BOWEN RAIL COMPANY PTY LTD

A.C.N. 638 074 889

FINANCIAL REPORT
complying with
Australian Accounting Standards - Simplified Disclosures

FOR THE YEAR ENDED
31 MARCH 2022

Bowen Rail Company Pty Ltd

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Bowen Rail Company Pty Ltd
Directors' report
Year ended 31 March 2022

Your directors submit their report on Bowen Rail Company Pty Ltd ("the Company") for the year ended 31 March 2022.

DIRECTORS
The names of the Company's directors in office during the year and up to the date of this report are:

Trista Brohier (resigned 16 September 2021)
Jeyakumar Janakaraj
Samir Vora
Christopher Barlow (appointed 1 June 2021)

COMPANY SECRETARY
The Company Secretary of Bowen Rail Company Pty Ltd during the year and up to the date of this report is:

Rajesh Gupta (appointed 8 June 2021)

CORPORATE INFORMATION
Bowen Rail Company Pty Ltd is a Company limited by shares that is incorporated and domiciled in Australia.

The registered office of Bowen Rail Company Pty Ltd is located at:
Level 9, 120 Edward Street
Brisbane, Queensland, Australia.

PRINCIPAL ACTIVITIES
The principal activity of the Company during the year was the establishment of rail haulage operations in Australia.

RESULTS and DIVIDENDS
During the year ended 31 March 2022, the Company incurred a loss after tax of $9.9 million (2021 profit: $1.1 million). The Company's normalised result before tax for the year, excluding net foreign exchange losses of $0.1 million (2021 gains: $1.7 million), is a loss before tax of $10.3 million (2021: $0.5 million).

No dividend has been paid or recommended.

REVIEW OF OPERATIONS
During the year, the Company continued the establishment of rail haulage operations which included purchasing locomotives, wagons, and constructing a provisioning yard.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS
There were no significant changes in the state of affairs of the Company during the current financial year.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD
There have been no other matters or circumstances that have arisen since the end of the financial year that have significantly affected, or may significantly affect the Company’s operations, the results of those operations or the Company’s state of affairs in financial years after the financial year ended 31 March 2022.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The Company is expected to commence freight revenue services in relation to the coal rail haulage business in the 2022-23 financial year.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Company's operations are subject to State and Federal Environmental Legislative requirements. There were no material breaches or non-compliance with these requirements during the financial year ended 31 March 2022 and up to the date of this report.

INSURANCE OF DIRECTORS AND INDEMNITIES

During the financial year, the Company paid premiums in respect of a Directors' and Officers' Liability Insurance contract. The insurance contract insures against certain liabilities (subject to exclusions) for persons who are or have been directors or officers of the Company. A condition of the contract is that the nature of the liabilities indemnified and the premium payable shall not be disclosed.

INDEMNIFICATION OF AUDITORS

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young Australia, 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 Ernst & Young Australia during or since the financial year ended 31 March 2022.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5.

ROUNDING

The amounts contained in the directors' report have been rounded to the nearest $1,000 (where rounding is applicable) where noted ($'000) under the option available to the Company as provided in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* . The Company is an entity to which this legislative instrument applies.

This report is made in accordance with a resolution of directors.

On behalf of the Board of Directors



Samir Vora
Director

Brisbane, 29 April 2022

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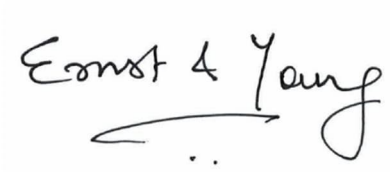
Auditor's independence declaration to the directors of Bowen Rail Company Pty Ltd

As lead auditor for the audit of the financial report of Bowen Rail Company Pty Ltd for the financial year ended 31 March 2022, I declare to the best of my knowledge and belief, there have been:

a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit;

b. No contraventions of any applicable code of professional conduct in relation to the audit; and

c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.



