MOOREBANK
INTERMODAL
COMPANY

ANNUAL REPORT 2019–20

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MOOREBANK INTERMODAL COMPANY

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The Hon Alan Tudge MP
Minister for Population, Cities and Urban Infrastructure
Parliament House
Canberra ACT 2600

Senator the Hon Mathias Cormann
Minister for Finance
Parliament House
Canberra ACT 2600

30 September 2020

Dear Ministers

Moorebank Intermodal Company Limited 2019–20 Annual Report

I am pleased to submit the 2019–20 Annual Report for Moorebank Intermodal Company Limited (MIC), which has been prepared in accordance with the *Public Governance, Performance and Accountability Act 2013* (Cth) and *Corporations Act 2001* (Cth).

The Annual Report includes the financial statements for the financial year ended 30 June 2020 and reports on our progress during that time.

MIC's board has approved this report in accordance with a resolution on 30 September 2020.

I would be grateful if you could endorse this document for tabling in Parliament.

Yours sincerely

Erin A.M. Flaherty
Chair

CONTENTS

Letter of transmittal 3

From the Chair and CEO 6

1. Operational review 7

1.1. Background 7
1.2. Corporate Plan 2019–23 11
1.3. Commonwealth funding 12
1.4. PDC funding 12
1.5. Our people 13
1.6. Business Improvement Programme 14
1.7. Risk management 14

2. Environment 15

2.1. Environmental impacts of Moorebank Logistics Park 15
2.2. Contamination 16
2.3. Biodiversity offsets 16
2.4. Ecologically sustainable development initiatives 16

3. Directors' report 18

3.1. Board of Directors 18
3.2. Directors 18
3.3. Directors' meetings 21
3.4. Audit & Risk Committee 21
3.5. Company secretary 21
3.6. Principal activities 21
3.7. Corporate information 22
3.8. Operating results 22
3.9. Review of operations 22
3.10. COVID-19 22
3.11. Changes in the state of affairs 22
3.12. Events subsequent to reporting date 22
3.13. Likely developments 22
3.14. Environmental regulation 22
3.15. Dividends 22
3.16. Rounding 22
3.17. Share options 22
3.18. Indemnification of officers 23
3.19. Insurance 23

3.20. Indemnification of auditor 23
3.21. Non-audit services 23
3.22. Auditor independence 23
Auditor's independence declaration 24

4. Corporate governance statement 25

4.1. Our shareholders 25
4.2. The Board 26
4.3. Board committees 28
4.4. Directors' remuneration 28
4.5. Senior executive remuneration 28
4.6. Succession planning 29
4.7. Accountability and audit 29
4.8. Commercially sensitive information 31

5. Remuneration report 32

5.1. Non-executive director fees 33
5.2. Senior executive remuneration 35

6. Financial statements 36

6.1 Consolidated statement of profit or loss 36
6.2 Consolidated statement of financial position 37
6.3 Consolidated statement of changes in equity 38
6.4 Consolidated statement of cash flows 39
Notes 40
Directors' declaration 63
Independent Auditor's report 64

Appendix A Reporting index 68

Appendix B Glossary 70

FROM THE CHAIR AND CEO

On 1 November 2019, the first freight train rolled into the new IMEX Terminal at Moorebank, loaded with international shipping containers from Port Botany. It was a pivotal moment in our Company's history, a milestone of which our team and the Logistic Park's developer, Qube Holdings, can be justifiably proud. Works continue to expand the IMEX Terminal's capacity as well as planning for the new Interstate Terminal. Together, these will cement Moorebank as an integral part of Australia's future logistics supply chain.

The Australian Government's foresight in helping to create and invest in the Moorebank Logistics Park has been highlighted by recent major economic disruptions. The appearance of empty supermarket shelves, coupled with uncertainty stemming from escalating global trade tensions, has brought into sharp focus the importance of improving the resilience and versatility of Australia's supply chain.

Whatever challenges lie ahead, increasing rail's share of the freight market, together with the associated benefits of reducing emissions, easing congestion and improving road safety, is as relevant as ever.

As part of a national approach to upgrade and support an efficient and sustainable supply chain, the Moorebank Logistics Park complements Inland Rail, ongoing Metropolitan Freight Network upgrades and private sector capacity investment, by enabling a significant increase in the volume of freight capable of being shipped through Port Botany and the broader North–South corridor.

The Moorebank Logistics Park is already receiving strong support from major freight customers. Woolworths, Australia's largest supermarket, is the most recent major warehouse tenant. There is growing recognition that Moorebank's strategic location and exceptional road and rail connections make it a vital link in the national supply chain.

The 2019–20 financial year has also provided an opportunity to reflect on our approach and develop strategies for the next major steps in Moorebank's growth: completing the remaining enabling works, and building the new 500,000-TEU interstate terminal.

At Moorebank Intermodal Company, our work has always been founded on the belief that a safer, more sustainable supply chain will enhance Australians' quality of life. The work of this financial year has delivered meaningful progress towards this important national goal.

Erin Flaherty
Chair

James Baulderstone
Chief Executive Officer

1. OPERATIONAL REVIEW

1.1. Background

An inefficient freight network increases the cost of living for all Australian households. Through the *National Freight and Supply Chain Strategy* (2019), Australian governments articulated their shared vision for nationally coordinated and well-planned freight systems supporting a strong and prosperous Australia. A key measure of the Strategy's success will be improved efficiency and international competitiveness. The Strategy aligns with the intent of 15 years' worth of Commonwealth and State investment in freight rail.

Although rail handles just over half of the national freight task measured by tonne-kilometre (tkm), more than 80 per cent of this volume is bulk commodities such as iron ore, coal and grain. Rail's share of the non-bulk (generally containerised) market is much smaller, and smaller still on the East Coast (Melbourne–Sydney–Brisbane).

The NSW Government has set a target for 28 per cent of containers moved between Port Botany and locations within Sydney to be carried by rail by 2021, up from around 17 per cent today.

Moorebank Intermodal Company

In 2004, the Australian Government determined that an intermodal terminal for non-bulk freight would be built on a strategically-located Defence site at Moorebank in Western Sydney. In 2012, the Government offered a 99-year lease on the site and funding for enabling works via a new government business enterprise, Moorebank Intermodal Company Limited (MIC). At MIC, purpose is channel Commonwealth funding to attract complementary private investment, thus supporting the

Table 1. 2019–20 at a glance

Aim	Metric/Milestone	Result
Enhance the container freight market	Open the first new warehouse within the precinct	July 2019
	Open Access in place at IMEX Terminal	Achieved
Deliver the freight precinct	Rail connection from Southern Sydney Freight Line complete	July 2019
	IMEX Terminal operational	November 2019
Support the success of the Logistics Park	Moorebank Avenue realignment planning approval	In progress
Grow our people	Staff turnover	3
	Lost time injuries	1
	Staff satisfaction – 'engagement' score	73%
Manage our business	Expenditure within budget	Achieved
	Address ANAO and 2018 Integrity Review recommendations	Achieved

development of a more resilient, better integrated multi-modal supply chain.

MIC's objectives are to:

» facilitate the development of an intermodal freight terminal at Moorebank, including an IMEX facility, an interstate freight terminal capable of catering for 1.8-kilometre trains and ancillary facilities, by optimising private sector investment and innovation in the development, construction and operation of the intermodal terminal
» facilitate the operation of a flexible and commercially viable common user facility, which shall be available on reasonably comparable terms to all rail operators and other terminal users
» ensure the intermodal terminals operate with the aim of improving national productivity through an efficient supply chain, increased freight capacity and better rail utilisation
» operate on commercially sound principles, having regard to the Australian Government's long-term intention to sell its interest in the Company
» upon notification by the Commonwealth Shareholder, provide assistance as required to facilitate a sale of the Commonwealth's interest in the Company
» do all things necessary, convenient or incidental to carrying out or attaining of these objectives.

In achieving these objectives, MIC is to deliver a value for money solution to the Australian Government and act in an environmentally and socially responsible manner with due regard to the views of local communities. This means that the terminal development will consider the benefits that can be provided to the local community as well as minimise the adverse impacts on nearby residents and businesses.

MIC is wholly owned by the Australian Government through the shareholdings of the Minister for Population, Cities and Urban Infrastructure and the Minister for Finance. MIC has two wholly owned subsidiary trusts:

» MIC Land Trust, which holds the Commonwealth-owned land and will receive MIC's share of distributions of ground rent
» MIC Rail Trust, which is funding the rail access works and will receive rail access charges over the term of the lease.

The subsidiaries were created to facilitate eventual divestment by the Commonwealth of its financial interest in the development.

Moorebank site

Prior to Moorebank, Sydney had intermodal capacity to handle around 1.4 million TEU per year, shared between IMEX and interstate trains. Many of the older terminals suffer from constraints including:

» lack of surrounding land for warehouses and ancillary services
» lack of scope to grow capacity over time
» short terminal roads (sidings) that require 1,800-metre interstate trains to divide before loading and unloading
» distance from motorways
» distance from major Western Sydney industrial precincts.

Two existing terminals (as well as Pacific National's planned St Marys terminal) are located on the shared metropolitan network, so restrictions apply to when and how often freight trains can access them.

While other terminals will continue to be indispensable in managing Sydney's freight task, there is clear need for additional capacity: both to maintain rail's mode share within a growing freight task, and to build mode share over time.

The Moorebank site combines the scale and strategic location to efficiently meet customer needs and accommodate growth.

Precinct Developer Co.

The Moorebank facility, now known as Moorebank Logistics Park, will include two rail terminals, new high-specification warehouse space, and connecting road and rail links. The Logistics Park is being built, operated and maintained by a Precinct Developer Co. (PDC) established for the purpose.

Following a tender process, we selected the Sydney Intermodal Terminal Alliance (SIMTA), now wholly owned by Qube Holdings, to form and operate the PDC. SIMTA was selected in part because it was

Figure 1. Moorebank Logistics Park

Indicative locations shown. Photo: Nearmap, June 2020 able to present a strongly differentiated proposal: its large adjacent landholding presented the opportunity to considerably increase the scale and efficiency of the intermodal precinct (see Figure 1 on page 9).

The strength of our relationship with Qube is vital to the success of the project. This relationship is governed by the Development and Operations Deed, a comprehensive agreement signed in 2015. This grants Qube rights to develop and operate the IMEX and Interstate terminals, precinct infrastructure and warehousing for 99 years, subject to certain conditions.

The Deed sets out MIC's funding obligations and Qube's commitment to operate the terminals on a non-discriminatory basis with Open Access available to third parties.

Open Access framework

Moorebank is different from other intermodals for three reasons:

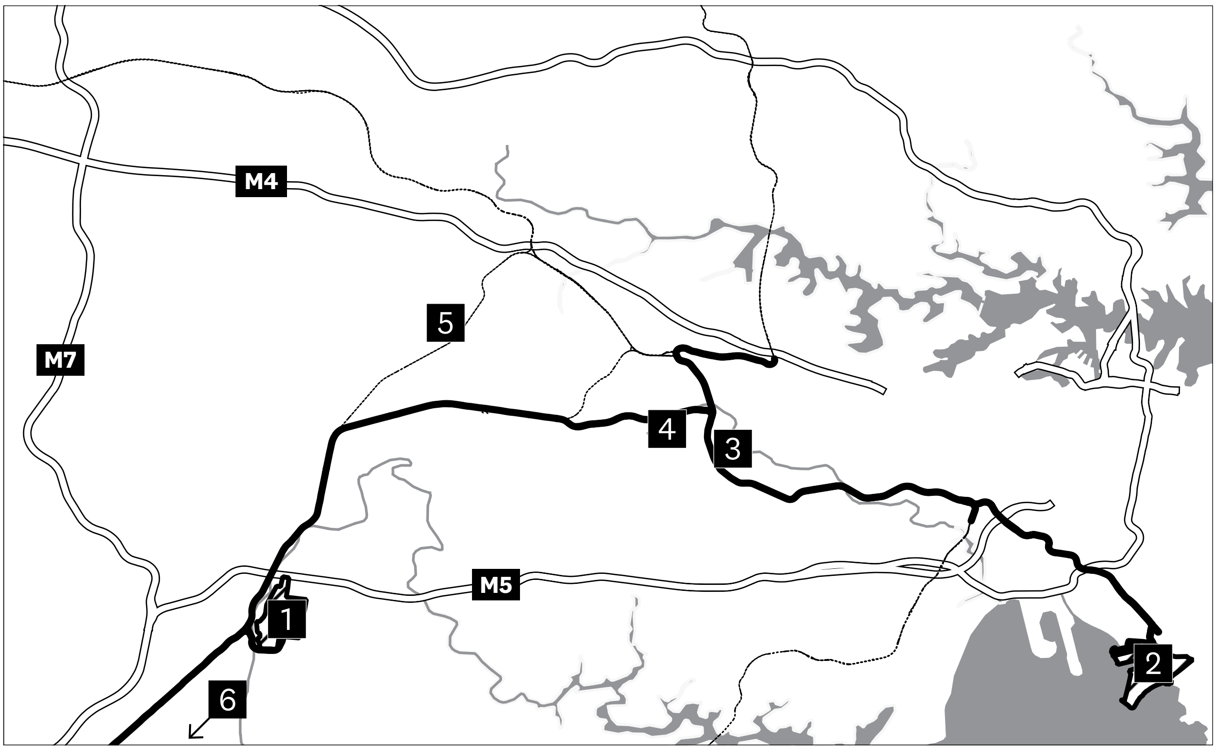
» **Scale.** When complete, Moorebank Logistics Park will be home to the largest intermodal terminal in the country.

» **Strategic location.** Moorebank occupies a strategic position close to the M5, M7 and M31 motorways and enjoys direct access to Port Botany via ARTC's Metropolitan Freight Network (see Figure 2 below). Few sites – existing or proposed – enjoy such unfettered access to the port, the interstate rail network and freight customers in Western Sydney.

» **Vertically-integrated operator.** The terminal operator, Qube, is a train operator and logistics firm in its own right. Access seekers will, by definition, be competitors of the operator's associated businesses.

Moorebank's Interstate and IMEX terminals therefore require a robust approach to competition. It falls to MIC to ensure that the interests of other market participants (and thus consumers) are protected.

Figure 2. Location of Moorebank Logistics Park



1. Moorebank Logistics Park
2. Port Botany
3. Enfield Intermodal
4. Chullora Intermodal
5. Yennora Intermodal
6. Minto Intermodal

Rail – shared
Rail – freight network
Motorway

MIC has sought to balance these considerations against the need for the operator to exercise its judgement to promote safety, efficiency, productivity and volume through the facility.

