m (2019: $58.3m) is the tax effect of the net revaluations of $45.7m (2019: $194.3m), see note 7(c). The income tax charged directly to equity of $1.1m (2019:$1.1m) is the tax effect of the defined benefit amount included in other comprehensive income $3.7m (2019: $3.5m), see note 7(g).

(i) Recognition/(reversal) of impairment

	Notes	Consolidated	
		2020 $'000	2019 $'000
Impairment - property, plant and equipment	7(c), 11(d)	**765,962**	446,352
Impairment - held for sale assets	7(c)	**-**	
Impairment - Right of use assets	7(c)	**585**	4,340
		766,547	450,692

Accounting policy

Impairment

Accounting policies for impairment refer to note 7(c) and 19(d).

(j) Reconciliation EBITDAI and EBIT to Income Statement

	Consolidated	
	2020 $'000	2019 $'000
Net Profit/(Loss) after tax	**(860,317)**	(448,386)
Interest revenue	**(2,349)**	(4,843)
Depreciation	**211,985**	185,216
Amortisation	**7,882**	8,108
Recognition of impairment loss	**766,547**	450,692
Finance expenses	**17,488**	17,534
Income tax (benefit)/expense	**83,700**	34,620
EBITDAI	**224,936**	242,941

	Consolidated	
	2020 $'000	2019 $'000
Net (Loss)/profit after tax	**(860,317)**	(448,386)
Interest revenue	**(2,349)**	(4,843)
Finance expenses	**17,488**	17,534
Income tax (benefit)/expense	**83,700**	34,620
EBIT	**(761,478)**	(401,075)

6 FINANCIAL ASSETS AND FINANCIAL LIABILITIES

(a) Cash and cash equivalents

	Consolidated	
	2020 $'000	2019 $'000
Current assets		
Cash at bank and in hand	**33,109**	21,852
	33,109	21,852

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 11.

(b) Trade and other receivables

	Consolidated					
	2020			2019		
	Current $'000	**Non-current $'000**	**Total $'000**	Current $'000	Non-current $'000	Total $'000
Trade receivables	**72,709**	**-**	**72,709**	58,612	-	58,612
Expected Credit Loss	**(108)**	**-**	**(108)**	(106)	-	(106)
Other receivables	**64,588**	**17,405**	**81,933**	29,171	27,474	56,645
	137,189	**17,405**	**154,594**	87,677	27,474	115,151

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

6 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(c) Trade and other payables

	Consolidated	
	2020 $'000	2019 $'000
Current liabilities		
Trade payables	**151,365**	140,189
Other payables	**4,136**	2,393
	155,501	142,582

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

Accounting policy

Trade and other payables

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

(d) Interest bearing liabilities

	Consolidated					
	2020			2019		
	Current $'000	**Non-current $'000**	**Total $'000**	Current $'000	Non-current $'000	Total $'000
Bonds - maturing:						
5 December 2019	**-**	**-**	**-**	175,401	-	175,401
11 December 2024	**-**	**124,649**	**124,649**	-	124,518	124,518
Syndicated debt facility	**-**	**435,107**	**435,107**	-	150,156	150,156
Lease liabilities	**14,699**	**68,729**	**83,428**	-	-	-
	14,699	**628,485**	**643,184**	175,401	274,674	450,075

The cashflow movement (excluding lease liabilities) of $110.0m (2019: $85.5m) differs from the variance between the balances above due to the impact of effective interest. The cashflow movement on lease liabilities of $17.5m does not relate to the current component of lease liabilities due to additions, variations and terminations in the year.

(e) Other liabilities

	Consolidated					
	2020			2019		
	Current $'000	**Non-current $'000**	**Total $'000**	Current $'000	Non-current $'000	Total $'000
Other liabilities	**23,563**	**2,230**	**25,793**	73,443	5,269	78,712
	23,563	**2,230**	**25,793**	73,443	5,269	78,712

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

Significant accounting estimate and judgements

Access Revenue - Hunter Valley Coal liability

As at 30 June 2020 provision has again been made for the ACCC Compliance Assessments which remain open i.e. relating to Calendar Years 2017-9 and to 30 June 2020 for the 2020 calendar year assessment (which is not due for lodgement until 2021).

(f) Changes in liabilities

			Non - cash changes		
	1 July $'000	Cashflow $'000	Transfer $'000	Other $'000	30 June $'000
Consolidated					
Financial liabilities					
2020					
Current					
Interest bearing liabilities	**175,401**	**(189,219)**	**-**	**28,517**	**14,699**
Non - Current					
Interest bearing liabilities	**274,674**	**284,951**	**-**	**68,860**	**628,485**
	450,075	**95,732**	**-**	**97,377**	**643,184**
2019					
Current					
Interest bearing liabilities	65,042	-	109,958	401	175,401
Non - Current					
Interest bearing liabilities	299,578	85,536	(109,958)	(482)	274,674
	364,620	85,536	-	(81)	450,075

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

7 NON-FINANCIAL ASSETS AND LIABILITIES

(a) Inventories

	Consolidated	
	2020 $'000	2019 $'000
Current assets		
Raw materials - at cost	**63,312**	45,451
	63,312	45,451

Accounting policy

Inventories

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

(b) Held for sale

	Consolidated	
	2020 $'000	2019 $'000
Current assets		
Held for sale	**3,253**	5,667
	3,253	5,667

Current held for sale assets relate to rail, land and parts. Rail was expected to be sold last year and while partially settled the transaction has not been fully completed. It is now expected to be sold within the next 12 months. Land and parts have sale plans with expectations of being sold within the next 12 months. Gains and losses on the sale of the assets are recognised in the consolidated income statement under profit/(loss) on sale of assets.

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

7 NON-FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(c) Property, plant and equipment

Consolidated	Construction In progress $'000	Freehold Land $'000	Buildings $'000	Leasehold Buildings $'000	Leasehold Improvements -Infrastructure $'000	Plant & Equipment -Infrastructure $'000	Plant & Equipment Other $'000	Motor Vehicles ROU $'000	Total $'000
As at 1 July 2018									
Cost of fair value	356,306	16,503	18,378	18,467	3,521,538	786,303	96,800	-	4,814,295
Accumulated depreciation	-	-	(5,803)	(5,323)	(270,770)	(56,555)	(50,437)	-	(388,888)
Net book amount	**356,306**	**16,503**	**12,575**	**13,144**	**3,250,768**	**729,748**	**46,363**	**-**	**4,425,407**
Year ended 30 June 2019									
Opening net book amount	**356,306**	**16,503**	**12,575**	**13,144**	**3,250,768**	**729,748**	**46,363**	**-**	**4,425,407**
Additions	-	1	405	1,169	146,925	153,585	11,109	-	313,194
Impairment expense	(158,396)	-	-	-	(177,962)	(109,993)	-	-	(446,351)
Borrowing costs capitalised	2.778	-	-	-	-	-	-	-	2,778
Additions into capital works in progress	577,677	-	-	-	-	-	-	-	577,677
Depreciation charge	-	-	(565)	(577)	(144,340)	(30,713)	(9,021)	-	(185,216)
Transfers out of capital work in progress	(313,194)	-	-	-	-	-	-	-	(313,194)
Written down value of assets disposed	-	-	(4)	(39)	(1,934)	-	(108)	-	(2,085)
Reversal of revaluation of assets	-	-	-	-	(139,715)	(76,913)	-	-	(216,628)
Revaluation of assets	-	-	-	-	22,309	-	-	-	22,309
Transfer to held for sale assets	-	-	-	-	-	(10,004)	-	-	(10,004)
Closing net book amount	**465,171**	**16,504**	**12,411**	**13,697**	**2,956,051**	**655,710**	**48,343**	**-**	**4,167,887**
At 1 July 2019									
Cost of fair value	465,171	16,504	18,788	19,561	3,241,323	719,594	106,344	-	4,587,275
Accumulated depreciation	-	-	(6,367)	(5,864)	(285,272)	(63,884)	(58,001)	-	(419,388)
Net book amount	**465,171**	**16,504**	**12,411**	**13,697**	**2,956,051**	**655,710**	**48,343**	**-**	**4,167,887**