Ernst & Young



Madhu Nair
Partner
29 April 2022

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Bowen Rail Company Pty Ltd

Statement of comprehensive income

For the year ended 31 March 2022

	Notes	Year ended 31 March 2022 $'000	Year ended 31 March 2021 $'000
Employee costs		(5,112)	-
General and administration expenses		(5,143)	(88)
Net foreign exchange (loss)/gain, net		(136)	1,694
(Loss)/profit before tax		**(10,391)**	**1,606**
Income tax benefit/(expense)	4	482	(482)
(Loss)/profit for the year		**(9,909)**	**1,124**
Other comprehensive income		-	-
Total comprehensive (loss)/income for the year		**(9,909)**	**1,124**

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

Bowen Rail Company Pty Ltd

Statement of financial position

As at 31 March 2022

	Notes	31 March 2022 $'000	31 March 2021 $'000
Assets			
Current assets			
Cash on hand and at bank		441	463
Inventory		196	-
Trade and other receivables	5	3,681	2,439
Prepayments		1,426	-
Total current assets		**5,744**	**2,902**
Non-current assets			
Capital work in progress	6	236,470	51,870
Total non-current assets		**236,470**	**51,870**
Total assets		**242,214**	**54,772**
Liabilities			
Current liabilities			
Trade and other payables	7	56,625	9,378
Loans from related parties	8	24,423	43,684
Employee benefit liabilities		461	102
Total current liabilities		**81,509**	**53,164**
Non-current liabilities			
Loans from related parties	8	169,487	-
Deferred tax liabilities	4	-	482
Total non-current liabilities		**169,487**	**482**
Total liabilities		**250,996**	**53,646**
Net (liabilities)/assets		**(8,783)**	**1,126**
Equity			
Issued capital	9	2	2
(Accumulated losses)/Retained earnings		(8,785)	1,124
Total (capital deficiency)/equity		**(8,783)**	**1,126**

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

Bowen Rail Company Pty Ltd

Statement of changes in equity

For the year ended 31 March 2022

	Ordinary shares	(Accumulated losses)/ Retained earnings	Total
	$'000	**$'000**	**$'000**
For the year ended 31 March 2022			
At 1 April 2021	2	1,124	1,126
Loss for the year	-	(9,909)	(9,909)
Total comprehensive loss for the year	**-**	**(9,909)**	**(9,909)**
At 31 March 2022	**2**	**(8,785)**	**(8,783)**
For the year ended 31 March 2021			
At 1 April 2020	2	-	2
Profit for the year	-	1,124	1,124
Total comprehensive income for the year	**-**	**1,124**	**1,124**
At 31 March 2021	**2**	**1,124**	**1,126**

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

Bowen Rail Company Pty Ltd

Statement of cash flows

For the year ended 31 March 2022

	Year ended 31 March 2022 $'000	Year ended 31 March 2021 $'000
Cash flows used in operating activities		
Payments to suppliers and employees	(10,966)	(89)
Net cash used in operating activities	**(10,966)**	**(89)**
Cash flows used in investing activities		
Purchase of capital work in progress	(146,854)	(44,867)
Net cash used in investing activities	**(146,854)**	**(44,867)**
Cash flows from financing activities		
Issue of share capital	-	2
Advances from related parties, net	6,535	-
Proceeds from related party borrowings	185,347	45,417
Repayment of related party borrowings	(34,203)	-
Net cash from financing activities	**157,679**	**45,419**
Net (decrease)/increase in cash at bank and on hand	(141)	463
Foreign exchange difference	119	-
Cash at bank and on hand at beginning of the year	463	-
Cash at bank and on hand at year end	**441**	**463**

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

Bowen Rail Company Pty Ltd

Notes to the financial statements

For the year ended 31 March 2022

1 CORPORATE INFORMATION

The financial statements of Bowen Rail Company Pty Ltd (the "Company") for the year ended 31 March 2022 were authorised for issue in accordance with a resolution of the Directors on 26 April 2022.

Bowen Rail Company Pty Ltd is a company limited by shares and is incorporated in Australia. Parent entity details are disclosed in Note 10(a). The Company's principal place of business is Level 9, 120 Edward Street, Brisbane, Queensland, Australia.