The Development and Operations Deed between MIC and Qube provides for a contractual open access framework at both terminals. MIC will monitor compliance with the contractual obligations to ensure that access seekers, freight customers and the broader community are protected over the course of the Qube lease.

MIC and Qube agreed to develop the framework in this way to foster a collaborative, rather than adversarial, culture. The focus is, first and foremost, on continuous improvement.

1.2. Corporate Plan 2019–23

Our four-year Corporate Plan, released in August last year, is structured around six aims, outlined in Table 2 below. A summary of the Corporate Plan, our *Statement of Corporate Intent*, can be downloaded from our website.

Table 2. Corporate Plan 2019–23 aims

Aim	
Enhance the container freight market	» Deliver a value-for-money outcome and a commercial return on investment for our shareholders » Work with Qube to create a successful multi-user freight precinct that is a catalyst for change » Work with Qube and other stakeholders to deliver a value proposition to the market that will see a sustainable mode shift » Work with and monitor Qube to ensure access to the operating terminal is genuinely open and non-discriminatory
Deliver the freight precinct	» Work with and support Qube to commence operations at Moorebank Logistics Park as soon as possible » Actively oversee the delivery of the terminal to ensure it meets the agreed standards » Ensure the Commonwealth receives a commercial return on its investment over time » Work with Qube to achieve an industry-leading safety record
Support the success of the Logistics Park	» Collaborate with all levels of government to ensure the supporting infrastructure is delivered, particularly road and rail upgrades » Collaborate with all levels of government to deliver training in required skills to local communities » Oversee and monitor the contractual open access regime established for the import export terminal to monitor customers’ or access seekers’ satisfaction
Engage with our stakeholders	» Ensure community benefits are realised and concerns are heard, respected and dealt with responsibly » Collaborate with all levels of government and owners of supporting infrastructure to maximise the business opportunity and minimise adverse impact » Work with stakeholders to ensure the project achieves the Commonwealth’s objectives for establishing MIC, including economic growth, particularly for west and south-west Sydney
Grow our people	» Enjoy our work and success as we broaden our knowledge and achieve our development objectives » Work with our advisers and respect their expertise and contribution
Manage our business	» Achieve our financial targets and have fit-for-purpose systems to support the MIC business

1.3. Commonwealth funding

We are responsible for overseeing a range of Commonwealth-funded enabling works at Moorebank Logistics Park, including land preparation, rail access and upgrades to Moorebank Avenue.

Land preparation
The Commonwealth is funding land preparation works on the land it owns, the 198-hectare area known as Moorebank Precinct West. Precinct West will eventually be home to the Interstate Terminal, national and regional distribution centres for Woolworths, other warehouses, and support facilities including truck parking and driver amenities.

Land preparation includes vegetation removal, management of contamination, 'benching' (creating a useable level surface for construction) and fencing. Once land preparation is complete, Qube can then begin building roads, warehouses and other facilities. At this time we anticipate completion by June 2022.

Rail access
The Commonwealth is funding construction of rail links between the ARTC-owned Southern Sydney Freight Line (SSFL) and the two terminals at Moorebank. Stage 1 of these rail access works was commissioned in July–November 2019, connecting the SSFL to Terminal 1 (IMEX). This work was completed on time and on budget.

Moorebank Avenue
The precinct master plan calls for a realignment of around 1,600 metres of Moorebank Avenue around the eastern boundary of the Moorebank Logistics Park. This will unlock operational efficiencies by eliminating the barrier between the eastern (Qube owned) and western (Commonwealth owned) precincts.

Public Benefits Fund
During the year, we continued to invest in our community partners, Live Life Get Active and Darcy St Project.

Live Life Get Active is a not-for-profit group that offers free outdoor activity camps and nutritional programs in the Liverpool area to help address obesity, diabetes and mental health.

Darcy St Project aims to break the cycle of homelessness, unemployment and social exclusion by using education, coffee and food culture as a vehicle for change.

1.4. PDC funding

IMEX Terminal
Qube commenced rail operations between Port Botany and Moorebank Terminal 1 on 1 November 2019. At present, container lifts are performed manually using reach stackers, limiting throughput to at most 250,000 TEU per year. Qube is installing gantries that will automate the loading/ unloading process, progressively increasing capacity to the design specification of 1.05 million TEU.

Interstate Terminal
Qube is progressing design for the Interstate Terminal. The Open Access protocol for the Terminal, to be built on Precinct West, is to be developed with Qube.
We remain on track to have this protocol agreed prior to the terminal being commissioned.

Warehousing
Qube has continued to develop and lease warehouses in Precinct East in response to demand. Major tenants include Target, Caesarstone and AST Building Products. Three warehouses, accounting for around 100,000 square metres, remain to be built at the southern end of Precinct East.

On 23 June Qube announced it had secured retailer Woolworths as Precinct West's anchor tenant. Under the deal, Woolworths will establish both national and regional distribution centres at Moorebank, with combined floor space of 75,300 square metres.

1.5. Our people

From March 2020 onwards, employees largely worked remotely due to the ongoing COVID-19 pandemic. A risk assessment and action plan for returning to the office has been prepared and is now underway.

Our organisation structure as at 30 June 2020 is shown below in Figure 3. Table 3 below and Table 4 overleaf show our people KPIs and workforce composition.

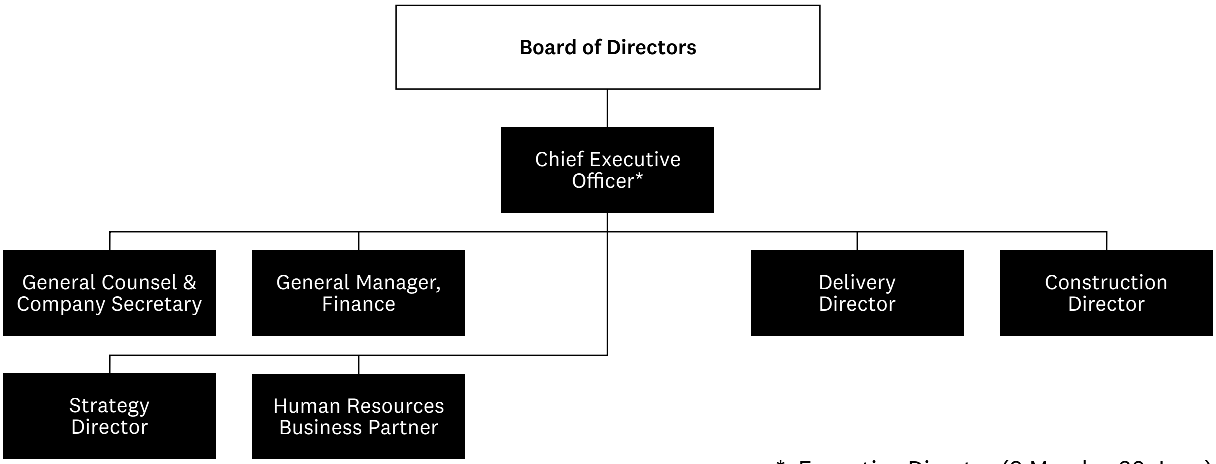
The safety of our people remains our top priority. A single lost-time injury sustained by an employee working from home resulted in a significant increase in our LTIFR during the year. Following this incident, we added a new training module to our learning management system to control for this risk.

Leadership change

Chief Executive Officer Peter Hicks resigned on 6 December, with Project Director David Jurd (18 December – 8 March) and Chair Erin Flaherty (9 March – 30 June) leading the Company on an interim basis while recruitment for a CEO was underway.

On 30 June, our Shareholder Ministers announced that the Board had appointed James Baulderstone as the CEO. James has more than 30 years' experience in commercial, corporate, finance and legal roles, including executive roles at Santos and BlueScope Steel. Most recently, he was the Strategic Projects Director for GFG Alliance Australia, the owner of Whyalla Steelworks.

Figure 3. Organisation structure as at 30 June 2020



* Executive Director (9 March – 30 June)

Table 3. Key performance indicators – our people

Key performance indicator	2019–20 result
Staff turnover	3
Lost time injuries	1
Lost time injury frequency rate	34.54
Staff satisfaction – 'engagement' score	73%
Staff satisfaction – 'progress' score	71%

Table 4. Workforce composition as at 30 June

	2018–19				2019–20			
Ongoing employees	*Male*	*Female*	*Total*	*Total %*	*Male*	*Female*	*Total*	*Total %*
Full time	4	5	9	82%	12	6	18	100%
Part time	0	2	2	18%	0	0	0	0%
Total	4	7	11		12	6	18	
Total %	36%	64%			67%	33%		
Non-ongoing employees	*Male*	*Female*	*Total*	*Total %*	*Male*	*Female*	*Total*	*Total %*
Full-time contractor	1	0	1	20%	0	2	2	40%
Part-time contractor	2	2	4	80%	0	3	3	60%
Total	3	2	5		0	5	5	
Total %	60%	40%			0%	100%		

1.6. Business Improvement Programme

The final initiatives of our Business Improvement Programme were completed during 2019–20. The Programme addresses the recommendations of the Business Integrity Review and Australian National Audit Office (ANAO) audit completed in 2018.

During implementation of the Business Improvement Programme a further opportunity for improvement was identified: adoption of system-based reporting. Implementation is now underway and is expected to be complete by June 2021.

1.7. Risk management

MIC has a Risk Management Framework that has been developed in alignment with AS/NZS ISO 31000:2009 Risk Management – Principles and Guidelines on Implementation (ISO 31000) and the Commonwealth Risk Management Policy (2014).

The Company's Risk Management Framework provides the overarching policy direction for the role of risk management within MIC as a Government Business Enterprise and in its role in funding and overseeing Commonwealth-funded works to develop the Moorebank Logistics Park.

Risk areas include:

» the health and safety or our employees
» the impact of our operations on the environment
» governance and compliance
» financial and commercial
» delivery, particularly those that affect the timeframe for delivery or the long-term value of the asset
» operations, particularly those that affect the capacity, efficiency or utilisation of the rail terminals
» maintaining the strength of our stakeholder relationships and our reputation within both the logistics industry and the community.

2. ENVIRONMENT

At present all construction activity at Moorebank Logistics Park is procured and co-ordinated by the PDC owned by Qube Holdings. A Qube subsidiary operates the Logistics Park. PDC/Qube's environmental responsibilities include:

- securing relevant planning and environmental approvals for construction work, and ensuring the terms of those approvals are met by contractors working on site
- holding any NSW Environment Protection Licences required
- providing channels for members of the local community to report environmental concerns.

At MIC, our role is to provide funding for certain enabling works and ensure that the PDC meets its contractual obligations to the Commonwealth. We have included the following environmental protections in our Development and Operations Deed with the PDC:

- All works must comply with the sustainability requirements set out in the relevant planning and authority approvals and Australian Standards.
- Environmental and sustainability requirements must be taken into account in relevant aspects of the precinct works.
- A Construction Environmental Management Plan and an Operations Phase Environmental and Sustainability Plan must be developed, implemented and maintained for the precinct development and operation.
- All maintenance, replacement and repairs of precinct facilities are undertaken in accordance with usual industry practice regarding environmental sustainability.

2.1. Environmental impacts of Moorebank Logistics Park

The construction and operational environmental impacts of the Logistics Park are detailed in the environmental impact statements prepared for each stage of development. Key environmental impacts and their mitigations are listed below.

Table 5. Key environmental impacts and mitigations

Impact	Mitigations
Noise and vibration	» Laying out the precinct to minimise noise, for example by placing the terminals in the centre and using warehouses and conservation lands as buffers » Selection of operational plant and equipment with the lowest practicable noise emissions » Use of acoustic enclosures and insulation
Biodiversity	» Retain and restore vegetation along Georges River riparian corridor » Biodiversity offsets (see Table 6 and Figure 4 overleaf)
Water quality	» Sedimentation and bio-filtration basins upstream of stormwater detention basins » Onsite infiltration using swale drains and rain gardens across the precinct
Visual amenity and lightspill	» Use of the riparian corridor to screen visual impacts » Application of urban design principles

2.2. Contamination

Contamination on Commonwealth-owned land is managed in accordance with our statutory obligations. The second stage of land preparation works is being scoped to minimise offsite disposal, with most material remediated and contained on site. This work is expected to commence in late 2020.

2.3. Biodiversity offsets

Table 6. Biodiversity offset land

Parcel	Area	Vegetation communities
Wattle Grove	81 ha	» Shale/Gravel Transition Forest » Castlereagh Swamp Woodland » Castlereagh Scribbly Gum Woodland » Riparian Forest » Alluvial Woodland
Moorebank	25 ha	» Riparian Forest » Alluvial Woodland
Casula	3.2 ha	» Riparian Forest

Vegetation removed as part of the rail access works, Moorebank Avenue realignment and Precinct West development must be offset using biodiversity credits. To this end, the Commonwealth has included more than 100 hectares of land for conservation in the project. Most of this land is to the east of the Logistics Park, with another large section along the east bank of the Georges River (see Table 6 above and Figure 4 opposite).