(c) Property, plant and equipment (continued)

Consolidated	Construction In progress $'000	Freehold Land $'000	Buildings $'000	Leasehold Buildings $'000	Leasehold Improvements -Infrastructure $'000	Plant & Equipment -Infrastructure $'000	Plant & Equipment Other $'000	Motor Vehicles ROU $'000	Total $'000
Year ended 30 June 2020									
Opening net book amount	**465,171**	**16,504**	**12,411**	**13,697**	**2,956,051**	**655,710**	**48,343**	**-**	**4,167,887**
Additions	-	-	37,443	500	185,365	47,759	61,101	24,929	357,097
Transfers	-	-	-	-	62,505	(62,505)	-	-	-
Impairment expense	(399,942)	-	(585)	-	(228,284)	(137,736)	-	-	(766,547)
Borrowing costs capitalised	1,664	-	-	-	-	-	-	-	1,664
Additions into capital works in progress	742,819	-	-	-	-	-	-	-	742,819
Depreciation charge	-	-	(8,449)	(594)	(157,608)	(24,553)	(13,933)	(6,848)	(211,985)
Transfers out of capital work in progress	(259,255)	-	-	-	-	-	-	-	(259,255)
Written down value of assets disposed	-	-	-	-	(6,420)	(25)	(126)	-	(6,571)
Reversal of revaluation of assets	-	-	-	-	(45,697)	-	-	-	(45,697)
Transfer to held for sale assets	-	-	(19)	-	-	-	-	-	(19)
Closing net book amount	**550,457**	**16,504**	**40,801**	**13,603**	**2,765,912**	**478,650**	**95,385**	**18,081**	**3,979,393**
At 30 June 2020									
Cost or valuation	550,457	16,504	55,616	20,126	3,096,203	654,071	162,591	24,874	4,580,442
Accumulated depreciation	-	-	(14,815)	(6,523)	(330,291)	(175,421)	(67,206)	(6,793)	(601,049)
Net book amount	**550,457**	**16,504**	**40,801**	**13,603**	**2,765,912**	**478,650**	**95,385**	**18,081**	**3,979,393**
RoU asset as net book amount	**-**	**-**	**27,794**	**-**	**-**	**-**	**34,692**	**18,081**	**80,567**

7 NON-FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(i) Basis of valuation

Property, plant and equipment, excluding construction in progress, is recognised at cost of acquisition, and subsequently carried at fair value less depreciation and impairment. At 30 June 2020 the Group undertook a fair value assessment using an income method approach as there are no similar market quoted assets. The net present value of the cash flows for each business unit is compared with the current carrying value. Gains on revaluation are recognised in the revaluation reserve, while revaluation decrements are reversed out of the revaluation reserve to the extent available, after which, decrements are recognised as an impairment expense in the Consolidated Income Statement. Property, plant and equipment discount cash flow reviews are undertaken annually to ensure significant movements are identified and accounted for.

The 30 June 2020 assessment resulted in a downward revaluation of the Interstate business unit's assets. The result of this year's assessment is a $366.0m valuation decrement of which nil can be reversed out of the revaluation reserve (2019: $216.6m) with the balance of $366.0m, being recognised as an impairment expense in the Consolidated Income Statement (2019: $288.0m).

The Hunter Valley business unit assets were previously revalued. The result of this year's assessment is a $45.7m valuation decrement (2019: $22.3m valuation increment) recognised through the revaluation reserve. For further details on the calculation refer to note 11(d).

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

	Consolidated	
	2020 $'000	2019 $'000
Infrastructure assets		
Plant & Equipment		
Cost	**972,937**	1,057,207
Accumulated depreciation	**(285,925)**	(280,471)
Net book amount	**687,012**	776,736
Leasehold Improvements		
Cost	**3,950,613**	3,958,496
Accumulated depreciation	**(1,117,273)**	(980,903)
Net book amount	**2,833,340**	2,977,593

Construction in progress assets are carried at cost less impairment. The Group assesses at the end of each reporting period whether there is any indication that an asset may be impaired, and if such indicators exist, the Group performs an assessment to determine the recoverable amount of an asset. At 30 June 2020 the Group undertook an impairment assessment on the 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 an impairment of $400.5m (2019: $158.4m) including $0.6m (2019: $nil) on right of use assets for 30 June 2020.

(ii) Right of use assets

The Group leases several assets including buildings, equipment and motor vehicles. The average lease term is 4.6 years (2019: 5.4 years). The group has options to extend for an additional period at the end of the lease term for a number of contracts. Where the Group is reasonably certain to exercise the option, the measurement of the RoU asset and lease liability takes into account payments made during the extended period.

At 30 June 2020, the Group is committed to nil (2019: nil) for short-term leases and nil (2019: nil) for leases for which the contract terms have been agreed but the lease has not yet commenced.

Additions to RoU assets during the 2020 financial year were $97.5m (2019: nil) of which $36.1m was on transition to AASB 16 Leases (Note 19 (a)).

Significant accounting estimates and judgements

Fair Value

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

Accounting policy

Property, plant and equipment

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

Fair Value

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

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

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

Revaluation

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

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

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

7 NON-FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

Impairment

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

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

Cost

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

Depreciation

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

Maximum Economic Useful Life*

Infrastructure assets	*Non-Infrastructure assets*
Ballast 60 years	Buildings 50 years
Bridges 100 years	IT & Other equipment 4 years
Culverts 100 years	Motor vehicles 5 years
Rail 110 years	Other equipment 40 years
Sleepers 70 years	
Signals & Communications 30 years	
Turnouts 60 years	
Tunnels 100 years	

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

Capital work in progress and capitalisation

Work in progress comprises expenditure on incomplete capital works. Expenditure on the acquisition of new infrastructure assets is capitalised when these new assets are ready for economic use.

