Queensland Rail

2011/12 Annual and Financial Report

QueenslandRail

Welcome to the Queensland Rail Limited (Queensland Rail) Annual and Financial Report for the financial year 2011/12. This report is broken up into four sections beginning with general company information, followed by a review based on Queensland Rail's strategic pillars of Safety, Customer, People, Commercial and Community. The company's Governance and Statement of Corporate Intent is detailed in the third section moving through to the Financial Report 2011/12.

This report is also available, along with other useful resources, via the Queensland Rail website: queenslandrail.com.au.

For further information on Queensland Rail:

Phone: **13 16 17**

Mail: **GPO Box 1429, Brisbane QLD 4001**

Web: **queenslandrail.com.au**

Registered Office

Queensland Rail Limited

Level 15, 295 Ann Street

Brisbane QLD 4000

ABN 71 132 181 090

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About us

Queensland Rail is one of Queensland's largest Government Owned Corporations and its most iconic; one that has contributed to Queensland's success and development for 147 years.

As an integrated rail operator, Queensland Rail operates the rail network along with a fleet of trains that provide vital public passenger transport in South East Queensland. Trains travel between Brisbane and key regional areas such as Cairns, Townsville, Rockhampton, Longreach, Charleville and Mount Isa.

Queensland Rail's network consists of 7,148 kilometres of track. This critical infrastructure gives the agricultural, mining, manufacturing, retail and tourism industries of Queensland access to supplies and to national and international markets. The regional freight network supports industries on the Mount Isa, North Coast, Western, West Moreton, South Western and Central Western lines.

A strong Corporate Social Responsibility (CSR) ethos is held by Queensland Rail towards local communities and organisations, through investment, employment, local spending and assistance during emergencies. This enables Queensland Rail to foster relationships through significant contributions to the communities in which we operate.

The four core functions in Queensland Rail–Network, Rail Operations, Customer and Project Delivery are supported by the enabling functions focused on specialist services, governance and enterprise frameworks and systems.

What Queensland Rail does and how we do it is underpinned by five key areas–Safety, Customer, People, Commercial and Community. In its day to day business activity and long-term strategic planning, Queensland Rail is focused on growing and improving its three main services–South East Queensland network, Regional Access and Infrastructure, and Long Distance Commuter and Tourist.

South East Queensland network

The South East Queensland network is an integrated passenger and rail access service that extends from the centre of Brisbane, south to Beenleigh and Varsity Lakes on the Gold Coast, north to Ferny Grove, Shorncliffe, Doomben, Caboolture and Gympie, east to Cleveland and west to Richlands, Ipswich and Rosewood.

Passenger services are provided through the City network and are integral to the daily life of our customers, whether students, workers, tourists or residents, moving between suburbs and cities. Our key challenge in managing the City network is ensuring capacity in the face of growing demand. Aside from the rapid expansion in South East Queensland's population, commuter and long distance passenger trains compete with freight operators for access to paths on the network. Queensland Rail is tackling the resulting capacity challenges through a long term rail network strategy for growth.

Regional Access and Infrastructure

Network access and infrastructure services include the design, delivery and management of network paths and rail assets across Queensland. The focus of this part of our business is to improve supply chain solutions and develop partnerships and new business opportunities. This will help meet the needs of our resource company customers as well as freight, travel and tourist rail operators.

Long Distance Commuter and Tourist

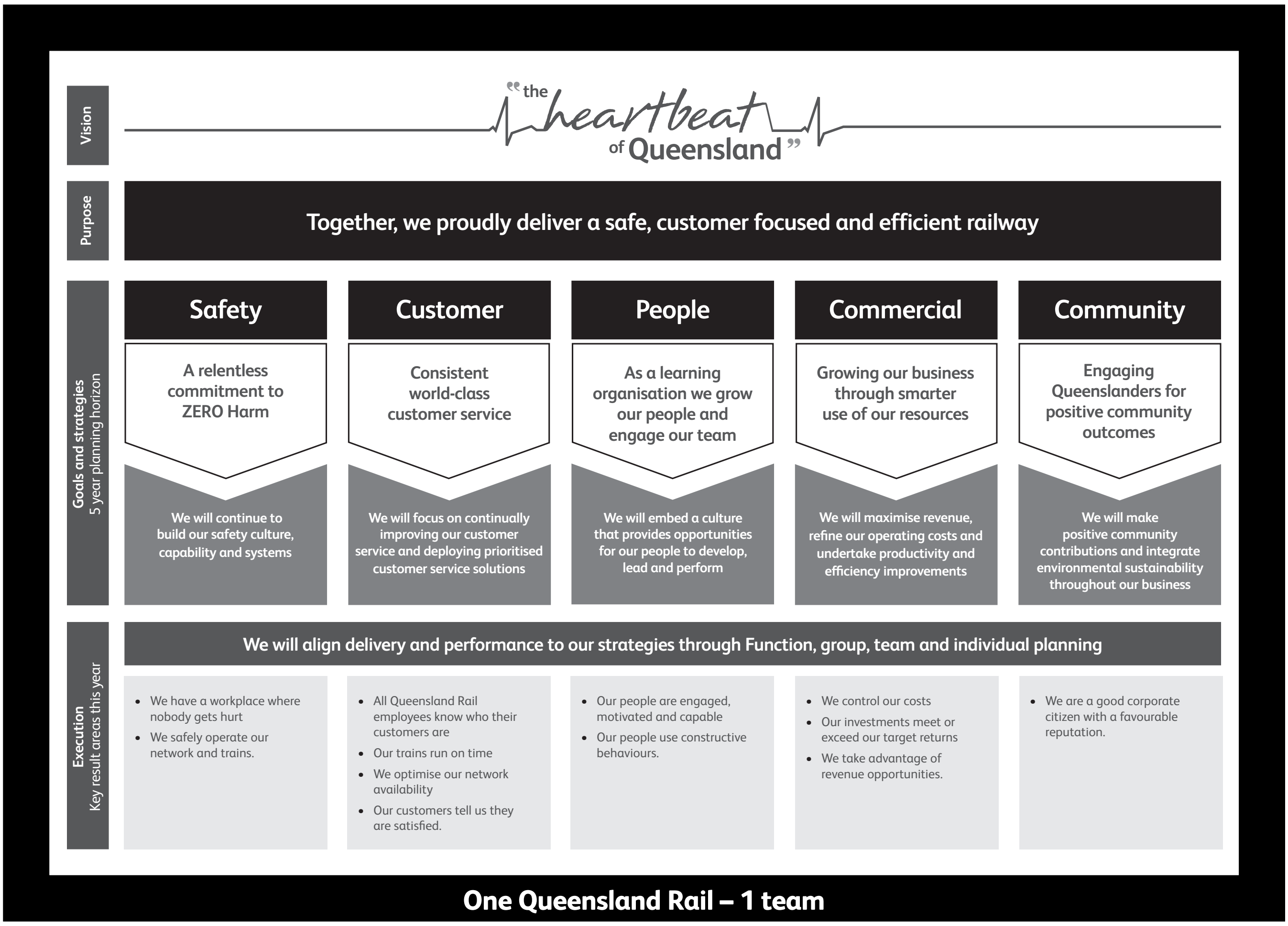
The long distance commuter and tourist service integrates travel and regional accessibility for commuters with a comfortable rail experience for international, interstate and intrastate tourists and holiday makers. This includes the Queensland Rail Travel network, Heritage and Tourist Operations and Travel Centres. Customers of the Queensland Rail Travel network are provided with a unique rail travel experience in comfort with world-class customer service. Improvements to the Queensland Rail Travel network support growth in Queensland tourism and the commercial success of Queensland Rail.

Queensland Rail Travel also operates two tourist train services, the Kuranda Scenic Railway (KSR) and Gulflander, along with a fleet of steam locomotives and wooden carriages. These offer a unique travel experience and charter opportunities for customers.

Fast facts

Queensland Rail 2011/12 at a glance:

- Revenue–$1.95 billion
- Assets–$6.85 billion
- Full-time Equivalent Employees (FTE)–7,312
- Rail network–7,148 km
- Customer journeys–51.6 million
- City network stations–145
- Travel network stations–75
- Three-car trains–211
- Tourist trains–2
- Long distance trains–9
- Gross tonne kilometres of freight carried–20.07 billion



Financial summary

Consolidated income statement for the year ended 30 June 2012

	2011/2012 $m	2010/2011 $m
Revenue	1,931.9	1,836.1
Operating expenses	(1,240.6)	(1,202.1)
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	**691.3**	634.0
Depreciation and amortisation expense	(296.5)	(251.5)
Earnings Before Interest and Tax (EBIT)	**394.8**	382.5
Net finance costs	(208.8)	(221.1)
Income tax expense	(57.7)	(12.1)
Net profit	**128.3**	149.3

The Queensland Rail group's EBITDA increased by $57.3 million to $691.3 million. This increase was due to increased transport service contract revenue, record travel sales and higher rail access charges.

Queensland Rail's focus on cost control through efficiency measures and improved procurement processes limited the group's operating expenses increase to just 3.2%.

In 2011/12, depreciation and amortisation expense increased by 17.9% to $296.5 million. This increase is the result of Queensland Rail's significant investment in new infrastructure over the last 18 months, which included the Darra to Springfield track extension and the Keperra to Ferny Grove track duplication.

Income tax expense increased by $45.6 million to $57.7 million. This increase is the result of a tax credit received by the company in 2010/11, upon receiving approval from the National Tax Equivalents Regime to utilise $37 million in unused revenue and capital tax losses previously belonging to QR Limited. These losses were not carried forward by QR Limited when it privatised in the prior reporting period.

A dividend of $102.6 million was declared in respect of the year ended 30 June 2012. This dividend will be paid during 2012/13.

Financial performance measures compared to Statement of Corporate Intent (SCI)

	2011/2012 Actual	2011/2012 SCI Target
Earnings before interest and tax ($m)	394.8	404.3
Net profit after tax ($m)	128.3	103.7
Return on operating assets (%)	6.2	6.3
Return on equity (%)	4.9	3.7

Consolidated balance sheet as at 30 June 2012

	2011/2012 $m	2010/2011 $m
Current assets	569.9	539.4
Non-current assets	6,276.7	6,057.0
Total assets	**6,846.6**	6,596.4
Current liabilities	626.5	668.3
Non-current liabilities	3,482.4	3,455.6
Total liabilities	**4,108.9**	4,123.9
Net assets	**2,737.7**	2,472.5
Contributed equity	2,602.6	2,363.2
Retained earnings	136.1	110.4
Reserves	(1.0)	(1.1)
Total equity	**2,737.7**	2,472.5

The group's non-current assets increased by $219.7 to $6,276.7 million as a result of Queensland Rail's significant capital expenditure program.

Total equity of the group increased by 10.7% to $2,737.7 million as a result of profit for the year of $128.3 million and equity injections of $246.0 million. These were offset by the declared dividend of $102.6 million.

Consolidated cash flows for the year ended 30 June 2012

	2011/2012 $m	2010/2011 $m
Net cash inflow from operating activities	556.1	487.4
Net cash outflow from investing activities	(558.8)	(643.8)
Net cash inflow from financing activities	161.6	322.9
Net increase in cash and cash equivalents	**158.9**	166.5

Cash flows from operating activities increased significantly in the 2011/12 financial year as a result of higher revenue along with receipts of outstanding invoices from our major customers.

During the 2011/12 financial year the group invested $566.5 million in capital expenditure programs across our operations. The most significant investments were in passenger infrastructure and rollingstock as part of the South East Queensland Infrastructure Plan and Program.

The group did not undertake any additional long term borrowing during 2011/12. This, combined with increases in equity, has reduced the gearing ratio from 56% to 52%, by the end of the 2011/12 financial year.

The group's net debt position improved by $158.9 million to $2,674.6 million. These funds have been invested in short-term deposits, which resulted in higher interest revenue during the 2011/12 financial year.

Summary of non-financial measures

	2011/2012 actual	2011/2012 SCI target
Environment		
EPA enforceable breaches (number)	0	0
Customer journeys and patronage		
Total customer journeys (000)	51,646	54,520
City network customer journeys (000)	50,851	53,677
City network patronage growth (%)*	3	-8.85
Travel network customer journeys (000)	449	438
Travel network patronage growth (%)	5.87	5.54
Kuranda Scenic Railway customer journeys (000)	343	400
Gulflander customer journeys (000)	4	5
Tourist train patronage growth (%)	-3.7	2

* The City network passenger journey count is adjusted to align with TransLink's new patronage methodology announced in December 2011.

Reporting		
Compliance with Reporting Requirements (%)	100	100
Network performance		
Overall track condition (index)	45.4	47.3
Freight gross tonne kilometres (billions)	20.07	19.1
City network train kilometres (000)	13,555	13,320
City network On Time Running–peak periods (%)	92.5	93.77
City network rollingstock utilisation–peak periods (%)	87.84	90
City network reliability–train services delivered (%)	99.78	99.75
Network brought online (kilometres)	5.4	0
Customer satisfaction		
City network customers (index)	71	70
Travel network customers (index)^	82.8	81
Customer satisfaction trend (%)	1.83	≥0
Reputation (index)	2.132	2

^Travel network customer satisfaction moved to an index measurement to be in line with the City network.

People		
Employee turnover (annualised %)	4.5	≤5
Safety		
Lost time injury frequency rate	4.99	6.68
Lost time injury duration rate	24.89	44.2
Signals passed at danger (number per million train kilometres)	2.25	2.41
Safety performance trend (%)	7.4	≥0
Derailments (number per million train kilometres)	0.19	0.13

1team values and behaviours

We define values in Queensland Rail as the core beliefs that lie at the heart of our organisation and direct the way in which people behave. Behaviours are the way we see values in action, are tangible, observable and something that everyone can relate to.

These values are at the heart of everything we do, they:

- form the framework which guides all of our decisions
- define our culture and are visible through our behaviour
- are central to effective leadership and good management
- enable our team to work together positively and towards shared goals
- underpin our future success.

1 Queensland Rail

Be one, proud, focused.

We work together to achieve our objectives and do what we say we are going to do.

Treat each other with respect

Be open, honest, supportive.

We all have a voice and a part to play by sharing information, respecting, supporting and trusting each other.

Enjoy what we do

Be positive, involved, enthusiastic.

We work together to bring humour and fun to each day and enjoy what we do.

Act safely

Be aware, prepared, accountable.

We look out for each other, our customers and ourselves so that nobody gets hurt.

Make a difference

Be innovative, adaptable, resourceful.

We encourage new ideas and fresh ways of thinking. We make it simple and we treat every situation as a learning opportunity.

1team

Chairman's outlook

I was delighted to accept the role of Chairman of Queensland Rail in July 2012 and would like to recognise the contribution of my predecessor Stephen Gregg and the Board for their strategic direction of the organisation during its formative years.

My Board colleagues and I are focused on overseeing the enormous task at hand as we move from the company's foundation years to achieving the outcomes that are expected of us by our shareholding Ministers, government and the community.

Queensland Rail has a strong safety culture which is embedded in all areas of the business; the safety of our people and our customers will always remain our top priority. We have seen continued progress in this area over the past 12 months and will continue to pursue improvements in our future safety performance.

While we have seen an improvement in the company's financial performance over the past year, we must provide improved dividends and increase our rate of return for our owners; the government and people of Queensland. Queensland Rail needs to ensure that we meet and indeed exceed our owner's expectations and reduce demand on the state's finances.

The last 12 months have also seen considerable progress in creating robust governance with a strong focus on risk management. I'd like to make special mention of the work done on the company's Enterprise Governance Program (EGP) and in particular the launch of the new Policy Centre. Reviewing and consolidating Queensland Rail's governance and compliance frameworks has been a massive undertaking and its successful rollout is a significant achievement for the company.

The past year has also seen extensive work done to better integrate planning and delivery of capital programs, and to align the organisation's functions through product strategies for our key areas of business. Whether in purchasing and procurement, operations, capital planning and delivery, or in administration, the results have been impressive and the potential future gains will be significant.

This year saw a change in State Government and, as a result, two new shareholding Ministers for Queensland Rail; the Honourable Scott Emerson MP, Minister for Transport and Main Roads and the Honourable Tim Nicholls MP, Treasurer and Minister for Trade. We continue to build positive and productive relationships with our shareholding Ministers and key stakeholders in the new government and look forward to developing strong working relationships well into the future.

Queensland Rail will be working closely with the government and its related agencies to respond to and instigate recommendations from the Interim Report of the Queensland Commission of Audit and the Independent Audit into the Reliability of Queensland Rail's South East Queensland Network commissioned in May/June 2012. These audits have provided a benchmark for our new shareholding Ministers to assess Queensland Rail's performance into the future.

On behalf of the Board, I would like to note the contribution of the management team under the leadership of Acting Chief Executive Officer (CEO) Jim Benstead. The Queensland Rail leadership team has maintained clear direction and a strong focus on achievement and outcomes during significant times of change. We thank all the leaders for their strong contribution and leadership over this time.

Most importantly, I want to pay tribute to the contribution of our dedicated workforce. They have an unrivalled understanding of the railway industry and play an integral role in the state's economy. I thank them for their efforts in delivering a safe, efficient and customer focused railway.

My Board colleagues and I are proud of Queensland Rail's performance in 2011/12 and its prospects for the future. We have a clear vision for continuous improvement and we are confident of achieving the expectations of our owners.

Over the next 12 months my Board colleagues and I will work with management and continue to drive improvements in reliability, affordability, patronage growth and safety. Queensland Rail has a key role to play in supporting rapid population growth in South East Queensland and the reliability and expansion of our network and business is crucial to meet this need.

This next year Queensland Rail will work with government and TransLink to deliver a more affordable and more reliable rail network and passenger rail operation while maintaining the highest levels of safety and customer service.

Queensland Rail's objectives and service offerings align with and support the government's commitment to creating a Four Pillar Economy built on Agriculture, Tourism, Resources and Construction through:

- the network, providing a pathway of supply for goods to port or business for the agriculture and resource industries
- active participation as a tourism operator, in attracting domestic and international tourists to Queensland and partnering with other tourist operators throughout the state to do the same
- delivery of critical transport infrastructure throughout Queensland, to meet growing population and economic demands.

The objectives for the business over the medium term will serve to improve Queensland Rail's core business operations. This will ensure that Queensland Rail's capacity to effectively contribute to the successful development of the government's Four Pillar Economy can be fully leveraged.

I thank my fellow Directors for their commitment to continue to build Queensland Rail into the most customer focused and efficient railway in Australia.

Glen Dawe
Chairman

Acting CEO's report

It has been a pleasure and privilege to lead Queensland Rail as Acting CEO since December 2011, as we continued to build on the momentum gathered in our first year of operation to drive improvements across our priority areas.

I took over a strong business that continues to be well led since its foundation in July 2010, with our performance over the past 12 months testament to the vision to build a safe and customer focused railway.

Over the past year, Queensland Rail's focus was consolidating the work undertaken in the foundation year and delivering success and efficiencies across our five strategic pillars of Safety, Customer, People, Commercial and Community.

The results speak for themselves with significant reductions in workplace injuries, improved customer service, successful delivery of our many projects and improved efficiency.

Safety

Of our many achievements this year, most pleasing for me has been our progress along our safety journey to achieve ZERO Harm.

As a result of our concerted focus on safety, we have again reduced our Lost Time Injury Frequency Rate (LTIFR) for 2011/12 from 6.89 to 4.99. This continuing downward trend demonstrates our safety processes and systems are working, and our cultural focus is embedding across the organisation.

In recognition of the next level of change required in our journey to being world-class in safety, we have also introduced two new measures–High Potential Incidents and Medically Treated Injuries reports. This reporting will assist us to understand and track potential causes and ramifications of incidents and act proactively to prevent similar events or injuries from occurring in the future.

Customer

Significant progress was made in our customer strategy in terms of looking and listening for ways to improve our service delivery to satisfy our customers. In September 2011, Queensland Rail became the first fully integrated rail transport company in the world to be certified against the International Customer Service Standard (ICSS), an international benchmark for customer service organisations.

We continue to develop and implement new and innovative customer focused initiatives, including a revamp of the Quiet Carriages and roll out of Wireless Internet (Wi-Fi) on 64 of our newest trains.

Forging strong relationships with freight customers and providing a commercial transport solution remains a high priority and frequent customer forums are held to explore improvements and opportunities. The past year has seen progress on a range of new ideas for Queensland Rail to partner with customers on emerging opportunities in the freight market.

People

The past year has also seen strong focus on strengthening our culture in which we work together as one integrated company–One Queensland Rail. This year more than 700 staff in a range of roles and locations from across the business helped to develop our company's values and behaviours. These values are now being incorporated into every part of the organisation's culture, defining the core beliefs that lie at the heart of our organisation and guiding the way we behave.

Another milestone was the successful negotiation of 17 existing workplace agreements down to seven which cover the majority of our employees. These agreements are being implemented throughout the business and support our people in their roles to deliver excellent customer service.

Commercial

Our commercial strategy centres on delivering efficiency measures to reduce costs and improve our revenue and growth opportunities. This year saw a significant improvement in revenue from access agreements and record increases in travel sales, as well as benefits realised through our procurement improvement program.

We also continued to plan and deliver major rollingstock and rail infrastructure projects focused on meeting capacity demands for our commuter, freight and tourist customers of the future.

Community

Our community strategy recognises the vital role our company plays in the lives of many Queenslanders. This year saw our ongoing support through programs and initiatives designed to enhance the communities in which we operate including our Community Partnering Program for grass root sponsorships, fundraising and in-kind support for our five employee voted non-profit partners and, a range of environmental initiatives.

Our impact upon the environment and our communities is a major focus for Queensland Rail and we continue to work with interested parties and communities to deliver a safe, customer focused railway.

This year marked the successful completion of our integration and separation phases from QR Limited, including the final complex milestone of full information and communication technology separation.

For the year ahead our direction is clear, we must focus on efficiency measures, eliminating waste and identifying areas for improvement to position the company for future success.

Jim Benstead
A/Chief Executive Officer

Safety

The safety of our people and customers is the number one priority of Queensland Rail. We are focused on becoming a world-class safety organisation with zero injuries.

Fast facts

- There were 408 reported near misses at Queensland Rail level crossings during financial year 2011/12.
- Safety cameras monitor driver behaviour at level crossings in Queensland with a high rate of incidents. These crossings include Murarrie, Coorparoo, Salisbury, Coopers Plains, Geebung, Bald Hills, Brandon, Cooran, Cluden, Edmonton, Portsmith and Bowen.
- Each of the 1,392 public level crossings on the Queensland Rail network has some form of protection including boom gates, flashing lights, stop signs and give way signs.
- There was a significant improvement in the Lost Time Injury Frequency Rate across the company in the past 12 months. The rate decreased by 1.9 percentage points since the same time last year. Many teams reported no Lost Time Injuries for the year.

Safety and Environment Management System launch

The implementation of an effective Safety and Environment Management System (SEMS) is crucial in ensuring the safety of people and the conservation of our environment. A review was undertaken during 2011/12 of existing safety and environment systems and documents. The focus was to remove any duplication and update any outmoded processes. A critical driver was compliance with new Work Health and Safety legislation, Rail Safety legislation and alignment with the new EGP requirements which took effect on 1 January 2012.

The new system was implemented as one source of truth for all safety and environment documentation.

Level crossing safety campaign

There are approximately eight near misses a week involving a motorist or pedestrian driving or running in front of a train at a level crossing or on the rail corridor.

The 'What would you miss?' campaign seeks to change perceptions, attitudes and behaviours at level crossings by asking people to stop and reflect on what they would miss. The campaign has been a focus for Queensland Rail during 2011/12 with an emphasis in the lead up to the school holiday periods when people drive more often and on unfamiliar routes. Advertising campaigns ran Queensland wide and included press and radio.

Queensland Rail also worked with Suncorp Metway Limited (Suncorp) to spread the level crossing safety message via Suncorp's Road Safety campaign. Australian motorsport legend and Suncorp ambassador Craig Lowndes featured in two television commercials and a special event in Brisbane's Queen Street Mall, reminding Queenslanders of simple safety tips to keep in mind when driving near level crossings.

Queensland Rail renewed its focus on level crossing safety with a new hard hitting community awareness campaign launched in the Brisbane central business district on 22 June 2012. The new 'Crosses' campaign draws attention to the very serious risks of gambling with your life at level crossings, which was particularly timely leading up to the start of the mid-year school holiday period.

The launch, held in Post Office Square, featured 472 level crossing 'crosses' in the form of a war graveyard. Each cross represented one of the level crossing near misses that occurred in 2011 and highlights the fact that the outcome of that near miss could have been dramatically different and potentially disastrous.

Signals Passed at Danger

The full year count for Signals Passed at Danger (SPADs) incidents involving Queensland Rail operated train services was 2.25 SPADs per Million Train Kilometres (MTK) against a target of 2.41.