The Company is principally engaged in establishing a rail haulage operation in Australia.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

This note provides a list of the significant accounting policies adopted in the preparation of these financial statements. These policies have been consistently applied to all periods presented, unless otherwise stated.

Statement of compliance

These general purpose financial statements have been prepared in compliance with the requirements of the *Corporations Act 2001* and *Australian Accounting Standards – Simplified Disclosures*. The Company is a for-profit, private sector entity which is not publicly accountable for the purposes of preparing these financial statements.

The Company has opted to adopt AASB 1060 *General Purpose Financial Statements - Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 entities* ahead of its mandatory effective date of 1 April 2022. Other than the change in disclosure requirements, the adoption of AASB 1060 has no significant impact on the financial statements because the Company's previous financial statements were prepared in full compliance with the recognition and measurement requirements of Australian Accounting Standards.

The financial report has been prepared on a historical cost basis, except as otherwise stated, and is presented in Australian dollars. All values are rounded to the nearest thousand ($'000), except when otherwise indicated under the option available to the Company as provided in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*. The Company is an entity to which this legislative instrument applies.

(b) Going concern

During the year ended 31 March 2022, the Company incurred a loss after tax of $9.9 million (2021 profit: $1.1 million). The Company's normalised result before tax for the year, excluding net foreign exchange losses of $0.1 million (2021 gains: $1.7 million), is a loss before tax of $10.3 million (2021: $0.5 million).

As at 31 March 2022, the Company's current liabilities exceeded current assets by $75.8 million (2021: $50.3 million). The net current liability position is mainly due to the classification as current liabilities of the Company's related party loans (refer to Note 8).

The financial report has been prepared on a going concern basis, which contemplates continuity in the realisation of assets and settlement of liabilities in the ordinary course of business.

The ability of the Company to continue as a going concern is dependent upon the ongoing support of its shareholder. The group company, Adani Enterprises Ltd, has agreed to not call on the Company to repay any loans or other amounts owing to it or entities under its control if, after payment of the loans or the other amounts, the Company would not be able to meet its debts as and when they fall due for a period not less than twelve months from the date of these financial statements. Additionally, Adani Enterprises Ltd, in its own capacity or through entities under its control, has agreed to provide financial support to the Company for a period at least twelve months from the date of these financial statements.

Based on the letter of support received, the Directors of the Company are satisfied funds will be available to meet the planned activities and contractual commitments for at least 12 months from the date of the authorisation of these financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Foreign currency translation

The Company's functional currency is the Australian dollar, being the currency of the primary economic environment in which it operates.

Foreign currency transactions are recorded at the applicable exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are translated at the appropriate exchange rates ruling at that date. Foreign exchange differences are dealt with in the profit or loss.

(d) Other income recognition

Interest

Interest income is recognised as the interest accrues using the effective interest rate ("EIR") method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the EIR, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(e) Income taxes

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is provided for all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amount for financial purposes.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the Statement of Comprehensive Income, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

(f) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

Cash flows are presented in the Statement of Cash Flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purpose of the Statement of Cash Flows, cash at bank and on hand includes deposits at call which are readily convertible to cash on hand, as defined above, net of outstanding bank overdrafts.

(h) Trade and other receivables

Trade receivables are recognised when an amount of consideration that is unconditional is due from the customer, i.e. only the passage of time is required before payment of the consideration is due. Refer to accounting policies in note 2(i) Financial Instruments (i) Financial assets - initial recognition and measurement; and (ii) Financial assets - subsequent measurement.

(i) 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.

(i) 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 Company's business model for managing them.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, 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 Company'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.

(ii) Financial assets - subsequent measurement

For purposes of subsequent measurement, financial assets are classified in the following categories:

► Financial assets at amortised cost (debt instruments)
► Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Company. The Company 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 or losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost include cash on hand and at bank and trade and other receivables.

(iii) Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when:

► The rights to receive cash flows from the asset have expired; or
► The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Financial instruments (continued)

(iv) Impairment of financial assets

The Company recognises an allowance for expected credit losses (ECL's) for all debt instruments not held at fair value through profit or loss. ECL's are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For other receivables and contract assets, the Company applies a simplified approach in calculating ECL's. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL's at each reporting date.