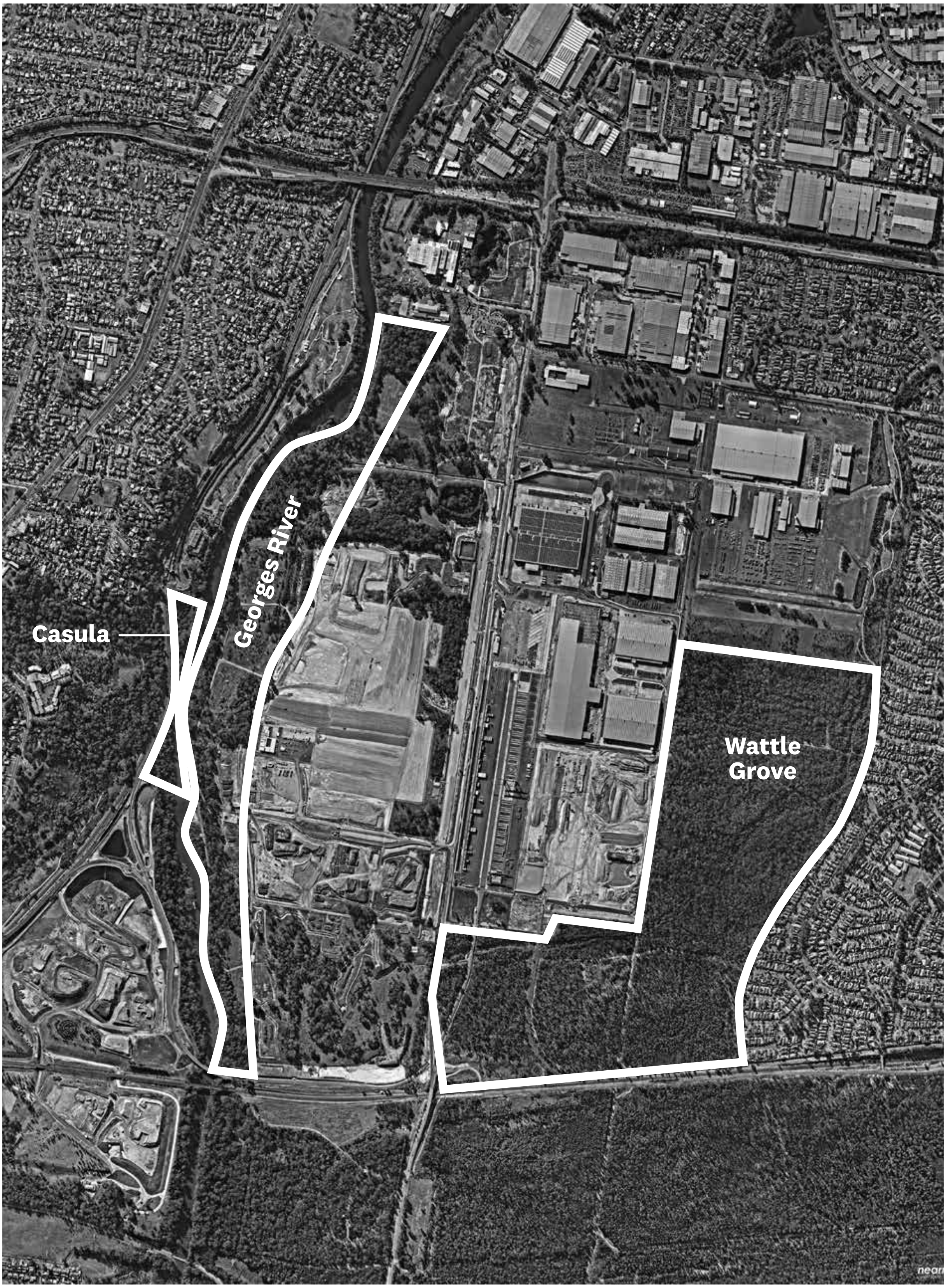
A biobanking agreement, executed in January 2019, for protection and preservation in perpetuity of a 105-hectare biobank site ensures significant flora and fauna is fully protected. During 2019–20 passive management actions (weeding, pest control, etc.) were undertaken by Qube to preserve the current state of flora and fauna in preparation for establishment works in late 2020.

2.4. Ecologically sustainable development initiatives

Qube identified a range of ecologically sustainable development initiatives at the Environmental Impact Statement (EIS) stage and is progressively implementing these as the Logistics Park develops. These include:

- reduced reliance on non-renewable energy sources, for example by installing considerable rooftop solar generation capacity
- installation of energy-efficient equipment and ensuring this is used preferentially during peak power demand times
- reduced water demand through use of water-efficient technologies
- conservation of on-site water resources by harvesting rainwater for non-potable uses, such as toilet flushing and irrigation
- erosion and sediment control measures
- design elements and operational policies to reduce waste generation.

Figure 4. Biodiversity offset land



Indicative boundaries shown. Photo: Nearmap, June 2020

3. DIRECTORS' REPORT

3.1. Board of Directors

The following people served as directors of Moorebank Intermodal Company Limited during the financial year ended 30 June 2020. Moorebank Intermodal Company ("MIC" or the "Company") comprises MIC and its wholly owned subsidiaries (the "Group"). All directors were appointed on three-year terms. The Chair, Erin A.M. Flaherty, was appointed on a three-year term in February 2020 after Kerry Schott's term as Chair and Non-Executive Director ended on 12 December 2019.

Chair

Kerry Schott (Term ended: 12 December 2019)
Erin A.M. Flaherty (Appointed as Chair: 4 February 2020)

Non-executive director

Ray Wilson
The Hon Jamie Briggs (resigned 31 October 2019)
Lucio Di Bartolomeo
Christine Holman
Andrew Harrison
The Hon James Lloyd
Ron Koehler (appointed 16 December 2019)

3.2. Directors

Kerry Schott AO
(Chair and Non-executive Director)
(Term ended: 12 December 2019)

Kerry Schott was Chair of the MIC Board until her term ended on 12 December 2019. Kerry is also a director of NBN and Chair of the Energy Security Board.

Kerry was Managing Director and CEO of Sydney Water from 2006 to 2011 and a deputy secretary of NSW Treasury for three years before that. She spent 15 years as an investment banker, including as Managing Director of Deutsche Bank and Executive Vice President of Bankers Trust Australia. During this time, she specialised in privatisation, restructuring, and infrastructure provision. Prior to becoming an investment banker, she was a public servant and an academic.

Kerry is an Officer of the Order of Australia and has been awarded honorary doctorates from the universities of Sydney, Western Sydney and New England.

Erin A.M. Flaherty
(Chair & Non-executive Director)
(Appointed as Chair: 4 February 2020)

Erin A.M. Flaherty has more than 30 years' experience in both private and Government sectors. She was Commercial Manager and Deputy CEO at Reliance Rail before becoming Executive Director of Infrastructure NSW in 2012.

In 2012, Erin was appointed by the NSW Minister for Transport to the Advisory Board for the North West Rail Link and subsequently became an inaugural director of the newly formed Sydney Metro Authority in 2018. She has been a guardian of the Future Fund, Australia's sovereign wealth fund, since 2016 and more recently a non-executive director of the listed entity, Primewest Group Limited. In 2020 she undertook a review of the Sydney Harbour Federation Trust for the Commonwealth Minister for the Environment.

Erin is also a Trustee of the Sydney Cricket Ground Trust, and a board member of the NSW Police & Citizens Youth Clubs and the Australian Chamber Orchestra. She is the National Chair of the Professional Scholarship Committee of the Australian American Fulbright Commission and a past board member.

Ray Wilson
(Non-executive Director)

Ray has a strong background in accounting, investment banking and large-scale infrastructure development.

Ray is a Founding Principal and Director of Plenary Group, an international infrastructure business.

Ray's experience also includes Head of Infrastructure and Head of Debt Markets and Securitisation at Barclays Bank/ABN AMRO. Prior to his investment career, Ray was a chartered accountant at Price Waterhouse and KPMG.

Lucio Di Bartolomeo
(Non-executive Director)

With over 40 years' experience in the transport industry, Lucio brings extensive knowledge in rail, infrastructure and engineering fields to the MIC board as a non-executive director.

He is currently the Chairman of Australia Post, Health Infrastructure NSW and Australian Naval Infrastructure Pty Ltd, and a non-executive director of Australian Super.

Prior to taking on non-executive director roles, Lucio was the Managing Director of ADI Limited, Country Director of Thales (Australia) and Managing Director of FreightCorp.

The Hon Jamie Briggs
(Non-executive Director)
(Resigned: 31 October 2019)

Jamie Briggs is a Partner at PwC in the deals business, focusing on cities, infrastructure and government.

Jamie was previously a member of the Australian Parliament and served in the capacity of Federal Minister for Cities and the Built Environment and the Federal Assistant Minister for Infrastructure and Regional Development.

Prior to entering Parliament, he was a senior adviser to Prime Minister John Howard from 2004 to 2007, advising on workplace relations reform.

Christine Holman
(Non-executive Director)

Christine is a professional company director and currently, non-executive director of three ASX-listed companies: Blackmores, CSR and Collins Foods.

Christine also sits on the boards of the Bradman Foundation, the ICC T20 Cricket World Cup 2020 and the State Library of NSW Foundation.

Having served as both Chief Financial Officer (CFO) and Commercial Director of Telstra Broadcast Services, Christine brings a deep understanding of legacy and emerging technologies. During her time in private investment management, Christine assisted managers and directors of investee companies on strategy development, mergers and acquisitions, leading due diligence teams, managing large complex commercial negotiations, and developing growth opportunities.

Christine holds a Masters of Business Administration (MBA) and a Postgraduate Diploma in Management from Macquarie University and is a graduate of the Australian Institute of Company Directors. Christine is a member of Chief Executive Women.

Andrew Harrison
(Non-executive Director)
Andrew is an experienced company director, CFO, and corporate adviser. He is currently chairman and non-executive director of Bapcor, WiseTech Global and Vend.

Andrew has held executive and non-executive directorships in public and private companies and has been CFO for a number of companies including Seven Group Holdings, Alesco and Hanson in Australia, and Landis+Gyr in Europe and the United States. In the earlier stages of his career Andrew was an investment banker at Gresham Partners (Sydney) and Chase Manhattan Bank (New York) and originally trained as a chartered accountant at Ernst & Young (Sydney and London).

He holds a Bachelor of Economics from the University of Sydney, an MBA from the Wharton School, University of Pennsylvania, is a chartered accountant and Member of the Australian Institute of Company Directors.

The Hon James (Jim) Lloyd
(Non-executive Director)
James served in the Australian Parliament as the Member for Robertson for 11 years from 1996 to 2007. He also served in a number of senior positions during that time including Chief Government Whip and Federal Minister for Local Government, Territories and Roads.

James' responsibilities as Roads Minister included the management and implementation of major sections of the $40 billion AusLink road construction program.

James has been a NSW Board member for the Prostate Cancer Foundation of Australia and continues to act as honorary ambassador. In January 2020, James was appointed National Support Groups Executive for the Foundation.

Ron Koehler
(Non-executive Director)
(Appointed: 16 December 2019)
Ron Koehler has had more than 35 years' experience in the freight and logistics industry and is a former CEO of DB Schenker Australia. Ron was born in Melbourne and grew up in Germany, relocating back to Australia in 1985.

Under Ron, DB Schenker won logistics services contracts for the Gorgon liquid natural gas project in Western Australia and the Sydney 2000 Olympic Games. In 2019, Ron left DB Schenker. In early 2020, he took up a role as CEO of Trackster Global, a start-up in the freight and asset tracking sector.

Ron is a member of the German-Australian Chamber of Industry and Commerce and was awarded the Grand Cross of the Order of Merit of the Federal Republic of Germany in 2017 for supporting bilateral trade and growing the recognition of German industry in Australia.

Board composition changes

- Kerry Schott's term as director ended on 12 December 2019
- The Hon Jamie Briggs resigned as director on 31 October 2019
- Ron Koehler was appointed as a director on 16 December 2019.

3.3. Directors' meetings

Table 7. Directors' meetings

Director	Board		Audit & Risk Committee	
	A	*B*	*A*	*B*
Kerry Schott	6	6	–	–
Ray Wilson	13	10	6	5
Lucio Di Bartolomeo	13	12	–	–
Jamie Briggs	4	2	–	–
Andrew Harrison	13	13	6	6
Christine Holman	13	12	6	6
Erin Flaherty	13	12	3	2**
Jim Lloyd	13	13	–	–
Ron Koehler	6	6	1	1 + 1*

A Number of meetings held which a director or committee member could attend
B Number of meetings attended
* Attended meetings *ex officio*
– Non-Committee Member, attendance is not required
** Resigned from the Committee when she was appointed as Chair on 4 February 2020

The number of meetings of the Company's board of directors and board committees held during the year ended 30 June 2020, and the numbers of meetings attended by each director are shown above in Table 7.

3.4. Audit & Risk Committee

The Audit & Risk Committee was established on 15 March 2013. The Audit & Risk Committee is made up of the following directors:

- » Erin Flaherty (resigned 4 February 2020 after appointment as Chair of the Board)
- » Ron Koehler (appointed 28 April 2020)
- » Andrew Harrison
- » Christine Holman
- » Ray Wilson.

The Committee charter can be downloaded from MIC's website at www.micl.com.au/governance-and-policies.

3.5. Company secretary

Jane Webster was appointed to the position of General Counsel and Company Secretary from 11 August 2014. Jane has over 20 years' experience as a construction and infrastructure lawyer and a company secretary. Prior to joining Moorebank Intermodal Company, Jane has held senior legal and company secretarial positions in a listed company and was previously a senior lawyer at a national law firm. Jane has a Bachelor of Laws from the University of New South Wales and is a fellow of the Governance Institute of Australia and Chartered Governance Institute.

3.6. Principal activities

The principal activity of the Group is to facilitate the development of an intermodal freight precinct at Moorebank, Sydney, NSW.

3.7. Corporate information

Moorebank Intermodal Company Limited is a public company limited by shares that is incorporated and domiciled in Australia. The registered office of the Company is Suite 3, Level 33, 1 O'Connell Street, Sydney NSW 2000.

The Company is wholly owned by the Commonwealth of Australia.

3.8. Operating results

The loss of the Group after income tax was $18.6 million (2019: $69.5 million).

3.9. Review of operations

The review of operations of the Group is contained in the Chair and Chief Executive Officer's Report and the Operational Report.

3.10. COVID-19

During the year, the emergence of COVID-19 within the community has had a significant impact on the economy. Due to the nature of the project and investment in the logistics supply chain industry, funding obligations and limited credit risk uncertainty, the impact of COVID-19 on estimates and judgements will be limited.

3.11. Significant changes in the state of affairs

There have been no significant changes in the state of affairs of the Group during the year.

3.12. Significant events subsequent to reporting date

There have been no significant events occurring after the reporting period which may affect either the Group's operations or results of those operations or the Group's state of affairs.

3.13. Likely developments and expected results

Likely developments and the expected results of operations of the Group are contained in the Chair and CEO's Report (page 6) and the Operational Review (pages 7–14).

3.14. Environmental regulation

The Group is not subject to any particular or significant environmental regulation under laws of the Commonwealth or of a State or Territory.

3.15. Dividends

There was no dividend provided for or paid in the current year by the Company (2019: nil).

3.16. Rounding

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

3.17. Share options

No options over issued shares or interests in the Company were granted during or since the end of the financial year, and there were no options outstanding as at the date of this report. No shares were issued during or since the end of the year as a result of the exercise of an option over unissued shares or interests.

3.18. Indemnification of officers

No indemnities have been given or insurance premiums paid during, or since the end of the financial year for any person who is or has been an officer of the Company.

The Company's constitution includes indemnities in favour of persons who are or have been a director or officer of the Company. To the maximum extent permitted by law, the Company will indemnify every current and former director or officer against:

» any liability incurred by the person in that capacity (except a liability for legal costs)
» legal costs incurred by the person in connection with legal proceedings in which the person becomes involved in that capacity or in obtaining certain legal advice relevant to the performance of their functions and discharge of their duties as an officer of the Company.

In accordance with the Company's constitution, the company has entered into a deed with each director of the Company (Director's Deed) and each officer of the Company (Officer's Deed).

These deeds formalise the arrangements between the Company and its directors and officers as to indemnities, insurance and access to Company records. Under each deed, the Company indemnifies the director or officer to the full extent permitted by law against all losses or liabilities incurred as a director or officer of the Company.