To achieve this reduction, Queensland Rail initiated a number of change and mitigation initiatives, focusing on the causes of SPADs. In addition to post-SPADs investigation processes, high SPADs risk locations within the rail network were identified and addressed.

The development of a Rail Traffic Driver Capability Plan, which assesses a driver at their individual level of experience, and improvements to the traincrew structure now facilitates increased employee capability, competency and compliance.

The 'Safe Summer' SPADs campaign commenced in December 2011 with increased prioritisation on SPADs awareness and prevention. A key initiative has included SPADs champions riding with train drivers to promote safe driving techniques.

Innovative safety concepts and projects were progressed, providing additional safety equipment to train fleets and parts of the network. These are either interim solutions or complementary to existing train protection technology to further reduce risks associated with SPADs.

Platform safety campaign

In December 2011, Queensland Rail revamped its external safety messages to align with our new brand. As part of this rebrand, a new platform safety campaign was launched in response to the number of injuries to City network customers. In-train posters and station signage highlight the importance of acting safely at stations and on trains.

The five key areas addressed in the campaign were:

- Stand behind the yellow safety line
- Hold the handrail
- Do not board when doors are closing
- Mind the gap
- Pram safety.

Safety Motivated Action Resource Teams

Safety Motivated Action Resource Teams, otherwise known as SMARTs, are teams of employees responsible for identifying and addressing basic safety issues in their local work environment. As at 30 June 2012, there were 248 active SMARTs across Queensland Rail.

The aim of SMARTs is to empower people to work together and use each other's strengths, ideas and experience to resolve safety issues and to give people at all levels the opportunity to be proactive about safety.

The Normanton track team, as part of their SMARTs initiative, reviewed current manual handling tasks for their area. They identified that their current manual track jack is quite heavy to move around and caused manual strain when used. After some simple internet research, the team found a hydraulic track jack that weighs only 18.6kg compared to the currently used 25kg version. Although the use of a track jack is required to conduct tasks, the implementation of this smaller jack significantly decreases the risk of manual handling injury. This simple yet effective SMARTs initiative is spreading to other track teams and is currently being considered by other work areas.

Reduction in the Lost Time Injury Frequency Rate

There was a significant improvement in the LTIFR across the business in the past 12 months. The rate decreased by 1.9 percentage points from 6.89 in 2011/12 financial year. Many areas reported no Lost Time Injury (LTI) for the year.

Safe Work Australia Week 2011

Safe Work Australia Week commenced on 24 October 2011, encouraging employees to take time to proactively consider safety from a personal and organisational perspective. A program of safety related events was developed to support this initiative.

Queensland Rail released footage showing people taking risks around trains, including shocking near miss footage to the media. This included a media conference at Geebung station to discuss safety around the corridor and to announce the trial of a new pedestrian gate locking system at high priority stations including Geebung, Wynnum Central, Murarrie, Morayfield and Woodridge.

The week concluded with a breakfast at King George Square in Brisbane, featuring Australian rugby league legend Mal Meninga and the Safety and Environment Gallery Walk where Queensland Rail safety leaders were on hand to provide information and answer any questions.

Centre of Safety Excellence

The Centre of Safety Excellence continued to support Queensland Rail's goal to become a world-class safety organisation. It recognises the safety and environment expertise in the organisation and sets in place a framework to promote and capitalise on that expertise and grow capability. The framework recognises specific safety and environment competencies within Queensland Rail. These are led by a Competency Leader who coordinates advice across the organisation in their field of expertise. Each Competency Leader developed a Community of Practice to allow learning and sharing of ideas. The communities include experts and employees with an interest in the competency and who want to share, collaborate and develop innovative safety and environmental solutions.

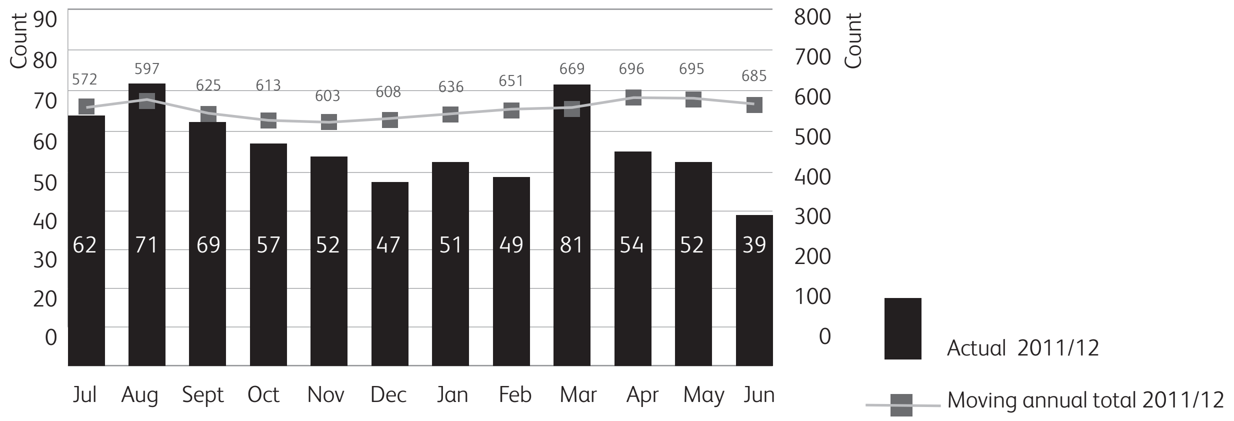
Queensland Police Service and Crime Stoppers partnerships

Queensland Police and Crime Stoppers work in partnership with Queensland Rail to promote safety and security initiatives in South East Queensland.

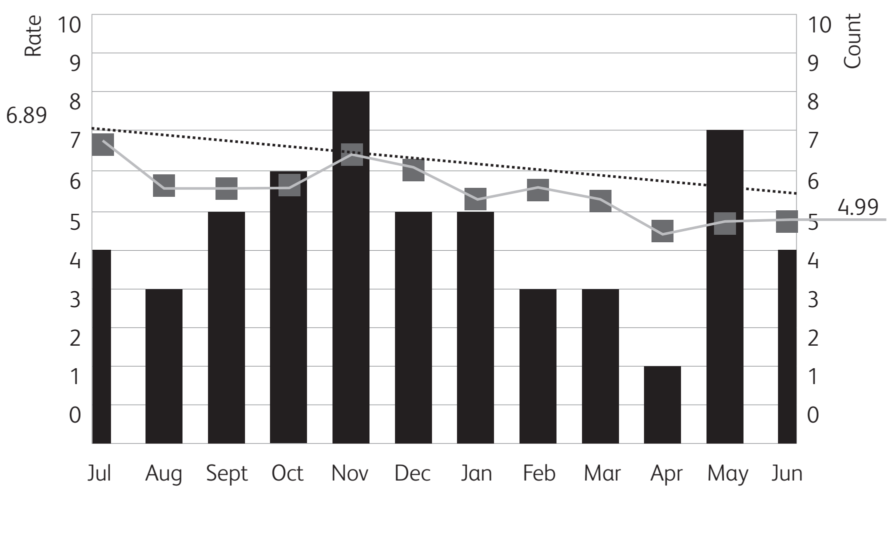
To ensure the requirements of the expanding network are met, progressive growth of the Railway Squad has been factored into a Memorandum of Understanding signed with the Queensland Police Service in late 2011. In January 2012 an additional five members of the Police Railway Squad were recruited bringing the total strength of the squad to 64 officers.

Queensland Rail also finalised the construction of the new Railway Squad outpost at Robina station, which was commissioned in June 2011. Particular focus on the perception of anti-social behaviour on the Gold Coast and Beenleigh lines with operations has proven effective in the short-term with longer term strategies relating to the engagement of key offender groups being developed.

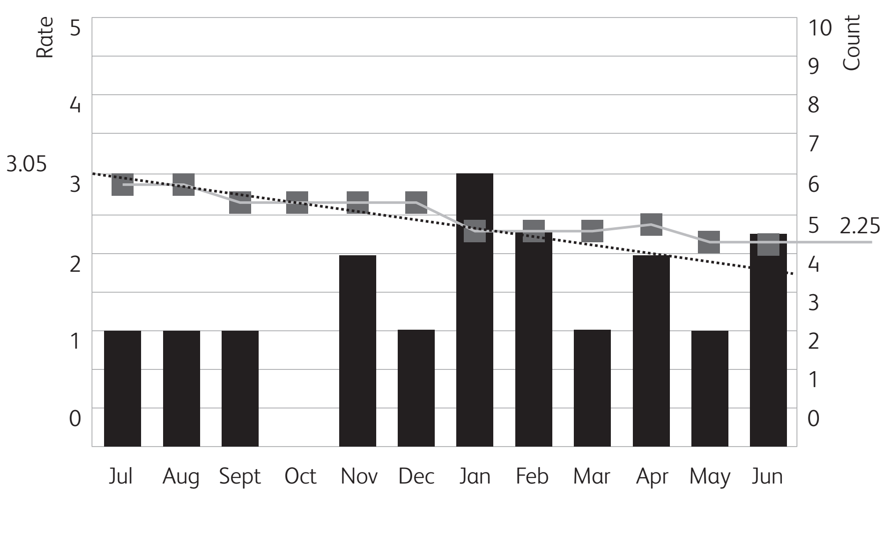
Level crossing near misses



LTIFR



SPADs



Customer

Queensland Rail aims to meet the expectations of customers by embedding their needs in how we do business and integrating a service culture into all areas of the company.

Fast facts

City network customers:

- More than 65,000 customers travel on services arriving at Central station between 6am and 9am on week days.
- More than 50.8 million customer journeys on the City network during 2011/12 financial year.
- Train customers are more likely to drive, or be driven to the station compared with bus passengers.

Queensland Rail Travel customers:

- Many customers travel to visit family and friends, for holidays and regional commuting.
- There is a good spread of customers aged between 35 and 74 years of age, with a growing number of people under 45.
- European and New Zealand visitors are the highest international users.

International Customer Service Standard accreditation

The ICSS is an international benchmark for customer service, allowing comparison to other leading customer service organisations.

On 8 September 2011, Queensland Rail received certification against the ICSS from the Customer Service Institute of Australia (CSIA), becoming the first integrated rail transport company in the world to be certified. ICSS certification requires an annual audit by an external company to validate the level of service performance delivered.

Queensland Rail frontline employees will continue to undertake customer service training and upon completion, receive a nationally recognised qualification.

Graffiti management and station murals

Graffiti vandalism not only costs millions of dollars a year to remove but also damages our reputation and affects customers' perceptions of safety and security. Research indicates that rail customers can have an increased fear of crime in areas where graffiti is a regular occurrence and this can affect patronage.

Queensland Rail partners with the Queensland Police Service, community and government to discourage and remove graffiti from our assets and private property adjoining the rail corridor.

A rail corridor art stencil is currently being rolled out across South East Queensland facilities. Staff are undergoing training to utilise the art stencils in heavily graffitied areas within the rail corridor. The murals are proving to be a positive step in preventing tagging and graffiti along the City network.

Renewed stations

Queensland Rail has commenced an upgrade of South East Queensland train stations.

These upgrades will ensure that train stations are better equipped to meet the needs of the customers Queensland Rail carries each year. The upgrades will deliver increased levels of safety, security and comfort.

As part of the planned upgrades, the *Disability Discrimination Act* (DDA) Reference Group meet with a number of organisations representing people with disabilities, providing advice and feedback on disability access.

South Brisbane station

The South Brisbane station re-opened on 10 December 2011, after six weeks of restoration. The completion of the refurbishment provided vital preservation works on the heritage features of the building, enhancement of customer facilities and improvement of access for people with disabilities. During renovations, shuttle buses transported customers between South Bank and South Brisbane stations.

Information kiosks

An exciting new initiative launched in March 2012, with the installation of touch screen kiosks to enhance the customer experience at Central, Roma Street and Fortitude Valley stations.

Providing improved communication to customers through state-of-the-art technology, the kiosks have a number of features that allow wayfinding, information on local surroundings and facilities, station features, journey planning and other items of interest to customers. They allow live updates, information during disruptions and also provide details on service recovery and alternative routes.

Rail line upgrades

A major rail upgrade for the Keperra to Ferny Grove line was opened in April 2012, marking the final stage of track duplication between Bowen Hills and Ferny Grove. It included 2.6 kilometres of new track between Keperra and Ferny Grove stations as well as new platforms and station buildings opening in August 2012. The upgrade will increase rail capacity on the Ferny Grove line, deliver a new station with improved disability access, two new bus interchanges, facilities for cyclists and additional parking spaces.

Stage 2 of the Darra to Springfield upgrade will deliver a 5.4 kilometre dual track from Richlands to Springfield. It also includes two state-of-the-art stations at Springfield and Springfield Central with park 'n' ride spaces at both stations. The upgrades also include bicycle lockers and racks, kiss 'n' ride bays, disability access and Closed Circuit Television (CCTV) coverage of all areas.

The Mount Isa line represents just under 1,039 kilometres of track which is used by QR National, Pacific National and Queensland Rail's twice weekly The Inlander passenger service. Several safety and performance enhancements on the Mount Isa line have already been implemented, including:

- concrete sleepers to replace the lightweight track with a heavier, more robust track structure
- weather monitoring stations that provide critical real time information on temperature, rainfall and the height of rising water. This data is shared with the Bureau of Meteorology
- hot box detectors, a train protection system, that warns drivers and train control of potential defects to rollingstock
- overload detectors which monitor the weight of individual wagons highlighting any loading irregularities.

New trains

With extensions to the rail network in mind, together with an aging fleet, the New Generation Rollingstock (NGR) project is examining options to buy new electric passenger trains to add to the existing City network fleet.

The single largest investment in public transport in Queensland's history will deliver significant improvements and increase train services.

Queensland Rail Travel Renewal Program

Queensland Rail is undertaking a renewal program that includes construction of new rollingstock and refurbishment of the Cairns Tilt trains to deliver a modern and reliable fleet for this important route.

The Sunlander 14 investment confirms Queensland Rail's commitment to tourism and regional travel. The project provides new opportunities for growth in domestic and international travel markets, as well as providing economical travel options along Queensland's east coast.

Customers will experience a faster and more comfortable journey than on the existing Sunlander with some of the new carriages featuring enhanced travel options including upgraded premium economy seating and flat-screen televisions in all seats.

Wireless internet rollout

Queensland Rail trialled Wi-Fi on the City network to test the system's capability to provide free internet to customers whilst onboard and the reliability of the technology. Upon completion of the trial, Queensland Rail rolled out the technology across 64 trains giving customers greater connectivity while using our services.

Etiquette campaign

The Queensland Rail Customer Charter launched in December 2010, with a commitment to customers across seven key areas including safety, time, information, comfort, surroundings, personal service and feedback.

As part of this commitment, we launched the 'Etiquette' campaign to address the top 15 behavioural issues our customers experience on the City network. The campaign uses illustrations to demonstrate the simplicity of train etiquette and to reinforce appropriate behaviour. It tackles onboard issues such as feet on seats, priority seating, littering, eating, standing aside to allow others to disembark, noisy behaviour and bags on seats.

Quiet carriages

After a successful trial in 2010, Queensland Rail was the first rail operator in Australia to introduce quiet carriages on every City network service. Customers travelling in these carriages are asked to refrain from loud conversations, using mobile phones and noisy musical devices. On 16 April 2012, the Quiet Carriage changed from the first and last carriages of every six-car train to the second and second last carriages to allow for permanent signage inside and outside the train.

Social media

With a presence on Facebook, Twitter, YouTube and Flickr, Queensland Rail is constantly researching and monitoring other social media outlets to ensure we are one step ahead of new developments. Social media has become a great tool for communicating during disruptions, managing reputation, aligning with customer needs, capturing insights and promoting new initiatives.

Queensland Rail's social media has opened up a whole new way to hear our customers, both positive and negative feedback. This medium has also been used to instantly engage with customers by responding to almost every comment directed at Queensland Rail in real time and usually within ten minutes of receipt.

People

At Queensland Rail our people are the heart of our business. We recognise that attracting, recruiting, retaining and developing employees is central to achieving our goals and objectives. We want all Queensland Rail employees to be accountable, proud and committed to delivering high performance results.

Fast facts

- 85% employed in core functions
  (Customer, Rail Operations, Network and Project Delivery).
- 64% employed in operations areas
  (train driving, network control, station and onboard operations and a variety of trades).
- 23% employed in regional areas.
- 22% women
  (51% in the enabling functions and 17% in core functions).
- 92% employed on a permanent basis.
- 3% are apprentices, graduates or trainees.
- 4.5% employee turnover.

Enterprise agreement negotiations

Negotiations commenced in May 2011, for new enterprise agreements to replace expiring agreements covering the majority of employees within Queensland Rail. In September 2011, negotiations commenced for Station Operations employees whose agreement expired several months later than the others.

Seven new enterprise agreements covering a majority of Queensland Rail employees received a majority vote and came into effect on 1 May 2012.

Employee Engagement Survey

Engaged and satisfied employees are critical to delivering business success and creating a positive workplace. As a new organisation it is important to understand the level of employee engagement and develop strategies in response to feedback. The first Employee Engagement Survey was undertaken in July 2011.

Focus groups were also held to gather specific information and develop action plans to address areas of improvement. A new survey was undertaken in May 2012, the results of which will be available late 2012.

New values and culture through '1team'

The creation of new Queensland Rail values was pivotal in developing and fostering a united One Queensland Rail. They emphasise a 1team philosophy, where core functions, supported by enabling functions, work in partnership to provide services to customers.

During 2011, we undertook a comprehensive review of our values and developed a new focus for values and behaviours that reflects the current heart of Queensland Rail. In the true spirit of employee engagement, the creation of the new values was led by the people of Queensland Rail.

A detailed list of the new values and behaviours is found on page nine.

New recruits, apprentices and graduates

With considerable competition for skilled employees from the mining industry and major construction projects across Queensland, one of the key challenges is attracting and retaining skilled trade employees. Being able to successfully attract and retain skilled employees ensures the safe maintenance and operation of our rollingstock and network and the delivery of key infrastructure projects.

To manage this challenge, apprentices and employees are supported through initiatives that encourage their development including the Graduate Development Program, the Engineering Development Program and the Young Professionals Program. We also conduct an annual recognition program including the Apprentice of the Year, Apprentice Encouragement Award, Innovation Award and Trainee of the Year.

Healthy Heroes

Safety is our first priority and we support the safety of our workforce through innovative health and wellbeing initiatives such as the Healthy Heroes health coaching program and the Working Well program. These programs support both the physical and mental health of employees, especially those who work in hazardous environments or occupations.

Trauma Support Network

The Trauma Support Network (TSN) is a highly respected and valued group of volunteer Drivers and Guards. The Network is specially trained in supporting colleagues involved in a workplace critical incident, such as a fatality or near miss. Following an incident, the TSN is on hand to provide operational and emotional support to any Driver or Guard who requests it.

Diversity programs

We have an obligation and desire to be a diverse organisation and so we have several initiatives to attract and support people from a variety of backgrounds and circumstances, including supporting:

- women in business and leadership
- indigenous employment
- paralympic athletes through the Paralympic Workplace Diversity Program.

People shares

At Queensland Rail recognising the efforts of all employees in the execution of their daily jobs is very important.

People shares provide an opportunity for the informal recognition of employees. This sharing of our achievements is an important step in developing a workforce that is committed to achieving the goals and objectives of the business.

Here are some examples of our people shares from across the year:

Greg Newton

Senior Customer Service Assistant

For demonstrating the value 'Make a difference–be innovative, adaptable, resourceful'.

"While I was having a safety interaction with Greg inside the ticket office at Coomera station recently, a deaf customer approached Greg seeking help with his *go* card but was having trouble communicating through the ticket window.

Greg took a pad and pen outside and interacted with the customer personally, advising that the customer would need to contact TransLink. The customer explained that both he and his wife are deaf and they would not be able to contact TransLink by phone so Greg contacted TransLink on the customer's behalf and had the problem resolved.

This is a great example of one of our people going to whatever lengths necessary to assist a customer."

Warren Wuttke

SEQ Capability Unit

SEQ Asset Performance

For demonstrating the values 'Treat each other with respect–be open, honest, supportive' and 'Make a difference–be innovative, adaptable, resourceful'.

"We would like to recognise the hard work of the South East Queensland Capability Unit, South East Queensland Asset Performance. In the last 18 months, this team has become highly competent in infrastructure modelling and they are quickly become business experts in this area.

Maintaining this model is technically demanding, requires an understanding of a broad range of rail disciplines and takes time and focus.

The SEQ Capability Unit has consistently put in an outstanding effort to maintain the accuracy of this model despite many challenges.

The model enables Service Planning to design timetables that effectively use capacity, create fluidity of train movements and deliver robust and resilient timetables.

Please keep up the good work!"

Strategic Scheduling Unit, Service Planning

Marko Hammar

Senior Customer Service Supervisor

For demonstrating the value 'Make a difference–be innovative, adaptable, resourceful'.

"The leadership team at South Brisbane would like to recognise Marko for his personal contributions to customer service. Just last week I was at a meeting with stakeholders discussing a recent closure we had and they were commenting on Marko's commitment to customers and the assistance he provides to them.

Marko, the leadership team thank you for the enthusiasm you add to the South Brisbane team. Thank you for your commitment to customer service. We appreciate all the insight you provide to the team."

Chris Brett

Kylie Bray

Administration Officer

For demonstrating the value 'Make a difference–be innovative, adaptable, resourceful'.

"On behalf of the Resurfacing North team, I would like to thank Kylie for the work she does to support our area. She is a very important and much needed team player who has gone above and beyond her role and contributed to the smooth running of our team."

David Cowper

Document Management team

For demonstrating the value 'One Queensland Rail–be one, proud, focused'.

"I would like to thank everyone in the Document Management team. They have been very busy assisting me in updating and creating many procedures. The entire team have been incredibly patient with me and a pleasure to work with. With their help I have been able to successfully complete my goals within Queensland Rail. Every member is a real asset to the company. Thanks again team!"

Cory Burnett

Dione Davidson

Guard

For demonstrating the value 'Make a difference–be innovative, adaptable, resourceful'.

"My daughter has just moved to a house near Bowen Hills station. Last Thursday night she got off the train at Bowen Hills carrying a large number of parcels from the supermarket. As she struggled to carry them, Dione asked her if he could help her.

Dione's help with carrying the groceries was unexpected and gracious. I know my daughter appreciated it very much. She told me how much it made her day to know that there are such kind people out there as Dione. I would also like to thank Dione on behalf of my daughter. His generous help is typical of the community spirit that railway workers have shown for the last 100 and more years, and which the current Customer Charter reinforces in all of us.

Thank you, Dione. You are a shining example of what it means to be a railway worker and someone who contributes to making this world a better place."

Adrian Pollock

Commercial

By focusing on continuous improvement, enhanced cost management, increased revenue and improved asset management, Queensland Rail is building a sustainable and progressive business that delivers shareholder value. Our commercial strategy centres on maintaining and improving Queensland Rail's financial and growth platforms to meet the future needs of Queensland.

Fast facts

- Total revenue for 2011/12 is $1.95 billion.
- More than 50 million customer journeys during 2011/12 on the City network and Queensland Rail Travel network.
- Provide in excess of 280,000 train services every year.
- Passenger transport revenue for 2011/12 was $71.8 million.
- 20.07 billion Freight gross tonne kilometres.

Procurement

In 2011/12 we implemented a new governance framework around our procurement of goods, services and capital projects. This new framework is focused on delivering project benefits as well as increased transparency, efficiency and effectiveness in our procurement processes.

Benefits were achieved by a strong focus on achieving the best commercial value, investigating market trends, formalising the negotiation process, selecting alternative suppliers and by using subject matter experts who have specific technical and commercial skills.

Enterprise Asset Management System

Queensland Rail is fundamentally changing the way we manage our assets through the introduction of an Enterprise Asset Management System (EAMS) following a successful pilot trial.

EAMS will enable Queensland Rail to 'see' and 'know' every asset throughout the organisation via one source by providing an enterprise-wide common data framework and toolset to support all aspects of asset management across the business and all business critical activities.

An integrated EAMS will enhance our ability to meet Queensland Rail's safety, compliance, commercial and growth targets by facilitating:

- the replacement of more than 260 asset management systems with one system
- more informed capital planning decisions
- better and more timely visibility of asset location, configuration, condition and maintenance
- increased asset availability and utilisation potential
- improved planning, budgeting, scheduling and execution of projects and maintenance
- more effective inventory management.

Information and Communication Technology separation from QR National

The Information and Communication Technology (ICT) Establishment Program was approved following company separation to deliver Queensland Rail a fully separated and autonomous ICT environment from QR National.