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

Right of use assets

Accounting policies relating to right of use assets are located in note 19(d).

(d) Intangible assets

	Computer Software $'000	Land Rights $'000	Other $'000	Total $'000
Consolidated			$'000	$'000
At 1 July 2018				
Cost	19,512	44,735	55,000	119,247
Accumulated amortisation	(14,765)	(4,619)	(21,063)	(40,447)
Net book amount	**4,747**	**40,116**	**33,937**	**78,800**
Year ended 30 June 2019	4,747	40,116	33,937	78,800
Opening net book amount as at 1 July				
Additions into asset register	1,834	-	-	1,834
Amortisation charge	(3,464)	(872)	(3,772)	(8,108)
Disposals	(4)	-	-	(4)
Closing net book amount	**3,113**	**39,244**	**30,165**	**72,522**
At 30 June 2019	20,530	44,735	55,000	120,265
Cost				
Accumulated amortisation	(17,417)	(5,491)	(24,835)	(47,743)
Net book amount	**3,113**	**39,244**	**30,165**	**72,522**
Consolidated				
Year ended 30 June 2020	3,113	39,244	30,165	72,522
Opening net book amount as at 1 July				
Additions into asset register	6,472	-	-	6,472
Amortisation charge	(3,238)	(872)	(3,772)	(7,882)
Closing net book amount	**6,347**	**38,372**	**26,393**	**71,112**
At 30 June 2020	26,464	44,735	55,000	126,199
Cost				
Accumulated amortisation	(20,117)	(6,363)	(28,607)	(55,087)
Net book amount	**6,347**	**38,372**	**26,393**	**71,112**

7 NON-FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

Accounting policy

Intangible assets

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

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

Other intangible assets relate to contractual rights in relation to a wholesale access agreement which provides a pricing cap over the third party infrastructure asset between Kalgoorlie and Perth which completes track access between the east and west coast of Australia. These rights have a finite useful life and amortisation is calculated using the straight line method to allocate cost over the estimated useful life of 14.6 years.

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

(e) Deferred tax balances

(i) Deferred tax assets

	Consolidated	
	2020	2019
The balance comprises temporary differences attributable to:	**$'000**	$'000
Property plant and equipment	**230,712**	255,443
Income tax losses and non-refundable offsets	**30,488**	31,345
Defined benefit plan	**2,388**	3,704
Other current assets	**-**	27
	263,588	290,519
Movements:		
Opening balance at 1 July	**290,519**	328,212
(Charged)/credited to the Consolidated Income Statement related to tax losses and offsets	**(857)**	31,159
(Charged)/credited to the Consolidated Income Statement related to property plant and equipment	**(24,731)**	(134,674)
(Charged)/credited to the Consolidated Income Statement, other	**(292)**	(362)
(Charged)/credited to equity related to property, plant and equipment	**-**	64,990
(Charged)/credited to equity related to defined benefit plan	**(1,112)**	1,063
(Charged)/credited to equity related to AASB 15 adjustment	**-**	131
(Charged)/credited related to cash flow hedge	**61**	-
Closing balance at 30 June before set off	**263,588**	290,519
Set off of deferred tax liabilities	**(178,392)**	(134,281)
Net deferred tax asset	**85,196**	156,238

At 30 June 2020, the Group has unrecognised deferred tax assets in relation to temporary differences of $739.3m (2019: $424.1m) associated with the Group's ability to claim tax depreciation on NSW lease assets utilising Division 58 of the Income Tax Assessment Act 1997 and also due to the cumulative impacts of impairment of assets on the North South Corridor within the Interstate Rail Network.

The Group has an unrecognised deferred tax asset in relation to a carried forward capital loss of $1.3m (2019: $1.3m). It is not recognised on the basis that there are no forecast future capital gains against which the loss could be utilised.

(ii) Deferred tax liabilities

	Consolidated	
	2020	2019
	$'000	$'000
The balance comprises temporary differences attributable to:		
Property, plant and equipment	**168,217**	127,592
Other receivables	**10,175**	6,689
Deferred tax liabilities	**178,392**	134,281
Movements:		
Opening balance at 1 July	**134,281**	196,846
Charged/(credited) to the Consolidated Income Statement related to property, plant and equipment	**54,334**	(72,782)
Charged/(credited) to the Consolidated Income Statement related to other receivables	**3,486**	3,524
Charged/(credited) to equity related to property, plant and equipment	**(13,709)**	6,693
Closing balance at 30 June before set off	**178,392**	134,281
Set off to deferred tax assets	**178,392**	134,281
Net deferred tax liability	**-**	-

Tax Strategy, Risk Management and Governance

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

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

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

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

Tax Planning and Relationship with Tax Authorities

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

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

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

7 NON-FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

Significant accounting estimates and judgements

Deferred tax recognition

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

Accounting policy

Income tax

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

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

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

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

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

Tax consolidation

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

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

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

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

(f) Provisions

	Consolidated					
	2020			2019		
	Current $'000	**Non-current $'000**	**Total $'000**	Current $'000	Non-current $'000	Total $'000
Employee benefits	**56,702**	**5,719**	**62,421**	46,796	5,058	51,854
Biodiversity credits	**13,398**	**-**	**13,398**	-	-	-
Incident provision	**12,695**	**-**	**12,695**	16,739	-	16,739
	82,795	**5,719**	**88,514**	63,535	5,058	68,593

(i) Information about individual provisions and significant estimates

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

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

Significant accounting estimates and judgements

Incident recognition

The provision for incidents recognises the Group's estimated liability with respect to costs associated with damage caused by incidents such as force majeure, derailments, including the potential for third party and/or insurance recoveries. Significant judgement is required to estimate the cost to repair damaged assets.

Biodiversity recognition

The provision for biodiversity credits recognises the Group's estimated liability to settle obligations arising from Inland Rail construction in NSW under Critical State Significant Infrastructure Conditions of Approval issued by NSW Department of Planning, Infrastructure and Environment. There are multiple ways to settle the biodiversity offset obligations under the Biodiversity Conservation Act 2016. ARTCs' intention is to support landholder's entry into the Biodiversity Offset Scheme through paying "Lost Opportunity Cost" and a "Total Fund Deposit" to support the land parcels entry into the scheme.

ARTC is currently in various stages of negotiations to identify and support land parcels for inclusion in the scheme. Estimates of the amounts required to complete these negotiations have been included in the provision based on valuations of the land where available and utilising the NSW Government approved calculation.

7 NON-FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(f) Provisions (continued)

(ii) Movements in provisions

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

2020	Employee benefits $'000	Biodiversity credits $'000	Incident $'000	Total $'000
Carrying amount at 1 July	51,854	-	16,739	68,593
Additional provisions recognised	41,944	13,398	25,020	80,362
Amounts used during the year	(31,377)	-	(29,064)	(60,441)
Carrying amount at 30 June	62,421	13,398	12,695	88,514

Accounting policy

Employee benefits

(i) Short term obligations

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

(ii) Long term obligations

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

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 twelve months. Otherwise they are measured at the amounts expected to be paid when the liabilities are settled.