3.19. Insurance

During the reporting period, the company has paid or agreed to pay premiums for contracts insuring directors and officers of the Company against liabilities incurred in that capacity. The directors have not included the details of the nature of the liabilities covered or the amount of the premiums paid in respect of these insurance contracts, as such disclosure is prohibited under the terms of the contract.

Under the directors and officers deeds of indemnity, the Company has undertaken to insure against certain liabilities incurred as a director and officer of the Company.

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

3.20. Indemnification of auditor

To the extent permitted by law, the Company has agreed to indemnify its auditor, Australian National Audit Office (ANAO) as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify ANAO during or since the financial year.

3.21. Non-audit services

No non-audit services have been provided by the ANAO or by the contract auditor, KPMG. Auditors' remuneration is detailed in Note 23 of the consolidated financial statements.

3.22. Auditor independence

The directors have received a declaration from the auditor of Moorebank Intermodal Company Limited. This has been included on the following page.

Signed in accordance with a resolution of the directors.

Erin A.M. Flaherty
Chair and Non-Executive Director
17 September 2020

Ms Erin Flaherty
Chair of Board
Moorebank Intermodal Company Limited
Level 9 Suite 2
1 O'Connell Street
SYDNEY NSW 2000

MOOREBANK INTERMODAL COMPANY LIMITED CONSOLIDATED FINANCIAL REPORT 2019–20
AUDITOR'S INDEPENDENCE DECLARATION

In relation to my audit of the consolidated financial report of the Moorebank Intermodal Company Limited 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

17 September 2020

GPO Box 707 CANBERRA ACT 2601
38 Sydney Avenue FORREST ACT 2603
Phone (02) 6203 7300 Fax (02) 6203 7777

4. CORPORATE GOVERNANCE STATEMENT

This statement was approved by the board on 17 September 2020 and outlines Moorebank Intermodal Company's corporate governance framework and practices.

MIC is committed to maintaining high standards of corporate governance, which it considers essential for a successful company and to be in the best interests of its shareholders.

MIC's governance framework is regularly reviewed to ensure it aligns to government, regulatory and legislative requirements, and best market practice. MIC's governance practices continue to evolve having regard to the:

» *Public Governance, Performance and Accountability Act 2013* (Cth) (PGPA Act) and *Public Governance, Performance and Accountability Rule 2014* (PGPA Rule)
» *Corporations Act 2001* (Cth)
» Commonwealth Government Business Enterprise Governance and Oversight Guidelines, January 2018 (GBE Guidelines) and Resource Management Guides
» MIC's Commercial Freedoms Framework, as revised periodically and approved by the shareholder ministers.

4.1. Our shareholders

Ownership
Moorebank Intermodal Company Limited is an unlisted public company incorporated and domiciled in Australia. It is a company limited by shares and is wholly owned by the Government of the Commonwealth of Australia ("Australian Government"). MIC is a Government Business Enterprise (GBE), incorporated under the *Corporations Act 2001* and operating under the PGPA Act. The Company was incorporated on 13 December 2012.

The ultimate controlling entity of the Group is the Australian Government.

Shareholder Ministers
As at 30 June 2020, the shareholder ministers were:

» the Hon Alan Tudge MP, Minister for Population, Cities and Urban Infrastructure (being the responsible minister)
» Senator the Hon Mathias Cormann, Minister for Finance.

Ministerial directions
MIC did not receive any direction by a Minister, under its constitution, an Act or other instrument, or any government policy orders (under section 93 of the PGPA Act) in the 2019-20 financial year.

Shareholder communication
MIC's Annual Report is submitted to the responsible minister in accordance with section 97 of the PGPA Act. The Auditor-General is required by the PGPA Act to audit the financial report of MIC.

The company submitted its Corporate Plan for the reporting period of FY2019-20 to FY22-23 to its shareholder ministers on 30 August 2019.

As a GBE, MIC is subject to Parliamentary scrutiny and is required to keep shareholder ministers informed of activities, issues and decisions affecting the company.

4.2. The Board

The MIC board comprises seven independent non-executive directors, with biographical information and appointment details outlined in the Director's Report. The board is chaired by an independent non-executive director.

Chair

The Chair is responsible for the leadership of the board and for the efficient and proper functioning of the board, including maintaining relationships with the shareholders.

Erin Flaherty, an independent non-executive director, was appointed Chair on 4 February 2020, for a three-year term.

Kerry Schott AO, an independent non-executive director, held the role of Chair until 12 December 2019, at which time her term expired.

Board role and responsibilities

The board has ultimate responsibility for the performance of MIC and is fully accountable to its shareholder ministers.

The role of the board is to provide strategic guidance for the company and effective oversight of management. The board is accountable to the shareholder ministers and has ultimate responsibility for:

» providing overall strategic guidance, governance, setting the risk appetite, effective oversight of management and the performance of the company
» implementing an effective governance framework to support its role and responsibilities.

MIC is committed to meeting stakeholder and community expectations of robust and best practice corporate governance to ensure MIC:

» achieves its intended purpose
» complies with all relevant laws, codes and directions
» meets expectations of probity, accountability and transparency.

The Corporations Act and the MIC Constitution establish and define the corporate powers of MIC, which are exercised by the board, unless exercised by the shareholder ministers under the constitution.

The MIC Board Charter sets out the powers and responsibilities of the board. The charter is reviewed annually by the board.

The board's key responsibilities include:

» setting the strategic direction of MIC, consistent with the objects established in the constitution, and monitoring the implementation of the Company's strategy and performance
» providing recommendations to the shareholder ministers relating to board composition and membership
» overseeing and setting the policy framework for implementing strategies to ensure the health and safety of the Company's employees and protecting the environment and the community
» appointing and removing the CEO, following consultation with the shareholder ministers
» evaluating the performance and remuneration for the CEO
» setting the limits of authority for management to commit to new contracts or expenditure
» approving and monitoring the effectiveness of the Company's corporate governance framework, policies and procedures, and compliance with legal and regulatory obligations, including protecting the ethical and corporate governance standards of MIC
» ensuring each year that a Corporate Plan is prepared and submitted, and monitoring management in the implementation of the Corporate Plan and strategic direction
» annually approving the Statement of Corporate Intent for publication
» adopting a framework for reviewing, authorising and reporting on MIC's financial position
» monitoring and overseeing compliance with all legal and regulatory requirements, ethical standards and policies, including a code of conduct for directors, management and employees
» approving and submitting the Annual Report to the shareholder ministers.

Delegation
Responsibility for the day-to-day management of the company is delegated to the CEO and management. The board has reserved for itself certain powers and authorities, which align to those matters in respect of which the company may not proceed to act without the prior approval of its shareholders. The company's delegations of authority clarify the respective roles and responsibilities of board members and senior executives to facilitate board and management accountability to the company and its shareholders.

Board composition and appointments
Under MIC's constitution, the board must comprise not less than three and not more than nine non-executive directors. The Chair is appointed by the shareholder ministers in accordance with the constitution.

The board currently comprises seven non-executive directors. Directors are appointed by the shareholder ministers in accordance with the requirements of MIC's constitution and the GBE Guidelines. On appointment, each director receives a formal letter of appointment from the shareholder ministers. The term of each director is determined by the Commonwealth at the time of appointment. This is usually for a term of three years. At the end of this period, the director will retire but is eligible for reappointment.

The board and shareholder ministers regularly review the composition of the board to ensure it comprises the optimal number of directors and that the directors have an appropriate mix of skills.

Independence of directors
At the time of appointment to the board, each director's independence was assessed by the Australian Government. At the time of appointment and as at the date of this statement, the board considers all directors to be independent.

Board performance
In line with the GBE Guidelines, the board annually reviews the performance of the board as a whole; each director, including the Chair; and board processes.

The Chair provides the shareholder ministers with written confirmation that this review process has been followed and raises any areas of concern.

MIC's annual assessment of board performance during the reporting period comprised an internal assessment of the board's function, size and directors' skills, consistent with the GBE Guidelines.

Conflicts of interest
The directors of MIC are obliged to disclose to the company any interests or directorships they hold with other organisations and to provide updated information in a timely manner, being a standing agenda item at each board meeting.

A register of interests is maintained by the Company Secretary to manage any potential conflicts of interest, and this is tabled at each board meeting.

On an annual basis, each director is requested to complete a declaration of personal interests, which is subject to review by the board. Where a director has a declared material personal interest, or may be presented with a potential material conflict of interest, the director will not participate in any discussion or voting when the matter is being considered at the board or committee meeting.

All disclosures made by a director are minuted and a register of conflicts is maintained.

Independent professional advice
With the agreement of the Chair, directors may seek independent professional advice, at MIC's expense, in carrying out their duties.

Each director has direct access to management and any MIC information they require to make informed decisions and fulfil their responsibilities as directors.

Board diversity
MIC fosters a governance culture that embraces diversity in the composition of boards. As at 30 June 2020, 29 per cent of MIC's board directors were women.

Director induction and education
On appointment, directors are provided with an induction program, reviewed periodically by the Company Secretary, which includes a meeting with management, a tour of the precinct development site and a detailed manual with information on the Company's Corporate Plan and other reporting arrangements, company policies, legislative requirements and meeting arrangements. The board has regular discussions with the CEO and management, and directors are invited to attend the precinct development site from time to time.

Ongoing education for directors is provided through updates, presentations and briefings at board meetings. This training includes regular updates in relation to work health and safety laws and directors' duties, environmental, insurance and legal developments.

4.3. Board committees

The board established the Audit and Risk Committee on 15 March 2013.

The committee is chaired by a non-executive director and comprises a majority of independent non-executive directors. Membership of the committee is based on directors' qualifications, skills and experience. The committee is governed by a charter detailing the committee's role, membership requirements and duties.

The committee charter is reviewed periodically.

In accordance with the requirements of the GBE Guidelines, the Audit and Risk Committee consists of four members, each being an independent non-executive director. The Chair of the committee, Andrew Harrison, is an independent non-executive director appointed by the board and is not the Chair of the board.

The role of the committee is to assist the board in satisfying itself that MIC and its subsidiaries are complying with the financial management and reporting obligations imposed by the PGPA Act, the PGPA Rule, the GBE Guidelines and the Corporations Act; and provides a forum for communication between the board, management and MIC's internal and external auditors.

The committee supervises the preparation of periodic financial statements of MIC and its subsidiaries to ensure compliance with financial reporting requirements. It also monitors and reviews the:

- effective management of financial risks
- application of up-to-date accounting policies
- development and maintenance of effective and efficient internal and external audit processes
- maintenance of auditor independence
- compliance with applicable laws and regulations.

During the reporting period, the committee met separately with MIC's external auditors.

Membership of the committee, the number of meetings during the period 1 July 2019 to 30 June 2020 and the number of meetings attended is set out in the Directors' Report in Table 7 and Section 3.4.

4.4. Directors' remuneration

The Remuneration Tribunal determines the remuneration and travel allowances payable to non-executive directors. Full details of directors' remuneration are included in the Remuneration Report (see pages 32–35).

4.5. Senior executive remuneration

The Tribunal also determines the remuneration of the CEO, although the board has some discretion within limits set by the determination. The remuneration of the other senior executives is set by the CEO and the board following an annual market benchmarking exercise. Full details of senior executives' remuneration are included in the Remuneration Report (see pages 32–35).

4.6. Succession planning

In accordance with GBE Guidelines, MIC has adopted a senior executive succession plan to manage the absence of key management personnel, whether short-term, long-term or permanent, and whether planned or unplanned.

4.7. Accountability and audit

External audit

Under section 98 the *Public Governance, Performance and Accountability Act 2013*, the Auditor-General is responsible for auditing the financial statements of MIC. In addition, MIC's annual report is tabled in Parliament and its financial accounts are lodged with ASIC.

As permitted by section 27 of the *Auditor-General Act 1997* (Cth), the ANAO contracted KPMG in Sydney to assist with the conduct the audit on behalf of the Auditor-General.

The Audit and Risk Committee invites the external auditor to each committee meeting and papers for each meeting are provided to both the ANAO and KPMG, noting the following matters that the committee considers:

- discussion of the external audit plans, identify any significant changes in operations, internal controls or accounting policies likely to impact the financial statements
- review of the results and findings of the auditor, the adequacy of internal controls and monitor the implementation of any recommendations made
- finalising annual reporting, review the preliminary financial statements prior to signoff and any significant adjustments required as a result of the external auditor's findings.

MIC applies audit independence principles in relation to the external auditor.

In addition to annual financial statement audits, the Auditor-General is also responsible for auditing compliance with the performance standards prescribed for GBEs, in the circumstances outlined in the Auditor-General Act.

Certification by CEO and GM Finance

Prior to the approval each year of the annual financial statements by the board of directors, the CEO and the General Manager, Finance, provide confirmation in writing that the statements represent a true and fair view of MIC's operations and its financial position. The letter also includes representation to the board in respect of the adequacy and effectiveness of MIC's risk management, and internal compliance and control systems.

Based on the evaluation performed as at 30 June 2020, the CEO and General Manager, Finance, concluded that: as of the evaluation date, such risk management, internal compliance and control systems were reasonably designed that the financial statements and notes of MIC are in accordance with the PGPA Act and the Corporations Act; and there are reasonable grounds to believe MIC will be able to pay its debts as and when they fall due.

Internal control framework

The board is responsible for the overall internal control framework and for reviewing its effectiveness. MIC's internal control framework is intended to meet the objectives of:

- ensuring completeness of financial reporting
- safeguarding the company's assets
- complying with applicable laws and regulations
- ensuring effectiveness and efficiency of operations
- maintaining proper accounting records
- preventing, detecting and correcting irregularities
- identifying and mitigating business risks.

A number of internal controls have been implemented to provide for the accuracy of the financial statements and integrity of business systems.

These internal controls include the form of appropriate delegations of authority, a risk management framework, financial planning and reporting, strategic planning and operational policies and practices.

Risk management
MIC has a Risk Management Framework and continues to maintain and update a comprehensive risk register that captures the material business risks facing the company.

The Audit and Risk Committee oversees the Risk Management Framework, in particular:

» the adequacy of policies and procedures for the oversight and management of material business risks
» the design and implementation of effective risk management and internal control systems for identifying, assessing, monitoring and managing MIC's material business risk
» reporting to the board on whether those risks are being managed effectively.

Internal audit
During the year, the appointment of EY as internal auditor was extended for a 12-month term ending 30 June 2020.

An internal audit plan is presented to and endorsed annually by the Audit and Risk Committee. Outcomes of the internal audit reviews are provided to the committee for its review.

Business Improvement Programme
MIC has finalised its Business Improvement Programme, with training and improvements identified during implementation continuing.