The final link between the Queensland Rail and QR National ICT systems was severed on 26 June 2012 and signalled the completion of the program that has achieved a number of significant outcomes including:

- "logical" separation of ICT systems for the company demerger in June 2010 that involved the development of new online environments (intranet and internet) and the establishment of distinct company codes in SAP with associated staff and asset transfers
- implementation of a new instance of SAP that supports financial, HR, payroll and maintenance functions
- replication or transfer of over 400 business applications
- replication, a separation release and two pre-separation functional releases of ViziRail
- redevelopment and retirement of Queensland Rail mainframe applications that removed our reliance on this aging technology
- design and build of a new ICT infrastructure environment
- migration of all users and desktops (7,000 plus) to the new environment
- relocation of the ICT infrastructure to new data centres and transitioning of hosting services and service desk to a managed service provider (Logica).

This has been a flagship program for Queensland Rail over the past two years and has consistently delivered on time and on budget. It clearly demonstrates that ICT projects can be successful given robust governance, strong project management and a highly capable, professional and committed team.

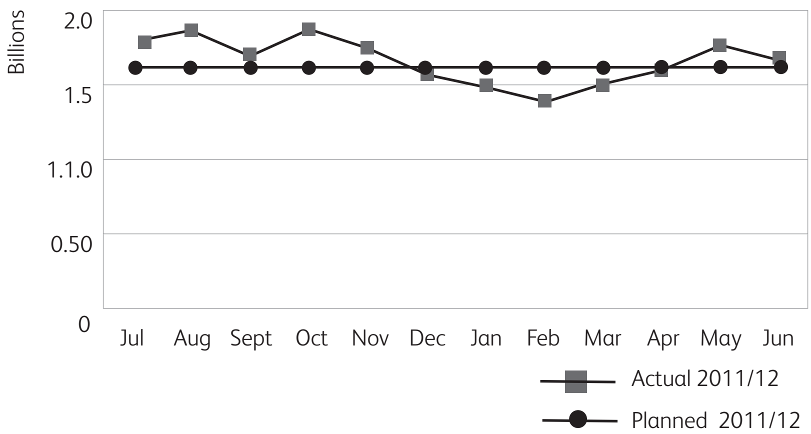
Access revenue

Access revenue from freight services across Queensland exceeds $217 million annually. Revenue has increased on the Mount Isa Line due to a new contract with Pacific National to haul magnetite from Cloncurry to the Port of Townsville, and on the Western System where general freight paths are being used for additional coal haulage.

Freight gross tonne kilometres

Freight gross tonne kilometres (Freight GTK) across the Queensland Rail network improved from 16.99 billion in 2010/11 to 20.07 billion in 2011/12. Part of the 18% increase was the result of additional customer tonnages being moved in the West Moreton, North Coast and Brisbane metropolitan systems.

Network Freight GTK

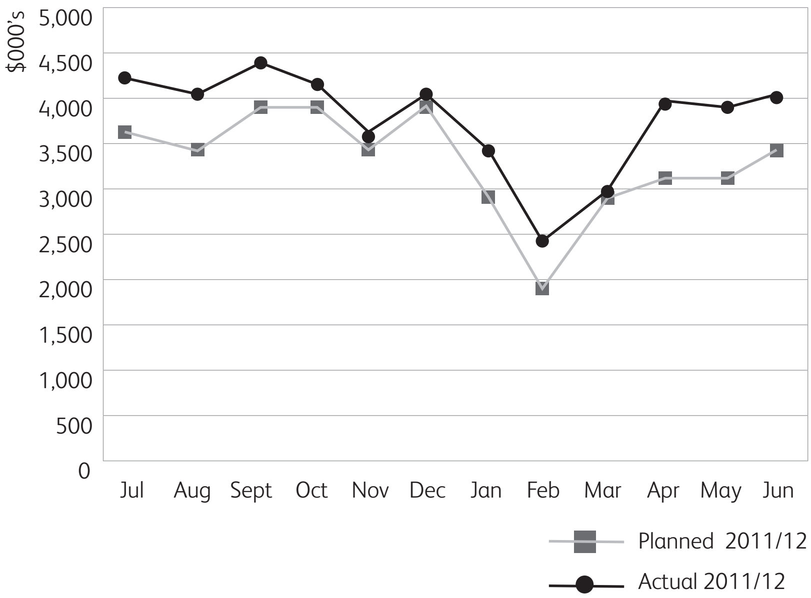


Queensland Rail Travel sales

Sales revenue for Queensland Rail Travel and Tourist revenue is 6% above plan and 13% above the previous year. Patronage for 2011/12 was 1.5% above patronage for last financial year.

The improved result is due to a combination of the success of the 'All the holiday you can take' advertising campaign, growth in the cash market focusing on the tourism and travel sector and the commencement of the additional Cairns Tilt service in September 2011 through to January 2012.

Travel sales



Community

Through the Community pillar, Queensland Rail recognises and embraces responsibilities to the communities in which we operate. Queensland Rail strives to maintain a strong social responsibility ethos through engaging with local communities, customers, employees and the general public.

Fast facts

- Rail safety presentations were delivered to more than 140,000 students in 544 schools across Queensland.
- $313,274 raised through the Corporate Social Responsibilty unit's list of community related programs, including the Community Partnering Program, the Queensland Rail Bulls Masters, payroll giving, casual Fridays and station collections.
- More than $570,000 equivalent advertising value delivered in positve associated media coverage from Corporate Social Responsibility programs and activities, including the PAWS Express and Queensland Rail Bulls Masters regional tours.
- The positive pARTnerships program has delivered new murals across the City network.
- Approximately 17,500m^2 of public artworks installed across the City network.
- Queensland Rail has 237 operational and non-operational assets on the Queensland Heritage Register with around $2.5 million invested in 2011/12 financial year to maintain and conserve a number of these Heritage sites.

Community education

Since 2000, the Community Education team has taken the message of rail safety to hundreds of thousands of Queenslanders at schools, festivals, community events and youth groups throughout the state.

The 2011 Regional Safety Tour took the safety message to locations including Longreach, Rockhampton, Winton, Barcaldine, Innisfail, Cairns and Tully, as well as maintaining a constant presence in South East Queensland.

On 11 October 2011, the Community Education team's efforts were recognised at the 2011 Premier's Awards for Excellence in Public Service Delivery where the team was named as a finalist for the Smart Award which recognises world-class education and training programs.

A commercial agreement with QR National has been struck to provide community education and engagement to their nominated locations. The team also provides rail safety education to people in the corporate sector whose operations relate to the Queensland Rail network, and people who live near the rail corridor.

Queensland Rail Bulls Masters

Queensland Rail is the foundation naming rights sponsor of the Bulls Masters. By being exclusively focused on delivering broad positive community outcomes, this sponsorship differs drastically from other sports sponsorships in that it does not focus on supporting the performance of a team or an individual.

The Queensland Rail Bulls Masters was formed in late 2010 as a not-for-profit organisation solely committed to delivering positive outcomes for the community. By leveraging the public profiles of Queensland Rail Bulls Masters players such as Allan Border, Jimmy Maher, Andy Bichel and Michael Kasprowicz, they aim to raise funds for charity and local community associations, promote healthy living through participation in sport and provide positive role modelling for young people.

Angel Flight Outback Trailblazer

The bush roads of the Central Queensland Outback came alive with a convoy of colourful 4WD vehicles for seven days during April 2012, as they embarked on the Angel Flight Outback Trailblazer. The opening event, which was sponsored by Queensland Rail and catered by our Onboard Catering team, was attended by more than 100 people including other sponsors, Trailblazer teams, local regional councils and members of the community.

Funds raised went towards The Angel Flight charity, which coordinates non-emergency flights for financially and medically needy people across Queensland.

Community partnerships

Through employee consultation, Queensland Rail identified five non-profit organisations with which our employees want to see us partner. These partnerships are:

- The Royal Society for the Prevention of Cruelty to Animals (RSPCA)
- Royal Flying Doctor Service (RFDS)
- Queensland Cancer Council
- The Prince Charles Hospital Foundation
- The Children's Health Foundation (formerly the Royal Children's Hospital Foundation).

During the 2011/12 financial year Queensland Rail facilitated the fundraising of $135,835 to benefit these partners, and to a lesser extent various other non-profit groups such as the Daniel Morecombe Foundation, Variety Club, Australia's CEO Challenge, the Damien Leeding Foundation, Kiss MS Goodbye and the Juvenile Diabetes Research Foundation. This program is aimed at Queensland Rail's commitment to giving back to the communities in which we operate.

PAWS Express

On 11 December 2011, Queensland Rail assisted our non-profit partner RSPCA Queensland make their big move from Fairfield to Wacol. RSPCA's Fairfield shelter closed its doors after nearly 90 years, and reopened at the state-of-the-art Animal Care Campus at Wacol.

To commemorate this event, many of the animals rode on a specially chartered heritage train. We were able to transport all manner of animals, great and small, to the new facility.

The positive pARTnerships program also created ten RSPCA based murals and three colourful animal sculptures at Wacol station. The murals cover 184m² across platform shelter sheds, nearby bus shelters, exit and entry ramp walls and bike lockers.

Community Reference Groups

Community Reference Groups provide Queensland Rail with valuable engagement opportunities with our customers and the community on each of the City network lines as well as in selected regional areas. Customers and people in the community attend these groups and discuss topics including customer service, operations, facilities, upcoming projects, accessibility and communication.

Grandchester station opening

As owners of Queensland Heritage Registered places we are required to maintain these assets.

Queensland Rail engage with local communities to identify re-use options for heritage properties that are surplus to operational requirements. These may include tourist information offices, local museums, retail outlets, cafes and community meeting centres.

One example of this approach is the partnership between Queensland Rail and the National Trust of Queensland in relation to Grandchester station.

Grandchester is the oldest railway station in the state and is a historic landmark. After consulting with the local community, and undertaking minor repair work, Queensland Rail granted a licence to the National Trust of Queensland to open the Heritage-listed Grandchester station on a regular basis.

positive pARTnerships program

The positive pARTnerships program aims to work with community groups, local schools and stakeholders to collaborate and produce high quality public artwork projects that transform rail stations across South East Queensland. The program also validates our commitment to the safety and wellbeing of our customers while enhancing community pride.

To date, positive pARTnerships public artworks cover approximately 17,523m², a total of 89 projects at 77 stations, across the Queensland Rail City network. This includes subways, station buildings, bike lockers, car park banners, attenuation barriers, ramps and lift wells.

Station artwork enhances surroundings for our customers and, through local involvement, creates a greater sense of community. Queensland Rail has enlisted the help of local schools, indigenous groups, youth groups and Brisbane artists to design and create murals for stations.

The work contributes to Queensland Rail's Customer Charter commitment to improving surroundings for our customers.

Environment

Queensland Rail's recently updated environment policy outlines our commitment to operating in an environmentally responsible manner, benefiting the environment, our people, our customers and the community. We focus on environmental management and compliance of our facilities, projects, and maintenance activities.

Queensland Rail's environmental management system facilitates good environmental compliance and works to further our environmental sustainability journey.

Carbon footprint

Queensland Rail is developing systems to manage data that captures our carbon footprint. This will enhance business and take advantage of many efficiency, cost saving and environmental improvement opportunities available through programs such as Energy Efficiency Opportunities, National Greenhouse and Energy Reporting and reduction of carbon emissions.

Examples include regenerating traction electricity usage back into the wider Queensland electricity network, with accredited GreenPower at Roma Street, Indooroopilly, Eagle Junction and Ferny Grove stations; public place recycling options for customers at a number of City stations including Central, Roma Street and Fortitude Valley, and the Recycle @ Work initiative.

Community planting scheme

In line with the Keperra to Ferny Grove Rail upgrade, local environmental groups were invited by Queensland Rail to submit re-vegetation proposals for additional plantings, together with cost estimates, recommended species and key milestones for planting.

On 28 April 2012, Queensland Rail joined forces with Kedron Brook Catchment Branch, Men of the Trees and Brisbane City Council to deliver a four stage revegetation project, involving planting 3,000 native plants and trees in Cassimaty Park.

Greenhouse gas emissions

Queensland Rail continues to measure its greenhouse emissions for the second National Greenhouse and Energy Report due to the Federal Government in October 2012. Preliminary data indicates that Queensland Rail's emissions for 2011/12 were slightly in excess of 250,000 tonnes of carbon dioxide equivalent emissions (t CO^2-e).

Approximately 84% of these emissions are due to consumption of electricity, mostly traction electricity to power trains (67%), with power to buildings and infrastructure contributing 16%. Diesel use to power Queensland Rail Travel's trains contributed 15% of the total Greenhouse Gas (GhG) emissions.

Ballast recycling pilot

Queensland Rail is currently trialling ballast recycling to reduce the volume of waste sent to landfill. Regular track maintenance and infrastructure upgrade activities result in the removal of more than 80,000 tonnes of ballast spoil each year in the South East Queensland network.

As part of Queensland Rail's waste and new resource reduction initiative, a number of options are currently being investigated and considered for managing this ballast spoil.

One option, a ballast spoil screening trial, was undertaken by Queensland Rail in March 2012, which involved the mechanical separation of ballast stone and other materials such as soil and formation material.

The trial successfully recovered reusable ballast stone from amidst the spoil, which would have become landfill.

Work is continuing to progress all options with an outcome to meet Queensland Rail's environmental sustainability journey.

Enterprise Governance Program

Queensland Rail Limited is a public company limited by shares under the *Corporations Act 2001* (Corporations Act) and a company GOC pursuant to the *Government Owned Corporations Act 1993 (GOC Act).*

The high levels of public accountability which apply to Queensland Rail as a result of our public ownership makes our corporate governance arrangements very important. We have an obligation as a GOC to properly manage Queensland Rail on behalf of our ultimate owners, the people of Queensland.

Managing governance

To manage our corporate governance arrangements effectively, Queensland Rail has adopted the principles and recommendations set out in the Corporate Governance Guidelines for GOCs.

These Guidelines summarise the expectations of shareholding Ministers and are intended to provide a framework for Queensland Rail to develop, implement, review and report upon our corporate governance arrangements.

Queensland Rail's corporate governance arrangements are based on key frameworks that are being developed and implemented. Initiated in December 2010, the Enterprise Governance Program is delivering the frameworks collaboratively across Queensland Rail using the One Queensland Rail approach. The frameworks will support informed decision making to improve safety outcomes and operate efficiently.

Governance Frameworks

Policy Framework

This framework simplifies our existing policy environment by redefining the types of policies and policy related documents required for us to operate as a safe, customer focused and efficient railway.

Delegations

The Delegations Framework provides a single source of truth about authorities, approvals and accountabilities and empowers our people by providing clarity as to what authority they have and the limits of that authority.

Legal and Regulatory Obligations

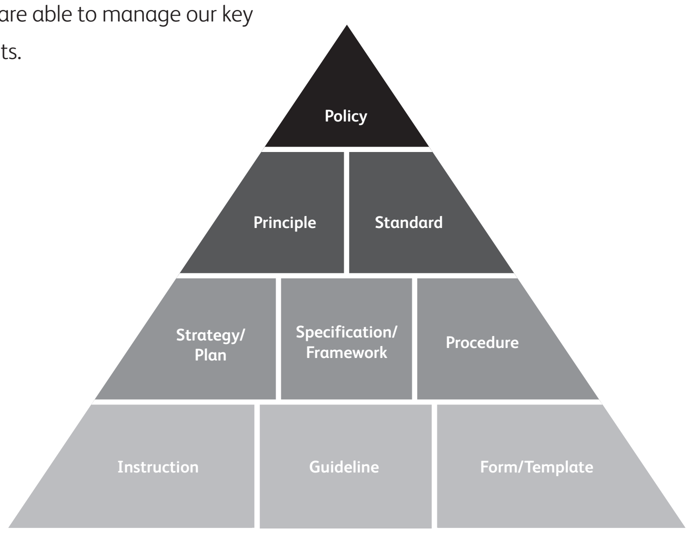
The Legal and Regulatory Obligations online tool provides access to the key legal obligations and regulatory requirements for business activities and ensures leaders fully understand and are able to manage our key legal requirements.

Risk Management

The Risk Management Framework provides a single and integrated approach to the identification and management of those risks inherent in the operation of our business.

Assurance

The framework provides an integrated approach to obtaining reasonable assurance over the company's system of internal controls to effectively and efficiently manage risk.



Queensland Rail's hierarchy for policy and policy-related documents

Governance structure

State of Queensland

Treasurer and Minister for Trade

The Hon. Tim Nicholls MP

Minister for Transport and Main Roads

The Hon. Scott Emerson MP

Board of Directors

Mr Glen Dawe (Chairman)

Ms Maureen Hayes (Director)

Dr Leo Keliher (Director)

Ms Merren McArthur (Director)

Ms Denise McMillan-Hall (Director)

Mr Dawson Petie (Director)

Ms Julie-Anne Schafer (Director)

Audit Committee

Ms Denise McMillan-Hall (Chair)

Mr Glen Dawe

Dr Leo Keliher

Ms Julie-Anne Schafer

People and Organisation Committee

Mr Dawson Petie (Chair)

Mr Glen Dawe

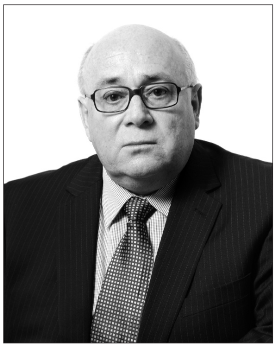
Ms Maureen Hayes

Ms Merren McArthur

A/ Chief Executive Officer

Mr Jim Benstead

Board



Mr Glen Dawe *BA (Econ), MAICD, FCILT, MIRO* (Chairman)

Glen's father was a Station Master and he is the third generation of his family to work in Queensland Rail. Glen joined Queensland Rail as a Porter and his career progressed from planning and development roles to commercial, business and operations management; including Group General Manager Citytrain, which became Australia's best performing urban rail passenger business. He then took on the broader role of Group General Manager Metropolitan and Regional Services which involved managing Queensland Rail's community service obligation businesses such as Citytrain, Traveltrain and Regional Freight. He then led Queensland Rail's commercial businesses as Group General Manager Coal and Mainline Freight before moving to NSW to become General Manager Access at the Rail Infrastructure Corporation with responsibility for Access, Freight and Country Infrastructure. Finally he moved to the Manildra Group, which is one of this country's largest private rail users, as National Manager Rail Transport before retiring in 2011.

Ms Maureen Hayes *BA, Dip Ed*

Maureen served in the Brisbane City Council from 1991 to 2008. She was Deputy Mayor during that time but her main role was as Chairperson of Transport, Traffic and Major Projects. Some achievements during that time included overseeing the building of the Inner City Bypass, the Eleanor Schonell Bridge, the introduction of CityCat ferries and the establishment of TransLink in partnership with the State Government. She is a passionate advocate of public transport.

Dr Leo Keliher *BEcon (1st Class Hons), MA, PhD*

Leo has extensive experience in both the Queensland and New South Wales public service, with roles that include Chairman of the former Service Delivery and Performance Commission and Director-General of the Department of the Premier and Cabinet. Leo was appointed as a director of QR Limited in 2008 following his retirement, and brings his public service experience to his position on the Queensland Rail Limited Board.

Ms Merren McArthur *BA, LLB, DipAppFin*

Merren is currently Group Executive–Alliances, Network & Yield for Virgin Australia Airlines. Her areas of accountability include revenue and yield management, network planning, scheduling and alliances. She has been with the Virgin Australia Group since 2008. Prior to that, Merren was Chief Advisor at Rio Tinto Iron Ore, based in Perth. Her previous positions include Deputy State Solicitor for Western Australia and Executive Partner at national law firm Allens Arthur Robinson, based in Melbourne.

Ms Denise McMillan-Hall *BSc (Hons), DipInd (UK), MBA*

Denise has extensive rail industry experience, working at the Australian Rail Track Corporation (ARTC) for over ten years, holding the positions of Strategic Business Manager, General Manager Operations and Customer Service, and General Manager Hunter Valley. More recently, she was Head of Business Development for the Asia Pacific region of AnsaldoSTS, a transport solutions company. Holding a BSc in Finance and a MBA, she has a background in finance, including roles with Westpac and financial markets in London.

Mr Dawson Petie *FAICD, FASFA*

Dawson has more than 30 years experience as a company director, including serving on the QR Limited Board for nearly 11 years where he was chair of the Audit and Risk Committee before his appointment to the Queensland Rail Limited Board. Before his retirement from full-time employment, Dawson was a General Manager for QIC Limited.

Ms Julie-Anne Schafer *LLB (Hons), GAICD, ANZIIF*

Julie-Anne was appointed as a non-executive director in July 2010, bringing to Queensland Rail strong legal credentials and corporate experience, as well as transport experience in Queensland and at national level. She has been chair of the Royal Automobile Club of Queensland (RACQ) and is a National Transport Commissioner. She is a director of several companies and is a former Queensland Telstra Business Women's award winner, President of the Queensland Law Society, Chair of the Solicitors' Board of Queensland, Deputy Chancellor of the Queensland University of Technology and Adjunct Professor at the University of Queensland. Julie-Anne was previously a partner in two Queensland legal professional services firms. She holds a Bachelor of Laws (Honours) degree from the University of Queensland and an AICD Company Directors Diploma. Julie-Anne is a member of the Australian Institute of Company Directors and of the Australian and New Zealand Institute of Insurance and Finance.

Leadership team

Jim Benstead Acting Chief Executive Officer

Jim is responsible for the leadership of Queensland Rail, delivering on the company's strategy and driving organisational objectives. He joined QR Limited in July 2008 to focus on transformational leadership and change management leading to the separation of the company and formation of Queensland Rail. He was the Chief Financial Officer from the commencement of the new Queensland Rail in 2010 and in December 2011 moved to the Acting CEO position. Before joining QR Limited, Jim held senior management positions in TNT, Carpentaria Transport and Toll Australia where he held lead roles in finance, shared services, credit management, customer service, business integration, commercial management and procurement. Jim has 29 years experience in the transport industry specialising in business improvement, delivering transformational change and leading outcome focused commercial teams.

Susan Campbell General Counsel/Company Secretary

Susan is responsible for the effectiveness of the organisation's corporate governance frameworks, including the provision of company secretarial support to the Board and management of Queensland Rail's legal matters. Susan joined Queensland Rail from North Queensland Bulk Ports Corporation, where she held the equivalent position since May 2008. Before that, Susan held the role of General Counsel/Company Secretary at Ergon Energy, having developed from the role of Group Legal Counsel. Susan brings more than 20 years experience in private practice and corporate in-house roles. Specialising in commercial and corporate law, Susan was formerly a senior associate at national law firms Corrs Chambers Westgarth and Mallesons Stephen Jacques.

Theo Taifalos Chief Operating Officer

Theo is responsible for Queensland Rail's overall day-to-day operations, overseeing the alignment and smooth running of integral network and rail operations, customer service and project delivery. He has been with Queensland Rail for four years and brings with him more than 17 years experience in business development, retail and customer service, specialising in major infrastructure based industries servicing large customer bases. Theo was previously Queensland Rail's Chief Customer Officer and was awarded by the Customer Service Institute of Australia, Chief Customer Officer of the Year for 2010/11.

Greg Ford Chief Safety and Environment Officer

Greg leads the overall safety, workplace health and safety, environment, investigation and assurance, and emergency management functions for Queensland Rail. He brings with him more than 35 years experience in safety and quality roles across both the defence and transport industries. Before joining Queensland Rail, Greg held the position of the Rail Safety Regulator for Queensland Transport for ten years.

Cathy Heffernan Chief Customer Officer

Cathy is responsible for developing and implementing Queensland Rail's customer strategy, ensuring all aspects of customers' pre-trip, during trip and post-trip expectations are satisfied. Cathy has more than 20 years experience in rail, including her previous role as Queensland Rail's Chief Human Resources Officer. She has an extensive understanding of the organisation, and the importance of high quality customer service and positive relationships.

Courtney Petersen Chief Strategy and Corporate Services Officer

Courtney is responsible for providing strategic corporate direction and efficient provision of corporate services, ensuring a strong nexus with good governance. Her portfolio includes procurement, ICT, property, planning, reporting, innovation, records and contracts, business development as well as strategy. Prior to joining QR Limited in 2008, she held various senior strategic and customer experience roles at Tabcorp focusing on the casino portfolio. She also held senior marketing roles including heading up the Visa card portfolio at Telstra. Courtney is a lawyer and practised at Minter Ellison.

John Pistak Chief Network Officer

John is responsible for Queensland Rail's infrastructure design, construction, asset management and train control in regional Queensland. He also manages third party access across the entire regional and South East Queensland network. He has more than 26 years of railway executive management, infrastructure maintenance and construction experience, both in Australia and overseas. John has worked throughout regional Queensland in civil maintenance and engineering roles, including several years in Mackay, Barcaldine and Rockhampton.