The Company considers a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements help by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(v) Financial liabilities - initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings, or trade and other payables as appropriate. The Company's financial liabilities currently comprise trade and other payables and interest and non-interest bearing loans from related parties.

All financial liabilities are recognised initially at net of directly attributable transactions costs.

(vi) Financial liabilities - subsequent measurement

The subsequent measurement of financial liabilities depends on their classification, as described below.

Trade and other payables and Loans from related parties

This category is the most relevant to the Company. After initial recognition, trade and other payables and loans from related parties are subsequently measured at amortised cost using the EIR method. Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are integral part of the EIR. The EIR amortisation is included as finance costs in the Statement of Comprehensive Income.

(vii) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

(viii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

(j) Capital work in progress

Capital work in progress is stated at cost, net of accumulated impairment losses, if any. The Company is currently in development phase and held no depreciating assets during the year.

(k) Trade and other payables

Trade and other payables are carried at amortised cost. Due to their short term nature they are not discounted. They represent liabilities for goods and services provided to the Company prior to the reporting date that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Interest-bearing loans

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for a least 12 months after the reporting date.

(m) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction and production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period they occur. Deferred borrowing costs are amortised over the life of the loan based on the EIR method.

(n) Contributed equity

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

(o) New and amended accounting standards and interpretations

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021. During the current year, other than the early adoption of AASB 1060 to comply with Australian Accounting Standards – Simplified Disclosures (see Note 2(a)), the Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

AASB 2020-1 Amendments to AASs – *Classification of Liabilities as Current or Non-current*

The amendments clarify:

► What is meant by a right to defer settlement
► That a right to defer must exist at the end of the reporting period
► That classification is unaffected by the likelihood that an entity will exercise its deferral right
► That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively.

AASB 2021-2 AASB 101 and AASB Practice Statement 2 - *Making Materiality Judgements – Disclosure of Accounting Policies*

The amendments to AASB 101 require disclosure of material accounting policy information, instead of significant accounting policies. Unlike 'material', 'significant' was not defined in Australian Accounting Standards. Leveraging the existing definition of material with additional guidance is expected to help preparers make more effective accounting policy disclosures. The guidance illustrates circumstances where an entity is likely to consider accounting policy information to be material. Entity-specific accounting policy information is emphasised as being more useful than generic information or summaries of the requirements of Australian Accounting Standards.

The amendments to AASB Practice Statement 2 supplement the amendments to AASB 101 by illustrating how the four-step materiality process can identify material accounting policy information. Earlier application of the amendments is permitted.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) New and amended accounting standards and interpretations (continued)

AASB 2020-3 Amendments to AASB 116 – *Property, Plant and Equipment: Proceeds before Intended Use*

The amendment prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

AASB 2020-3 Amendments to AASB 137 – *Onerous Contracts – Cost of Fulfilling a Contract*

The amendment specifies which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

AASB 2020-3 Amendment to AASB 9 – *Fees in the ‘10 per cent’ Test for Derecognition of Financial Liabilities (Part of Annual Improvements 2018–2020 Cycle)*

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Company will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

AASB 2021-2 Amendments to AASB 108 – *Definition of Accounting Estimates*

The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The Company is currently assessing the impact of the new and amended accounting standards to determine the impact these will have on the Company's financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the financial statements requires management to make estimates and judgements that affect the amounts reported in the financial statements and notes. Actual results could differ from those estimates. The following judgements have the most significant effect on the amounts recognised in the financial statements:

Impairment of non-financial assets

The Company assesses whether there is any indication of impairment for capitalised work in progress (CWIP) at the end of each reporting period. When an impairment test is undertaken, management judgement and estimates are required in determining suitable valuation factors as mentioned in the impairment test below.

In accordance with its accounting policies and processes, each asset or CGU, which includes mine and below rail and above rail (together the 'rail project'), is evaluated annually to determine whether there are any indications of impairment. If any such indications of impairment exist, a formal estimate of the recoverable amount is performed. Due to their interdependency, the mine and rail projects together constitute a single CGU.