Ethical standards and governance policies
MIC is committed to a culture of high ethical standards and accountable conduct. This includes creating and maintaining an open working environment in which its employees, directors and contracted service providers (and their employees and officers) are able to raise concerns regarding suspected unethical, unlawful or undesirable conduct or wrongdoing without fear of reprisal.

MIC's Code of Conduct sets out the standards and behaviour by which MIC will conduct business.

Public Interest Disclosure Act
MIC is subject to the *Public Interest Disclosure Act 2013* (Cth) (PID Act) and has adopted procedures to ensure the company supports and complies with the requirements of the Act. The purpose of the PID Act is to promote the integrity and accountability of the Commonwealth public sector by:

» encouraging and facilitating the making of public interest disclosures of wrongdoing by current and former public officials (being employees and directors of MIC, contracted service providers and officers/employees of contracted service providers)
» ensuring that disclosers are supported and protected from adverse consequences related to making a disclosure
» ensuring that disclosures are properly investigated and dealt with. MIC supports reporting by staff at all levels.

MIC supports protecting those who make such reports from victimisation and discrimination. MIC recognises the value of transparency and accountability in its administrative and management practices. A summary of MIC's procedures, the appointed MIC 'authorised officers' and how a disclosure under the Act can be made is on MIC's website at www.micl.com.au/governance-and-policies.

No public interest disclosures were received or finalised in the reporting period.

Code of conduct
MIC aims to carry out its business in an open and honest manner, while complying with all applicable legislation and laws. MIC has a Code of Conduct, which outlines expected standards of behaviours that the company expects and which will foster a culture where ethical conduct is valued and demonstrated in day-to-day business, applying to all directors, employees and contract staff.

A copy of the Code of Conduct is located on MIC's website at www.micl.com.au/governance-and-policies.

Equal opportunity
MIC'S Diversity and Equal Employment Opportunity Policy outlines MIC's commitment to promoting diversity in the workplace. MIC seeks to provide opportunities regardless of age, gender, physical ability, ethnicity or indigenous background.

Whistleblower policy and fraud and corruption reporting

As a GBE, MIC is committed to applying and adhering to the standards outlined in the Commonwealth Fraud Control Guidelines 2011. MIC recognises the importance of providing a safe, supportive and confidential environment where people feel confident about reporting wrongdoing without fear of retaliation and are supported and protected throughout the process.

During the reporting period, MIC revised and enhanced its Whistleblower Policy. The policy responds to the requirements of *Treasury Laws Amendment (Enhancing Whistleblower Protections) Act 2019* (Cth). MIC's Whistleblower Policy and Public Interest Disclosure Policy are available on MIC's website at www.micl.com.au/governance-and-policies.

The Whistleblower Policy provides a framework for escalating "reportable or disclosable conduct". This includes conduct that is illegal, improper, unethical or in breach of the Company's corporate policies. A whistleblower may make a disclosure under the Whistleblower Policy to their immediate manager, a designated senior executive or through an independently managed Whistleblower Hotline, which is managed by Your Call.

No public interest disclosures or reports pursuant to the Corporations Act were received in the reporting period.

Privacy

MIC has a Privacy Policy that sets out how MIC employees, contractors and consultants must manage any personal or sensitive information to comply with the requirements of the *Privacy Act 1988* (Cth), as amended. The Privacy Policy is reviewed periodically. A copy of the policy is on MIC's website at www.micl.com.au/governance-and-policies.

4.8. Commercially sensitive information

The directors have excluded from the annual report any information that is considered to be commercially sensitive and would be likely to result in unreasonable commercial prejudice to the company.

5. REMUNERATION REPORT

This report covers MIC's key management personnel (KMPs) who have authority and responsibility for planning, directing and controlling the activities of the Company directly and indirectly throughout the year.

Table 8. Key management personnel – directors

Name	Title	Notes
Schott, Kerry	Independent, Non-Executive Chair	Resigned 12 December 2019
Flaherty, Erin	Independent, Non-Executive Chair	4 February – 9 March 2020
Flaherty, Erin	Executive Chair	9 March – 30 June 2020
Briggs, Jamie	Independent, Non-Executive Director	Resigned 31 October 2019
Di Bartolomeo, Lucio	Independent, Non-Executive Director	
Flaherty, Erin	Independent, Non-Executive Director	Appointed chair 4 February 2020
Harrison, Andrew	Independent, Non-Executive Director	
Holman, Christine	Independent, Non-Executive Director	
Koehler, Ron	Independent, Non-Executive Director	Appointed 16 December 2019
Lloyd, James	Independent, Non-Executive Director	
Wilson, Ray	Independent, Non-Executive Director	

Table 9. Key management personnel – senior executives

Name	Title	Notes
Hicks, Peter	Chief Executive Officer	Resigned 6 December 2019
Jurd, David	Acting Chief Executive Officer	18 December 2019 – 8 March 2020
Meares, Ian	Construction Director	Appointed 11 November 2019
Vaccaro, Anthony	Delivery Director	
Webster, Jane	General Counsel	
Mottram, Chris	General Manager, Finance	Appointed 2 March 2020
Latham Hall, Justine	Chief Financial Officer	Resigned 12 April 2020

5.1. Non-executive director fees

Table 10. Remuneration of non-executive directors, 2018–19 and 2019–20

Non-executive director	Year	Base salary / fees	Post employment Super	Total remuneration
Binsted, Paul	**FY 19-20**	–	–	–
	FY 18-19	49,807	4,732	54,539
Briggs, Jamie	**FY 19-20**	**19,473**	**1,850**	**21,323**
	FY 18-19	58,420	5,550	63,970
Di Bartolomeo, Lucio	**FY 19-20**	**93,880**	**8,919**	**102,798**
	FY 18-19	64,129	6,092	70,221
Filson, Claire	**FY 19-20**	–	–	–
	FY 18-19	26,139	2,483	28,623
Flaherty, Erin	**FY 19-20**	**83,543**	**7,937**	**91,480**
	FY 18-19	15,504	1,473	16,977
Harrison, Andrew	**FY 19-20**	**58,963**	**5,601**	**64,564**
	FY 18-19	54,900	5,215	60,115
Holman, Christine	**FY 19-20**	**58,963**	**5,601**	**64,564**
	FY 18-19	54,900	5,215	60,115
Koehler, Ron	**FY 19-20**	**32,450**	**3,083**	**35,533**
	FY 18-19	–	–	–
Lloyd, James	**FY 19-20**	**58,963**	**5,601**	**64,564**
	FY 18-19	4,868	462	5,331
Schott, Kerry	**FY 19-20**	**52,728**	**5,009**	**57,737**
	FY 18-19	116,840	11,100	127,940
Wilson, Ray	**FY 19-20**	**58,963**	**5,601**	**64,564**
	FY 18-19	58,270	5,536	63,806
Total	**FY 19-20**	**517,925**	**49,203**	**567,128**
	FY 18-19	503,777	47,859	551,636

All non-executive directors of MIC are appointed by the Commonwealth Government through the Shareholder Ministers.

Fees for non-executive directors are set through the determinations of the Commonwealth Remuneration Tribunal, an independent statutory body overseeing the remuneration of key Commonwealth offices. MIC is obligated to comply with the Tribunal's determinations and plays no role in the consideration or determination of non-executive director fees.

Remuneration for non-executive directors for 2019–20 is shown in Table 10 above.

Table 11. Remuneration of senior executives, 2018–19 and 2019–20

	Year	Base salary / fees $	STI / Bonuses $	Other benefits and allowances $	Termination benefit $	Post employment super $	Total remuneration $
Chief Executive Officer 1 July 2019 to 6 December 2019	**FY 19-20**	**426,843**	**67,100**	–	–	**25,000**	**518,943**
26 November 2018 to 30 June 2019	FY 18-19	300,864	–	–	–	20,049	320,913
General Counsel	**FY 19-20**	**345,652**	**95,000**	**20,014**	–	**25,000**	**485,666**
	FY 18-19	330,793	40,000	19,386	–	20,049	410,228
Delivery Director	**FY 19-20**	**340,425**	**70,000**	–	–	**25,000**	**435,425**
	FY 18-19	338,703	30,000	–	–	20,049	388,752
Construction Director	**FY 19-20**	**241,023**	–	**33,333**	–	**13,564**	**287,920**
(appointed 11 November 2019)	FY 18-19	–	–	–	–	–	–
Chief Financial Officer	**FY 19-20**	**128,819**	**32,763**	–	**65,844**	**13,816**	**241,242**
(resigned 12 April 2020)	FY 18-19	191,111	9,000	–	–	19,010	219,121
General Manager Finance	**FY 19-20**	**70,269**	–	–	–	**6,675**	**76,944**
(appointed 2 March 2020)	FY 18-19	–	–	–	–	–	–
Total executive management	**FY 19-20**	**1,553,031**	**264,863**	**53,347**	**65,844**	**109,055**	**2,046,140**
	FY 18-19	1,161,471	79,000	19,386	–	79,157	1,339,014

Peter Hicks resigned as CEO effective 6 December 2019 (2019: appointed 26 November 2018). David Jurd was appointed Acting CEO on a short-term contract for the period 18 December 2019 to 8 March 2020. His total remuneration during this term was $111,825 (2019: 1 July 2018 to 26 November 2018: $250,200). Erin Flaherty was appointed Acting CEO on a short-term contract for the period 9 March 2020 to 30 June 2020. Her total remuneration as Interim CEO was $247,422.

5.2. Senior executive remuneration

The remuneration of the CEO is in accordance with the relevant determination of the Commonwealth Remuneration Tribunal and the role is classified as a Principal Executive Office Band D under the *Remuneration Tribunal Act 1973* (Cth) and is comprised of two components – total fixed remuneration (TFR) and at-risk performance pay (short-term incentive or STI) of up to 20 per cent of total fixed remuneration.

The remuneration of senior executives is determined by the CEO annually, based on the Australian Public Service Commission's review guidance, an evaluation of current market rates for roles involving similar responsibilities and capabilities, and the performance of the person in the past year against pre-determined personal performance indicators.

The remuneration structure incorporates a TFR amount and an STI payment dependent upon the achievement of corporate key performance indicators (KPIs) and individually agreed performance objectives.

To ensure that MIC's corporate objectives are achieved each senior executive remuneration package includes an 'at risk' component of up to 15 per cent of total remuneration. This STI payment is linked directly to the successful completion of both company and individually assigned objectives that are directly aligned to MIC's strategy and are set out in Board approved KPIs.

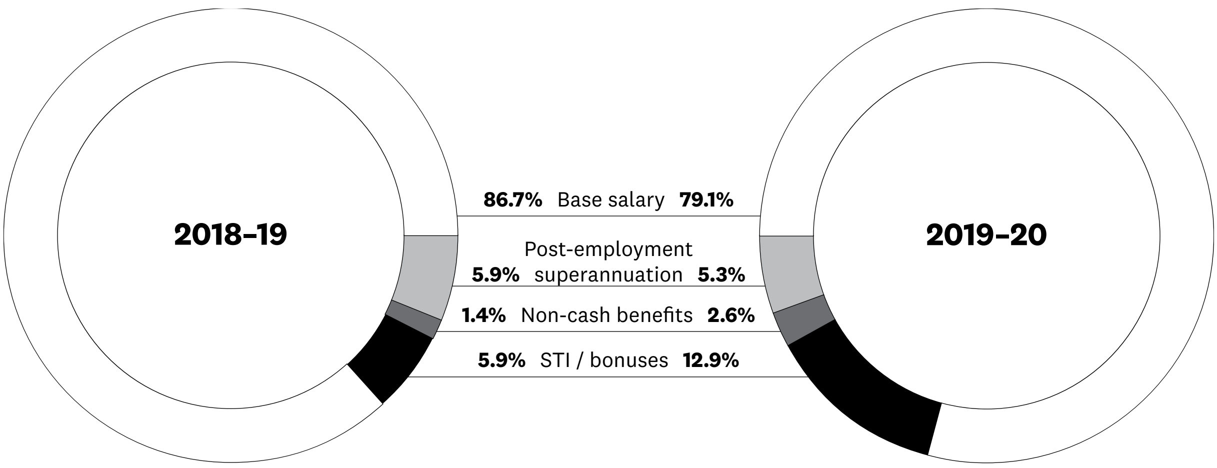
The STI allows MIC to:

- provide incentive to deliver corporate objectives aligned to MIC's constitutional objectives
- reward Senior Executives that have contributed to MIC's success during the performance period.

MIC senior executive roles are reviewed annually by the CEO and Board. Under the APSC Workplace Bargaining Policy (2018) a total increase of up to an average of two per cent per annum is applied to the extent practicable. For 2019–20 MIC's executive roles were independently benchmarked by remuneration consultants, Mercer.

Remuneration for senior executives in 2018–19 and 2019–20 is shown opposite in Table 11.