Martin Ryan Chief Communications Officer

Martin is responsible for managing Stakeholder Relationships, Marketing and Communcations opportunities and risks of Queensland Rail, both internally and externally. The organisation communicates and engages with a wide range of stakeholders, including customers, employees, shareholding Ministers, government departments, media, business partners and the community through Queensland. Martin has more than 25 years experience working in communications and marketing roles, with a major focus on major venues and events, travel and tourism industries.

Mark Williams Chief Rail Operations Officer

Mark is responsible for safe and efficient rail operations, ensuring the quality, movement and delivery of train services. This includes overseeing rollingstock engineering and maintenance, South East Queensland and Far North Queensland operations, Travel network operations, train service delivery and operations facilities and program coordination. Joining the organisation in 2008, Mark has a strong commercial background and a long history of customer focused business operations, working with major companies including Harvey World Travel and Flight Centre. Before this, Mark owned his own businesses for 15 years.

Kevin Wright Chief Project Delivery Officer

Kevin manages Queensland Rail's extensive project portfolio, ensuring activities are aligned and appropriately resourced to ensure they are delivered safely, on time and within budget . Projects are enterprise-wide and include infrastructure, operations and rollingstock. He has more than 48 years of experience in rail operations, safety and customer service, including more than 12 years in Queensland Rail. Kevin was recognised for his career achievements when he was awarded a NSW Service Medal in 2003 and an Australian Public Service Medal in 2008 for services to the rail industry.

Robin Franklin Acting Chief Human Resources Officer

Robin is responsible for leading the human resources function and providing strategic direction for Queensland Rail. This includes strengthening the organisation's capability, embedding a high performance culture and integrating the organisation to embrace a 'One Queensland Rail' philosophy. Robin has more than 30 years experience in senior executive positions working for companies including BP Australia Ltd, MIM Holdings Limited and Thiess Contractors Pty Ltd. More recently, he has led Queensland Rail's Legal and Governance area, and was Director of the Integration Management Office for the establishment of Queensland Rail.

Laurie Lefcourt Acting Chief Financial Officer

Laurie was appointed Acting Chief Financial Officer of Queensland Rail in January 2012. Laurie is responsible for the financial management of Queensland Rail and for supporting the business in making value for money decisions. She previously held the role of General Manager QR Services for QR Limited from July 2008 until the separation of Queensland Rail and QR National Limited in July 2010, when she was appointed General Manager Finance and Administration for Queensland Rail. Laurie has more than 20 years experience in the senior finance roles and has held positions at Rio Tinto, Ansett Australia and Ernst and Young before joining Queensland Rail.

Corporate Governance

Queensland Rail is committed to ensuring that its systems, procedures and practices reflect the highest standards of corporate governance. Its corporate governance practices have been developed in line with the Corporate Governance Guidelines for Government Owned Corporations (Guidelines) issued by the Queensland Government.

The Guidelines reference the Australian Securities Exchange (ASX) Corporate Governance Principles and Recommendations, and provide the framework for all government owned corporations, including Queensland Rail, to develop, implement, review and report on their corporate governance arrangements.

Processes have been established to ensure that Queensland Rail's corporate governance practices are reviewed regularly and continually developed and refined in accordance with the newly created Enterprise Governance Program.

An overview of existing corporate governance practices in line with the above Guidelines is set out below:

Principle 1–Foundations for management and oversight

The roles and responsibilities of the Board and individual Directors are defined in a Board Charter. These roles and responsibilities are reviewed by the Board annually and a copy of the Charter is available on our website.

The Board's specific functions and responsibilities include:

- business strategy and planning
- delegation of authority to senior management
- relations with shareholding Ministers
- major capital projects and expenditure
- financial reporting
- risk management
- governance and policy
- senior management appointments.

The Board has delegated responsibility for the day-to-day operation of the company to the CEO including the implementation and delivery of the Board's strategic direction. The CEO is supported by the senior executive team with management responsibilities clearly defined and documented through formal position descriptions, performance plans and the Board approved Authorities, Approvals and Accountabilities Policy.

Newly appointed Directors are taken through a formal induction process to provide them with an overview of our business operations, strategies and information in relation to the Board and Committee functions. The induction process assists the Directors to understand their roles and responsibilities as Board members of Queensland Rail and includes an overview of key corporate expectations, existing governance arrangements and the culture and values of the organisation. The induction process is also relevant to new senior executives to allow them to participate fully and actively in management decision making at the earliest opportunity.

Directors are issued with a comprehensive Board handbook that details Queensland Rail and Board operational information, governance requirements and policies. The Board handbook assists with the induction process and also supports existing Directors with their ongoing governance responsibilities. The handbook is reviewed and updated annually.

Performance evaluations for the CEO and senior executives were carried out during the year in accordance with Queensland Rail's remuneration framework and the Board approved Performance Payment Policy: Chief and Senior Executives. The performance evaluation for the CEO was conducted by the Board based on the achievement of agreed Key Performance Indicators (KPIs) which are set annually by the Board and link to the strategic and operational objectives of Queensland Rail. The performance evaluation for senior executives was carried out in accordance with the same process linked to the achievement of agreed KPIs and was conducted by the CEO and the Board.

Principle 2–Structure the Board to add value

All of the Directors of the company, including the Chairman, are non-executive directors. Queensland Rail Directors are appointed by the Governor-in-Council in accordance with the GOC Act. As such, the size and composition of the Board is determined by the shareholding Ministers.

The Board considers that all Directors who held office during the year are independent as defined under the ASX Corporate Governance Principles and Recommendations. In assessing the ongoing independence of each Director, the Board considers the assessment criteria outlined in the Guidelines. Materiality in relation to independence is considered on a case by case basis with reference to each Director's individual circumstances.

Directors are required to keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of Queensland Rail. In circumstances where a conflict is believed to exist, the Director concerned does not take part in any decision or consideration of the issue. In addition, the Director will not receive copies of the relevant Board papers. Directors declare their business interests and other directorships and employment roles annually and must notify the Board via the Company Secretary of changes to business interests and appointments.

Details of Directors' experience and expertise are disclosed in the Annual Report as is information on attendance at Board and Committee meetings. The Board composition during 2011/12, together with details of individual Directors' skills, experience and expertise, is set out on pages 52 to 53.

A process is in place whereby Directors, either collectively or individually, may seek independent professional advice where it is considered necessary to fulfil their duties and responsibilities. This is done at Queensland Rail's expense. A Director wishing to seek such advice must first obtain the approval of the Chairman.

Directors are encouraged to further their knowledge through participation in industry, governance and government forums and attend seminars hosted by the Australian Institute of Company Directors, Chartered Secretaries Australia and other peak professional bodies. In addition to peer review, interaction and networking with other Directors and industry leaders, Queensland Rail Directors participate in Queensland Rail leadership forums and actively engage with Queensland Rail employees and visit Queensland Rail operations to gain an understanding of operational employee requirements, challenges and issues.

The ongoing provision of timely and relevant information to the Board is of critical importance in enabling the Directors to effectively discharge their duties in accordance with the requirements of the GOC Act and the Corporations Act. The structure, format and content of Board agendas presented to Directors for consideration and decision; and the Board Paper format, quality and timeliness is reviewed on an ongoing basis with a formal review annually.

The Board reviews its own performance and that of the Committees of the Board on a regular basis to ensure they are working effectively. In addition, individual evaluation sessions between the Chairman and Directors are conducted periodically to facilitate the Board review process. A formal Board performance evaluation is conducted by an independent consultant every two years with the latest evaluation completed during the 2011/12 financial year. The review included evaluation of the Board as a whole, the Chair, and individual Director peer and self-assessment. The process was undertaken through a formal questionnaire completed by each Director and members of the senior executive team. The review considered a range of issues including Board role, strategy, monitoring performance, succession planning, risk and compliance oversight, relationship management, stakeholder communication, Board structure and Board processes. A written advice of the outcome of the evaluation was provided to shareholding Ministers on completion of the review.

Principle 3–Promote ethical and responsible decision making

Queensland Rail has well established policies, procedures and practices which seek to promote ethical standards of behaviour and a culture of compliance that is risk aware and embraces good governance practices in accordance with our corporate, legal and community obligations.

These expected standards of integrity, honesty and accountability are reflected in our formal Code of Conduct which applies to all Directors and employees and is aligned with the organisations five key strategic objectives of safety, customer, people, commercial and community. The code of conduct is supported by other policy related documents in relation to ethics, privacy, dealing with conflicts of interest, trading in securities and official misconduct. While, as a GOC, no Director or employee holds or trades securities in Queensland Rail, the organisation has established standards and procedures which set out the legal duties which apply to Directors and employees in relation to the misuse of information and the insider trading prohibition under the Corporations Act.

Ongoing training in relation to ethical business practices is provided by the organisation and the code also forms part of the induction process for new employees, consultants and contractors. A copy of the Code of Conduct is available on our website

Queensland Rail also has in place related processes and policy documents setting out the requirements of the *Public Interest Disclosure Act 2010* which facilitates disclosure of public interest information and provides protection for those who make public disclosures.

Principle 4–Safeguard integrity in financial reporting

The Board has established an Audit Committee which reviews the integrity of Queensland Rail's financial reporting systems. The Committee is governed by its own Charter which is approved by the Board and reviewed annually. A copy of the Audit Committee Charter is available on the website. The Committee assists the Board by reviewing and monitoring assurance activities over business operations, the effectiveness of internal controls, regulatory reporting, financial risks and compliance issues. The Committee monitors both internal and external audit functions.

The role of the Chairman of the Committee is not held by the Chairman of the Board and all Committee members are independent non-executive directors. Membership of the Committee and details of attendance at meetings is disclosed below in the Board Committees section.

The CEO and Chief Financial Officer (CFO) certify in writing that the Queensland Rail financial report represents a true and fair view of Queensland Rail's financial position and that it has been prepared in accordance with all relevant accounting standards and legislation.

Queensland Rail has a detailed internal audit plan that is approved by the Audit Committee and managed by the General Manager Internal Audit who attends all meetings and provides regular reports to the Audit Committee.

In accordance with the *Auditor-General Act 2009,* the external audit function of Queensland Rail is performed by the Queensland Audit Office. The Audit Committee reviews the performance of the external auditors on an annual basis.

Principle 5–Make timely and balanced disclosure

Queensland Rail has established communication protocols and standards in relation to the disclosure of public information and regularly assesses the information needs of all stakeholders to ensure that they continue to be informed about our activities in a timely and accurate manner. In addition, the company has established a dedicated Government and Stakeholder Relationships team to assist with the management of government and regulatory relationships and the coordination of information and reporting requests.

Regular communications are initiated with key stakeholders, including shareholding Ministers and government representatives. The Chairman and the CEO meet with shareholding Ministers and/or their representatives on a regular basis. Queensland Rail management also meets with representatives of the Office of Government Owned Corporations (OGOC) and DTMR after each Board meeting to update them on relevant issues. Information needs of these stakeholders are also discussed at these meetings.

As required by the GOC Act, detailed quarterly reports are provided to shareholding Ministers and their representatives, as well as individual Ministerial briefings on specific issues. These reports include information regarding financial performance, updates on major capital programs, key operational matters, risk management and governance issues as well as information required to be given in accordance with Queensland Rail's Statement of Corporate Intent (SCI).

Principle 6–Respect the rights of shareholders

Queensland Rail respects the rights of shareholding Ministers as the ultimate owners of the business. The Board and senior executives of Queensland Rail engage with our shareholding Ministers and their representatives on a regular basis. As at 30 June 2012, Queensland Rail's shareholding Ministers were the Honourable Scott Emerson MP, Minister for Transport and Main Roads, and the Honourable Tim Nicholls MP, Treasurer and Minister for Trade.

We are committed to ensuring that our shareholding Ministers and their representatives are provided with the information they need to make informed assessments of the operations, financial performance and financial position of Queensland Rail and its subsidiaries.

Queensland Rail prepares an annual SCI and a Corporate Plan for our shareholding Ministers' approval. The Statement of Corporate Intent is a formal performance contract between Queensland Rail and our shareholding Ministers detailing our proposed undertakings and target performance for the year ahead.

In line with the requirements of the GOC Act, shareholding Ministers are advised in a timely manner of all issues likely to have a significant financial, operating, employee, community or environmental impact including those matters which may prevent or significantly affect achievement of the performance objectives outlined in the SCI.

Approval of shareholding Ministers is sought for major investments and expenditure outlays and entry into significant supply or customer contracts in accordance with the Investment Guidelines for GOCs.

Principle 7–Recognise and manage risk

Queensland Rail recognises that effective risk management and compliance frameworks are a key element of an organisation's corporate governance processes. The Board has approved an updated Risk Management Policy and associated framework for identifying, assessing and managing Queensland Rail's strategic, operational, financial and reputational risks.

The objectives of the policy are to:

- provide an enterprise-wide approach to risk management to ensure it is managed in an integrated, systematic and practical manner
- facilitate the achievement of the company's corporate objectives and strategies
- define the mechanisms by which the company determines its risk appetite and the process for identification and management of risk
- articulate roles, responsibilities and accountabilities for the management, oversight and governance of risk.

The approach defined within this policy is consistent with the Australian and New Zealand standard on change to risk management (ISO 31000:2009). Supporting the policy is a framework which has been prepared to guide the various business functions in addressing their particular risks through a structured risk management approach. The framework is designed to ensure that risks are regularly identified, assessed, monitored and reported to the Board on a periodic basis along with appropriate risk mitigation and management plans.

The Board evaluates reported risks reaching a defined enterprise risk tolerance level and actively monitors the enterprise risks and associated controls, including any additional risk treatments that are proposed. Assurance activities are undertaken to ensure that the controls are operating effectively.

The Board has charged management with the responsibility for managing risk within the organisation and the implementation of mitigation measures, under the direction of the CEO supported by senior executives. The group risk management function, led by the General Manager, Enterprise Risk and Governance, has been established to facilitate the process by providing a centralised role in advising the various business functions on executing risk management and mitigation strategies, as well as consolidating risk reporting to senior executives and the Board.

The CEO and CFO have declared in writing to the Board that Queensland Rail's risk management and control system is operating effectively in all material respects based on representations by management.

Queensland Rail has established an appropriate fraud control framework for the ongoing monitoring and coordination of fraud control activities. The framework is supported by the Code of Conduct and associated governance principles, standards and procedures which outline employee obligations in relation to ethical behaviour and the process for reporting, recording and investigating allegations of fraud. A dedicated Ethics Hotline has been established to enable employees to report any concerns regarding unethical conduct, breaches of the law and suspected fraud or official misconduct. A dedicated Crime and Misconduct Commission (CMC) Liaison Officer manages the obligations under the *Crime and Misconduct Act 2001* in relation to notification of suspected official misconduct to the CMC.

Principle 8–Remunerate fairly and responsibly

The Board has established a People and Organisation Committee which reviews Queensland Rail's remuneration and performance framework. The Committee is governed by its own Charter which is approved by the Board and reviewed annually. A copy of the People and Organisation Committee Charter is available on the website. The Committee assists the Board by reviewing and providing recommendations on the recruitment, retention, remuneration arrangements and termination of the CEO and senior executives as well as the performance measurement arrangements for Directors, the CEO and senior executives. Membership of the Committee and details of attendance at meetings is disclosed below in the Board Committees section.

Queensland Rail recognises that the achievement of its corporate objectives is dependent on the efforts of its people and has established remuneration policies, procedures and frameworks which are designed to attract and retain high calibre employees and align individual and team efforts to agreed KPIs linked to the strategic and operational objectives of the organisation.

Our senior executive remuneration arrangements are subject to approval or endorsement by the shareholding Ministers and comply with the GOC Governance Arrangements for Chief and Senior Executives.

Director remuneration is established independently by the shareholding Ministers and is approved by the company at a general meeting.

Details of the nature and amount of payments to each Director of Queensland Rail and specified Queensland Rail senior executives are set out on pages 104 to 109.

Board of Director appointments

Details of Directors' terms of appointment are set out on page 101.

Board meetings

The Board normally meets at least eight times each year, including an offsite meeting to review in detail the company's strategy.

Typically at Board meetings the agenda will include:

- minutes of the previous meeting, and outstanding issues raised by Directors at previous meetings
- the CEO's report
- the CFO's report
- reports on major projects and current business issues
- reports for Chairs of Committees which have met shortly prior to the Board meeting on matters considered at those meetings
- for review, the minutes of previous Committee meetings.

A private session involving only non-executive directors is held at the beginning of each Board meeting and chaired by the Chairman. The CEO, CFO, Chief Operating Officer (COO) and Company Secretary are also present at all Board meetings. Members of senior management attend Board meetings when an issue under their area of responsibility is being considered or as otherwise requested by the Board.

Director attendance at meetings of the Board and Board Committees in 2011/12 are detailed below.

Director	Attended	Meetings eligible to attend
Mr Stephen Gregg (Chair)	10	10
Ms Maureen Hayes	9	10
Dr Leo Keliher (AO)	8	10
Ms Merren McArthur	8	10
Ms Denise McMillan-Hall	8	10
Mr Dawson Petie	9	10
Ms Julie-Anne Schafer	9	10

Board Committees

The Board has established Committees to assist it in meeting its responsibilities. The Audit Committee and People and Organisation Committee were created in July 2010 and are governed by their own Charters.

The OGOC has set out guidelines for the formation of Board Committees, which recommends the establishment of an Audit and Human Resources/Industrial Relations-style committees.

The membership of each Board Committee is made up of a minimum of three Directors from the Board.

The CEO and senior executives attend meetings at the discretion of the Committee.

An annual evaluation of Committee performance is part of the Board's overall performance review.

Audit Committee

The purpose of the Audit Committee is to assist the Board in the effective discharge of its responsibilities for the financial reporting, internal control structures, internal audit and external audit functions for Queensland Rail.

The Committee reviews, oversees and reports to the Board at least annually on:

- the annual financial reporting process for Queensland Rail
- the process implemented to support the annual certifications for Queensland Rail to be provided by the CEO and CFO
- accounting policies for Queensland Rail
- the scope of Queensland Rail's internal audit and external audit programs and any material issues arising from these audits
- the performance of the internal and external auditors
- the effectiveness of the systems of accounting and internal controls for Queensland Rail
- the quality of reporting by Queensland Rail
- the effectiveness of the processes used by management to monitor and ensure the Company's compliance with laws, regulations, ethical guidelines, ring fencing requirements and obligations for external reporting of financial information.

Ms Denise McMillan-Hall chairs the Committee. The Committee members and attendance at meetings in 2011/12 are detailed below.

Director	Attended	Meetings eligible to attend
Ms Denise McMillan-Hall (Chair)	5	5
Mr Stephen Gregg	5	5
Dr Leo Keliher AO	5	5
Ms Julie-Anne Schafer	5	5

People and Organisation Committee

The purpose of the People and Organisation Committee is to assist the Board in the effective discharge of its responsibilities for:

- the appointment and review of performance of the CEO
- the system of remuneration and benefits for the CEO and his/her direct reports
- the appointment and termination of the CEO and his/her direct reports
- the performance measures for the CEO and his/her direct reports
- annual performance payments to the CEO and his/her direct reports
- succession planning for the CEO and his/her direct reports
- remuneration policies
- collective agreements with Unions
- the professional development of Directors, the CEO and direct reports to CEO.

Mr Dawson Petie chairs the Committee. The Committee members and attendance at meetings in 2011/12 are detailed below.

Director	Attended	Meetings eligible to attend
Mr Dawson Petie (Chair)	4	4
Mr Stephen Gregg	4	4
Ms Maureen Hayes	4	4
Ms Merren McArthur	4	4

Notifications by shareholding Ministers

In accordance with section 114 of the GOC Act, shareholding Ministers advised the Queensland Rail Board on 18 September 2011 that the public sector policy entitled Public Interest Disclosure Standard No. 1, as amended from time to time, is to apply to Queensland Rail and as far as practicable, to all of its subsidiaries.

Summary of the 2011/12 Statement of Corporate Intent

The SCI is the formal statement of Queensland Rail's strategic direction, including objectives, strategies and performance outcomes for 2011/12 and represents the performance agreement between the Board of Queensland Rail and shareholding Ministers.

The SCI is consistent with Queensland Rail's five year Corporate Plan and reflects the strategic activity in year one of this planning horizon.

The Annual Report provides a summary of Queensland Rail's SCI performance outcomes relating to the delivery of the following strategic objectives; or pillars and related strategies:

Safety

Queensland Rail will deploy a targeted, prioritised and integrated safety program.

Customer

Queensland Rail will focus on customers and stakeholders in everything we do.

People

Queensland Rail will embed a high performance culture and strong visible leadership by becoming a learning organisation.

Commercial

Queensland Rail will add value to its business through innovation and business optimisation.

Community

Queensland Rail will deliver programs to build a better Queensland.

Queensland Rail's SCI is prepared each financial year in accordance with the requirements of Part 8 of the GOC Act. The SCI is tabled in the Queensland Parliament with Queensland Rail's Annual Report.

Queensland Rail measures performance against its strategic objectives to focus efforts on achieving strategy. Key performance indicator measures and related targets were identified within the SCI to track the success of strategies during 2011/12.

Other key components of the SCI are summarised as follows:

Performance drivers

The following major drivers impacting Queensland Rail are highlighted in the SCI:

- Flood recovery and natural disaster management
- Population growth and demand for services
- Australian and global economy
- Transport competition
- Attraction, retention and succession planning
- Smart technologies
- Energy and environmental sustainability trends.

Performance monitoring

The SCI contains a framework for performance monitoring that ensures the Queensland Rail Board is accountable to our shareholding Ministers for Queensland Rail's performance. This framework enables Queensland Rail to report on a number of mandatory financial and non-financial performance indicators to present a balanced perspective on Queensland Rail's overall performance. Queensland Rail reports to its shareholding Ministers against these indicators on a quarterly basis via quarterly reports and annually via the Annual Report.

Examples of financial indicators included in the 2011/12 SCI are:

- Earnings before interest and tax (EBIT)
- Net profit after tax (NPAT)
- Return on operating assets (ROA)
- Return on equity (ROE).

Examples of non-financial indicators included in the 2011/12 SCI are:

- SPADs per MTK
- LTIFR
- Derailments
- Greenhouse gas emissions
- Customer satisfaction
- Reporting compliance
- Customer journeys
- City network on time running
- Rollingstock utilisation
- Staff turnover.

Government revenues and funding

The SCI outlines the funding of the following services which are purchased by government through Transport Service Contracts (TSC) with Queensland Rail:

- City network
- Travel network, with the exception of KSR
- Network Infrastructure (for agreed rail infrastructure network standards and capacity).

Employment and Industrial Relations Plan

The SCI includes an Employment and Industrial Relations (E&IR) Plan which guides Queensland Rail in developing and maintaining conditions of employment for employees, including labour market based remuneration. The E&IR Plan contains information relating to:

- Employment conditions
- Enterprise bargaining and productivity initiatives
- Flexible work practices
- Employment and workforce planning
- Workplace health and safety
- Equal employment opportunity and anti-discrimination
- Union consultation
- Job security
- Superannuation.

Modifications to SCI

Section 120(1)(d) of the GOC Act requires that each Annual Report of a GOC include particulars of any modifications made to the SCI during the relevant year. Queensland Rail did not modify its SCI during 2011/12.

Queensland Rail Limited

ABN 71 132 181 090

Financial Report for the year ended 30 June 2012

Contents

Directors' report

Your directors present their report on the consolidated entity (referred to hereafter as the group) consisting of Queensland Rail Limited and the entity it controlled at the end of, or during, the year ended 30 June 2012.

Directors
The following persons were directors of Queensland Rail Limited during the financial year and up to the date of this report:

G Dawe - *Chairman**
S Gregg - *Chairman**
M Hayes
Dr L Keliher AO
M McArthur
D McMillan-Hall
D Petie
J Schafer

* S Gregg was Chairman of the Queensland Rail Board from the date of his appointment on 1 July 2010 until he retired from the Board on 12 July 2012. G Dawe was appointed to the Board as its Chairman on 12 July 2012.

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Information relating to directors' remuneration is contained in note 29 of the Financial Report.

Principal activities
During the year the principal activities of the group consisted of:
(a) Passenger services throughout Queensland;
(b) Non-coal network access services throughout Queensland;
(c) Design and construction of rail infrastructure; and
(d) Associated maintenance of both the above and below rail operations.

Review of operations
The profit of the group for the financial year amounted to $128.3 million (2011: $149.3 million).

For a detailed review of the group's operations refer to the Acting CEO's report section of the Annual Report.

Dividends
In respect of the financial year ended 30 June 2012, a dividend of $102.6 million was declared to the holders of fully paid ordinary shares (2011: $84.4 million). This dividend will be paid in December 2012.