In assessing whether an impairment is required, the carrying value of the asset or CGU is compared with its recoverable amount. The recoverable amount is the higher of the CGU's fair value less costs of disposal (FVLCD) and value in use (VIU). Given the nature of the Company's activities, information on the fair value of an asset is usually difficult to obtain unless negotiations with potential purchasers or similar transactions are taking place. Consequently, the FVLCD for each CGU is estimated based on discounted future estimated cash flows (expressed in real terms) expected to be generated from the continued use of the CGUs using market based commodity price and exchange assumptions, estimated quantities of recoverable minerals, production levels, operating costs and capital requirements, including any expansion projects, and its eventual disposal, based on the CGU five-year plans and latest life of mine (LOM) plans. These cash flows are discounted using a real post-tax discount rate that reflect current market assessments of the time value of money and the risks specific to the CGU.

Estimates included in assessing the CGU's recoverable amount including quantities of recoverable minerals, production levels, operating costs and capital requirements are sourced from the planning process including LOM plans, five-year plans, one-year budgets and CGU-specific studies. The determinations of FVLCD for each CGU are considered to be Level 3 fair value measurements in both years, as they are derived from valuation techniques that include inputs that are not based on observable market data. The Company considers the inputs and the valuation approach to be consistent with the approach taken by market participants.

Impairment assessments require the use of estimates and assumptions such as long-term commodity prices (considering current and historical prices, price trends and related factors), discount rates, operating costs, future capital requirements, closure and rehabilitation costs, exploration potential, reserves and operating performance (which includes production and sales volumes). These estimates and assumptions are subject to risk and uncertainty. Therefore, there is a possibility that changes in circumstances will impact these projections, which may impact the recoverable amount of assets and/or CGUs. In such circumstances, some or all of the carrying amount of the assets/CGUs may be further impaired or the impairment charge reduced with the impact recognised in the Statement of Comprehensive Income.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Deferred tax

Deferred tax assets are recognised for all temporary differences (including unused tax losses) to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Production start date

The Company assesses the stage of development of the rail operations to determine when its rolling stock moves into the operation phase, this being when the assets are in place and fully licensed to operate commercially at its intended use. The Company considers various relevant criteria to assess when the operation phase is considered to have commenced. At this point, all related amounts are reclassified from ‘CWIP’ to ‘Property, plant and equipment’. At this point, the capitalisation of certain construction costs ceases and also, at this point, depreciation commences.

		Year ended 31 March 2022	Year ended 31 March 2021
4	**INCOME TAX**	**$'000**	**$'000**
	Numerical reconciliation of income tax expense to prima facie tax payable		
	Accounting (loss)/profit before income tax	(10,391)	1,606
	At Australia's statutory income tax rate of 30% (2021: 30%)	3,117	(482)
	Tax losses not recognised	(2,636)	-
		482	**(482)**
	Statement of financial position		
	Deferred tax asset on tax loss	-	26
	Deferred tax liability on unrealised foreign exchange gain	-	(508)
	Net deferred tax assets/(liabilities)	**-**	**(482)**
	Reconciliation of deferred tax assets/(liabilities), net		
	Tax benefit/(expense) during the period recognised in profit or loss	482	(482)
		482	**(482)**
5	**TRADE AND OTHER RECEIVABLES**		
	Due from related parties - receivable on demand and non-interest bearing	38	1,996
	Advances and deposits with vendors	2,968	-
	GST receivable	675	443
	Total trade and other receivables	**3,681**	**2,439**
6	**CAPITAL WORK IN PROGRESS**		
	Balance at the beginning of the year	51,870	425
	Additions	177,895	51,445
	Capitalised interest	6,705	-
	Balance at the end of the year	**236,470**	**51,870**

Capital work in progress comprises rolling stock to be used in establishing a rail haulage business.

The Carmichael project is a very large-scale project which is unique in nature and involves developing a frontier basin (the Galilee Basin).