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.

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

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

(g) Non-current liabilities - Defined benefit plans

(i) Consolidated Balance Sheet amounts

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

	Present value of obligation $'000	Fair value of plan assets $'000	Net amount $'000
Balance as at 1 July 2018	**(41,163)**	**31,695**	**(9,468)**
Included in consolidated income statement			
Current service cost	(401)	-	(401)
Interest (expense)/income	(1,668)	1,303	(365)
	(2,069)	**1,303**	**(766)**
Included in other comprehensive income			
Re-measurements			
Return on plan assets, excluding amounts included in interest (expense)/income	-	1,186	1,186
(Loss)/gain from change in financial assumptions	(4,948)	-	(4,948)
Experience gains/(losses)	218	-	218
	(4,730)	**1,186**	**(3,544)**
Contributions:			
Employers	-	1,430	1,430
Plan participants	(258)	258	-
Payments from plan:			
Payments from plan	3,631	(3,631)	-
	3,373	**(1,943)**	**1,430**
Balance as at 30 June 2019	**(44,589)**	**32,241**	**(12,348)**
Balance sheet as at 1 July 2019	**(44,589)**	**32,241**	**(12,348)**
Included in consolidated income statement			
Current service cost	(393)	-	(393)
Interest (expense)/income	(1,312)	959	(353)
	(1,705)	**959**	**(746)**
Included in other comprehensive income			
Re-measurements			
Return on plan assets, excluding amounts included in interest (expense)/income	-	(263)	(263)
(Loss)/gain from change in financial assumptions	315	-	315
Experience gains/(losses)	3,653	-	3,653
	3,968	**(263)**	**3,705**
Contributions:			
Employers	-	1,430	1,430
Plan participants	(249)	249	-
Payments from plan:			
Payments from plan	1,902	(1,902)	-
	1,653	**(223)**	**1,430**
Balance as at 30 June 2020	**(40,673)**	**32,714**	**(7,959)**

7 NON-FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(ii) Superannuation plan

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

State Authorities Superannuation Scheme (SASS)

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

State Superannuation Scheme (SSS)

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

State Authorities Non-Contributory Superannuation Scheme (SANCS)

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

All the schemes are closed to new members.

The schemes in the Pooled Fund are established and governed by the following NSW legislation: Superannuation Act

1916, State Authorities Superannuation Act 1987, Police Regulation (Superannuation) Act 1906, State Authorities

Non-contributory Superannuation Scheme Act 1987, and their associated regulations.

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

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

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

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

(iii) Categories of plan assets

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

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

	Consolidated 2020			Consolidated 2019		
The major category of plan assets are as follows:	Quoted $m	Un-quoted $m	Total $m	Quoted $m	Un-quoted $m	Total $m
Equity instruments	18,389	855	**19,245**	16,614	3,143	19,757
Property	645	2,708	**3,352**	699	2,890	3,589
Short term securities	1,890	2,207	**4,096**	2,136	1,907	4,043
Fixed interest securities	30	2,945	**2,976**	12	4,251	4,263
Alternatives	23	10,499	**10,523**	326	10,230	10,556
	20,977	**19,214**	**40,192**	19,787	22,421	42,208

	Consolidated	
	2020	2019
	%	%
Equity instruments	**48**	47
Property	**8**	8
Short term securities	**10**	10
Fixed interest securities	**8**	10
Alternatives	**26**	25
	100	100

(iv) Actuarial assumptions and sensitivity

Actuarial assessment undertaken by Mercer as at 30 June 2020 contains the following significant independent actuarial assumptions (expressed as weighted averages):

	Consolidated	
	2020	2019
Discount rate	**2.9%**	3.0%
Rate of CPI increase	**1.7%**	2.3%
Future salary increases	**3.2%**	3.2%

The pensioner mortality assumptions are as per the 2018 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.

7 NON-FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

The sensitivity of the total defined benefit obligation as at 30 June 2020 under several scenarios is shown below.

		Impact on defined benefit obligation			
		Increase in assumption		Decrease in assumption	
	Change in assumption	2020	2019	2020	2019
		$'000	$'000	$'000	$'000
Discount rate	1.0%	2,206	5,541	(1,993)	(4,485)
Salary growth rate	0.5%	757	908	(731)	(875)
Rate of CPI increase	0.5%	1,357	1,585	(1,238)	(1,443)
Pensioner mortality rate	Higher mortality** /Lower mortality *	521	600	(241)	(276)

*Assumes the short term pensioner mortality improvement factors for years 2020-2023 also apply for years after 2023

**Assumes the long term pensioner mortality improvement factors for years post 2023 also apply for years 2020 to 2023

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

(v) Risk exposure

There are a number of risks to which the Fund exposes the employer. The more significant risks relating to the defined benefits are:

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

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

(vi) Defined benefit liability and employer contributions

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

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

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

Expected contributions to defined benefit plans for the year ending 30 June 2021 are $1.4m. Following the triennial review of the Defined Benefit Fund as at 30 June 2018 it was determined that ARTC employer contribution would remain at $1.4m p.a. for each of the 3 years and be subject to ongoing review.

The weighted average duration of the defined benefit obligation is 12.4 years (2019: 12.6 years).

(vii) Amounts recognised in consolidated income statement

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

	Consolidated	
	2020	2019
Current service cost	394	401
Interest cost on benefit obligation	352	365
	746	766

(viii) Amounts recognised in other comprehensive income

	Consolidated	
	2020	2019
Actuarial gains/(losses) on liabilities	3,968	4,730
Actual return on Fund assets less interest income	(263)	(1,186)
	3,705	3,544

Significant accounting estimates and judgements

Defined benefit plan

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

(viii)Amounts recognised in other comprehensive income

Accounting policy

Defined benefit plan

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

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

High quality corporate bond rates have been utilised when discounting employee benefit liabilities as of 30 June 2020.

(h) Liabilities - Deferred income government grants

	Consolidated					
	2020			2019		
	Current $'000	Non-current $'000	Total $'000	Current $'000	Non-current $'000	Total $'000
Deferred income - government grants	33,028	624,761	657,789	48,768	483,998	532,766
	33,028	624,761	657,789	48,768	483,998	532,766

The grants received primarily arise from rail projects delivered under the Infrastructure Investment Programme, including the Inland Rail Project, to improve efficiency and safety of the National Land Transport Network. Previously the Company has been awarded other grants from the Government of Victoria and other state funded projects.

7 NON-FINANCIAL ASSETS AND LIABILITIES (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 income statement on a systematic basis in the periods in which expenses are recognised e.g. Inland Rail Project.

8 EQUITY

(a) Contributed equity

(i) Share capital

	2020 Shares	2019 Shares	**2020 $'000**	2019 $'000
Ordinary shares - fully paid	**3,452,342,100**	3,026,610,100	**3,544,093**	3,118,361
	3,452,342,100	3,026,610,100	**3,544,093**	3,118,361

Equity injections for Inland Rail of $425.7m (2019: $194.7m) and Adelaide to Tarcoola Re-Railing Project of nil (2019:$96.0m) have been received throughout the year.