Significant changes in the state of affairs
No significant changes in the state of affairs of the group occurred during the financial year.

Matters subsequent to the end of the financial year
No matters or circumstances have arisen since the end of the financial year which significantly affected, or may significantly affect the operations of the group, the results of those operations, or the state of affairs of the group in future financial years.

Likely developments and expected results of operations
Further information on likely developments in the operations of the group and the expected results of operations has been included in the Chairman's outlook section of the Annual Report.

Environmental regulation
The group is required to comply with relevant environmental legislation. Exposure in this area is primarily related to noise, air, land and water pollution, environmental impacts associated with development, use of resources and energy, greenhouse emissions, and waste disposal. Due to their nature it is not possible to provide an estimate of the future expenditure in these areas.

Primary legislation and regulations to which the group is subject are as follows:

- *Environmental Protection Act 1994*
- *Energy Efficiency Opportunities Act 2006*
- *Environmental Protection and Biodiversity Conservation Act 1999*
- *Ozone Protection and Synthetic Greenhouse Gas Management Act 1989*
- *National Greenhouse and Energy Reporting Act 2007*
- *Fisheries Act 1994*
- *Sustainable Planning Act 2009*
- *Land Protection (Pest and Stock Route Management) Act 2002*
- *Nature Conservation Act 1992*
- *Plant Protection Act 1989*
- *State Development and Public Works Organisation Act 1971*
- *Vegetation Management Act 1999*
- *Waste Reduction and Recycling Act 2011*
- *Water Act 2000*
- *Wet Tropics World Heritage Protection and Management Act 1993*

Greenhouse gas and energy data reporting requirements
The group is subject to the assessment and reporting requirements of the *National Greenhouse and Energy Reporting Act 2007*, and the *Energy Efficiency Opportunities Act 2006.*

The *National Greenhouse and Energy Reporting Act 2007* requires the group to report annually its greenhouse gas emissions and energy use. Queensland Rail Limited is registered as a controlling corporation and will be preparing an annual report to cover the activities of the group for the 2011/12 year for submission in October 2012.

The *Energy Efficiency Opportunities Act 2006* requires the group to assess its energy usage, including the identification, investigation and evaluation of energy saving opportunities, and to report publicly on the assessments undertaken, including what action the group intends to take as a result. In accordance with the Act, Queensland Rail Limited's first public report will be released by December 2013.

Waste management requirements
The *Waste Reduction and Recycling Act 2011* requires the group to assess its production and disposal of waste, and to prepare a waste management plan. In accordance with the Act, Queensland Rail Limited's plan will be completed by December 2012. Annual reporting is required by the end of August in 2013.

Information on directors and officers

G Dawe *BA (Econ), MAICD, FCILT, MIRO* Chairman

Experience and expertise

Mr Dawe was appointed as a non-executive director and Chairman on 12 July 2012.

His father was a Station Master and he is the third generation of his family to work in Queensland Rail, originally joining as a Porter. His career progressed from planning and development roles to commercial, business and operations management; including Group General Manager Citytrain, which became Australia's best performing urban rail passenger business. He then took on the broader role of Group General Manager Metropolitan and Regional Services which involved managing Queensland Rail's community service obligation businesses such as Citytrain, Traveltrain and Regional Freight. He then led Queensland Rail's commercial businesses as Group General Manager Coal and Mainline Freight before moving to NSW to become General Manager Access at the Rail Infrastructure Corporation with responsibility for Access, Freight and Country Infrastructure. Finally he moved to the Manildra Group, which is one of this country's largest private rail users, as National Manager Rail Transport before retiring in 2011.

S Gregg *MBA, FAICD* Chairman

Experience and expertise

Mr Gregg was appointed as a non-executive director and Chairman on 1 July 2010. He has extensive experience in the Queensland tourism industry. He was previously CEO of North Queensland Airport Limited, where he oversaw the integration of the newly-privatised Cairns and Mackay airports and developed long-term growth strategies for both businesses. Earlier roles included CEO of Dreamworld and WhiteWater World theme parks and CEO of Tourism Queensland. In addition, Mr Gregg is Chairman of the Queensland Tourism Industry Council (QTIC) and a director of the Queensland Events Corporation. He holds a Master of Business Administration (MBA) from Griffith University. His experience in customer-oriented roles and his significant regional focus has enabled him to make a valuable contribution to the Board.

Mr Gregg retired as a director and Chairman of Queensland Rail on 12 July 2012.

M Hayes *BA, DipEd* Director

Experience and expertise

Ms Hayes was appointed as a non-executive director on 1 July 2010. She served in the Brisbane City Council from 1991 to 2008. She was Deputy Mayor during that time but her main role was as Chairperson of Transport, Traffic and Major Projects. Some achievements during that time included overseeing the building of the Inner City Bypass, the Eleanor Schonell Bridge, the introduction of CityCat ferries and the establishment of TransLink in partnership with the State Government. Ms Hayes is a passionate advocate of public transport.

Dr L Keliher AO *BEcon (1st Class Hons), MA, PhD* Director

Experience and expertise

Dr Keliher was appointed as a non-executive director on 1 July 2010. He has extensive experience in both the Queensland and New South Wales public service, with roles that include Chairman of the former Service Delivery and Performance Commission and Director-General of the Department of the Premier and Cabinet. He was appointed as a director of QR Limited in 2008, following his retirement, and brings his public service experience to his position on the Queensland Rail Limited Board.

M McArthur *BA, LLB, DipAppFin* Director

Experience and expertise

Ms McArthur was appointed as a non-executive director on 1 July 2010. She is currently Group Executive–Alliances, Network & Yield for Virgin Australia Airlines. Her areas of accountability include revenue and yield management, network planning, scheduling and alliances. She has been with the Virgin Australia Group since 2008. Prior to that, Ms McArthur was Chief Advisor at Rio Tinto Iron Ore, based in Perth. Her previous positions include Deputy State Solicitor for Western Australia and Executive Partner at national law firm Allens Arthur Robinson, based in Melbourne.

D McMillan-Hall *BSc (Hons), DipInd (UK), MBA* Director

Experience and expertise

Ms McMillan-Hall was appointed as a non-executive director on 1 July 2010. She has extensive rail industry experience, working at the Australian Rail Track Corporation (ARTC) for over 10 years, holding the positions of Strategic Business Manager, General Manager Operations and Customer Service, and General Manager Hunter Valley. More recently, she was Head of Business Development for the Asia Pacific region of AnsaldoSTS, a transport solutions company. Holding a BSc in Finance and an MBA, Ms McMillan-Hall has a background in finance, including roles with Westpac and financial markets in London.

Information on directors and officers (continued)

D Petie *FAICD, FASFA* Director

Experience and expertise

Mr Petie was appointed as a non-executive director on 1 July 2010. He has more than 30 years experience as a company director, including nearly 11 years serving on the QR Limited Board, where he was chair of the Audit and Risk Committee, before his appointment to the Queensland Rail Limited Board. Before his retirement from full-time employment, Mr Petie was a General Manager for QIC Limited.

J Schafer *LLB (Hons), GAICD, ANZIIF* Director

Experience and expertise

Ms Schafer was appointed as a non-executive director on 1 July 2010. She brings to Queensland Rail strong legal credentials and corporate experience, as well as transport experience in Queensland and at national level. She has worked in a number of non-executive director roles, with a focus on business outcomes, customers, risk management and governance. She has been chair of RACQ and is a National Transport Commissioner. She is a former Queensland Telstra Business Women's award winner, President of the Queensland Law Society, Chair of the Solicitors' Board of Queensland, Deputy Chancellor of the Queensland University of Technology and Adjunct Professor at the University of Queensland. Ms Schafer was previously a partner in two Queensland legal professional services firms. Ms Schafer holds a Bachelor of Laws (Honours) degree from the University of Queensland and an AICD Company Directors Diploma. She is a member of the Australian Institute of Company Directors and of the Australian and New Zealand Institute of Insurance and Finance.

S Campbell *BCom, LLB (Hons), Grad Dip Sec Instit Aust, Grad Dip App Corp Governance, Grad Cert Business Admin, ACIS* General counsel / Company Secretary

Experience and expertise

Ms Campbell was appointed as Company Secretary on 14 November 2011. She is responsible for the effectiveness of the organisation's corporate governance frameworks, including the provision of company secretarial support to the Board and management of Queensland Rail's legal issues. She has held similar roles at North Queensland Bulk Ports Corporation and Ergon Energy and brings to Queensland Rail over 20 years experience in private practice and corporate in-house roles. She specialises in commercial and corporate law and was formerly a senior associate at national law firms Corrs Chambers Westgarth and Mallesons Stephen Jacques.

P McNamara *BCom* Assistant Company Secretary

Experience and expertise

Mr McNamara was appointed as a joint Company Secretary on 29 August 2011. He holds a Bachelor of Commerce and has more than 15 years experience in managerial and senior governance roles with ASX listed entities operating in the property and financial services industries.

Meetings of directors

The number of meetings the company's Board of Directors and each board committee held during the year ended 30 June 2012, and the number of meetings attended by each director were:

	Board Meetings		Audit		People & Organisation	
	A	B	A	B	A	B
S Gregg - *Chairman*	10	10	5	5	4	4
M Hayes	9	10	-	-	4	4
Dr L Keliher AO	8	10	5	5	-	-
M McArthur	8	10	-	-	4	4
D McMillan-Hall	8	10	5	5	-	-
D Petie	9	10	-	-	4	4
J Schafer	9	10	5	5	-	-

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

Insurance of officers
During the financial year, Queensland Rail Limited paid a premium in respect of an insurance contract to indemnify officers against liabilities that may have arisen from their position as officers of the parent and its controlled entity. Officers indemnified include the company secretary, directors and all executive officers participating in the management of the group.

Further disclosure required under section 300 of the *Corporations Act 2001* is prohibited under the terms of the contract.

Proceedings on behalf of the group
No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the group, or to intervene in any proceedings to which the group is a party, for the purpose of taking responsibility, on behalf of the group, for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the group with leave of the Court under section 237 of the *Corporations Act 2001.*

Auditor's independence declaration
The auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 55.

Rounding of amounts
The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Auditor
The Auditor-General of Queensland continues in office in accordance with section 327 of the *Corporations Act 2001,* the Auditor General is appointed in accordance with the *Auditor General Act 2009.*

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

G Dawe
Director

Brisbane, Qld
29 August 2012

AUDITOR'S INDEPENDENCE DECLARATION

To the Directors of Queensland Rail Limited

This auditor's independence declaration has been provided pursuant to s.307C of the *Corporations Act 2001*.

Independence Declaration

As lead auditor for the audit of Queensland Rail Limited for the year ended 30 June 2012, I declare that, 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; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Queensland Rail Limited and the entity it controlled during the period.

ASSISTANT AUDITOR-GENERAL
27 AUG 2012
QUEENSLAND AUDIT OFFICE

P G SHIPPERLEY FCPA
(as Delegate of the Auditor-General of Queensland)

Queensland Audit Office
Brisbane

Queensland Rail Limited
Consolidated income statement
For the year ended 30 June 2012

	Notes	**2012 $'000**	2011 $'000
Revenue from operations	5	**1,943,275**	1,837,678
Other income	6	**2,782**	1,777
Consumables		**(500,072)**	(525,072)
Employee benefits expense		**(733,477)**	(669,802)
Depreciation and amortisation expense	7	**(296,548)**	(251,473)
Other expenses	7	**(7,020)**	(7,247)
Finance costs	7	**(222,927)**	(224,539)
Profit before income tax		**186,013**	161,322
Income tax expense	8	**(57,726)**	(12,058)
Profit for the year		**128,287**	149,264

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

Queensland Rail Limited
Consolidated statement of comprehensive income
For the year ended 30 June 2012

	Notes	**2012 $'000**	2011 $'000
Profit for the year		**128,287**	149,264
Other comprehensive income			
Changes in the fair value of cash flow hedges	27	**112**	(1,587)
Income tax relating to components of other comprehensive income	8	**(34)**	476
Other comprehensive income for the year, net of tax		**78**	(1,111)
Total comprehensive income for the year		**128,365**	148,153

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

Queensland Rail Limited
Consolidated balance sheet
As at 30 June 2012

	Notes	2012 $'000	2011 $'000
ASSETS			
Current assets			
Cash and cash equivalents	9	**325,370**	166,533
Trade and other receivables	10	**182,040**	301,623
Inventories	11	**56,313**	42,759
Derivative financial instruments	12	**-**	1,629
Other current assets	13	**6,192**	26,862
Total current assets		**569,915**	539,406
Non-current assets			
Receivables	14	**57,091**	69,823
Inventories	15	**15,240**	19,458
Property, plant and equipment	16	**6,046,377**	5,826,039
Intangible assets	17	**46,481**	14,290
Deferred tax assets	18	**106,432**	103,817
Other non-current assets	19	**5,049**	23,563
Total non-current assets		**6,276,670**	6,056,990
Total assets		**6,846,585**	6,596,396
LIABILITIES			
Current liabilities			
Trade and other payables	20	**321,019**	329,941
Derivative financial instruments	12	**1,783**	3,870
Current tax liabilities		**528**	26,921
Provisions	21	**41,195**	46,824
Other current liabilities	22	**261,981**	260,757
Total current liabilities		**626,506**	668,313
Non-current liabilities			
Borrowings	23	**3,000,000**	3,000,000
Derivative financial instruments	12	**31**	453
Deferred tax liabilities	24	**400,378**	371,942
Provisions	21	**34,091**	34,608
Other non-current liabilities	25	**47,896**	48,589
Total non-current liabilities		**3,482,396**	3,455,592
Total liabilities		**4,108,902**	4,123,905
Net assets		**2,737,683**	2,472,491
EQUITY			
Contributed equity	26	**2,602,628**	2,363,172
Reserves	27(a)	**(1,033)**	(1,111)
Retained earnings	27(b)	**136,088**	110,430
Total equity		**2,737,683**	2,472,491

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

	Notes	Contributed equity $'000	Reserves $'000	Retained earnings $'000	Total equity $'000
Balance at 1 July 2010		**1,725,804**	**-**	**45,595**	**1,771,399**
Profit for the year		-	-	149,264	149,264
Other comprehensive income		-	(1,111)	-	(1,111)
Total comprehensive income for the year		**-**	**(1,111)**	**149,264**	**148,153**
Transactions with owners in their capacity as owners:					
Capital distribution from former parent	26	314,498	-	-	314,498
Contributions of equity	26	322,870	-	-	322,870
Dividends provided for or paid	28	-	-	(84,429)	(84,429)
		637,368	**-**	**(84,429)**	**552,939**
Balance at 30 June 2011		**2,363,172**	**(1,111)**	**110,430**	**2,472,491**

	Notes	Contributed equity $'000	Reserves $'000	Retained earnings $'000	Total equity $'000
Balance at 1 July 2011		**2,363,172**	**(1,111)**	**110,430**	**2,472,491**
Profit for the year		-	-	128,287	128,287
Other comprehensive income		-	78	-	78
Total comprehensive income for the year		**-**	**78**	**128,287**	**128,365**
Transactions with owners in their capacity as owners:					
Contributions of equity	26	246,011	-	-	246,011
Distributions of equity	26	(6,555)	-	-	(6,555)
Dividends provided for or paid	28	-	-	(102,629)	(102,629)
		239,456	**-**	**(102,629)**	**136,827**
Balance at 30 June 2012		**2,602,628**	**(1,033)**	**136,088**	**2,737,683**

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

Queensland Rail Limited
Consolidated cash flow statement
For the year ended 30 June 2012

	Notes	2012 $'000	2011 $'000
Cash flows from operating activities			
Receipts from customers*		**491,800**	370,478
Receipts from Government*		**1,749,838**	1,557,546
Interest received		**11,000**	3,243
Payments to suppliers and employees*		**(1,362,361)**	(1,158,606)
Interest and other cost of finance paid***		**(222,618)**	(199,379)
Net GST paid		**(96,724)**	(85,929)
Income taxes paid		**(14,848)**	-
Net cash inflow from operating activities	36	**556,087**	487,353
Cash flows from investing activities			
Proceeds from the disposal of assets		**7,716**	12,138
Payments for fixed assets***		**(566,542)**	(655,990)
Net cash (outflow) from investing activities		**(558,826)**	(643,852)
Cash flows from financing activities			
Contribution of equity	26	**246,011**	322,870
Dividends paid	28	**(84,429)**	-
Net cash inflow from financing activities		**161,582**	322,870
Net increase in cash and cash equivalents		**158,843**	166,371
Cash and cash equivalents at the beginning of the financial year		**166,526**	155
Cash and cash equivalents at end of year**	9	**325,369**	166,526

* Inclusive of goods and services tax (GST).

** Net of monies held in trust.

*** $4.1 million interest capitalised during the year has been disclosed as part of Payments for fixed assets. Capitalised interest of $3.2 million was included in Interest and other cost of finance paid in the prior year but has been reclassified to Payments for fixed assets for consistency of presentation.

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

1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Queensland Rail Limited and its subsidiary, On Track Insurance Pty Ltd.

Queensland Rail Limited is a corporation limited by shares, incorporated and domiciled in Australia and owned by the Queensland State Government. Queensland Rail Limited is a for-profit entity. These financial statements are denominated in Australian dollars.

Queensland Rail Limited is referred to in this financial report as the "company" or the "parent". Queensland Rail Limited together with its subsidiary, On Track Insurance Pty Ltd, are collectively referred to as the "group".

These financial statements were approved for issue by the directors on 29 August 2012.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, and the *Corporations Act 2001.*

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

The consolidated financial statements of the group comply with IFRS as issued by the International Accounting Standards Board (IASB).

(ii) New and amended standards adopted by the company

None of the new standards and amendments to standards that are mandatory for the first time for the current financial year affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods. However, the adoption of AASB 1054 *Australian Additional Disclosures* and AASB 2011-1 *Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project* enabled the removal of disclosures relating to commitments for other operating expenses and also the removal of the time periods in which capital commitments occur.

None of the above have been early adopted. The adoption of these standards did not have any impact on the current period or any prior period and is not likely to effect future periods.

(iii) Early adoption of standards

The following standards and amendments to standards are available for early adoption for the financial year beginning 1 July 2011:

- AASB 9 *Financial Instruments*
- AASB 10 *Consolidated Financial Statements*
- AASB 11 *Joint Arrangements*
- AASB 12 *Disclosure of Interests in Other Entities*
- AASB 127 *Separate Financial Statements*
- AASB 128 *Investments in Associates and Joint Ventures*
- AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards*
- AASB 13 *Fair Value Measurement*
- AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13*
- AASB 119 *Employee Benefits and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119*
- AASB 1053 *Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements*

The application of these standards and amendments in future periods is not expected to have a material impact on the accounts of the group. The group has not elected to early adopt any pronouncements for the current annual reporting period.

There are no other standards that are not yet effective and that are expected to have a material impact on the group in the current or future reporting periods and on foreseeable future transactions.

(iv) Historical cost convention

These financial statements have been prepared under the historical cost convention, except for certain assets which, as stated, are at fair value.

1 Summary of significant accounting policies (continued)

(v) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

(vi) *Going Concern*

The financial report is prepared on a going concern basis despite current liabilities exceeding current assets at reporting date. The shortfall is partly due to vested employee benefits being classified as current. Ongoing quarterly equity injections from shareholding Ministers, increased funding through Transport Service Contracts, adequate interest coverage and a declining gearing ratio provides adequate assurance of the group's status as a going concern.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of the subsidiary of Queensland Rail Limited as at reporting date and the results of the subsidiary for the year then ended.

A subsidiary is an entity (including a special purpose entity) over which the group has the power to govern the financial and operating policies so as to obtain benefits from their activities, generally accompanying a shareholding of more than one-half of the voting rights.

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

Accounting policies have been adopted consistently across the group.

Investment in the subsidiary is accounted for at cost in the financial records of the parent entity.

(ii) Joint ventures

Jointly controlled operations

Where the group has jointly controlled operations, the proportionate interests in the assets, liabilities, revenues and expenses of a joint venture activity are incorporated in the financial statements under the appropriate headings.

In 2011 Queensland Rail Limited had a 50% interest in the CityTrans jointly controlled operation with Brisbane City Council.

Queensland Rail Limited's share of the revenue generated from the operation was dependent on and agreed on an event by event basis taking into consideration the resources consumed by the event. Essentially each operator developed a charter price for the event which was then consolidated into a CityTrans quote for the event.

There were no assets jointly controlled by the operation.

CityTrans ceased operating on 31 December 2010.

(c) Foreign currency and commodity transactions

(i) Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates (i.e. the functional currency). The consolidated financial statements are presented in Australian dollars, which is the group's functional and presentation currency.

1 Summary of significant accounting policies (continued)

(ii) Transactions and balances

Foreign currency transactions are initially translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

(d) Rounding of amounts / Comparative restatements

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

Comparative information has been restated where necessary to be consistent with disclosures in the current reporting period.

(e) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Trade receivables and trade payables in the balance sheet are shown inclusive of GST. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the balance sheet.

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

Queensland Rail Limited and On Track Insurance Pty Ltd were part of the QR Limited GST group until 30 September 2010. Any transactions with the QR Limited group to that date did not attract GST.

From 1 October 2010 Queensland Rail Limited and On Track Insurance Pty Ltd are individual entities recognised as separate taxpayers for the purposes of GST. Transactions between these entities, and externally to third parties are subject to GST.

(f) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable after taking into account any discounts allowed. Amounts disclosed as revenue are net of indirect taxes. The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the group's activities as described below. Exchanges of goods and services of the same nature and value without any cash consideration are not recognised as revenues. Revenue is recognised for the major business activities as follows:

(i) Services revenue

Services revenue comprises revenue earned from Transport Service Contracts, the provision of passenger transport and track access.

In addition to revenue receivable from non-related parties, the company receives revenue from Transport Service Contracts with the Translink Transit Authority and the Department of Transport and Main Roads as well as amounts from various State Government departments as direct reimbursement for concessions provided to senior citizens, pensioners and students.

1 Summary of significant accounting policies (continued)

Transport Service Contracts

Transport Service Contract revenue is accounted for as follows:

- Transport Service Contract (Rail Infrastructure) (TSC(RI))

  This contract is a multi-tiered arrangement which provides the company with funding to cover capital and operating costs for the Regional and South East Queensland networks.

  Under the contract, a stream of annuity-based funding is provided for operating and capital costs which have been previously incurred as well as the capital costs for enhancements to these existing systems. This annuity (which is paid in monthly instalments) is calculated on a seven year forecast of capital and operating costs for the respective systems under the TSC(RI). Capital costs are based on depreciating assets over a 30 year period.

- Transport Service Contract - South East Queensland Infrastructure Plan and Program (TSC - SEQIPP)

  Under the South East Queensland Infrastructure Plan and Program, the company is contracted to construct infrastructure at various locations throughout the South East Queensland network. The infrastructure constructed forms part of the group's property, plant and equipment which will generate revenue through the TSC (RI) contract. TSC - SEQIPP revenue is recognised on a systematic basis in accordance with the agreed rate of return of the SEQIPP assets.

- SEQIPP - Third party work

  Revenue is recognised based on the actual costs incurred for the work performed. The revenue is recognised when the work is complete and the costs incurred are taken to the income statement in the same financial period.

- Citytrain and Traveltrain Transport Service Contracts

  The company receives payments under the Transport Service Contract which defines passenger services to be provided by the group. Revenue is recognised on straight line basis based on the annual Transport Service Contract amount or periodic adjustments thereto.

Passenger Transport

Other train passenger service revenue comprises ticket and travel related sales and is recognised as revenue once the service has been rendered.

Government concession revenue is recognised in the period in which the service is provided based on a predetermined formula as agreed with the local authority.

Track Access

Revenue generated from rail network access is recognised as the services are provided and is calculated based on a number of operating parameters (such as tonnage hauled) applied to either regulator approved tariffs or negotiated access agreements.

(ii) Other revenue

Other revenue comprises revenue earned from the sale of goods and services. Revenue for sale of goods is recognised when the significant risks and rewards are passed to the buyer and the costs incurred, or to be incurred in respect of the transaction can be measured reliably. Risks and rewards are considered passed to the buyer at the time of delivery.

(iii) Interest Income

Interest income is recognised using the effective interest method.

1 Summary of significant accounting policies (continued)

(g) Other Income

(i) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in the cost base of those assets and amortised to the income statement on a straight line basis over the expected lives of the assets.

(ii) Disposal of assets

The gain or loss on disposal of an asset is recognised at the date when the significant risks and rewards of ownership of the asset pass to the buyer, usually when the purchaser takes delivery of the asset. The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal and is recognised as other income or expenses in the income statement.