The recoverable amount of the project CGU, which includes mine and below rail and above rail (together the 'rail project'), is based on an independent valuation management's estimate of fair value less cost to disposal (FVLCD) as at 31 March 2022. Given the unique and undeveloped nature of the project CGU, its recoverable amount is highly sensitive variations in key valuation inputs. FVLCD is most sensitive to the following key assumptions:

► Long term coal prices
► Discount rates

In calculating FVLCD:

► The long term coal prices forecast used by the independent valuer is based on external third party forward curves (broker consensus estimates). The coal prices were adjusted, based on independent technical consultant analysis of forecast coal quality, to arrive at appropriate coal price assumptions for the Group's product quality
► The independent valuer applied a post-tax discount rate range of 11.5% to 13% to the post tax cash flows. The discount rate is derived by taking into consideration the industry risk and the expected return on investment by a market participant
► The Carmichael project is developed in accordance to management's current timetable and first coal.

The valuation undertaken by the independent valuer concluded the carrying amount the assets of the project CGU were within a range of outcomes supported by their valuation. The valuation is highly sensitive to reasonably possible changes in key valuation inputs and such changes could lead to further impairment. At 31 March 2022, management concluded the carrying amount of the project CGU (net of impairment losses recognised in previous years) approximated its FVLCD and no further impairment or impairment reversal was required at that time.

Sensitivity analysis performed by the independent valuer indicated:

► A reduction in the coal price of 10% would decrease the FVLCD by approximately $1.4 billion.
► An increase in the discount rate of 1% would decrease the FVLCD by approximately $0.3 billion.

		31 March 2022	31 March 2021
		$'000	$'000
7	**TRADE AND OTHER PAYABLES**		
	Abbot Point Operations Pty Ltd	-	333
	Carmichael Rail Network Trust	4,658	-
	Adani Mining Pty Ltd	254	-
	Due to related parties - payable on demand and non-interest bearing	**4,912**	**333**
	Accrued interest - related parties	6,705	-
	Other payables	45,008	9,045
	Total trade and other payables	**56,625**	**9,378**
8	**LOANS FROM RELATED PARTIES**		
	Current		
	Interest-bearing loan (Number 1)*	-	32,755
	Non-interest bearing loan (Number 2)**	24,423	10,929
	Total current loans	24,423	43,684
	Non-current		
	Interest-bearing loan (Number 3)***	169,487	-
	Total loans from related parties	**193,910**	**43,684**

*** Loan number 1**

On 7 September 2020, the Company entered into a US$30 million loan facility agreement with a related party. As at 31 March 2021, the Company had drawn down the amount of US$24.9 million which was repayable on demand. The loan was fully paid during the current financial year.

**** Loan number 2**

On 9 September 2020, the Company entered into a US dollar loan facility agreement with a related party. The amount of the facility was initially US$10 million, which has been increased by subsequent amendments to US$70 million. Under this facility, the drawn down balance as at 31 March 2022 was US$18.3 million (2021: US$8.3 million).

While the loan is repayable on demand, the lender has confirmed that it would not demand the payment of any amounts due from the Company for a period of at least 12 months from the date of authorisation of the Company's financial statements for the year ended 31 March 2022.

***** Loan number 3**

On 18 April 2021, the Company entered into a US$100 million loan facility agreement with a related party. On 1 September 2021, the agreement was amended to increase the facility to US$150 million. Under this facility, as at 31 March 2022 the Company had drawn down US$126.81 million. The loan bears interest at a rate of 6 months LIBOR or, where LIBOR is not available, the Secured Overnight Financing Rate (SOFR), plus a margin of 650 points per annum. The loan is repayable at the end of the 60th month from the date of the last drawdown.

9	**CONTRIBUTED EQUITY**		
	Issued and paid-up capital		
	2,000 ordinary shares of $1 each fully paid	**2**	**2**

The ordinary shareholder has the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

10 RELATED PARTY DISCLOSURES

(a) Parent entities

The Company is controlled by the following entities:

Name and place of incorporation	Type	Ownership Interest 31 March 2022	Ownership Interest 31 March 2021
Adani Ports & Special Economic Zone Ltd, India	Ultimate parent entity	0%	100%
Adani Enterprises Ltd, India	Ultimate parent entity	100%	0%
Bowen Rail Operations Pte Ltd, Singapore	Immediate parent entity	100%	100%

On 14 July 2021, the ultimate shareholding in the Company was transferred from Adani Ports Special Economic Zone Ltd (APSEZL) to AEL.