Figure 5. Components of senior executive remuneration



6. FINANCIAL STATEMENTS

6.1. Consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2020

	Notes	2020 *$'000*	2019 *$'000*
Revenue			
Finance income	4.1	10,027	1,065
Gain on recognition of finance lease	13.1	7,511	–
Other operating income		327	24
Total revenue		**17,865**	**1,089**
Expenditure			
Employee benefits expense	4.2	(4,868)	(3,257)
Occupancy costs		(283)	(245)
Adviser costs	4.3	(6,515)	(2,684)
Contractor costs		(893)	(700)
Insurance		(198)	(162)
IT expenses		(299)	(176)
Depreciation and amortisation		(90)	(50)
Land and site costs	4.4	(38,800)	(105,135)
Other expenses		(929)	(777)
Total expenditure		**(52,875)**	**(113,186)**
Operating loss before share of profit from equity accounted investments		**(35,010)**	**(112,097)**
Share of profit of equity accounted investments	12	8,170	12,240
Loss before income tax		**(26,840)**	**(99,857)**
Income tax benefit	5	8,232	30,373
Loss for the year		**(18,608)**	**(69,484)**

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

6.2. Consolidated statement of financial position as at 30 June 2020

	Notes	2020 *$'000*	2019 *$'000*
Assets			
Current assets			
Cash and cash equivalents	6	77,406	83,382
Other receivables	7	1,245	1,088
Other current assets		407	235
Related party receivable		–	2,935
Total current assets		79,058	87,640
Non-current assets			
Plant and equipment	9	97	101
Intangible assets	10	139	89
Assets under construction	11	1,390	124,127
Equity accounted investments	12	180,061	165,385
Rail access rights	13	170,087	–
Financial assets	14	11,707	8,628
Other non-current assets		15	–
Deferred tax assets	5	72,753	64,521
Total non-current assets		436,249	362,851
Total assets		**515,307**	**450,491**
Liabilities			
Current liabilities			
Trade and other payables	15	10,805	7,355
Provisions	17	129,564	156,251
Total current liabilities		140,369	163,606
Non-current liabilities			
Provisions	17	79,782	44,673
Total non-current liabilities		79,782	44,673
Total liabilities		**220,151**	**208,279**
Net assets		**295,156**	**242,212**
Equity			
Contributed equity	18	452,285	380,733
Accumulated losses		(157,129)	(138,521)
Total equity		**295,156**	**242,212**

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

6.3. Consolidated statement of changes in equity for the year ended 30 June 2020

	Contributed equity (Note 18)	Accumulated losses	Total equity
	$'000	*$'000*	*$'000*
Balance at 1 July 2018	**206,000**	**(69,037)**	**136,963**
Loss for the year	–	(69,484)	(69,484)
Other comprehensive loss	–	–	–
Total comprehensive loss for the year	–	**(69,484)**	**(69,484)**
Transactions with owners, in their capacity as owners			
Contributions of equity (Note 18)	174,733	–	174,733
Balance at 30 June 2019	**380,733**	**(138,521)**	**242,212**
Balance at 1 July 2019	**380,733**	**(138,521)**	**242,212**
Loss for the year	–	(18,608)	(18,608)
Other comprehensive loss	–	–	–
Total comprehensive loss for the year	–	**(18,608)**	**(18,608)**
Transactions with owners, in their capacity as owners			
Contributions of equity (Note 18)	71,552	–	71,552
Balance at 30 June 2020	**452,285**	**(157,129)**	**295,156**

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

6.4. Consolidated statement of cash flows for the year ended 30 June 2020

	Notes	2020 $'000	2019 $'000
Operating Activities			
Receipts from customers		–	–
Payments to suppliers		(6,188)	(8,993)
Payments to employees		(4,868)	(3,209)
Interest & GST received		1,972	1,065
Net cash flows used in operating activities	19	(9,084)	(11,137)
Investing activities			
Payments for plant and equipment		(58)	(16)
Payments for intangible assets		(78)	(89)
Payment for construction		(58,723)	(138,772)
Payments for investments		(9,585)	(1,915)
Net cash flows used in investing activities		(68,444)	(140,792)
Financing activities			
Proceeds from equity funding		71,552	174,733
Net cash flows from financing activities		71,552	174,733
Net (decrease) / increase in cash and cash equivalents		(5,976)	22,804
Cash and cash equivalents at beginning of year		83,382	60,578
Cash and cash equivalents at 30 June	6	**77,406**	**83,382**

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

Note 1. Corporate information

The consolidated financial statements of Moorebank Intermodal Company Limited ("MIC" or the "Company") and its subsidiaries (collectively, the "Group") for the year ended 30 June 2020 were authorised for issue in accordance with a resolution of the directors on the date the directors' report was signed.

Moorebank Intermodal Company Limited is an unlisted public company incorporated and domiciled in Australia. It is a company limited by shares and is wholly owned by the Government of the Commonwealth of Australia ("Commonwealth Government"). MIC is a Government Business Enterprise, incorporated under the *Corporations Act 2001* and operating under the *Public Governance, Performance and Accountability Act 2013*.

The Company was incorporated on 13 December 2012.

The ultimate controlling entity of the Group is the Commonwealth Government.

The registered office and principal place of business of the Group is Suite 3, Level 33, 1 O'Connell Street, Sydney NSW 2000.

Further information on the nature of the operations and principal activities of the Group is provided in the directors' report. Information on the Group's structure is provided in Note 8. Information on other related party relationships of the Group is provided in Note 21.

Note 2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the consolidated financial report are set out below. These policies have been consistently applied to all the years presented.

a) Basis of preparation

The consolidated general purpose financial report has been prepared in accordance with Australian Accounting Standards as issued by the Australian Accounting Standards Board, the requirements of the *Corporations Act 2001* and other authoritative pronouncements of the Australian Accounting Standards Board.

Moorebank Intermodal Company Limited is a for-profit consolidated entity for the purpose of preparing the financial report.

The consolidated financial report is presented in Australian dollars. Values are rounded to the nearest thousand dollars unless otherwise stated, under the option available to the Company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The Company is an entity to which this legislative instrument applies.

The consolidated financial report has been prepared on a going concern basis and in accordance with the historical cost convention, except for certain classes of non-current assets, financial assets and financial liabilities which are measured at fair value.

The Group has consistently applied the accounting policies set out below to all periods presented in this consolidated financial report.

(i) Compliance with International Financial Reporting Standards (IFRS)

The financial report also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

(ii) New and amended standards adopted by the Group

The Group applied AASB 16 Leases for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time during the year, but do not have an impact on the consolidated financial statements of the Group.

New and revised standards that were issued on or prior to the signing date, and are applicable to the current reporting periods, did not have a material impact, and are not expected to have a material impact on the Group's financial report in future periods.

AASB 16 Leases (effective from 1 January 2019)
The Group applied AASB 16 Leases from 1 July 2019. This standard requires the net present value of payments under most operating leases to be recognised as assets and liabilities. The impact of adopting AASB 16 did not have a significant impact on the Group. A right of use asset of $0.2m and a lease liability of $0.2m was recognised when adopting AASB 16 Leases.

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimated make good provision.

The right-of- use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date discounted at the interest rate implicit in the lease.

(iii) New accounting standards and interpretations (not yet adopted)
There are no other standards that are not yet effective that are expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

b) Impact from COVID-19
During the year, the emergence of COVID-19 within the community has had a significant impact on the economy. Due to the nature of the investment in long term infrastructure assets, funding obligations and limited credit risk uncertainty, the impact of COVID-19 on estimates and judgements will be limited.

c) Basis of consolidation

(i) Subsidiaries
Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial report from the date on which control commenced until the date on which control ceases. Details of the Company's subsidiaries are shown in Note 8.

(ii) Transactions eliminated on consolidation
Intra-group balances and transactions, and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial report.

d) Going concern
As at and for the year ending 30 June 2020, the Group has net current liabilities of $61.3m (2019: $76.0), current year losses of $18.6m ($69.5m) and accumulated losses of $157.1m. In the process of re-evaluating the provisions that relate to the remaining work contractually required to be funded by the Group, there is a possibility that the costs of this work may exceed the amount of available funding.

While this possibility has been identified, the directors have determined that the consolidated financial statements be prepared on a going concern basis as the project remains in the construction phase and there are sufficient cash reserves and undrawn equity arrangements in place to meet payment obligations as and when they fall due for a period of at least 12 months from the date the financial statements are signed. Further, there remain alternative options with respect to how the Group's funding obligations can be delivered to address any future going concern issues.

e) Current versus non-current classification
The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when it is:
» expected to be realised or intended to be sold or consumed in the normal operating cycle;
» held primarily for the purpose of trading;
» expected to be realised within twelve months after the reporting period; or
» cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:
» it is expected to be settled in the normal operating cycle;
» it is held primarily for the purpose of trading;
» it is due to be settled within twelve months after the reporting period; or
» there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

f) Interest income
Interest income is recorded using the effective interest rate (EIR) method. The EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in the consolidated statement of profit or loss and other comprehensive income.

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

h) Trade and other receivables
A receivable represents the Group's right to an amount that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Trade and other receivables are initially recorded at fair value and subsequently measured at amortised cost using the EIR method.

Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

For trade receivables, the Group applies a simplified approach in calculating expected credit losses (ECLs). Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

i) Plant and equipment
Plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

Leasehold improvements	1-3 years
IT equipment	3 years

An item of plant and equipment and any significant part initially recognised is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss and other comprehensive income when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

j) Impairment of non-financial assets

Assets that are subject to depreciation and amortisation are reviewed for impairment at each reporting date to determine whether there is any indication of impairment wherever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

k) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of profit or loss and other comprehensive income in the expense category that is consistent with the function of the intangible assets.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or losses when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss and other comprehensive income.

A summary of the policies applied to the Group's intangible assets is as follows:

	Software
Useful lives	7 years
Amortisation method used	Amortised on a straight-line basis
Internally generated or acquired	Acquired

l) Assets under construction

Assets under construction relates to the construction of the Rail Access Works Stage 2 and has a forecast completion date of September 2022. Once operational the rail line will be derecognised as an asset under construction and the net present value of future cash flows discounted to their net present value in relation to rail access rights will be recognised at fair value.

m) Interests in equity-accounted investees
The Group's interests in equity-accounted investees comprise a 65.63 per cent unitholding in Moorebank Precinct Land Trust. As the Group is unable to dominate the decision making in relation to the unitholding, the Group has accounted for its investment in the Trust as an equity accounted investment.

Under the equity method, the investment in a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the joint venture since the acquisition date.

The consolidated statement of profit or loss and other comprehensive income reflects the Group's share of the results of operations of the joint venture. Any change in other comprehensive income (OCI) of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity.

n) Rail Access Rights
Rail access rights comprises a finance lease for access rights to the Group's rail line connecting the existing Southern Sydney Freight Line to the IMEX Terminal and future Interstate Terminal located on the Moorebank Logistics Park. The operating lease term is 97 years with a three-year incentive period.

A portion of the rail access is constructed on land over which an easement has been granted to permit access, construct and operate the rail access over the life of the rail asset. As a result, the Group is not the legal and beneficial owner of this portion of rail access. There are legally enforceable rights to continue operating and maintaining the rail access as if the Group were the beneficial owner.

The remaining portion of rail access constructed on the precinct is legally and beneficially owned by the Group.

During the year, the fair value of future cash flows relating to the rail access rights was determined using a discount rate of 5.62 per cent. Finance income is derived from the finance lease (refer note 4.1) over the term of the lease.

o) Financial instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets
Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. 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.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement
Financial assets at amortised cost (debt instruments)
This category is the most relevant to the

Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the EIR method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade receivables, and loans to related parties included under other non-current financial assets.

Derecognition
The Group derecognises a financial asset when:

- the contractual rights to the cash flows from the asset expire;
- it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred; or
- it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset.

Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

p) Other non-current assets
Other non-current assets are measured at cost less accumulated impairment losses. Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group.

q) Leases
The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately.

Policy applicable from 1 January 2019
At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16. This policy is applied to contracts entered into on or after 1 January 2019.

Accounting policy for lessor
During 2019, the Group has leased its investment into its rail access rights.

Effective 1 July 2019, the Group recognised a gain on recognition of a finance lease of $7.5 million on derecognition of assets under construction following the rail access becoming operational.

During the year, the Group recognised interest income of lease receivables of $9.1 million (2019: nil).

The following table sets out the maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date.

	$ millions
Less than one year	–
One to two years	–
Two to three years	11.1
Four to five years	10.3
More than five years	994.6
Total undiscounted lease receivable	**1,016.0**
Unearned finance income	845.9
Net investment in the lease	**170.1**

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease, if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

r) Trade and other payables

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

s) Provisions

Provisions 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 has been reliably estimated.

t) Employee benefits

Liabilities for 'short-term employee benefits' (as defined in AASB 119) and termination benefits due within twelve months of balance sheet date are measured at their nominal amounts.

u) Share capital

Issued and paid up capital is recognised at the fair value of the consideration received by the Group.

v) Taxation

On 29 June 2017, the Group voluntarily adopted the Tax Transparency Code, released by the Australian Board of Taxation in February 2016. Reporting commenced in the financial year 2017–18 financial statements. All disclosure requirements of Part A of the code are presented in Note 5.

(i) Income tax

The income tax expense or benefit for the period is the tax payable or receivable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary difference and to unused tax losses.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. The deferred tax asset has been recognised based on the current divestment strategy forecast to occur in the mid-term.

Deferred tax liabilities are recognised for all taxable temporary differences, except when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

(ii) Goods and services tax (GST)
Revenues, expenses and assets are recognised net of the amount of associated Goods and Services Tax (GST), unless the GST incurred is not recoverable from the Australian Taxation Office (ATO). In this case, it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivable and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivable and payables in the consolidated statement of financial position.

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 ATO are presented as operating cash flows.

Note 3. Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Estimates and assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, as described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Provision for land and site works
The provision for land and site works includes MIC's share of Voluntary Planning Contributions (VPCs) to develop the site, MIC's funding responsibility to relocate Moorebank Avenue and land preparation works for site contamination remediation.

The estimated provisions have been arrived at based on cost estimates and associated assumptions that have been prepared and extrapolated from preliminary early scope designs that at this stage are not possible for the final position to be categorically known. That said, the estimated costs, including their respective ranges and contingencies, are based on the experience and advice provided by qualified specialist consultants allowing for the current state of uncertainty and unknown.

The final delivered scope may differ from the scope currently assumed in the estimated provisions and may ultimately cater for potential favourable settlement of various items that ultimately are not required to be delivered or paid for by the Group. The Group continues to assess a wide range of alternative options which have the potential to decrease or potentially increase the required provisions. On balance, it is believed that the recommended provision is a fair and reasonable position after weighing the current known uncertainties.

As a result the recommended provision has been increased by $38.8 million (2019: $105.1 million) and recognised through the consolidated statement of profit and loss with a remaining provision of $209.3 million (2019: $200.9 million). As with all projects of this type and at this stage, there remains a significant level of uncertainty about the final quantum of these costs, along with the timing of the economic outflow.

Rail Access Charge

The rail access charge has been valued on a net present value basis over a 97-year period. There are assumptions with regard to appropriate discount rates and inflation that have been made to determine the fair value and relevant revenue recognition. These assumptions will be assessed for appropriateness on an annual basis.

Note 4. Statement of profit and loss

4.1 Finance income

	Notes	2020	2019
		$'000	*$'000*
Finance lease income	13	9,095	–
Interest		932	1,065
		10,027	**1,065**

During the year, the IMEX terminal became operational with the commencement of trains accessing the rail link. On 1 July 2019, assets under construction were derecognised and a finance lease recognised at fair value. Details of the valuation of the rail access asset are disclosed in note 13 to the consolidated financial statements. Finance lease income of $9.1 million represents the income earned for the period 1 June 2019 to 30 June 2020 from the 97-year finance lease.

4.2 Employee benefits

	2020	2019
	$'000	*$'000*
Wages and salaries	4,564	3,041
Superannuation	304	216
Total employee benefits expense	**4,868**	**3,257**

4.3 Adviser costs

	2020	2019
	$'000	*$'000*
Technical consultant fees	172	85
Legal fees	5,948	2,232
Other	395	367
Total adviser costs	**6,515**	**2,684**

4.4 Land and site costs

	2020	2019
	$'000	*$'000*
Land and site costs	**38,800**	**105,135**

'Land and site costs' recognises the Trust's estimated contractual obligation to prepare the land for development. Cost estimates have been based on advice provided by qualified specialist consultants using preliminary designs which are not yet approved for construction.