(ii) Ordinary shares

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

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

Accounting policy

Contributed equity

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

(b) Reserves

	Consolidated	
	2020 $'000	2019 $'000
Asset revaluation reserve	**504,825**	566,448
Cash flow hedging reserve - interest rate swap	**(141)**	-
Profit reserves	**168,038**	191,363
	672,722	757,811

	Consolidated	
	2020 $'000	2019 $'000
Movements:		
Revaluation surplus - Property, plant and equipment		
Opening balance at 1 July	**566,448**	720,868
Revaluation on asset revaluation reserve - (net of tax)	**(31,988)**	(136,023)
Asset revaluation reserve - asset disposal	**(29,635)**	(18,397)
Balance as at 30 June	**504,825**	566,448
Profit reserve		
Opening balance at 1 July	**191,363**	259,675
Dividend paid	**(23,325)**	(68,312)
Balance as at 30 June	**168,038**	191,363

	Consolidated	
	2020 $'000	2019 $'000
Cash flow hedges	**(141)**	-
Hedge reserve - foreign exchange - (net of tax)	**(141)**	-
Balance as at 30 June	**672,722**	757,811

(i) Asset revaluation reserve

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

(ii) Profit reserve

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

(iii) Hedge reserve - cash flow hedges

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

8 EQUITY (CONTINUED)

(c) Retained earnings

Movements in retained earnings were as follows:

	Consolidated	
	2020 $'000	2019 $'000
Opening balance at 1 July, as reported	**(562,260)**	(129,453)
Impact of changes in accounting standards (net of tax)	**-**	(333)
	(562,260)	**(129,786)**
Profit/(Loss) for the year	**(860,317)**	(448,386)
Re-measurement (losses)/gains on defined benefit plans - (net of tax)	**2,593**	(2,485)
Asset revaluation reserve - asset disposal	**29,635**	18,397
	(1,390,349)	(562,260)

9 CASH FLOW INFORMATION

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

	Consolidated	
	2020 $'000	2019 $'000
Net profit/(loss) for the year after tax	**(860,317)**	(448,386)
Adjustments for:		
Depreciation	**211,982**	185,216
Amortisation	**7,885**	8,108
Recognition of impairment (reversal)/expense	**766,547**	450,692
Recognition of government grant income attributable to financing activities	**(44,314)**	(39,164)
Net loss/(gain) on sale of non-current assets	**3,729**	(379)
Finance costs including RoU leases interest	**17,488**	17,534
Income tax expense	**83,700**	34,620
Operating profit before changes in working capital and provisions	**186,700**	208,241
Change in operating assets and liabilities:		
Change in trade debtors and other receivables	**(39,443)**	(32,586)
Change in inventories	**(17,861)**	(9,265)
Change in other and held for sale assets	**1,397**	630
Change in trade and other payables	**47**	33,678
Change in other liabilities	**(52,919)**	(30,786)
Change in provisions	**19,921**	6,458
Net cash inflow from operating activities	**97,842**	176,370

(b) Right of use assets - payments

	Consolidated	
	2020 $'000	2019 $'000
Fixed payments	**1,703**	-
Variable payments	**6,798**	-
	8,501	-

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.

The total cash outflow for leases amounts to $17.5m.

10 CAPITAL MANAGEMENT

(a) Risk management

The Group's objectives when managing capital are to:

- safeguard the ability to continue as a going concern (refer to note 19(f)), so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- maintain an optimal capital structure to reduce the cost of capital.

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

During 2020 the Group's objective was to maintain a gearing ratio under 40% (2019: 40%). The gearing ratios were as follows:

		Consolidated	
	Notes	**2020 $'000**	2019 $'000
Total Borrowings	6(c), 6(d)	**798,685**	592,657
Less cash and cash equivalents	6(a)	**(33,109)**	(21,852)
Adjusted net debt		**765,576**	570,805
Total equity		**2,826,466**	3,313,912
Adjusted equity		**3,592,042**	3,884,717
Net debt to adjusted equity ratio		**21.3%**	14.7%

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

(b) Dividends - Ordinary shares

	Consolidated	
	2020 $'000	2019 $'000
Final dividend for the year ended 30 June 2019 of 0.07 cents (2019:1.4 cents) per fully paid share	**23,325**	42,497
Interim dividend for the year ended 30 June 2020 nil (2019: 0.9 cents) per fully paid share	**-**	25,815
	23,325	68,312

11 FINANCIAL RISK MANAGEMENT

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

Risk management framework

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

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

(a) Market risk

(i) Foreign exchange risk

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

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

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity. When the cash flows occur, the Group releases the component recognised previously in Other Comprehensive Income to the Consolidated Income Statement.

During the year ended 30 June 2020 there were no reclassifications of cash flow hedge from equity to the income statement (2019: $0.0m) as there was no equity balance as at 30 June 2019. There was no hedge ineffectiveness in the current year expensed to the income statement (2019: $0.0m).

(ii) Interest rate risk

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

The gain or loss from re-measuring the hedging instruments at fair value is recognised in other comprehensive income and deferred in equity in the hedging reserve, to the extent that the hedge is effective. It is reclassified into the income statement when the hedged interest expense is recognised. For the year ended 30 June 2020 there were no interest rate hedges established, therefore, there was no impact on the financial statements. Refer to the accounting policy at the end of this note.

(iii) Classification of derivatives

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

(iv) Sensitivity analysis - interest rate and foreign currency

	Interest rate risk			
	-0.5%		+0.5%	
	Profit	Equity	Profit	Equity
	$'000	$'000	$'000	$'000
30 June 2020				
Financial assets				
Cash and cash equivalents	(116)	(116)	116	116
Total increase/(decrease) in financial assets	**(116)**	**(116)**	**116**	**116**

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

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

(b) Credit risk

(i) Risk management

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

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

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

The Group's exposure to bad debts has been historically low and statistically insignificant which has continued this year despite the impact of Covid-19 on the economy. The Group's extension to some customers of longer payment terms for a period of time has been considered in the risk component of the ECL calculations. The Group does have significant concentration of credit risk associated with major customers providing a high proportion of access revenue. Bad debt provisions are assessed on an individual basis in addition to an expected credit loss calculation.

11 FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Credit quality: Allowance for impairment

The Group has chosen to use the Simplified Approach in determining its expected credit loss allowance for trade receivables which is made up of accruals or amounts where credit risk is non - existent are assessed using relevant impairment indicators. Under the Simplified Approach, a matrix has been used as the practical expedient to determine expected credit losses on trade receivables. The matrix incorporates forward looking information and historical default rates which has been reassessed in light of Covid -19 impacts on the economy. The inputs to the matrix include revenue, trade receivable collections, trade receivable write-offs and reasons for bad debts. The output of the matrix is an average 3 year default rate for each aged trade receivable range, with the addition of the specific provision for impaired receivables included. The average default rate is then applied to the aged trade receivable balances at each reporting date to calculate the expected credit loss allowance.