(h) Defined benefit superannuation obligations

The group makes contributions to the State Public Sector Superannuation Scheme (QSuper) on behalf of its employees concerning superannuation. QSuper is an employer-sponsored fund, with the major employer being the State of Queensland. There are a number of membership categories in QSuper, which are either accumulation or defined benefits in nature.

The Treasurer has ultimate responsibility for funding payments to defined benefit members. The State has in place funding arrangements designed to meet the defined benefit obligations for its members. The Treasurer has the ability to require employers to pay any amounts needed to meet these benefits. Generally, this is handled through the regular standard fortnightly contribution paid by every employer, which has been determined on the advice of the State Actuary. No directions varying this contribution have been received by the group to balance date.

The State Actuary makes a recommendation to the Treasurer on the standard employer contribution rate required to fund the normal range of benefits at the conclusion of each triennial actuarial investigation. The most recent actuarial investigation was completed in 2010 and the actuary's recommendation to leave the employer contribution rate unchanged was approved by the Treasurer. This investigation is undertaken on QSuper as a whole and is not segregated into different employers or occupations.

(i) Income tax

The income tax expense or benefit for the period is the tax (payable) / receivable on the current period's taxable income based on the national income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and by unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability.

Deferred tax assets are recognised for deductible temporary differences, unused tax losses and tax credits, only if it is probable that future taxable amounts will be available to utilise those temporary differences, losses and credits.

Deferred tax liabilities and assets are not recognised for the temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity.

1 Summary of significant accounting policies (continued)

(i) Tax consolidation legislation

The group has not elected to form a tax consolidated group. The group measures current and deferred tax amounts for Queensland Rail Limited and its controlled entity On Track Insurance Pty Ltd as individual stand-alone taxpayers, and aggregates the balances for disclosure.

(j) Cash and cash equivalents

For cash flow statement and presentation purposes, cash and cash equivalents include cash on hand, deposits held at call with financial institutions, and other short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(k) Trade and other receivables

Trade receivables

Trade receivables are initially recorded at fair value less any allowance for uncollectible amounts. Trade receivables generally have credit terms ranging from 7 to 31 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired.

The amount of the impairment loss is recognised in the income statement within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

Other receivables

Other receivables include accruals, contractual receivables and GST receivable. Collectability is reviewed on an ongoing basis.

(l) Inventories

The value of inventories reported includes items held in centralised stores, workshops and infrastructure and rollingstock depots. Cost comprises cost of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition.

Inventories are valued at the lower of cost or net realisable value. Cost is determined predominantly on an average cost basis.

Items expected to be consumed after more than one year are classified as non-current.

The provision for inventory obsolescence is based on assessments by management of particular inventory classes and relates specifically to infrastructure and rollingstock maintenance items. The amount of the provision is based on a proportion of the value of damaged stock, slow moving stock and stock that has become obsolete during the reporting period.

The group has an agreement in place with QR Limited regarding inventory held in the QR Limited workshops on behalf of the group. The agreement includes both "call option" and "put option" clauses and expires on 30 June 2015. The group may exercise a call option upon expiry or termination of the agreement to acquire all or part of the dedicated inventory held by QR Limited at the expiry or termination date. QR Limited, may in turn, exercise a put option to require the group to acquire all or any part of the dedicated inventory held on behalf of the company at the expiry or termination date.

1 Summary of significant accounting policies (continued)

(m) Investments and other financial assets

The group classifies its non-derivative financial assets based on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition. As at balance date, the group has only one type of non-derivative financial asset: loans and receivables.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in current trade and other receivables (note 10) and non-current receivables (note 14) in the balance sheet.

(ii) Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date which is the date on which the group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

(iii) Subsequent measurement

Loans and receivables are carried at amortised cost using the effective interest method.

Details on the determination of the fair value of financial instruments are disclosed in note 2.

(iv) Impairment

The group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets are impaired. If there is evidence of impairment for any of the group's financial assets carried at amortised cost, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the financial asset's original effective interest rate. The loss is recognised in the income statement.

(n) Derivatives and hedging activities

The group enters into derivative contracts to hedge exposures to foreign exchange rates and commodity prices as described in note 2. Derivative balances are disclosed in note 12.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged.

The group designates certain derivatives as hedges of the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

At inception, the group documents the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been, and will continue to be, highly effective in offsetting future cash flows of hedged items.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

(i) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset, the gains and losses previously deferred in equity are transferred from equity and included in the measurement of the initial cost or carrying amount of the asset.

1 Summary of significant accounting policies (continued)

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

(ii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement.

(iii) Embedded derivatives

Through the group's purchase and sale contracts, it is possible that embedded derivatives have been entered into. An embedded derivative will cause some or all of the cash flows of the purchase or sale contract (i.e. the host contract) to be modified by reference to a variable such as a foreign exchange rate or a commodity price if that variable is not closely related to the host contract.

Embedded derivatives are separated from the host contract and accounted for as a stand-alone derivative if the economic characteristics and risks of the embedded derivatives are not closely related to those of the host contract.

At balance sheet date, there were no embedded derivatives not closely related to the host contract.

(o) Property, plant and equipment

Methodology for valuation of fixed assets

Property, plant and equipment is measured at cost less accumulated depreciation. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction. Cost may also include transfers from other comprehensive income of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

The cost of fixed assets constructed by the group includes the cost of all materials used in construction, direct labour, site preparation, interest and foreign currency gains and losses incurred where applicable, and an appropriate proportion of variable and fixed overheads.

Gifted and Donated Assets

Assets acquired from government at no cost are measured at fair value as government grants. Fair value means the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Assets acquired from entities outside of government at no cost are recorded at nil value.

Land

Land is carried at cost. The *Transport Infrastructure Act 1994* stipulates that the group only retains ownership of its non-corridor land. As such, only non-corridor land is recorded in these accounts. Ownership of corridor land remains with the Department of Natural Resources and Mines on behalf of the State. This land is leased to the Department of Transport and Main Roads and subsequently sub-leased to the group for no cost. The sub-lease term is for an initial term of 100 years with a renewal option for an additional 100 years.

Owned building, plant and equipment and rollingstock

Owned building, plant and equipment and rollingstock are carried at cost less accumulated depreciation. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably.

Owned infrastructure

Infrastructure assets are carried at cost and represent capitalised expenditures that are directly related to capital projects and may include materials, labour and equipment, in addition to an allocable portion of indirect costs that clearly relate to a particular project that will provide future economic benefits and remain within the control of the group.

1 Summary of significant accounting policies (continued)

Subsequent and maintenance costs

Costs related to repairs and maintenance activities are expensed when such repairs are performed. Subsequent costs are only capitalised when it is probable that future economic benefits associated with the item which flow to the group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced.

Leased property, plant and equipment and rollingstock

Leases of property, plant and equipment and rollingstock where the group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Assets held under finance leases are recorded at the lower of the net present value of the minimum lease payments or the fair value of the leased asset at the inception of the lease. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss on an effective interest rate basis.

Capitalised fit out of leased properties is disclosed under leased property. The group does not have any finance leases of property.

During the previous period, the group finalised all of its rollingstock finance leases and took ownership of the leased assets.

Assets under construction

The cost of fixed assets constructed by the group includes the cost of all materials used in construction, direct labour, site preparation, interest and foreign currency gains and losses incurred where applicable, and an appropriate proportion of variable and fixed overheads.

Depreciation and Amortisation

Buildings, plant and equipment, rollingstock and infrastructure are depreciated on a straight-line basis over the useful life net of the residual value. Motor vehicles are depreciated using the diminishing value basis (percentages range from 13.64% to 35.00%), with land and assets under construction not depreciated.

Assets controlled by the group under finance leases are amortised over the shorter of the useful lives of the asset or the lease term, as appropriate. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

Assets are depreciated or amortised from the date of acquisition, or, in respect of internally constructed or manufactured assets, from the time an asset is completed and held ready for use. Major spares purchased specifically for particular assets are capitalised and depreciated in line with standard default asset class lives.

Where assets have separately identifiable components that are subject to regular replacement, these components are assigned useful lives distinct from the asset to which they relate. Any expenditure that increases the originally assessed capacity or service potential of an asset is capitalised and the new depreciable amount is depreciated over the remaining life of the asset.

The depreciation and amortisation rates used during the year were based on the following range of useful lives:

- Buildings 10-40 years
- Rollingstock 8-40 years
- Plant and equipment 3-20 years
- Leased rollingstock 10-40 years
- Infrastructure* 5-100 years

The depreciation and amortisation rates are reviewed annually and adjusted if appropriate.

An asset's carrying amount is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(r)).

* Longer life infrastructure includes bridges, tunnels and other long-lived civil works. Shorter life infrastructure includes telecommunications and security and surveillance equipment.

1 Summary of significant accounting policies (continued)

(p) Intangible assets

(i) IT development and software

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits are capitalised to software and systems. Costs capitalised include external direct costs of materials and service and direct payroll and payroll related costs of employees' time spent on the project. Amortisation is calculated using the straight-line method over their useful life which varies from 3 to 7 years.

IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where the company has an intention and ability to use the asset.

(q) Classification of expenditure

Items of expenditure in excess of $2,000 which are expected to provide future economic benefits are capitalised, with the exception of the purchase of office equipment and other items of a similar nature that provide limited quantifiable benefits. The threshold applies to all asset classes except capital spares and intangibles.

Capital spares have a threshold of $20,000. If capital spares are under $20,000, the item is recorded in inventory. Expenditure not capitalised is treated as an operating expense in the period in which the expenditure is incurred.

Intangibles have a threshold of $50,000. If intangibles are under $50,000, expenditure is not capitalised and is treated as an operating expense in the period in which the expenditure is incurred.

(r) Impairment of assets

Assets are reviewed for impairment annually to determine if there are indications that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

Non-financial assets that have suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(s) Trade and other payables

These amounts represent liabilities for goods and services provided to the group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within the terms set by the supplier.

(t) Borrowings and borrowing costs

Debt is drawn from facilities with the Queensland Treasury Corporation (QTC) incorporating fixed and floating debt and is initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost, using the effective interest rate method. Interest is accrued and paid monthly.

Interest costs are calculated and advised by QTC in accordance with an agreed book rate methodology, which equates with amortised cost using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument.

Borrowing costs, which includes interest calculated using the effective interest method and administration fees, are expensed in the period in which they arise.

Borrowing costs which are directly attributable to the construction of material qualifying assets are capitalised. Qualifying assets are assets not funded from other sources with a cost of more than $1.0 million and which take a substantial period of time to prepare for intended use or sale. The rate used to determine the amount of borrowing cost to be capitalised is the QTC interest rate applicable to the entity's outstanding borrowings during the year, in this case 7.49% (2011: 7.53%). During the year, interest costs of $4.1 million were capitalised (2011: $3.3 million).

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

1 Summary of significant accounting policies (continued)

(u) 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. Provisions are not recognised for future operating losses.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(v) Employee benefits

(i) Wages and salaries, annual leave and leave loading

Liabilities for wages and salaries, including non-monetary benefits, annual leave and leave loading are recognised as current liabilities. These liabilities are in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled plus related on-costs.

(ii) Other long-term employee benefit obligations

Liabilities for long service leave where employees have completed the required period of service, or are entitled to pro rata payments are recognised as current liabilities at nominal values. The remaining unvested liabilities are included as non-current liabilities.

The liability for long service leave is measured using the expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future non-current payments are discounted using market yields at the reporting date on Commonwealth government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

(iii) Retirement allowance

Retirement allowance is payable to employees who fulfil the following requirements:

- Employees who retire or who are paid according to Voluntary Employee Redundancy Scheme (VERS) or Medical Separation; and
- are not members of an accumulation super fund; and
- were employed prior to 1 February 1995.

These conditions continue to apply to employees who have transferred, or will transfer, from QR Limited and QR Network Pty Ltd to Queensland Rail Limited.

Liabilities for retirement allowance for eligible employees are recognised as current liabilities at nominal values.

(iv) Sick leave

Sick leave is not provided for on the grounds that it is non-vesting and on average, no more than the annual entitlement is taken each year.

1 Summary of significant accounting policies (continued)

(v) Superannuation

Contributions are expensed as they are made.

The group pays an employer subsidy to the Government Superannuation Office in respect of employees who are contributors to either the Public Sector Superannuation (QSuper) scheme or State Service Superannuation.

Employer contributions to the Super Defined Benefit Fund are determined by the State Actuary. No liability is recognised for accruing superannuation benefits as this liability is held on a Whole of Government basis and reported in the Whole of Government financial statements. The group also makes superannuation guarantee payments into the QSuper Accumulation Fund (RailSuper) and QSuper Accumulation Fund (Contributory) administered by the Government Superannuation Office.

No liability / asset is recognised for the group's share of any potential deficit of the Super Defined Benefit Fund of QSuper. Refer to note 1(h) for further information on defined benefit liabilities.

(w) Contributed equity

Ordinary shares are classified as equity.

Equity injections are treated as an increase in the value of issued shares.

(x) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the group, on or before the end of the financial year but not distributed at balance date.

(y) Leases

Leases on property, plant and equipment

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the group as lessee are classified as operating leases (note 31). Operating lease rental (net any incentive received from the lessor) is expensed on a straight-line basis over the lease term and is charged to the income statement.

Leases of property, plant and equipment where the group, as lessee, assumes substantially all the risks and benefits of ownership are classified as finance leases. Finance leases are capitalised at the lease’s inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments.

The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability each period. The property, plant and equipment acquired under finance lease is depreciated over the asset’s useful life or over the shorter of the asset’s useful life and the lease term if there is no reasonable certainty that the group will obtain ownership at the end of the lease term.

Expected rental revenue from operating leases where the group is a lessor is recognised as income on a straight-line basis over the lease term (note 31).

(z) Insurance

The group insures against risks which are largely uncontrollable, have significant or catastrophic consequences for assets and / or revenue, and the aggregate costs of which would exceed the limit of exposure the organisation is prepared to accept.

Insurance cover has accordingly been effected for a variety of such risks. Other areas of risk exposure are self-insured, including workers' compensation.

Until 30 June 2010, self insurance and other underwriting activities were performed by Queensland Rail Limited's wholly owned subsidiary, On Track Insurance Pty Ltd. On Track Insurance Pty Ltd was transferred from QR Limited on 6 October 2010 and will continue to provide cover for claims relating to events up until 30 June 2010 for both Queensland Rail Limited and the QR Limited group.

1 Summary of significant accounting policies (continued)

(aa) Environmental regulation

The group is subject to a variety of laws and regulations in the jurisdiction in which it operates or maintains land. Where remediation measures are probable and can be reliably measured, such costs incurred in complying with relevant laws and regulations are accounted for in accordance with the policy in note 1(u).

The Australian government passed its *Clean Energy Act* in November 2011 with a start date of 1 July 2012. The legislation will result in the introduction of a price on carbon emissions made by Australian businesses from 1 July 2012. The flexible market-based price phase of the carbon pricing mechanism will commence on 1 July 2015. It will be preceded by a three-year period during which the price of permits will be fixed.

Queensland Treasury's report on 'Carbon Price Impacts for Queensland' dated August 2011 indicates that, for non-residential construction activities, there will be an immaterial increase in costs over the period 2012-13 to 2015-16. On this basis and other information available, the introduction of the carbon pricing mechanism is not expected to have a significant impact on group's operations or critical accounting estimates, assumptions and management judgements.

(ab) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the company. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the company recognises any minority interests in the acquiree either at fair value or at the minority interest's proportionate share of the acquiree’s net identifiable assets.

The excess of the consideration transferred, the amount of any minority interests in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the company's share of the net identifiable assets acquired, is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

(ac) Authorisation for issue

The financial statements are authorised for issue by the Chairman at the date of signing the directors' declaration.

(ad) Parent entity financial information

The financial information for the parent entity, Queensland Rail Limited, disclosed in note 37 has been prepared on the same basis as the consolidated financial statements, except as set out below:

(i) Investments in subsidiaries and joint venture entities

Investments in subsidiaries and joint venture entities are accounted for at cost in the financial statements of Queensland Rail Limited.

(ii) Tax consolidation legislation

For information regarding tax consolidation legislation, please refer to note 1(i)(i).

2 Financial risk management

The group's activities expose it to a variety of financial risks including market risk, credit risk and liquidity risk. The group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the group. The group uses derivative financial instruments such as foreign exchange contracts and commodity swap contracts to hedge significant risk exposures. Trading for profit is strictly prohibited.

Financial risk management is being carried out by a central treasury department within the group (Group Treasury) under policies approved by the Board of Directors (the Board). Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the group's operating units. The Board approves principles for overall risk management, as well as policies covering specific areas, such as mitigating foreign exchange, commodity price, interest rate and credit risks, use of derivative financial instruments and investing excess liquidity. Compliance to these Board directives is reported to the Treasury Advisory Team on a regular basis. Any breaches of policy are reported to the Board.

Sensitivity analysis has been used to help assess the financial risk of the group. In determining this sensitivity, the average of the 50 day historical volatility of the closing daily spot rate for three years, was used to adjust the forward curve. A three year period was chosen in line with the group's current hedging framework. For foreign currency the adjustment was applied to the US Dollar, the Euro, the Swedish Krona and the Japanese Yen. For commodity price risk, the adjustment was applied to the Singapore Gasoil curves.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises from capital expenditures that are denominated in a currency that is not the entity's functional currency. The group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar (USD), the Euro (EUR), the Swedish Krona (SEK) and the Japanese Yen (JPY). The risk is measured using cash flow at risk.

The group has a Finance Policy in place to manage foreign exchange risk. All foreign exchange risk is centrally managed by Group Treasury using approved derivative instruments.

The group's foreign exchange risk management policy dictates the level of hedging to be undertaken within the Board approved limits. As at the balance sheet date, the Board approved trading range for the foreign exchange risk hedging is:

0 – 1 year: 80%-100%

1 – 2 years: 60%-100%

2 – 3 years: 40%-100%

The group designates forward foreign currency derivatives for hedging foreign exchange forecast transactions which are highly probable. At balance date, 89% (2011: 81%) of foreign exchange hedges were designated for hedge accounting purposes.

At balance date, contracts recognised directly in equity were net losses of $0.6 million (2011: $1.6 million).

During the year ended 30 June 2012, losses of $1.2 million (2011: $2.2 million) were removed from equity and included in the acquisition cost of capital and no losses (2011: $0.2 million) were transferred to profit and loss.

2 Financial risk management (continued)

The group's exposure to foreign currency risk at the end of the reporting period was as follows:

	30 June 2012				30 June 2011			
	USD $'000	**EUR $'000**	**SEK $'000**	**JPY $'000**	USD $'000	EUR $'000	SEK $'000	JPY $'000
Cash and cash equivalents	**87**	**28**	**-**	**86**	327	62	-	3,865
Forward exchange contracts								
- capital expenditure foreign currency (not qualifying for hedge accounting)	**850**	**100**	**-**	**-**	-	-	(1,630)	-
- capital expenditure foreign currency (qualifying for hedge accounting)	**1,473**	**4,325**	**-**	**94,461**	2,827	10,511	5,800	672,929
Net Exposure	**2,410**	**4,453**	**-**	**94,547**	3,154	10,573	4,170	676,794

Sensitivity

At 30 June 2012, had the Australian dollar weakened / strengthened by 13% against the USD / EUR / SEK / JPY with all other variables held constant, the group's post-tax profit would have been $0.3 million higher / $0.2 million lower (2011: 20%, $1.7 million higher / $0.1 million lower).

(ii) Commodity price risk

Commodity price risk arises when future commercial supply agreements are subject to fluctuations in price movements. Commodity swap contracts, transacted by Group Treasury, are used to manage commodity price risk.

The group has a Finance Policy in place to manage commodity price risk. All commodity price risk is centrally managed by Group Treasury using approved derivative instruments. The group uses the commodity Singapore Gasoil 0.001% due to environmental efficiencies. The group has chosen Singapore Gasoil 0.5% to hedge exposures until December 2012 and Singapore Gasoil 0.05% to hedge exposures from January 2013 onwards as these are the most liquid markets available.

The group's commodity price risk management policy dictates the level of hedging to be undertaken within Board approved limits. As at the balance sheet date, the board approved trading range for the commodity price hedging is:

0 – 1 year: 0%-100%

1 – 2 years: 0%-100%

2 – 3 years: 0%-100%

The group designates forward commodity derivatives for hedging commodity forecast transactions which are highly probable. At balance date, 100% (2011: nil) of commodity hedges were designated for hedge accounting purposes.

At balance date, contracts recognised directly in equity were net losses of $0.9 million (2011: nil).

During the year ended 30 June 2012, losses of $0.03 million (2011: nil) were removed from equity and included in the cost of diesel fuel.

Sensitivity

At 30 June 2012, had the Singapore Gasoil price decreased / increased by 25% with all other variables held constant, the group's post-tax profit would have been nil higher / nil lower (2011:nil, nil / nil).

2 Financial risk management (continued)

(iii) Cash flow and fair value interest rate risk

The group's main interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the group to fair value interest rate risk. The QTC has been authorised to manage the interest rate risk of the group within limits in accordance with the risk profile approved by the Board of Directors.

This is achieved by varying the proportion of the floating and fixed rate funding. The performance of this risk management is assessed against the benchmark duration of the debt portfolio.

At the end of the reporting period the group had the following exposure to variable rate borrowings:

	30 June 2012		30 June 2011	
	Weighted average interest rate %	**Balance $'000**	Weighted average interest rate %	Balance $'000
Bank overdrafts and bank loans	**6.0 %**	3,000,000	6.1 %	3,000,000
Net exposure to cash flow interest rate risk		3,000,000		3,000,000

The following table summarises the sensitivity of the group's debt with QTC to interest rate risk:

		Interest rate risk			
		-1%		**+1%**	
30 June 2012	**Carrying amount $'000**	**Profit $'000**	**Equity $'000**	**Profit $'000**	**Equity $'000**
Client Specific Debt Pool	3,000,000	2,309	2,309	(2,199)	(2,199)
Total increase / (decrease)		2,309	2,309	(2,199)	(2,199)
		Interest rate risk			
		-1%		+1%	
30 June 2011	Carrying amount $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000
Client Specific Debt Pool	3,000,000	2,421	2,421	(2,421)	(2,421)
Total increase / (decrease)		2,421	2,421	(2,421)	(2,421)

(b) Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the consolidated financial statements.

The group does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the group, other than amounts owing by the State of Queensland. For some trade receivables the group may also obtain security in the form of guarantees, deeds of undertaking or letters of credit which can be called upon if the counterparty is in default under the terms of the agreement.

Policies are in place to ensure that sales of products and services are only made to customers with an appropriate credit history.

2 Financial risk management (continued)

Derivative counterparties and cash transactions are limited to high credit quality financial institutions and are approved by the Board. The group has policies that limit the amount of credit exposure to any one financial institution. At the balance sheet date the group had the following credit exposure risk:

	2012 $'000	2011 $'000
Cash at bank and short-term bank deposits		
AA+	**119,036**	152,809
AA	**206,175**	13,586
	325,211	166,395
Derivative financial assets		
AA	**-**	14
A+	**-**	1,615
	-	1,629

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

Liquidity risk management within the group ensures sufficient cash to meet short-term and long-term financial commitments. The group has policies in place to manage liquidity risk, including the establishment of an annual approved borrowing program and the availability of appropriate working capital facilities.

The group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate cash flow is maintained.

Financing arrangements

The short-term borrowing arrangements with QTC are interest bearing, refer to note 2(a)(iii). The borrowing arrangements are subject to annual review. The total amount of credit unused as at 30 June 2012 was $450.0 million (2011: $450.0 million).

The amount of undrawn short-term borrowing facilities with QTC available as at reporting date is shown below:

	2012 $'000	2011 $'000
QTC short-term facilities		
Used at balance date	**-**	-
Unused at balance date	**450,000**	450,000
Total facilities	**450,000**	450,000

Long-term borrowings are sourced from the Queensland Rail Client Specific Pool subject to annual approval of the Queensland State Treasurer. The group may draw up to the amount of the approved borrowing program.

Borrowings are not secured.

The group had a credit standby arrangement with the Commonwealth Bank of Australia in the form of a bank overdraft totalling $2.0 million in the previous financial year. The group cancelled this facility during the current financial year.