There is a significant level of uncertainty about the final quantum of these costs, along with the timing of the economic outflow.

Note 5. Income tax

(a) Income tax benefit	**2020**	**2019**
Deferred income tax:	*$'000*	*$'000*
Adjustments in respect of deferred income tax of previous year	(180)	(416)
Deferred tax in respect of the current year	(8,052)	(29,957)
Income tax benefit	**(8,232)**	**(30,373)**
Loss before income tax benefit	**(26,840)**	**(99,857)**
Tax at the Australian tax rate of 30%	(8,052)	(29,957)
Over provision prior years	(180)	(416)
Income tax benefit	**(8,232)**	**(30,373)**

Deferred tax	**Project costs**	**Provision and accruals**	**Tax deferred revenue**	**Unused tax losses and credit**	**Total**
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
Opening balance	2,846	55,887	(2,952)	8,740	64,521
Movement: Provision and accruals	–	12,117	(7,433)	–	4,684
Movement: Current year losses	–	–	–	3,368	3,368
Return to provisions	–	–	–	180	180
Closing balance	**2,846**	**68,004**	**(10,385)**	**12,288**	**72,753**

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. The recognition of the deferred tax asset of $72.8 million is considered appropriate following an assessment of the overall forecast profit and taxation position.

Tax deferred revenue relates to equity accounted income, fair value gains and finance income not yet assessable for tax purposes.

Movements:	**2020**	**2019**
	$'000	*$'000*
Opening balance at 1 July	64,521	34,148
Credited to the consolidated statement of profit and loss and other comprehensive income	8,232	30,373
Closing balance at 30 June	**72,753**	**64,521**

Note 6. Current assets – cash and cash equivalents

	2020	2019
	$'000	*$'000*
Cash at bank	**77,406**	**83,382**

The Group's exposure to interest rate risk is discussed at Note 20. Cash at bank earns interest at floating rates based on daily bank deposit rates.

Note 7. Current assets – other receivables

	2020	2019
	$'000	*$'000*
Accounts receivable	204	–
GST receivable	48	1,088
Other receivable	993	–
	1,245	**1,088**

Note 8. Non-current assets – investment in controlled entities

Subsidiary	**Principal activities**	**Country of incorporation**	**Ownership interest 2020**	**Ownership interest 2019**
Moorebank Intermodal Development Investment Nominees Pty Ltd	Trustee (dormant)	Australia	100%	100%
Moorebank Intermodal Development Rail Nominees Pty Ltd	Trustee (doormant)	Australia	100%	100%

Trust	**Principal activities**	**Country of incorporation**	**Ownership interest 2020**	**Ownership interest 2019**
Moorebank Intermodal Development Trust	Trading	Australia	100%	100%
Moorebank Intermodal Development Rail Trust	Trading	Australia	100%	100%

Note 9. Non-current assets – property, plant and equipment

	Leasehold improvements	Office Equipment	IT Equipment	Total
	$'000	*$'000*	*$'000*	*$'000*
Year ended 30 June 2020				
Opening net book value	77	–	24	101
Additions	–	6	52	58
Depreciation charge	(37)	(3)	(22)	(62)
Net book value	**40**	**3**	**54**	**97**
As at 30 June 2020				
Cost	184	7	95	286
Accumulated depreciation	(144)	(4)	(41)	(189)
Net book value	**40**	**3**	**54**	**97**
Year ended 30 June 2019				
Opening net book value	113	–	22	135
Additions	2	1	14	17
Depreciation charge	(38)	(1)	(12)	(51)
Net book value	**77**	–	**24**	**101**
As at 30 June 2019				
Cost	185	1	43	229
Accumulated depreciation	(108)	(1)	(19)	(128)
Net book value	**77**	–	**24**	**101**

Note 10. Non-current assets – intangible assets

	2020	2019
	$'000	*$'000*
Software		
Opening net book value	89	–
Additions	78	89
Amortisation	(28)	–
Net book value	**139**	**89**
Cost	167	89
Accumulated amortisation	(28)	–
Net book value	**139**	**89**

Note 11. Non-current assets – assets under construction

	Notes	2020	2019
		$'000	*$'000*
Opening balance		124,127	51,087
Additions		30,744	73,040
Derecognised	13	(153,481)	–
Total		**1,390**	**124,127**

'Assets under construction' represents work on the construction of a rail line connecting the intermodal terminal to the Southern Sydney Freight Line.

Note 12. Non-current assets – equity accounted investees

	2020	2019
	$'000	*$'000*
Investment in joint ventures		
Opening balance	165,385	153,145
Share of profit of equity-accounted investees	8,170	12,240
Investment in equity accounted investment	6,506	–
Closing balance	**180,061**	**165,385**

Moorebank Precinct Nominees Pty Limited as trustee for the Moorebank Precinct Land Trust, is a unit trust formed by MIC Land Trust and Qube. MIC Land Trust owns 65.63% of the units within Moorebank Precinct Land Trust.

Moorebank Precinct Land Trust holds the Commonwealth land and Qube land via 99-year leases. Upon completion of each developed area, Moorebank Precinct Land Trust will sub-let the relevant developed land to a subsidiary of Qube for operation of the terminals and warehouses. Moorebank Precinct Land Trust is a non-operational entity with its purpose being the collection and distribution of rental income, and management of the Commonwealth land and the Qube land as landlord.

The investment in Moorebank Precinct Land Trust was recognised at fair value. Upon financial close, an independent valuer was engaged to provide an indicative valuation based on the discounted cash flow method, assessing the indicative fair market value of the entity. Each financial year, the indicative valuation is updated based on forcast cash flows. The mid-point indicative valuation for the current financial year using a discount of 7.3 per cent was $291.9 million, with the MIC Land Trust's 65.63 per cent share being $191.6 million. An additional investment of $6.5 million was made to the investment to reflect the discounted value of a non-current, non-interest bearing loan advance to Moorebank Precinct Land Trust.

	2020	2019
	$'000	*$'000*
Current assets	1,181	3,829
Non-current assets	291,900	271,251
Current liabilities	(898)	(8,832)
Non-current liabilities	(27,737)	(14,246)
Net assets	264,446	252,002
Group's share of net assets (65.63%)	**173,562**	**165,392**
Units	(7)	(7)
Investment in equity accounted investment	6,506	–
Carrying amount of interest in joint venture	**180,061**	**165,385**

	2020	2019
	$'000	*$'000*
Revenue	21,444	27,158
Expenses	(9,001)	(8,509)
Profit and total comprehensive income	**12,443**	**18,649**
Group's share of total comprehensive income (65.63%)	**8,170**	**12,240**

Note 13. Non-current assets – rail access rights

	2020	2019
	$'000	*$'000*
Finance lease receivable	**170,087**	–

13.1 Fair value rail access rights

	Notes	2020	2019
		$'000	*$'000*
Assets under construction derecognised	11	153,481	–
Gain on recognition of finance lease		7,511	–
Finance lease income receivable		9,095	–
		170,087	–

Note 14. Non-current assets – financial assets

	2020	2019
	$'000	*$'000*
Non-interest bearing loans to related parties	**11,707**	**8,628**

14.1 Non-interest bearing loans to related parties

The balance at 30 June 2020 relates to a non-interest-bearing working capital loan to Moorebank Precinct Land Trust. Funds are provided to support the activities of the trust and are bound by a unitholders loan agreement. Repayment of the loan is the earlier of the date specified in the original funds request or the tenth anniversary of the request.

Note 15. Trade and other payables

	2020	2019
	$'000	*$'000*
Accruals	10,139	7,339
Trade payables	666	16
Total	**10,805**	**7,355**

Trade payables are settled within 30 days. Accruals primarily relate to rail access works performed in June 2019. Information about the Group's exposure to interest rates and liquidity risk is set out in Note 20.

Note 16. Contingent assets and liabilities

It is anticipated that a cost award will be made in favour of the Group. Quantum and timing is uncertain and subject to confidentiality. There are no further contingent assets or liabilities as at 30 June 2020 (2019: None).

Note 17. Provisions

	Leasehold incentive	**Employee benefits**	**Land & site costs** (note 3)	**Total**
	$'000	*$'000*	*$'000*	*$'000*
At 1 July 2019	56	80	200,788	200,924
Provisions made during the year	–	88	38,800	38,888
Provisions used during the year	(11)	–	(30,455)	(30,466)
At 30 June 2020	**45**	**168**	**209,133**	**209,346**
Current	45	155	129,364	129,564
Non-current	–	13	79,769	79,782
	45	**168**	**209,133**	**209,346**

Employee benefits
Provision for employee benefits represents amounts accrued for annual leave.

Land and site costs (note 3)
The provision for land and site works includes MIC's share of Voluntary Planning Contributions (VPCs) to develop the site, MIC's funding responsibility to relocate Moorebank Avenue and land preparation works for site contamination remediation.

Note 18. Contributed equity

a) Share capital	**2020**	**2019**
	$'000	*$'000*
Fully paid	452,285	380,733
	452,285	**380,733**
Number of ordinary shares	452,285,000	380,733,000

b) Movements in ordinary share capital

Date	**Details**	**Number of shares**	**$'000**
30 June 2018	**Balance**	**206,000,000**	**206,000**
14 December 2018	Equity injection No. 16	90,000,000	90,000
10 April 2019	Equity injection No. 17	84,733,000	84,733
30 June 2019	**Balance**	**380,733,000**	**380,733**
15 October 2019	Equity injection No. 18	49,197,000	49,197
17 December 2019	Equity injection No. 19	22,355,000	22,355
30 June 2020	**Balance**	**452,285,000**	**452,285**

Ordinary shares

The Group does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid. 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 fully paid share is entitled to one vote. The holders of these shares are entitled to receive dividends as declared from time to time.

Note 19. Reconciliation of loss for the year to net cash outflow from operating activities

	2020	2019
	$'000	*$'000*
Loss after tax	**(18,608)**	**(69,484)**
Adjustments for:		
Depreciation and amortisation	90	50
Land and site costs	38,800	105,135
Non-cash taxation benefit	(8,232)	(30,373)
Gain on recgonition of finance lease	(7,511)	–
Share of profit of equity-accounted investees, net of tax	(8,170)	(12,240)
Operating loss before changes in working capital and provisions	**(3,631)**	**(6,912)**
Changes in related party receivables	2,935	(4,000)
Changes to finance lease receivable	(9,095)	–
Changes in other current assets	(329)	(74)
Changes in trade and other payables	948	(172)
Changes in provisions	88	48
Changes in non-current liabilities	–	(27)
Net cash flows used in operating activities	**(9,084)**	**(11,137)**

Note 20. Financial risk management

The Group's principal financial instruments comprise cash, loans to related parties and payables. The carrying amount equates to the fair value of the financial instruments.

These activities expose the Group to interest rate risk, credit risk and liquidity risk.

As at 30 June 2020, the Group held the following financial instruments:

	2020	2019
	$'000	*$'000*
Financial assets		
Cash and cash equivalents	77,406	83,382
Non-interest-bearing loans to related parties	11,707	8,628
Related party receivable	–	2,935
Other receivables	1,245	1,088
Total	**90,358**	**96,033**

	2020	2019
	$'000	*$'000*
Financial liabilities		
Trade and other payables	666	16
Accruals	10,139	7,339
Total	**10,805**	**7,355**

20.1 Financial risk management objectives and policies

The Board's overall risk management strategy seeks to assist the Group in meeting its financial targets. Risk management policies are approved and reviewed by the Board.

a) Credit risk

All cash and cash equivalents are held with AA rated financial institutions within Australia and therefore credit risk is considered minimal.

b) Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group is not currently exposed to any significant liquidity risk on the basis it has access to additional cash through an equity funding agreement with the Commonwealth of Australia.

c) Market risk

Exposure to interest rate risks arises on interest-bearing financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect either the future cash flows or the fair value financial instruments.

At 30 June 2020, the Group had no interest-bearing financial liabilities.

20.2 Measurement of fair value

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability are categorised as different levels, then the fair value measurement is categorised in its entirety in the same level as the lowest level input that is significant to the entire measurement.

The Group recognised transfers between levels of the fair value hierarchy at the end of the reporting period during which the change occurred.

The carrying amounts of receivables and payables are assumed to approximate their fair value due to their short-term nature. Further information about the assumptions made in measuring fair value is included in the accounting policy for equity-accounted investees.

	Level 1	Level 2	Level 3	Total
	$'000	*$'000*	*$'000*	*$'000*
30 June 2020				
Property, plant and equipment	–	–	97	97
Assets under construction	–	–	1,390	1,390
Equity accounted investees	–	–	180,061	180,061
Rail access rights	–	–	170,087	170,087
Other receivables	–	–	1,245	1,245
Non-interest bearing loans to related parties	–	–	11,707	11,707
Total	–	–	**364,587**	**364,587**
30 June 2019				
Property, plant and equipment	–	–	101	101
Assets under construction	–	–	124,127	124,127
Equity accounted investees	–	–	165,385	165,385
Related party receivable	–	–	2,935	2,935
Other receivables	–	–	1,088	1,088
Non-interest bearing loans to related parties	–	–	8,628	8,628
Total	–	–	**302,264**	**302,264**

The table below shows reconciliation of opening balances to closing balances for fair value measurements in Level 3 of the fair value hierarchy. There has been no change in hierarchy during the current year.

	2020	2019
	$'000	*$'000*
Balance as at 1 July	302,264	212,218
Additions	46,642	77,856
Total gains and losses recognised in:		
Profit and loss	15,681	12,190
Balance as at 30 June	**364,587**	**302,264**

20.3 Valuation techniques

The following describes the valuation technique used in measuring Level 3 fair values as well as the significant unobservable inputs used.

a) Discount Cashflow Method

The investment in Moorebank Precinct Land Trust was recognised at fair value, upon financial close. An independent valuer was engaged to provide an indicative valuation based the discounted cash flow method, assessing the indicative fair market value of the entity. The mid-point value, using a discount of 7.3 per cent was $291.9 million, with MIC’s 65.63 per cent share being $191.6 million.

b) At cost

Property, plant and equipment, leasehold hold improvements, is held at cost less accumulated depreciation. The asset is amortised over the lease term of five years.

Note 21. Related party transactions

The Group’s main related parties are as follows:

a) Ultimate controlling entity

The ultimate controlling entity of the Group is the Government of the Commonwealth of Australia. Refer to Note 18 for the equity contributions received during the year.

b) Directors

A director related entity includes any legal, administrative or fiduciary arrangement, organisational structure or other party, including a person, having the capacity to deploy equity instruments in order to achieve objectives. The entity must be under joint or overall control or significant influence of a director or his/her related parties. There were no related party transactions with directors during the year. There were no loans to directors during the year.