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

The following table provides information about the exposure to credit risk and expected credit losses for trade and other receivables as at 30 June 2020.

Trade receivables

30 June 2020	Total	Current	>30 Days	> 60 Days	> 90 Days	> 90 Days (Specific Provision)
	$'000	$'000	$'000	$'000	$'000	$'000
Trade receivables	73,061	72,128	85			
Other receivables	148,219	75,158				-
Total	148,219	147,286	85	107	658	83
Expected credit loss rate		0.02%	0.6%	0.6%	1.9%	-
Allowance for expected credit loss	(108)	(11)	(1)	(1)	(12)	(83)

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

	Trade receivables	
	2020	2019
	$'000	$'000
At 30 June - calculated under AASB 139	**(106)**	(188)
Amounts restated through opening retained earnings	**-**	(25)
Opening loss allowance as at 1 July 2019 – calculated under AASB 9	**(106)**	(213)
Decrease in expected credit loss allowance recognised in profit or loss during the year	**2**	(2)
Receivables written off during the year as uncollectible	**32**	(137)
Change in provision amount	**(36)**	246
At 30 June	**(108)**	(106)

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.

(c) Liquidity risk

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

As at 30 June 2020, $435.0m of the $800m syndicated debt facility has been utilised (2019: $150m). The Group has a $1,500m Australian Dollar Domestic Note programme of which $125m is issued (note 6(d)). The Group also has access to business card facilities of $2m (2019: $2m).

Maturities of financial assets and liabilities based on contractual maturities

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

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

	Less than 6 months	6 - 12 months	Between 1 and 5 years	Over 5 years	Total cash flows
At 30 June 2020	$'000	$'000	$'000	$'000	$'000
Financial assets					
Cash & cash equivalents	33,109	-	-	-	33,109
Trade & other receivables	137,149	40	17,367	38	154,594
Total financial assets	170,258	40	17,367	38	187,703
Financial liabilities					
Trade & other payables	155,501	-	-	-	155,501
Bond issue	2,813	2,812	144,688	-	150,313
Borrowings	-	-	435,282	-	435,282
RoU liability	9,674	8,920	52,500	29,268	100,362
Total financial liabilities	167,988	11,732	632,470	29,268	841,458
30 June 2019					
Financial assets					
Cash & cash equivalents	21,852	-	-	-	21,852
Trade & other receivables	87,641	36	27,436	38	115,151
Total financial assets	109,493	36	27,436	38	137,003
Financial liabilities					
Trade & other payables	142,852	-	-	-	142,852
Bond issue	181,094	2,813	150,313	-	334,220
Borrowings	-	-	150,358	-	150,358
Total financial liabilities	323,946	2,813	300,671	-	627,430

11 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Fair value measurements

(i) Fair value hierarchy and accounting classification

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

	Notes	Carrying Value	Fair Value Level 1	Level 2	Level 3	Total
30 June 2020		$'000	$'000	$'000	$'000	$'000
Non-financial assets						
Measured at fair value						
Leasehold improvements	7(c)	2,765,912	-	-	2,765,912	2,765,912
Plant and equipment	7(c)	478,650	-	-	478,650	478,650
Total non-financial assets		3,244,562	-	-	3,244,562	3,244,562
Financial assets						
Loans and receivables						
Cash and cash equivalents	6(a)	33,109	-	-	-	33,109
Trade and other receivables	6(b)	154,594	-	-	-	154,594
Total financial assets		187,703	-	-	-	187,703
Financial liabilities						
Fair value - hedging instruments						
Foreign exchange contracts	11(a)	202	202	-	-	202
Other financial liabilities						
Interest bearing liabilities	6(d)	643,184	-	-	-	643,184
Trade payables	6(c)	155,501	-	-	-	155,501
Total financial liabilities		798,887	202	-	-	798,887
30 June 2019						
Non-financial assets						
Measured at fair value						
Leasehold improvements	7(c)	2,956,051	-	-	2,956,051	2,956,051
Plant and equipment	7(c)	655,710	-	-	655,710	655,710
Total non-financial assets		3,611,761	-	-	3,611,761	3,611,761
Financial assets						
Loans and receivables						
Cash and cash equivalents	6(a)	21,852	-	-	-	21,852
Trade and other receivables	6(b)	115,151	-	-	-	115,151
Total financial assets		137,003	-	-	-	137,003
Financial liabilities						
Other financial liabilities						
Interest bearing liabilities	6(d)	450,075	-	-	-	450,075
Trade payables	6(c)	142,582	-	-	-	142,582
		592,657	-	-	-	592,657

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

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

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

Disclosed fair values

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

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

(ii) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

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

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

The following table presents the changes in level 3 items for the periods ended 30 June 2019 and 30 June 2020 for the Group:

	$'000
Opening balance 1 July 2018	**3,980,516**
Additions	300,510
Impairment included in expenses	(287,955)
Depreciation	(175,053)
Disposals	(1,934)
Changes in fair value included in other comprehensive income	(194,319)
Transfer to held for sale asset	(10,004)
Closing balance 30 June 2019	**3,611,761**
Additions	233,124
Impairment included in expenses	(366,020)
Depreciation	(182,161)
Disposals	(6,445)
Changes in fair value included in other comprehensive income	(45,697)
Closing balance 30 June 2020	**3,244,562**

11 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Fair value measurements (continued)

(iv) Valuation inputs and relationships to fair value

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

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	The estimated fair value would increase (decrease) if: the annual revenue growth rate were higher (lower); if maintenance and capital expenditure were lower (higher); or the risk-adjusted discount rate were lower (higher); 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.

(v) Valuation processes

The Group calculates the fair value for infrastructure assets using the income method approach, whereby the measurement reflects current market expectations of future cashflows discounted to their present value for each

asset group that would be considered reasonable by a normal market participant. The estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the business risk.

ARTC's policy is to assess both Business Units annually to ensure compliance, as Standards require review if the fair value of the revalued asset class differs materially from its carrying amount. Property, plant and equipment reviews are undertaken annually to ensure significant movements are identified and accounted for. At 30 June 2020, the Group undertook a fair value assessment on an income method approach as there are no similar market quoted assets. The net present value of the cash flows for each business unit is compared with the current carrying value and any significant variance is taken to the financial statements.