2 Financial risk management (continued)

Maturity Analysis

The tables below analyse the group's financial liabilities and net and gross settled derivative financial instruments into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

30 June 2012	Less than 1 year $'000	Between 1 and 5 years $'000	Over 5 years $'000	Total contractual cash flows $'000
Non-derivatives				
Non-interest bearing	192,921	-	-	192,921
Variable rate	25,469	-	-	25,469
Fixed rate	224,204	897,432	3,024,290	4,145,926
Total non-derivatives	442,594	897,432	3,024,290	4,364,316
Derivatives				
Net settled (forward commodity hedges)				
Liabilities	859	-	-	859
Gross settled (foreign exchange hedges)				
Assets				
- (inflow)	-	-	-	-
- outflow	-	-	-	-
Liabilities				
- (inflow)	(8,778)	(280)	-	(9,058)
- outflow	9,723	313	-	10,036
Total derivatives	1,804	33	-	1,837

30 June 2011	Less than 1 year $'000	Between 1 and 5 years $'000	Over 5 years $'000	Total contractual cash flows $'000
Non-derivatives				
Non-interest bearing	220,352	-	-	220,352
Variable rate	25,160	-	-	25,160
Fixed rate	225,052	898,358	2,985,323	4,108,733
Total non-derivatives	470,564	898,358	2,985,323	4,354,245
Derivatives				
Gross settled (foreign exchange hedges)				
Assets				
- (inflow)	(4,689)	-	-	(4,689)
- outflow	3,022	-	-	3,022
Liabilities				
- (inflow)	(23,967)	(5,656)	-	(29,623)
- outflow	27,961	6,146	-	34,107
Total derivatives	2,327	490	-	2,817

2 Financial risk management (continued)

(d) Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and for disclosure purposes.

AASB 7 *Financial Instruments: Disclosures* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
(b) 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) (level 2); and
(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3)

The following tables present the group's assets and liabilities measured and recognised at fair value at 30 June 2012:

30 June 2012	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Financial assets at fair value through profit or loss				
Forward exchange contracts	-	-	-	-
Total assets	-	-	-	-
Liabilities				
Financial liabilities at fair value though profit or loss				
Forward exchange contracts	-	8	-	8
Derivatives used for hedging				
Forward exchange contracts	-	947	-	947
Commodity swaps	-	859	-	859
Total liabilities	-	1,814	-	1,814
30 June 2011	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Financial assets at fair value through profit or loss				
Forward exchange contracts	-	1,629	-	1,629
Total assets	-	1,629	-	1,629
Liabilities				
Financial liabilities at fair value though profit or loss				
Forward exchange contracts	-	1,638	-	1,638
Derivatives used for hedging				
Forward exchange contracts	-	2,685	-	2,685
Total liabilities	-	4,323	-	4,323

The fair value of financial instruments traded in active markets (such as foreign exchange and commodity derivatives) is based on observable market prices at the balance sheet date. The observable market price used for financial assets and liabilities held by the group for effective hedges is the average (i.e. mid) forward rate at close of business on balance sheet date.

The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) is determined using generally accepted valuation techniques. The group uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Observable market prices or dealer estimates for similar instruments are used to estimate fair value for long-term debt for disclosure purposes. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of forward exchange contracts and commodity swap contracts is determined using forward market rates at the end of the reporting period. These instruments are included in level 2 and comprise derivative financial instruments. In the circumstances where a valuation technique for these instruments is based on significant unobservable inputs, such instruments are included in level 3.

2 Financial risk management (continued)

The carrying amounts of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments. The fair value of current borrowings approximates the carrying amount, as the impact of discounting is not significant.

3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Estimated impairment of property, plant and equipment

The group tests annually whether property, plant and equipment has suffered any impairment, in accordance with the accounting policy stated in note 1(r). The recoverable amounts of cash-generating units have been determined based on value in use calculations or fair value less costs to sell. Value in use calculations require the use of assumptions.

(ii) Provisions for insurance claims

The subsidiary company, On Track Insurance Pty Ltd, managed the self insurance activities of the QR Limited group to which both Queensland Rail Limited and On Track Insurance Pty Ltd belonged until 30 June 2010 and 6 October 2010 respectively. Actuarial assessments are undertaken annually to assess the value of the provision for any outstanding claims. Refer to note 1(z) for further information.

Accrued insurance liabilities (includes Workers' Compensation) is based on a combination of management estimates and independent actuarial assessments performed as at year end. Refer to note 21 for more information.

(iii) Provision for land rehabilitation

There is uncertainty as to the amount that will ultimately be required to be expensed to remediate contaminated land. Refer to note 21 for more information.

(iv) Workers compensation self-insurance provision and long service leave provision

Independent actuarial valuations are used to estimate the provisions required for self-insured workers compensation.

The determination of the provisions required is dependent on a number of assumptions including;

- for workers compensation: the total future cost to finalise existing open claims, wage increases that will impact existing claims, inflation, and the amount of claims that have been incurred but not yet reported.
- for long service leave: expected wage increases, length of employee service and bond rates.

Refer to note 21 for more information.

3 Critical accounting estimates and judgements (continued)

(v) Taxation

The group's accounting policy for taxation requires management's judgement as to the types of arrangements considered to be subject to a tax. Judgement is also required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the balance sheet. Deferred tax assets, including those arising from unrecouped tax losses, capital losses and temporary differences, are recognised only when it is considered probable that they will be recovered. Recoverability is dependent on the generation of sufficient future taxable profits.

Refer to notes 18 and 24 for carrying amounts of deferred tax assets and deferred tax liabilities.

(vi) Depreciation

Management estimates the useful lives and residual values of property, plant and equipment based on the expected period of time over which economic benefits from use of the asset will be derived. Management review useful life assumptions on an annual basis having given consideration to variables including historical and forecast usage rates, technological advancements and changes in legal and economic conditions. Refer to note 1(o) for details of current depreciation rates used.

(vii) Hedge accounting

Management's judgement is necessary when determining whether a derivative financial instrument qualifies for hedge accounting, such as whether forecast transactions are highly probable as required by AASB 139 *Financial Instruments: Recognition and Measurement.* The assessment of whether forecast transactions are highly probable is judgmental and is subject to changes to the timing and magnitude of underlying purchases.

4 Correction of error and revision of estimates

There have been no corrections of error and revisions of estimates in the current reporting period.

5 Revenue from operations

	2012 $'000	2011 $'000
Transport service contract revenue	**1,530,327**	1,436,487
Passenger transport revenue	**71,836**	64,050
Network access revenue	**217,463**	173,992
Other revenue*	**109,483**	159,828
Interest revenue	**14,166**	3,321
	1,943,275	1,837,678

* Other revenue includes Workshop revenue $25.0 million (2011: $18.5 million), External construction works revenue $21.5 million (2011: $45.2 million), Natural disaster funding of $14.3 million (2011: $26.5 million), Leasing revenue $13.9 million (2011: $12.1 million), Telecommunication revenue $13.0 million (2011: $12.7 million) and Airtrain revenue of $10.4 million (2011: $9.5 million).

6 Other income

	2012 $'000	2011 $'000
Net foreign exchange gains	**36**	-
Government grants	**2,746**	1,777
	2,782	1,777

7 Expenses

	2012 $'000	2011 $'000
Profit before income tax includes the following specific expenses:		
Depreciation & amortisation		
Depreciation		
Buildings	**18,445**	16,730
Plant and equipment	**20,958**	16,242
Infrastructure	**139,304**	130,444
Rollingstock	**103,274**	83,991
Total depreciation	**281,981**	247,407
Amortisation		
Lease fit out	**2,619**	1,613
Rollingstock under finance leases	**-**	822
Software (note 17)	**11,948**	1,631
Total amortisation	**14,567**	4,066
Total depreciation and amortisation	**296,548**	251,473
Finance costs		
Interest and finance charges paid / payable	**222,927**	224,539
Total finance costs	**222,927**	224,539
Other expenses		
Rental expenses relating to leases	**55**	54
Provision for inventory obsolescence	**1,540**	623
Research and development costs	**100**	115
Settlement of litigation expenses	**521**	-
Impairment losses		
Trade receivables	**35**	78
Property, plant and equipment	**-**	337
Net losses on non-hedge currency derivatives and hedge ineffectiveness	**920**	1,983
Net foreign exchange losses	**-**	12
Net loss on disposal of property, plant and equipment	**2,125**	1,475
Other expenses	**1,724**	2,570
Total other expenses	**7,020**	7,247
*Superannuation expenses**		
Defined benefit superannuation expense	**20,744**	19,883
Defined contribution superannuation expense	**44,481**	37,843
Total superannuation expenses	**65,225**	57,726

* Forms part of employee benefits expense.

8 Income tax expense

(a) Income tax expense

	2012 $'000	2011 $'000
Current tax	**32,115**	61,868
Deferred tax	**26,215**	(12,824)
Adjustments for current tax of prior periods	**(604)**	-
Recognition of unused revenue tax loss*	**-**	(34,801)
Recognition of unused capital tax loss*	**-**	(2,185)
	57,726	12,058
Deferred income tax expense included in income tax expense comprises:		
(Increase) / decrease in deferred tax assets (note 18)	**(2,221)**	(12,538)
Increase / (decrease) in deferred tax liabilities (note 24)	**28,436**	(286)
	26,215	(12,824)

* The company received approval from the National Tax Equivalents Regime to utilise the unused revenue and capital tax losses previously belonging to QR Limited. These losses were not carried forward by QR Limited when it privatised in the previous reporting period.

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	2012 $'000	2011 $'000
Profit from continuing operations before income tax expense	**186,013**	161,322
Tax at the Australian tax rate of 30% (2011: 30%)	**55,804**	48,397
Tax effect of amounts which are non-deductible (taxable) in calculating taxable income:		
Entertainment	**14**	8
Research and development	**(739)**	(240)
Inter-company eliminations	**3,242**	889
Investment allowances	**-**	(2)
Other	**18**	1
Non-assessable income	**(9)**	(9)
Adjustments for current tax of prior periods	**(604)**	-
Recognition of unused revenue tax loss	**-**	(34,801)
Recognition of unused capital tax loss	**-**	(2,185)
	1,922	(36,339)
Total income tax expense	**57,726**	12,058

(c) Amounts recognised directly in equity

	2012 $'000	2011 $'000
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity		
Net deferred tax - debited / (credited) directly to equity (note 18)	**34**	(476)
	34	(476)

9 Current assets - Cash and cash equivalents

	2012 $'000	2011 $'000
Cash on hand	**158**	131
Bank balances	**2,727**	13,586
Short-term investments	**322,484**	152,809
Trust monies	**1**	7
Total cash and cash equivalents	**325,370**	166,533
Less: trust monies	**(1)**	(7)
Balance as per statement of cash flows	**325,369**	166,526

(a) Interest rate risk exposure

The group's exposure to interest rate risk is discussed in note 2.

10 Current assets - Trade and other receivables

	2012 $'000	2011 $'000
Trade receivables	**59,308**	120,089
Provision for impairment of receivables (a)	**(119)**	(99)
Net trade receivables	**59,189**	119,990
Transport service contracts	**106,885**	160,752
Receivables - SEQIPP works	**5,870**	13,024
Other receivables	**10,096**	7,857
	122,851	181,633
Total trade and other receivables	**182,040**	301,623

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

(a) Impaired trade receivables

At reporting date, it was assessed that a portion of the impaired receivables is expected to be recovered. The nominal values and ageing of the impaired trade receivables is as follows:

	2012 $'000	2011 $'000
1 to 3 months	**-**	8
3 to 6 months	**1**	4
Over 6 months	**105**	84
	106	96

10 Current assets - Trade and other receivables (continued)

Movements in the provision for impairment of receivables are as follows:

	2012 $'000	2011 $'000
Opening balance	**99**	40
Provision for impairment recognised during the year	**35**	78
Receivables written off during the year as uncollectible	**(15)**	(19)
	119	99

The creation and release of the provision for impaired receivables has been included in the income statement. Amounts charged to the provision account are generally written off when there is no expectation of recovering additional cash.

(b) Past due but not impaired

At reporting date, some of the group's trade receivables were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2012 $'000	2011 $'000
3 to 6 months	**1,545**	1,013
over 6 months	**3,805**	5,713
	5,350	6,726

11 Current assets - Inventories

	2012 $'000	2011 $'000
Raw materials and stores - at cost	**56,907**	42,832
Work in progress - at cost	**431**	224
Less: provision for inventory obsolescence	**(1,025)**	(297)
Inventory at lower of cost or net realisable value	**56,313**	42,759

(a) Inventory expense

Inventory recognised as expense during the year ended 30 June 2012 amounted to $109.0 million (2011: $107.9 million). Write-downs of inventories to net realisable value recognised as an expense during the year ended 30 June 2012 amounted to $0.3 million (2011: $1.4 million).

12 Derivative financial instruments

	2012 $'000	2011 $'000
Current assets		
Forward exchange contracts - at fair value through profit & loss	-	1,629
Total current derivative financial instrument assets	-	1,629
Total derivative financial instrument assets	-	1,629
Current liabilities		
Forward exchange contracts - cash flow hedges	916	2,232
Forward exchange contracts - at fair value through profit & loss	8	1,638
Commodity contracts - cash flow hedges	859	-
Total current derivative financial instrument liabilities	1,783	3,870
Non-current liabilities		
Forward exchange contracts - cash flow hedges	31	453
Total non-current derivative financial instrument liabilities	31	453
Total derivative financial instrument liabilities	1,814	4,323

(a) Instruments used by the group

The group holds derivative financial instruments to hedge (including economically hedge) its foreign currency and commodity price risk exposures in accordance with the group's financial risk management policy (note 2).

13 Current assets - Other current assets

	2012 $'000	2011 $'000
Prepayments	**6,192**	26,862
	6,192	26,862

14 Non-current assets - Receivables

	2012 $'000	2011 $'000
Transport service contracts	**39,907**	42,724
Loan receivable*	**17,184**	27,099
	57,091	69,823

* Loan receivable represents the outstanding balance of the loan between the subsidiary company and its former parent company, QR Limited. This loan is non-interest bearing and is not repayable on demand. The loan balance is reduced as the subsidiary settles outstanding insurance claims by QR Limited and its subsidiaries.

(a) Impaired receivables and receivables past due

None of the non-current receivables are impaired or past due but not impaired.

(b) Fair values

The carrying value of non-current receivables represents the best approximation of fair value.

15 Non-current assets - Inventories

	2012 $'000	2011 $'000
Raw materials and stores - at cost	**15,240**	19,458
	15,240	19,458

16 Non-current assets - Property, plant and equipment

	Asset under construction $'000	Land $'000	Leased property $'000	Buildings $'000	Plant and equipment $'000	Rollingstock $'000	Leased rollingstock $'000	Infrastructure $'000	Total $'000
At 1 July 2010									
Cost	854,543	134,257	-	369,508	150,767	1,129,704	35,979	3,174,348	5,849,106
Accumulated depreciation / amortisation and impairment losses	-	(3,004)	-	(69,204)	(70,914)	(267,852)	(17,820)	(246,209)	(675,003)
Net book amount	854,543	131,253	-	300,304	79,853	861,852	18,159	2,928,139	5,174,103
Year ended 30 June 2011									
Opening net book amount	854,543	131,253	-	300,304	79,853	861,852	18,159	2,928,139	5,174,103
Transfer from former parent and its subsidiary	2,000	9,461	-	7,722	2,811	230,154	448	88,845	341,441
Additions	581,373	911	-	285	5,630	-	-	2,009	590,208
Transfers between asset classes	(1,098,346)	4,302	21,052	77,253	23,870	257,538	(17,785)	716,195	(15,921)
Disposals	-	(7,933)	-	(2,150)	(1,182)	(386)	-	(1,962)	(13,613)
Impairment expense	-	-	-	-	(90)	(247)	-	-	(337)
Depreciation / amortisation expense	-	-	(1,613)	(16,730)	(16,242)	(83,991)	(822)	(130,444)	(249,842)
Closing net book amount	339,570	137,994	19,439	366,684	94,650	1,264,920	-	3,602,782	5,826,039
At 30 June 2011									
Cost	339,570	139,806	21,052	453,194	180,041	1,685,058	-	3,983,123	6,801,844
Accumulated depreciation / amortisation and impairment losses	-	(1,812)	(1,613)	(86,510)	(85,391)	(420,138)	-	(380,341)	(975,805)
Net book amount	339,570	137,994	19,439	366,684	94,650	1,264,920	-	3,602,782	5,826,039

16 Non-current assets - Property, plant and equipment (continued)

	Asset under construction $'000	Land $'000	Leased property $'000	Buildings $'000	Plant and equipment $'000	Rollingstock $'000	Leased rollingstock $'000	Infrastructure $'000	Total $'000
Year ended 30 June 2012									
Opening net book amount	339,570	137,994	19,439	366,684	94,650	1,264,920	-	3,602,782	5,826,039
Additions	558,273	-	1,518	-	5,681	-	-	-	565,472
Transfers between asset classes	(445,026)	603	2,847	27,707	36,024	179,802	-	153,904	(44,139)
Disposals	-	(9,315)	-	(860)	(1,459)	(273)	-	(4,488)	(16,395)
Depreciation / amortisation expense	-	-	(2,619)	(18,445)	(20,958)	(103,274)	-	(139,304)	(284,600)
Closing net book amount	452,817	129,282	21,185	375,086	113,938	1,341,175	-	3,612,894	6,046,377
At 30 June 2012									
Cost	452,817	131,084	25,416	479,730	215,131	1,830,739	-	4,129,319	7,264,236
Accumulated depreciation / amortisation and impairment losses	-	(1,802)	(4,231)	(104,644)	(101,193)	(489,564)	-	(516,425)	(1,217,859)
Net book amount	452,817	129,282	21,185	375,086	113,938	1,341,175	-	3,612,894	6,046,377

The property, plant and equipment of the group were transferred from the former parent company, QR Limited and its wholly owned subsidiary, QR Network Pty Ltd, on 30 June 2010. Further assets were transferred to the group via Transfer Notice on 31 August 2010.

The property, plant and equipment transferred on 30 June 2010 to the group included specific assets which management subsequently transferred back to QR Limited and QR Network Pty Ltd in the second Transfer Notice on 31 August 2010. The group had legal title and ownership of the assets during this 2 month period. The written down value of this property, plant and equipment was $7.5 million.

(a) Non-current assets pledged as security

No assets have been pledged as security by the company.

(b) Impairment

An impairment assessment was undertaken prior to reporting date. No impairment was recognised in the current reporting period.

Impairment was recognised in the prior period due to a slight decrease in the salvage values of the group's already impaired tourist and heritage assets.

17 Non-current assets - Intangible assets

	Computer software* $'000	Total $'000
At 1 July 2010		
Cost	-	-
Accumulated amortisation and impairment	-	-
Net book amount	-	-
Year ended 30 June 2011		
Opening net book amount	-	-
Transfers	15,921	15,921
Amortisation expense	(1,631)	(1,631)
Closing net book amount	14,290	14,290
At 30 June 2011		
Cost	15,921	15,921
Accumulated amortisation and impairment	(1,631)	(1,631)
Net book amount	14,290	14,290
Year ended 30 June 2012		
Opening net book amount	14,290	14,290
Transfers	44,139	44,139
Amortisation expense	(11,948)	(11,948)
Closing net book amount	46,481	46,481
At 30 June 2012		
Cost	60,060	60,060
Accumulated amortisation and impairment	(13,579)	(13,579)
Net book amount	46,481	46,481

* Software includes capitalised development costs being an internally generated intangible asset.

An impairment assessment was undertaken prior to balance date. No impairment was recorded against intangible assets for the period.

18 Non-current assets - Deferred tax assets

	2012 $'000	2011 $'000
The balance comprises temporary differences attributable to:		
Accrued expenses	**11,213**	9,613
Capital losses	**2,613**	2,185
Provisions	**86,315**	81,472
Superannuation contributions	**728**	583
Unearned revenue	**4,983**	9,216
Cash flow hedges	**443**	476
Various adjustments - temporary differences	**137**	272
Total deferred tax assets	**106,432**	103,817

	2012 $'000	2011 $'000
Movements:		
Opening balance	**103,817**	88,609
Credited / (charged) to the consolidated income statement (note 8)	**2,221**	12,538
Transfer from former parent	**-**	155
Cash flow hedge	**(34)**	476
Increase / (utilisation) of carried forward tax losses	**-**	(146)
Recognition of unused revenue tax loss*	**-**	34,801
Recognition of unused capital tax loss*	**-**	2,185
Increase in Capital losses	**428**	-
Utilisation of revenue tax loss	**-**	(34,801)
Closing balance at 30 June	**106,432**	103,817
Deferred tax assets to be recovered within 12 months	**-**	-
Deferred tax assets to be recovered after more than 12 months	**106,432**	103,817

* The company received approval from the National Tax Equivalents Regime to utilise the unused revenue and capital tax losses previously belonging to QR Limited. These losses were not carried forward by QR Limited when it privatised in the current reporting period.

19 Non-current assets - Other non-current assets

	2012 $'000	2011 $'000
Prepayments	**5,049**	23,563
	5,049	23,563

20 Current liabilities - Trade and other payables

	2012 $'000	2011 $'000
Trade payables	**200,338**	227,400
Dividend payable	**102,629**	84,429
Other payables	**18,052**	18,112
	321,019	329,941

21 Liabilities - Provisions

	2012 $'000	2011 $'000
Current provisions		
Provision for insurance claims (a)	**32,196**	39,040
Litigation and workers' compensation provision (b)	**8,999**	7,784
	41,195	46,824
Non-current provisions		
Litigation and workers' compensation provision (b)	**19,850**	16,943
Land rehabilitation provision (c)	**10,585**	14,402
Make good provision (d)	**3,656**	3,263
	34,091	34,608
Total provisions	**75,286**	81,432

(a) Provision for Insurance Claims

The provision for insurance claims is raised for insurance claims external to the group as recorded by On Track Insurance Pty Ltd, the group's internal captive insurance provider for claims up until 30 June 2010. The provision represents the estimated requirement to settle all third party claims against the group as determined by an actuarial assessment.

(b) Litigation and workers' compensation

Provision is made for the estimated liability for workers' compensation and litigation claims. Claims are assessed separately for common law, statutory and asbestos claims. The outstanding liability is determined after factoring future claims inflation and discounting future claim payments. Estimates are made based on the average number of claims and average claim payments over a specified period time. Claims Incurred But Not Reported (IBNR) are also included in the estimate. Claims are expected to be paid over a period exceeding more than one year.

(c) Land rehabilitation provision

This provision recognises the estimated costs to remediate contaminated land in accordance with the group's constructive obligations per the environmental sustainability policy. These estimated costs have arisen as a result of past events.

The provision for land rehabilitation is the present value of management's best estimate of the expenditure required to settle the land rehabilitation present obligation at the reporting date. The provision has been calculated based on advice from external consultants and management's best estimate of likely remediation costs.

(d) Make good provision

This provision represents the anticipated costs of the future restoration of leased office premises. Make good requirements vary for different properties. The provision includes future cost estimates associated with the restoration of office fixtures and fittings to original condition; removal of all property and equipment to return the premises to a vacant shell, and making good any damage caused by their removal; re altering any alterations to return to its original lay out; and repairing and making good any damage which may be caused to land adjoining the premises as a result of carrying out structural work or other improvements. The provision has been calculated based on management's best estimate of make good costs.

21 Liabilities - Provisions (continued)

(e) Movements in provisions

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

	Provision for insurance claims $'000	Litigation and workers' compensation provision $'000	Land rehabilitation provision $'000	Make good provision $'000	Total $'000
2012					
Current and Non-current					
Carrying amount at start of year	39,040	24,727	14,402	3,263	81,432
- additional provisions recognised	3,283	11,830	-	220	15,333
- unused amounts released	-	-	(4,609)	-	(4,609)
- unwind discount	-	-	792	173	965
Amounts used during the year	(10,127)	(7,708)	-	-	(17,835)
Carrying amount at end of year	32,196	28,849	10,585	3,656	75,286

22 Current liabilities - Other current liabilities

	2012 $'000	2011 $'000
Income in advance (a)	**24,958**	41,383
Other current liabilities	**3,237**	2,689
Employee benefits (b)	**233,786**	216,685
	261,981	260,757

(a) Income in advance

Income in advance predominantly represents amounts received as prepayment for the development of rail infrastructure and lease payments and/or incentives received in advance. Infrastructure prepayments are deferred and earned over the term of their respective agreements while lease incentives are amortised to the income statement over the life of the related lease.

(b) Employee benefits

	2012 $'000	2011 $'000
Annual leave	**66,938**	61,337
Long service leave	**146,339**	138,308
Other	**20,509**	17,040
	233,786	216,685

The provision for long service leave covers all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. This portion of the provision is presented as current, since the group does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

Other employee benefits includes payroll tax and retirement allowances.

23 Liabilities - Borrowings

	2012 $'000	2011 $'000
Non-current borrowings		
Queensland Treasury Corporation borrowings*	**3,000,000**	3,000,000
Total borrowings	**3,000,000**	3,000,000

* Unsecured

(a) Financing arrangements

For details of the group's financing arrangements please refer to note 2(c).