Note 22. Directors and key management personnel disclosures

a) Directors

All directors of MIC are non-executive, appointed by the Shareholder Ministers. The Commonwealth Remuneration Tribunal determines annual fees for the Chair and directors.

The following table sets out the non-executive director fee entitlements excluding superannuation:

	Entitlement from 1 July 2020	**Entitlement from 1 July 2019**
	$’000	*$’000*
Chair	119,180	119,180
Deputy Chair	95,350	95,350
Non-executive director	59,590	59,590

The following persons were directors of Moorebank Intermodal Company Limited during the financial year:

i. Chair

E Flaherty (appointed 4 February 2020)
K Schott AO (term completed 12 December 2019)

ii. Non-executive director

L Di Bartolomeo
R Wilson
J Briggs (resigned 31 October 2019)
C Holman
A Harrison
E Flaherty
J Lloyd
R Koehler (appointed 16 December 2019)

b) Key management personnel

The Remuneration Tribunal also determines a Total Remuneration Reference Rate for Principal Executive Officers. The Company's board has the discretion to determine remuneration from 10 per cent below to 5 per cent above the reference rate, and can also award a performance bonus of up to 20% of the reference rate. For the period until June 2020, the annual reference rate for the Chief Executive Office was $599,046.

The remuneration of the Company's other senior executives is determined by the CEO annually, based on the Australian Public Service Commissions review guidance, an evaluation of current market rates for roles involving similar responsibilities and capabilities, and the performance of the person in the past year against pre-determined personal performance indicators.

c) Remuneration of directors and key management personnel

	2020	2019
	$'000	*$'000*
Short-term employee benefits	2,455,011	2,013,834
Post-employment benefits	158,259	127,016
Total	**2,613,270**	**2,140,850**

(excludes short-term acting CEO engagements).

Senior Executive Remuneration Overview

Moorebank Intermodal Company Limited's Senior Executives are remunerated commensurate with the market and incentivised to deliver against the corporate objectives.

The remuneration structure incorporates a total fixed remuneration (TFR) amount and a short-term incentive (STI) payment dependent upon the achievement of corporate Key Performance Indicators (KPI's) and individually agreed performance objectives.

Chief Executive Officer Remuneration

The remuneration of the CEO is in accordance with the relevant determination of the Commonwealth Remuneration Tribunal and the role is classified as a Principal Executive Office Band D under the Remuneration Tribunal Act 1973 (Cth) and is comprised of two components – total fixed remuneration (TFR) and at-risk performance pay (Short term incentive or STI) of up to 20 percent of total fixed remuneration.

Senior Executive Remuneration

MIC's Senior Executive remuneration packages are developed to ensure the total remuneration amount is competitive when compared to market levels. MIC's Executive TFR consists of (base) salaries, annual leave and superannuation, allowances and other non-monetary benefits . When establishing the appropriate TFR for an MIC Senior Executive the following elements are considered:

- Industry benchmarks;
- Role complexity and scope;
- The Executive's knowledge, skills and experience; and
- Performance.

Benchmarking and review of Senior Executive remuneration

MIC Senior Executive roles are reviewed annually by the CEO and Board. Under the Australian Public Service Commission's (APSC) Workplace Bargaining Policy (2018) a total increase of up to an average of 2% per annum is applied to the extent practicable. For FY 2020 MIC's Executive roles were independently benchmarked by remuneration consultants, Mercer.

Linking company and individual performance to STI payments

To ensure that MIC's corporate objectives are achieved each Senior Executive remuneration package includes an 'at risk' component of up to 15% of total remuneration. The STI payment is linked directly to the successful completion of both company and individually assigned objectives that are directly aligned to MIC's strategy and are set out in Board approved Key Performance Indicators.

The STI allows MIC to:

- Provide incentive to deliver corporate objectives aligned to MIC's constitutional objectives; and
- Reward Senior Executives that have contributed to MIC's success during the performance period.

Key management personnel (continued)

		Short term benefits					
	Year	Base salary / fees $	STI / Bonuses $	Other benefits and allowances $	Termination benefit $	Post employment super $	Total remuneration $
Chief Executive Officer							
1 July 2019 to 6 December 2019	**FY 19-20**	**426,843**	**67,100**	–	–	**25,000**	**518,943**
26 November 2018 to 30 June 2019	FY 18-19	300,864	–	–	–	20,049	320,913
General Counsel	**FY 19-20**	**345,652**	**95,000**	**20,014**	–	**25,000**	**485,666**
	FY 18-19	330,793	40,000	19,386	–	20,049	410,228
Delivery Director	**FY 19-20**	**340,425**	**70,000**	–	–	**25,000**	**435,425**
	FY 18-19	338,703	30,000	–	–	20,049	388,752
Construction Director	**FY 19-20**	**241,023**	–	**33,333**	–	**13,564**	**287,920**
(appointed 11 November 2019)	FY 18-19	–	–	–	–	–	–
Chief Financial Officer	**FY 19-20**	**128,819**	**32,763**	–	**65,844**	**13,816**	**241,242**
(resigned 12 April 2020)	FY 18-19	191,111	9,000	–	–	19,010	219,121
General Manager Finance	**FY 19-20**	**70,269**	–	–	–	**6,675**	**76,944**
(appointed 2 March 2020)	FY 18-19	–	–	–	–	–	–
Total executive management	**FY 19-20**	**1,553,031**	**264,863**	**53,347**	**65,844**	**109,055**	**2,046,140**
	FY 18-19	1,161,471	79,000	19,386	–	79,157	1,339,014

Peter Hicks resigned as CEO effective 6 December 2019 (2019: appointed 26 November 2018). David Jurd was appointed Acting CEO on a short-term contract for the period 18 December 2019 to 8 March 2020. His total remuneration during this term was $111,825 (2019: 1 July 2018 to 26 November 2018: $250,200). Erin Flaherty was appointed Acting CEO on a short-term contract for the period 9 March 2020 to 30 June 2020. Her total remuneration as Interim CEO was $247,422.

Note 23. Auditor's remuneration

	2020	2019
	$	$
Australian National Audit Office		
Audit of financial report	120,000	120,000
	120,000	**120,000**

The financial statement audit services are provided to the Group by the Auditor-General. No other services were provided by the Auditor-General during the reporting period.

Note 24. Information relating to Moorebank Intermodal Company Limited (parent)

As at and throughout the financial year ended 30 June 2020 the parent company of the Group was Moorebank Intermodal Company Limited.

	2020	2019
	$'000	*$'000*
Result of the parent entity		
(Loss) / profit for the year	(3,224)	23,960
Other comprehensive income	–	–
Total comprehensive (loss) / income for the year	**(3,224)**	**23,960**
Financial position of the parent entity at year end		
Current assets	78,003	83,687
Non-current assets	398,867	324,077
Total assets	**476,870**	**407,764**
Current liabilities	1,346	683
Non-current liabilities	17	56
Total liabilities	**1,363**	**739**
Net assets	**475,507**	**407,025**
Total equity of the parent entity		
Contributed equity	452,285	380,733
Retained earnings	23,222	26,292
Total equity	**475,507**	**407,025**

There were no commitments or contingencies as at 30 June 2020 (2019: none) of the Parent. Profit for the year includes an income tax (benefit) / expense of $8.2 million (2019: $30.2 million). Non-current assets include a deferred tax asset of $72.8 million (2019: $64.4 million).

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ABN 64 161 635 105

DIRECTORS' DECLARATION

For the year ending 30 June 2020

In the opinion of the Directors of Moorebank Intermodal Company Limited ("the Company"):

(a) the consolidated financial statements and notes set out on pages 36 to 60 are in accordance with the *Corporations Act 2001*, including:

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

(ii) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the financial year ended on that date; and

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

The Directors draw attention to note 2(a) to the financial statements which includes a statement of compliance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made on 17 September 2020 in accordance with a resolution of the Directors.

Erin A.M. Flaherty
Chair

17 September 2020

INDEPENDENT AUDITOR'S REPORT

To the members of Moorebank Intermodal Company Limited

Opinion

In my opinion, the financial report of Moorebank Intermodal Company Limited ('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 Profit or Loss and Other Comprehensive Income;
- Consolidated Statement of Financial Position;
- Consolidated Statement of Changes in Equity;
- Consolidated Statement of Cash Flows;
- Notes to the consolidated financial statements, comprising a Summary of Significant Accounting Policies and other explanatory information; and
- Directors' Declaration.

Basis for opinion

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

I confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Other information

The directors are responsible for the other information. The other information obtained at the date of this auditor's report is the directors' report for the year ended 30 June 2020 but does not include the financial statements and my auditor's report thereon.

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

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

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

Directors' responsibility for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

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

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

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

Australian National Audit Office

Scott Sharp

Executive Director

Delegate of the Auditor-General

Canberra

18 September 2020

APPENDIX A REPORTING INDEX

PGPA Rule	Annual Report section	Description
28E(a)	1.1. Background, pp 7–11	The purposes of the company as included in the company's corporate plan for the reporting period
28E(aa)	1. Operational review, pp 7–14	The results of a measurement and assessment of the company's performance during the reporting period, including the results of a measurement and assessment of the company's performance against any performance measures and any targets included in the company's corporate plan for the reporting period
28E(b)	4.1. Our shareholders, p. 25	The names of the persons holding the position of responsible Minister or responsible Ministers during the reporting period, and the titles of those responsible Ministers
28E(c)*	Not applicable	Any directions given to the entity by a Minister under the company's constitution, an Act or an instrument during the reporting period
28E(d)*	Not applicable	Any government policy order that applied in relation to the company during the reporting period under section 93 of the Act
28E(e)*	Not applicable	Particulars of non compliance with: (a) a direction given to the entity by the Minister under the company's constitution, an Act or instrument during the reporting period; or (b) a government policy order that applied in relation to the company during the reporting period under section 93 of the Act
28E(f)	3.2. Directors, pp 18–20	Information on each director of the company during the reporting period
28E(g)	1.5. Our people, p. 13	An outline of the organisational structure of the company (including any subsidiaries of the company)
28E(ga)	1.5. Our people, p 13–14	Statistics on the entity's employees on an ongoing and non ongoing basis, including the following: (a) statistics on full time employees; (b) statistics on part time employees; (c) statistics on gender; (d) statistics on staff location
28E(h)	3.6 Principal activities, p. 21; 3.7 Corporate information, p. 22	An outline of the location (whether or not in Australia) of major activities or facilities of the company
28E(i)	4. Corporate governance statement, pp 25–31	Information in relation to the main corporate governance practices used by the company during the reporting period

PGPA Rule	Annual Report section	Description
28E(j)*, (k)*	Not applicable	For transactions with a related Commonwealth entity or related company where the value of the transaction, or if there is more than one transaction, the aggregate of those transactions, is more than $10,000 (inclusive of GST): (a) the decision making process undertaken by the directors of the company for making a decision to approve the company paying for a good or service from, or providing a grant to, the related Commonwealth entity or related company; and (b) the value of the transaction, or if there is more than one transaction, the number of transactions and the aggregate of value of the transactions
28E(l)*	1.5 Our people, p. 13	Any significant activities or changes that affected the operations or structure of the company during the reporting period
28E(m)*	Not applicable	Particulars of judicial decisions or decisions of administrative tribunals that may have a significant effect on the operations of the company
28E(n)*	Not applicable	Particulars of any reports on the company given by: (a) the Auditor-General; or (b) a Parliamentary Committee, or (c) the Commonwealth Ombudsman; or (d) the Office of the Australian Information Commissioner; or (e) the Australian Securities and Investments Commission
28E(o)*	Not applicable	An explanation of information not obtained from a subsidiary of the company and the effect of not having the information on the annual report
28E(oa)	5.2 Senior executive remuneration, pp 34–35	Information about executive remuneration
28E(ob)	(a) (b) 3.4 Audit & RIsk Committee, p. 21; (c) 3.2 Directors, pp 18–20; (d) 3.3 Directors' meetings, p. 21; (e) 5.1 Non-executive director fees, p. 33	The following information about the audit committee for the company: (a) a direct electronic address of the charter determining the functions of the audit committee; (b) the name of each member of the audit committee; (c) the qualifications, knowledge, skills or experience of each member of the audit committee; (d) information about each member's attendance at meetings of the audit committee; (e) the remuneration of each member of the audit committee
28F(1)(a)(i)*	Not applicable	An assessment of significant changes in the company's overall financial structure and financial conditions
28F(1)(a)(ii)*	1.7 Risk management, p. 14	An assessment of any events or risks that could cause financial information that is reported not to be indicative of future operations or financial condition
28F(1)(b)*	3.15 Dividends, p. 22	Information on dividends paid or recommended
28F(1)(c)*	Not applicable	Details of any community service obligations the government business enterprise has including: (a) an outline of actions taken to fulfil those obligations; and (b) an assessment of the cost of fulfilling those obligations
28F(2)*	4.8 Commercially sensitive information, p. 31	A statement regarding the exclusion of information on the grounds that the information is commercially sensitive and would be likely to result in unreasonable commercial prejudice to the government business enterprise

All items are mandatory except those marked with an asterisk (*), which are mandatory if applicable.

APPENDIX B GLOSSARY

Term	Definition
AASB	Australian Accounting Standards Board
ABN	Australian Business Number
ANAO	Australian National Audit Office
APSC	Australian Public Service Commission
ARTC	Australian Rail Track Corporation
ASIC	Australian Securities and Investments Commission
AS/NZS	Australian Standard / New Zealand Standard
ASX	Australian Securities Exchange
ATO	Australian Taxation Office
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CGU	cash-generating unit
Cth	Commonwealth
ECL	expected credit loss
EIR	effective interest rate
EIS	Environmental Impact Statement
FY	financial year
GBE	government business enterprise
GM	general manager
GST	Goods and Services Tax
ha	hectare
IAS	International Accounting Standards
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IMEX	import–export

Term	Definition
ISO	International Organization for Standardization
ISSN	International Standard Serial Number
KMP	key management personnel
KPI	key performance indicator
LTIFR	lost-time injury frequency rate
m	million
MBA	Master of Business Administration
MIC	Moorebank Intermodal Company Limited
MP	Member of Parliament
OCI	other comprehensive income
PDC	Precinct Developer Co.
PGPA Act	*Public Governance, Performance and Accountability Act 2013* (Cth)
PGPA Rule	*Public Governance, Performance and Accountability Rule 2014*
PID Act	*Public Interest Disclosure Act 2013* (Cth)
SIMTA	Sydney Intermodal Terminal Alliance
SPPI	solely payments of principal and interest
SSFL	Southern Sydney Freight Line
STI	short-term incentive
TEU	twenty-foot equivalent unit
TFR	total fixed remuneration
VPC	voluntary planning contribution

MOOREBANK INTERMODAL COMPANY

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