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

- The Interstate business unit comprises the East West and North South corridors, the underlying cash flows are compiled on the basis that the CGUs operate as a combined Interstate business unit.
- Due to the long life of the asset base of the business, cash flows are considered for the ACCC approved remaining mine life for Hunter Valley or 20 years for the Interstate network.
- Expected cash flows are based on the terms of existing contracts, along with the entity's knowledge of the business and assessment of the likely current economic environment impacts, adjusted to account for an expected arm's length market participant's view of cash flow risks.
- Growth rates for income are derived from the underlying contract data, GDP growth rates, inflation estimates and pricing assumptions. Long term average growth rates used range from 1.6% to 3.6% (2019: 2.8% to 4.2%).
- An external expert is used to determine a nominal post-tax weighted average cost of capital range that reflects current market assessments of the time value of money and the risks specific to the relevant business units. As at
- 30 June 2020, the range determined across all business units is 5.1% - 6.4% (2019: 5.8% - 7.1%). The rates applied were selected from within 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			
	2020		2019	
	Increase $'000's	**Decrease $'000's**	Increase $'000's	Increase $'000's
Annual revenue (1% revenue movement p.a.)	**127,966**	**(128,286)**	136,218	(136,218)
Maintenance and capital expenditure (1% cost movement p.a.)	**(57,033)**	**57,027**	(57,113)	57,114
Discount rate (+/- 100bps movement)	**(640,290)**	**945,929**	(516,411)	1,103,813
Terminal growth rate (+/- 100bps movement)	**371,030**	**(249,203)**	333,268	(226,159)

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

	2020		2019	
	Increase %	**Decrease %**	Increase %	Increase %
Annual revenue (1% revenue movement p.a.)	**3.9**	**(3.9)**	3.4	(3.4)
Maintenance and capital expenditure (1% cost movement p.a.)	**(1.7)**	**1.7**	(1.4)	1.4
Discount rate (+/- 100bps movement)	**(19.5)**	**28.8**	(13.0)	27.7
Terminal growth rate (+/- 100bps movement)	**11.3**	**(7.6)**	9.2	(6.2)

Accounting policy

Financial assets

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

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

Subsequent to initial recognition they are measured at amortised cost using the effective interest method. The

Group's financial assets at amortised cost include trade and other receivables.

Financial liabilities

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

Derivative financial instruments and hedge accounting

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

12 SUBSIDIARIES

Significant investment in subsidiaries

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

Name of subsidiary	Country of incorporation	Equity holding	
		2020 %	2019 %
Standard Gauge Company Pty Ltd	Australia	**100**	100

Accounting policy

Subsidiaries

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

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

13 CONTINGENCIES

The Group accounts for costs associated with rectifying rail access related incidents following their occurrence. Income from subsequent insurance and other recoveries are only recognised when there is a contractual

arrangement in place and the income is virtually certain of being received. As a result, certain potential insurance and or other recoveries have not been recognised at year end, as their ultimate collection is not considered virtually certain.

14 COMMITMENTS

(a) Capital commitments

At 30 June 2020, the Group has commitments in the order of $289.3m (2019: $427.6m) relating to the investment program that the Group will be undertaking in the Interstate, Hunter Valley and Inland Rail business units in the coming years.

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

(b) Lease commitments: Group as lessee

Non-cancellable operating leases

Refer to note 19 (a) (i) for a reconciliation of lease commitments disclosed to the lease liability recognised on transition to AASB 16 Leases.

	Consolidated	
	2020 $'000	2019 $'000
Commitments in relation to leases contracted for at the end of each reporting period but not recognised as liabilities, payable:		
Within one year	**-**	10,724
Later than one year but not later than five years	**-**	20,450
Later than five years	**-**	3,069
	-	34,243

(c) Lease commitments: Group as the lessor

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

	Consolidated	
	2020 $'000	2019 $'000
Commitments in relation to leases contracted for at the end of each reporting period but not recognised as assets, receivable:		
Within one year	**6,820**	6,663
Later than one year but not later than five years	**17,262**	15,787
Later than five years	**14,049**	14,265
	38,131	36,715

Accounting policy

Group as a lessor

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

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.

15 DIRECTORS AND KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Remuneration of Directors and Key Management Personnel

	Consolidated	
	2020 $	2019 $
Short term employee benefits	**7,081,070**	6,322,794
Post - employment benefits	**271,443**	243,573
Other long-term benefits	**82,543**	177,426
	7,435,056	6,743,793

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

16 REMUNERATION OF AUDITORS

During the year the following fees (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	
	2020 $	2019 $
Audit services		
The following total remuneration was received or is due and receivable, by the Australian National Audit Office in respect of its services, including those performed by its contractors EY for auditing the financial report of the entity in the Group (GST exclusive)	**344,000**	316,000
Other assurance services	**82,543**	177,426
The following total remuneration was received or is due and receivable, by the Australian National Audit Office in respect of its services, including those performed by its contractors EY relating to fees for Infrastructure Investment Grant Audit (GST exclusive)	**2,500**	10,000
Total remuneration for audit and other assurance services	**356,500**	326,000
Other services		
Other non-audit services - asset management practices review	**-**	144,981

17 RELATED PARTY DISCLOSURES

(a) Ultimate controlling entity

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

Commonwealth Government.

(b) Directors

There were no related party transactions with Directors at year end (2019: $ nil). There were no loans to Directors at year end (2019: nil).

18 SIGNIFICANT EVENTS AFTER THE BALANCE DATE

No other events have occurred after the balance sheet date that should be brought to account or disclosed in the year ended 30 June 2020 financial statements.

19 OTHER ACCOUNTING POLICIES

(a) New and amended standards adopted by the Group

The Group applied AASB 16 Leases for the first time in 2020. The nature and effect of the changes as a result of adoption of this new accounting standard is described below.

Several other amendments and interpretations apply for the first time in 2020, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

AASB 16 Leases

AASB 16 replaces existing leases guidance, including AASB 117 Leases, Interpretation 4 Determining whether an Arrangement contains a Lease, Interpretation 115 Operating Leases-Incentives and Interpretation 127 Evaluating the Substance of Transactions involving the Legal Form of a Lease. The date of initial application of AASB 16 for ARTC is 1 July 2019.

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

ARTC has chosen the modified retrospective application of AASB 16 in accordance with AASB 16.C5(b). ARTC has chosen to recognise the right of use ("RoU") assets in accordance with AASB 16.C8(b)(ii) upon application. Accordingly, ARTC will recognise the following for each identified lease within the scope of AASB 16 on transition:

- a lease liability measured at the present value of the remaining lease payments, discounted using ARTC's incremental borrowing rate at the date of transition;
- a right-of-use asset measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of transition.

The weighted average incremental borrowing rate applied to lease liabilities recognised in the statement of financial position as at 1 July 2019 is 5.2%. ARTC has applied the Corporate pre-tax cost of debt from its WACC as a proxy for the discount rate.

In contrast to lessee accounting, AASB 16 substantially carries forward the lessor accounting requirements in AASB 117.

Impact of the new definition of a lease:

The change in definition of a lease mainly relates to the concept of control. AASB 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer.

Control is considered to exist if the customer has:

- The right to obtain substantially all of the economic benefits from the use of an identified asset; and
- The right to direct the use of that asset.

ARTC have applied the definition of a lease and related guidance set out in AASB 16 to all lease contracts entered into or modified on or after 1 July 2019 (whether it is a lessor or a lessee in the lease contract).