There were no transactions between the Company and its ultimate parent entities during the financial year (2021: nil).

	Year ended 31 March 2022	Year ended 31 March 2021
(b) Transactions with other related parties	**$'000**	**$'000**
The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year.		
Recharge of expenses	6,155	43,959
Interest	6,705	-

(c) Outstanding balances arising from sales/purchases of goods and services

Related party receivables are reported in Note 5 (including terms and conditions).

Related party payables are reported in Note 7 (including terms and conditions).

(d) Compensation of key management personnel

Total compensation	**1,440**	**-**

The amounts disclosed in the table are the amounts recognised as an expense or included in capital work in progress during the reporting period related to key management personnel. In the prior year, the Company received key management personnel services provided by other related parties.

(e) Loans from related parties (refer note 8)

Abbot Point Port Holdings Pte Ltd		
Loans advanced	171,410	-
Movements in foreign exchange rates	(1,923)	-
Closing balance	**169,487**	**-**
Bowen Rail Operations Pte Ltd		
Opening balance	32,755	-
Loans advanced	-	34,203
Repayments	(34,203)	-
Movements in foreign exchange rates	1,448	(1,448)
Closing balance	**-**	**32,755**
Adani Mining Pty Ltd		
Opening balance	10,929	-
Loans advanced	13,937	11,235
Movements in foreign exchange rates	(443)	(306)
Closing balance	**24,423**	**10,929**

11 AUDITOR'S REMUNERATION

The auditor of Bowen Rail Company Pty Ltd is Ernst & Young Australia.

Amounts received or due and receivable by Ernst & Young Australia for an audit or review of the financial report of the Company	**26**	**4**

12 CAPITAL COMMITMENTS

Capital work in progress	**61,425**	**85,983**

13 CONTINGENT LIABILITIES

Bank guarantees issued on behalf of the Company	**100**	**-**

14 SUBSEQUENT EVENTS

There have been no other matters or circumstances that have arisen since the end of the financial year, that have significantly affected, or may significantly affect the Company's operations, the results of those operations or the Company's state of affairs after the year ended 31 March 2022.

Bowen Rail Company Pty Ltd
Directors' declaration

In the directors' opinion:

(a) The financial statements and notes of Bowen Rail Company Pty Ltd for the financial year ended 31 March 2022 are in accordance with the C*orporations Act 2001* , including:

(i) giving a true and fair view of the Company's financial position as at 31 March 2022 and of its performance for the year then ended on that date; and

(ii) complying with *Australian Accounting Standards - Simplified Disclosures* and the *Corporations Regulations 2001.*

(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.

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

On behalf of the Board of Directors



Samir Vora
Director

Brisbane, 29 April 2022

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Independent auditor's report to the members of Bowen Rail Company Pty Ltd

Opinion

We have audited the financial report of Bowen Rail Company Pty Ltd (the Company), which comprises the statement of financial position as at 31 March 2022, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Company is in accordance with the *Corporations Act 2001*, including:

a. Giving a true and fair view of the Company's financial position as at 31 March 2022 and of its financial performance for the year ended on that date; and

b. Complying with Australian Accounting Standards – Simplified Disclosures and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information is the directors' report accompanying the financial report.

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

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

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

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Responsibilities of the directors 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 – Simplified Disclosures and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial report

Our objectives are 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 our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian 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 this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We 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 our 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 Company's internal control.

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

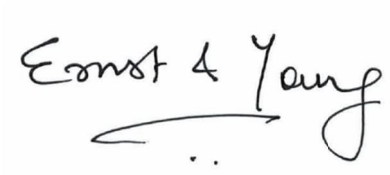
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company 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.

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We 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 we identify during our audit.



Ernst & Young



Madhu Nair
Partner
Brisbane
29 April 2022

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