In preparation for the first-time application of AASB 16, ARTC with the support of its external advisor has performed an assessment of the impact of the above lease definition across ARTC's contract portfolio. This assessment has shown that the new definition in AASB 16 will not change significantly the scope of contracts that meet the definition of a lease for ARTC.

Impact on Lessee accounting:

AASB 16 introduces significant changes to lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at lease commencement for all leases, except for short-term leases and leases of low value assets.

Operating leases:

AASB 16 changes how ARTC accounts for leases previously classified as operating leases under AASB 117, which were off-balance sheet.

On initial application of AASB 16, for all leases (except as noted below), ARTC has recognised lease liabilities and RoU assets in the statement of financial position in accordance with the AASB 16 transition approach described above. For this purpose, ARTC has applied the following practical expedients in accordance with AASB 16.C10:

- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- Excluding initial direct costs from the measurement of the RoU assets at the date of transition
- The use of hindsight in determining the lease term taken into account in the lease calculations at the date of transition.

19 OTHER ACCOUNTING POLICIES (CONTINUED)

Further, ARTC will now recognise lease incentives receivable at or before the commencement date of the lease as an adjustment to the measurement of the RoU asset, whereas under AASB 117 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expense on a straight-line basis.

Under AASB 16, RoU assets are to be tested for impairment in accordance with AASB 136 Impairment of Assets. This replaces the previous requirement to recognise a provision for onerous lease contracts.

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 the consolidated income statement

Under AASB 117, all lease payments on operating leases were presented as part of cash flows from operating activities in the consolidated statement of cash flows. Under AASB 16, ARTC will separate the total amount of cash paid in relation to operating leases into a principal portion (presented within financing activities) and interest (presented within financing activities), while payments for short-term leases, leases of low-value assets and variable lease payments not included in the measurement of the lease liability will be presented as part of operating activities (ARTC has included these payments as part of payments to suppliers and employees).

Consequently, the net cash generated by operating activities has increased by $17.5m and net cash used in financing activities increased by $17.5m. The adoption of AASB 16 did not have an impact on net cash flows. Lease Liabilities and Right of Use assets of $36.1m were recognised as at 1 July 2019 on adoption of the new standard.

(i) Measurement of lease liabilities at 1 July 2019

	1 July 2019
	$'000
Operating lease commitments disclosed as at 30 June 2019	34,243
Discounted using the lessee's weighted average incremental borrowing rate of at the date of initial application	30,323
Add: finance lease liabilities recognised as at 30 June 2019	-
(Less): short-term leases not recognised as a liability	-
(Less): low-value leases not recognised as a liability	-
Add/(less): contracts reassessed as lease contracts	1,196
Add/(less): adjustments as a result of a different treatment of extension and termination options	4,607
Add/(less): adjustments relating to changes in the index or rate affecting variable payments	-
Lease liability recognised in accordance with AASB 16 Leasing as at 1 July 2019	**36,126**
Of which are:	
Current lease liabilities	11,223
Non-current lease liabilities	24,903
	36,126

Finance leases:

In relation to assets formerly held under a finance lease, the main difference between AASB 16 and AASB 117 is the measurement of the residual value guarantees provided by the lessee to the lessor. AASB 16 requires that ARTC recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by AASB 117. These changes did not have a material effect on ARTC's financial statements.

Impact on lessor accounting:

AASB 16 does not change substantially how a lessor accounts for leases. In accordance with AASB 16, the lessor continues to classify leases as either finance or operating leases and accounts for those two types of leases differently. However, AASB 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in leased assets.

Under AASB 16, an intermediate lessor accounts for the head lease and the sublease as two separate contracts. The intermediate lessor is required to classify the sublease as a finance or operating lease by reference to the RoU asset arising from the head lease (and not by reference to the underlying asset as was the case under AASB 117). As required by AASB 9, an allowance for expected credit losses is recognised on the finance lease receivables.

(b) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2020 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.

(c) Infrastructure maintenance

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

(d) Leases

As explained in note above, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described below and the impact of the change in note 19(a) .

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.

For the leases where a lease exclusion is applicable under the new accounting standard, the lease payments are recognised as an operating expense on a straight line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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

For leases of intangible assets, ARTC has opted to continue to apply AASB 138 Intangible Assets as permitted by AASB 16.4.

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

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

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

The lease liability is presented with 'interest bearing liabilities' in the consolidated statement of financial position.

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.

19 OTHER ACCOUNTING POLICIES (CONTINUED)

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 statement of financial position.

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.

ARTC as lessor:

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

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

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

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

(e) 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.

(f) Going concern

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

At 30 June 2020, the Group has a net deficiency of current assets (2020: $248.6m, 2019: $170.9m) to current liabilities (2020: $309.6m, 2019: $503.7m) of $61.0m (2019: $332.8m). 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 2020

- The Group has net assets of $2,826m (2019: $3,314m)
- The Group generated cash from operating activities of $97.8m (2019: $176.4m)
- The Group expects to continue to generate positive cash flows from operating activities in the next twelve months
- The Group has $365m (2019: $650m) of unutilised funds available through a Syndicated Debt Facility Agreement (as detailed in note 11(c))
- The Group engages in active financial risk management and an established debit capital market programme which are subject to ongoing governance at Committee and Board level (as detailed in note 11)
- The Group has entered into an Equity Funding Agreement with the Commonwealth Government in relation to progressive funding to support the Inland Rail construction project
- The Group's dividend payments in respect of FY20 have been deferred, noting uncertainties in the operating environment due to the COVID-19 pandemic.

DIRECTORS' DECLARATION

DIRECTORS' DECLARATION 30 JUNE 2020

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 22 to 75 are in accordance with the Corporations Act 2001, including:

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

  (ii) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2020 and of its performance for the year ended on that date, and

(b) the financial statements and notes set out on pages 22 to 75 are also in accordance with the international financial reporting standards issued by the International Accounting Standards Board; and

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

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

W Truss
Director

Signed on the 15th day of October 2020

This page left blank intentionally.

Australian National Audit Office

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 Company') and its subsidiaries (together 'the Group') for the year ended 30 June 2020 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 2020 and of its performance for the year then ended; and

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

The financial report of the Group, which I have audited, comprises the following statements as at 30 June 2020 and for the year then ended:

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

Basis for opinion

I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report. I am independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the relevant ethical requirements for financial report audits conducted by the Auditor-General and his delegates. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (the Code)* to the extent that they are not in conflict with the *Auditor-General Act 1997*. I have also fulfilled my other responsibilities in accordance with the Code.

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2020, but does not include the financial report and my auditor's report thereon.

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

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

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control 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.

GPO Box 707 CANBERRA ACT 2601
38 Sydney Avenue FORREST ACT
Phone (02) 6203 7300 Fax (02) 6203 7777

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

Auditor's responsibilities for the audit of the financial report

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

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

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

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

Australian National Audit Office

Scott Sharp

Executive Director

Delegate of the Auditor-General

Canberra

15 October 2020