(b) Fair value

The carrying amounts and fair values of current and non-current borrowings and off-balance sheet guarantees at balance date are:

	At 30 June 2012		At 30 June 2011	
	Carrying amount $'000	**Fair value $'000**	Carrying amount $'000	Fair value $'000
On-balance sheet (i)				
Non-traded financial liabilities				
Non-current borrowings	**3,000,000**	**3,284,595**	3,000,000	3,067,843
	3,000,000	**3,284,595**	3,000,000	3,067,843
Off-balance sheet (ii)				
Unrecognised financial assets				
Third party guarantees	**-**	**302,555**	-	303,286
Bank guarantees	**-**	**108,246**	-	105,610
Insurance company guarantees	**-**	**28,269**	-	31,417
Unrecognised financial liabilities				
Third party guarantees	**-**	**(2,000)**	-	-
Bank guarantees	**-**	**(35,904)**	-	(30,075)
	-	**401,166**	-	410,238

(i) On-balance sheet

The fair value of borrowings, as disclosed in the notes to the consolidated financial statements, is determined by reference to the published price quotation in an active market and / or by reference to pricing models and valuation techniques. It reflects the value of the debt of the group repaid in full at balance date. As it is the intention of the group to hold its borrowings for their full term, no adjustment provision is made in these consolidated financial statements.

23 Liabilities - Borrowings (continued)

(ii) Off-balance sheet

The group holds guarantees related to contracts that were transferred from QR Limited in accordance with the Transfer Notice on 30 June 2010. At balance date, the majority of these have been reissued to the group. A small number of guarantees remain to be reissued in accordance with the terms and conditions of those contracts.

A review of the 2011 unrecognised financial assets has resulted in disclosure of an additional $12.2 million third party guarantees for the comparative period as well as reclassification of $28.3 million from bank guarantees to insurance company guarantees.

(c) Risk exposures

Information about the entity's exposure to interest rate and foreign currency fluctuations is provided in note 2.

24 Non-current liabilities - Deferred tax liabilities

	2012 $'000	2011 $'000
The balance comprises temporary differences attributable to:		
Accrued income	**2,019**	23
Consumables and spare parts	**6,298**	4,899
Property, plant and equipment	**390,579**	365,764
Prepayments	**199**	179
Foreign exchange gains	**1,283**	1,077
Total deferred tax liabilities	**400,378**	371,942

	2012 $'000	2011 $'000
Movements:		
Opening balance	**371,942**	363,090
Net transfers from former parent	**-**	9,138
Charged / (credited) to the consolidated income statement (note 8)	**28,436**	(286)
Closing balance at 30 June	**400,378**	371,942

Deferred tax liabilities to be settled within 12 months	**-**	-
Deferred tax liabilities to be settled after more than 12 months	**400,378**	371,942

25 Non-current liabilities - Other non-current liabilities

	2012 **$'000**	2011 $'000
Income in advance (a)	**31,147**	33,885
Employee Benefits		
Long Service Leave (b)	**11,939**	10,110
Retirement Allowance	**4,810**	4,594
	47,896	48,589

(a) Income in advance

Income in advance predominantly represents amounts received as prepayment for the development of rail infrastructure and lease payments and/or incentives received in advance. Infrastructure prepayments are deferred and earned over the term of their respective agreements while lease incentives are amortised to the income statement over the life of the related lease.

(b) Long service leave

The non-current provision for long service leave covers all conditional entitlements where employees have not completed the required period of service and are not entitled to pro-rata payments. This portion of the provision is presented as non-current, since the group does not have an obligation to settle the provision within the next 12 months.

26 Contributed equity

(a) Share capital

	2012 **$'000**	2011 $'000
Ordinary shares		
Fully paid at the beginning of the year	**2,363,172**	1,725,804
Capital distribution from former parent	**-**	314,498
Distribution of equity	**(6,555)**	-
Equity injection	**246,011**	322,870
Total contributed equity	**2,602,628**	2,363,172

(b) Movements in ordinary share capital:

Date	**Details**	**Number of shares**	**$'000**
1 July 2010	Opening balance	100	1,725,804
	Capital distribution from former parent	-	314,498
	Equity injection	-	322,870
30 June 2011	Balance	100	2,363,172
1 July 2011	Opening balance	100	2,363,172
	Distribution of equity	-	(6,555)
	Equity injection	-	246,011
30 June 2012	Balance	100	2,602,628

(c) Ordinary shares

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

26 Contributed equity (continued)

(d) Capital risk management

The group's objectives when managing capital are to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The shareholding Ministers advise the appropriate methodology in determining the dividend payable annually.

The group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'borrowings' and ‘trade and other payables' as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as ‘equity’ as shown in the balance sheet plus net debt.

The group's gearing ratios are as follows:

	2012 $'000	2011 $'000
Total borrowings	**3,321,019**	3,329,941
Less: cash and cash equivalents	**(325,370)**	(166,533)
Net debt	**2,995,649**	3,163,408
Total equity	**2,737,683**	2,472,491
Total capital	**5,733,332**	5,635,899
Gearing ratio	**52 %**	56 %

The group is also required by QTC to maintain an Earnings Before Interest and Tax (EBIT) Interest Coverage of greater than 1.25:1, except where the total debt to capital is greater than 70%, in which case the EBIT Interest Coverage must be at least 2:1. The group has complied with this requirement for both the current and prior reporting periods.

27 Reserves and retained earnings

	2012 $'000	2011 $'000

(a) Reserves

	2012 $'000	2011 $'000
Hedging reserve - cash flow hedges	**(1,033)**	(1,111)
	(1,033)	(1,111)

Movements:

	2012 $'000	2011 $'000
Hedging reserve - cash flow hedges		
Opening balance	**(1,111)**	-
Fair value (losses) taken to equity	**(1,093)**	(3,971)
Deferred tax	**328**	1,191
Fair value losses transferred to income statement - no longer highly effective	**-**	180
Deferred tax	**-**	(54)
Fair value losses matured and included in components cost	**29**	-
Deferred tax	**(9)**	-
Fair value losses matured and capitalised	**1,176**	2,204
Deferred tax	**(353)**	(661)
Balance 30 June	**(1,033)**	(1,111)

(b) Retained earnings

Movements in retained earnings were as follows:

	2012 $'000	2011 $'000
Opening balance	**110,430**	45,595
Profit for the year	**128,287**	149,264
Dividends	**(102,629)**	(84,429)
Balance 30 June	**136,088**	110,430

28 Dividends

	2012 **$'000**	2011 $'000
(a) Ordinary shares		
Dividend of 1,026,290 dollars per share (2011: 844,290) was declared by the Board for the year ended 30 June 2012:		
Fully franked portion	**-**	-
Unfranked portion	**102,629**	84,429
Dividend paid		
Fully franked portion	**-**	-
Unfranked portion	**84,429**	-

29 Key management personnel disclosures

(a) Directors and specified executives

Compensation and other terms of employment for the specified executives are formalised in service agreements. Details of directors' terms of appointment and compensation details together with the major provisions of the service agreements for specified executives, as at reporting date, relating to compensation are as follows:

(i) Directors

Queensland Rail Limited

Directors	Position	Appointment term	Expiry date
S Gregg*	Chairman	3 years 3 months	30 September 2013
M Hayes	Director	3 years 3 months	30 September 2013
Dr L Keliher AO	Director	2 years 3 months	30 September 2012
M McArthur	Director	3 years 3 months	30 September 2013
D McMillan-Hall	Director	2 years 3 months	30 September 2012
D Petie	Director	2 years 3 months	30 September 2012
J Schafer	Director	3 years 3 months	30 September 2013

* S Gregg was Chairman of the Queensland Rail Board from the date of his appointment on 1 July 2010 until he retired from the Board on 12 July 2012. G Dawe was appointed to the Board as its Chairman on 12 July 2012.

On Track Insurance Pty Ltd

Directors	Position	Appointment term	Expiry date
D Petie	Chairman	No set appointment term	No expiry date
R Ashton	Director	No set appointment term	No expiry date
J Benstead	Managing Director	No set appointment term	No expiry date
G Pringle	Director	3 years	28 February 2014

29 Key management personnel disclosures (continued)

(ii) Specified executives

Queensland Rail Limited

Specified executives	Position	Appointment term	Expiry date
J Benstead[1]	Acting Chief Executive Officer	3 years	30 June 2013
L Lefcourt[1]	Acting Chief Financial Officer	Tenured	
T Taifalos	Chief Operating Officer	3 years	31 December 2014
R Franklin	Acting Chief Human Resources Officer	This role is currently being performed on an acting basis and is not subject to an executive contract.	
C Petersen	Chief Strategy & Corporate Services Officer	3 years	30 June 2013
M Ryan	Chief Communications Officer	3 years	30 June 2013
G Ford	Chief Safety & Environment Officer	3 years	30 June 2013
J Pistak	Chief Network Officer	3 years	30 June 2013
M Williams	Chief Rail Operations Officer	3 years	11 March 2015
C Heffernan	Chief Customer Officer	3 years	19 February 2015
K Wright	Chief Project Delivery Officer	3 years	26 February 2015
S Campbell	General Counsel / Company Secretary	3 years	13 November 2014

[1]Details provided are for this officer's substantive role.

The above are the key executives representing the group. These executives provide advice in relation to strategy and future direction of the group under the business model adopted. The subsidiary entity does not have any senior executives who are involved in setting strategy or future direction for the entity and no subsidiary executives are disclosed above for this reason.

Termination of an executive can be made by the group to the specified executive either with notice, without notice or due to the incapacity of the specified executive. Termination by notice can be made by the specified executive or the group at any time by either party giving to the other 3 months written notice of termination.

The specified executive is entitled to 12 weeks salary where termination occurs on the agreed termination date, except for C Heffernan who is entitled to the greater of 4 weeks salary or 2 weeks salary per year of continuous service with the group up to a maximum 52 weeks salary.

When the termination occurs prior to the termination date (assuming no gross misconduct), the group will pay the specified executive the following:

- a service payment equal to the greater of 4 weeks salary or 2 weeks salary per year of continuous service with the group up to a maximum 52 weeks salary, and
- a separation payment equal to 20% of the salary that the specified executive would have earned had the employment continued from the day after the notice period ceased until the termination date.

Specified executives that are tenured are entitled to a service payment equal to the greater of 13 weeks salary or 2 weeks salary per year of continuous service with the group up to a maximum 52 weeks salary.

(b) Key management personnel compensation

Directors' remuneration and terms of appointment are set by the Governor in Council at the time of a director's appointment. Directors' remuneration is subsequently reviewed annually and set by shareholding Ministers.

Directors are not entitled to termination payments on termination of their period of service.

29 Key management personnel disclosures (continued)

Queensland Rail Chief and Senior Executive Officers are compensated in accordance with the *Government Owned Corporations - Governance Arrangements for Chief and Senior Executives v3.0* publication. The Queensland Rail Board has also implemented the *Performance Payment Policy - Chief and Senior Executive* which reflects the expectations of the Queensland State Government as outlined in the stated policy.

The *Performance Payment Policy - Chief and Senior Executive* provides for a performance pay process that is administered on a 12 month (financial year) cycle and aligns the executives with Queensland Rail-wide, Function-wide and Individual Key Performance Indicators (KPIs). Performance Payment pays up to a maximum payment of 15% per annum of a Chief or Senior Executive's total fixed remuneration. The Queensland Rail KPIs are set by the Board at the beginning of the financial year in alignment with the *Statement of Strategic Expectations* issued by the State Government, the *Queensland Rail Statement of Corporate Intent* and the Queensland Rail Strategic Pillars (Safety, Customer, People, Commercial, Community).

The performance agreement components are weighted as follows:

- Queensland Rail 50%

  The Queensland Rail KPIs are aligned to the Strategic Pillars as follows:

  Safety Pillar
  - Lost time injury frequency rate
  - Medically treated injury rate
  - Signals passed at danger

  Customer Pillar
  - On-time running City network peak periods
  - Customer satisfaction (City network and Traveltrain)

  People Pillar
  - Employee engagement
  - Full-time equivalent target

  Commercial Pillar
  - Earnings before interest and tax
  - Return on invested capital

  Community Pillar
  - Reputation index (Media Monitoring)

- Function 25%

  The Function KPIs are set by the Chief Executive Officer on the recommendation of the relevant executive member. Functional KPIs reflect the cascading of Queensland Rail KPIs down to the functional level for those measures for which the function has direct accountability.

- Individual 25%

  The Individual KPIs are set by the Chief Executive Officer on the recommendation of the relevant executive member. Individual KPIs are reflective of Queensland Rail and Functional KPIs for which the executive has direct accountability and / or reflective of strategic business plans, budgets and capital / infrastructure projects. Eligible executives must also meet minimum expectations for the consistent demonstration of the Queensland Rail Values and Behaviours.

The Chief and Senior Executives participate in the Queensland Rail performance management process with quarterly and annual performance reviews. Annual performance results of the Chief Officers are assessed and calibrated by the Chief Executive Officer and Chief Human Resources Officer. The Chairman is responsible for the assessment of the Chief Executive Officer's performance. The Queensland Rail Board approve the calculation and payment of the Chief and Senior Executive Performance Payments and provide written advice to the shareholding Ministers in accordance with the Government Arrangements.

29 Key management personnel disclosures (continued)

Details of the compensation of each specified director and executive are as follows:

	2012 **$'000**	2011 $'000
Short-term benefits	**4,965**	4,171
Post-employment benefits	**474**	875
Long-term benefits	**-**	172
	5,439	5,218

Short-term benefits includes cash salary and at risk performance incentives (for specified executives only), fees and non-monetary benefits. Non-monetary benefits represent the value of Exempt and Reportable Fringe Benefits for the respective Fringe Benefits Tax year ending 31 March.

(i) Directors of Queensland Rail Limited and On Track Insurance Pty Ltd

2012		Short-term benefits		Post-employment benefits		
Directors		Director fees $'000	Non-monetary benefits $'000	Super-annuation $'000	Retirement benefits $'000	Total $'000
S Gregg	Chairman	129	-	12	-	141
M Hayes	Director	39	-	4	-	43
Dr L Keliher AO	Director	39	-	4	-	43
M McArthur	Director	39	-	4	-	43
D McMillan-Hall	Director	40	-	4	-	44
D Petie[1]	Director	46	-	4	-	50
J Schafer	Director	39	-	4	-	43
R Ashton	Director	4	-	-	-	4
Total		375	-	36	-	411

[1]D Petie is a director of the Queensland Rail Limited Board and Chairman of the On Track Insurance Pty Ltd Board.

As an executive of QR Limited, former parent company, G Pringle did not receive additional remuneration in his capacity as director of On Track Insurance Pty Ltd.

As an executive of Queensland Rail Limited, J Benstead did not receive additional remuneration in his capacity as director of On Track Insurance Pty Ltd.

2011		Short-term benefits		Post-employment benefits		
Directors		Cash salary and fees $'000	Non-monetary benefits $'000	Super-annuation $'000	Retirement benefits $'000	Total $'000
S Gregg	Chairman	108	-	-	-	108
M Hayes	Director	35	-	3	-	38
Dr L Keliher AO	Director	35	-	3	-	38
M McArthur	Director	35	-	3	-	38
D McMillan-Hall	Director	36	-	3	-	39
D Petie[1]	Director	41	-	4	-	45
J Schafer	Director	35	-	3	-	38
R Ashton	Director	-	-	-	-	-
Total		325	-	19	-	344

[1]D Petie is a director of the Queensland Rail Limited Board and Chairman of the On Track Insurance Pty Ltd Board.

As an executive of QR Limited, former parent company, G Pringle did not receive additional remuneration in his capacity as director of On Track Insurance Pty Ltd.

As executives of Queensland Rail Limited, J Benstead and D Drew did not receive additional remuneration in their capacity as directors of On Track Insurance Pty Ltd.

29 Key management personnel disclosures (continued)

(ii) Specified executives of the company

2012	Short-term benefits			Post-employment benefits		Long-term benefits	
Specified executives	Cash salary and fees $'000	Cash bonuses $'000	Non-monetary benefits $'000	Super-annuation $'000	Retirement benefits $'000	Long service leave $'000	Total $'000
J Benstead - Acting Chief Executive Officer (from 5 December 2011) - Chief Financial Officer (to 4 December 2011)	420	52	5	47	-	-	524
P Scurrah - Chief Executive Officer (resigned 2 December 2011)	272	76	4	24	-	-	376
L Lefcourt - Acting Chief Financial Officer (from 8 January 2012)	133	-	8	14	-	-	155
T Taifalos - Chief Operating Officer (from 1 September 2011) - Chief Customer Officer (to 31 August 2011)	434	52	8	45	-	-	539
R Franklin[1] - Acting Chief Human Resources Officer (from 1 September 2011) - Acting General Counsel / Company Secretary (to 31 August 2011)	-	-	-	-	-	-	-
C Petersen - Chief Strategy & Corporate Services Officer	357	49	11	46	-	-	463
M Ryan - Chief Communications Officer	290	40	15	37	-	-	382
G Ford - Chief Safety & Environment Officer	304	41	8	39	-	-	392
J Pistak - Chief Network Offer	398	56	22	51	-	-	527
M Williams - Chief Rail Operations Oficer (from 1 September 2011) - Deputy Chief Operations Officer (position abolished on 31 August 2011)	390	60	25	36	-	-	511

29 Key management personnel disclosures (continued)

	Short-term benefits			Post-employment benefits		Long-term benefits	
Specified executives	Cash salary and fees $'000	Cash bonuses $'000	Non-monetary benefits $'000	Super-annuation $'000	Retirement benefits $'000	Long service leave $'000	Total $'000
C Heffernan - Chief Customer Officer (from 1 September 2011) - Chief Human Resources Officer (to 31 August 2011)	332	41	7	37	-	-	417
K Wright - Chief Project Delivery Officer (from 1 September 2011) - Chief Operations Officer (postion abolished on 31 August 2011)	437	57	10	40	-	-	544
S Campbell - General Counsel / Company Secretary (appointed 14 November 2011)	174	-	2	22	-	-	198
Total	3,941	524	125	438	-	-	5,028

[1]This officer did not receive monetary benefits directly. Payments made to the company in which this officer is a Principal is disclosed in note 29(c).

29 Key management personnel disclosures (continued)

2011	Short-term benefits			Post-employment benefits		Long-term benefits	
Specified executives	Cash salary and fees $'000	Cash bonuses $'000	Non-monetary benefits $'000	Super-annuation $'000	Retirement benefits $'000	Long service leave $'000	Total $'000
P Scurrah - Chief Executive Officer	480	120	8	61	-	-	669
J Benstead - Chief Financial Officer	319	20	6	41	-	-	386
J Pistak - Chief Network Officer	333	25	6	44	-	7	415
K Wright - Chief Operations Officer	381	26	7	34	-	-	448
T Taifalos - Chief Customer Officer	321	24	7	41	-	-	393
C Heffernan - Chief Human Resources Officer	252	14	7	32	-	-	305
C Petersen - Chief Strategy & Corporate Services Officer	289	-	7	37	-	-	333
M Ryan - Chief Communications Officer	245	17	14	32	-	-	308
G Ford - Chief Safety & Environment Officer	256	15	7	33	-	-	311
M Williams - Deputy Chief Operations Officer	279	19	7	30	-	-	335
D Drew - General Cousel / Company Secretary (resigned 25 February 2011)	268	22	45	21	450	165	971
R Franklin[1] - Acting General Counsel / Company Secretary (from 26 February 2011)	-	-	-	-	-	-	-
Total	3,423	302	121	406	450	172	4,874

[1]This officer did not receive monetary benefits directly. Payments made to the company in which this officer is a Principal is disclosed in note 29(c).

29 Key management personnel disclosures (continued)

	2012 $'000	2011* $'000
Aggregate performance bonus compensation		
Aggregate performance bonus compensation paid / payable	**12,768**	9,252
Aggregate compensation (including performance bonus compensation) paid / payable to employees to whom a performance payment is paid or payable	**184,052**	163,032

	2012	2011*
Number of employees to whom a performance bonus is paid or payable	**1,490**	1,475

* In the prior year the amount of aggregate performance bonus disclosed was the amount paid during that year. This disclosure has been revised to include bonuses paid and / or payable to reflect the impact of the bonuses on the operations of the group. As a result, the bonus disclosure for 2011 has increased from $4.8 million to $9.3 million. This change has also impacted the amount of aggregate compensation disclosed for 2011 as well as the number of employees to whom a bonus was paid or payable.

The following categories of employees are eligible for performance based at-risk incentive bonus compensation:

- specified executives;
- other executives;
- salaried employees; and
- award employees.

Performance bonus compensation paid to specified executives is granted upon approval by the Queensland Rail Board. Performance bonus compensation paid to other employees is granted upon approval by the Chief Executive Officer or in accordance with a subsidiary agreement. The amount of the compensation is determined by performance against key performance indicators set at the start of the year for employees or conditions of a subsidiary agreement for work units.

(c) Transactions with directors and key management personnel

A number of directors and specified executives of Queensland Rail Limited are also directors of other corporations that have transacted with Queensland Rail Limited, namely:

- D Petie was a director of Manidis Roberts Pty Ltd for the full financial year.
- R Franklin was a Principal of Franklin Athanasellis Cullen Pty Ltd for the full financial year.

The directors do not believe they have the individual capacity to control or significantly influence the financial and operating policies of Queensland Rail Limited or the other corporations in their dealings with each other. Those corporations are therefore not considered to be related entities.

The specified executive has the individual capacity to control or significantly influence the financial and operating policies of another corporation but not Queensland Rail Limited.

29 Key management personnel disclosures (continued)

During the previous reporting period, R Ashton, director of On Track Insurance Pty Ltd, was compensated for legal advice provided to the same company. The legal fees for R Ashton are summarised below.

During the reporting period, specified executives were compensated for carrying out key management personnel services and advisory services.

All figures displayed below are exclusive of GST.

	2012 **$'000**	2011 $'000
Legal fees - R Ashton	**-**	5
Consultancy fees - Franklin Athanasellis Cullen Pty Ltd	**922**	191
	922	196

30 Contingencies

The group had contingencies at reporting date in respect of:

(a) Contingent liabilities

Issues relating to common law claims and product warranties are dealt with as they arise. There were no material contingent liabilities requiring disclosures in the financial statements other than as set out below.

Litigation

A number of common law claims are pending against the group. Provisions are taken up for some of these exposures based on the Board's determination, and are included as such in note 21.

Guarantees and letters of credit

For information about guarantees and letters of credit given by the group, refer to note 23(b).

Deed of Cross Guarantee

Neither the company nor its subsidiary were a party to a deed of cross guarantee at reporting date.

(b) Contingent assets

For information about guarantees given to the group, refer to note 23(b).

31 Commitments

The future commitments of the group (excluding GST) as at balance date were as follows:

(a) Capital commitments

Capital expenditure contracted for at reporting date but not recognised as liabilities is payable as follows:

	2012 $'000	2011 $'000
Property, plant and equipment	**343,393**	568,969
	343,393	568,969

(b) Lease commitments

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	2012 $'000	2011 $'000
Within one year	**14,071**	13,291
Later than one year but not later than five years	**36,373**	38,984
Later than five years	**31,827**	40,311
	82,271	92,586

The above commitments flow primarily from operating leases of property. These leases, with terms mostly ranging from one to ten years, generally provide Queensland Rail Limited with a right of renewal at which times the lease terms are renegotiated. The lease payments comprise a base amount, while some property leases also contain a contingent rental, which is based on either the movements in the Consumer Price Index or another fixed percentage as agreed between the parties.

(c) Lease commitments receivable: where the company is the lessor

Minimum lease payments receivable but not recognised in the financial statements are receivable as follows:

	2012 $'000	2011 $'000
Within one year	**12,232**	11,426
Later than one year and not later than five years	**10,948**	18,698
Later than five years	**62,754**	57,154
	85,934	87,278

32 Related party transactions

(a) Subsidiaries

Interests in subsidiaries are set out in note 34.

(b) Key management personnel

Disclosures relating to key management personnel are set out in note 29.

(c) Transactions with related parties

The group had no transactions with related parties in the current or prior reporting period.

(d) Transactions and outstanding balances with State of Queensland controlled entities

The company is limited by shares with all shares held by the shareholding Ministers on behalf of the State of Queensland.

The company transacted with other State of Queensland controlled entities during the year as set out below:

	Note	2012 $'000	2011* $'000	Nature of transaction
Cash and cash equivalents	9	119,036	152,809	QTC short-term investments
Trade and other receivables	10	165,143	267,056	Transport services contracts and other accounts receivable
Current tax liabilities		528	26,921	Current tax payable
Other current assets	13	-	25,101	Prepaid tax
Other non-current assets	19	-	18,384	Prepaid tax
Borrowings	23	3,000,000	3,000,000	Unsecured loan facility (QTC)
Trade and other payables	20	128,257	112,494	Interest payable, accounts payable and dividend payable
Other current liabilities	22	3,453	3,445	Clearing accounts
Contributed equity	26	239,456	637,368	Equity contributions and capital distributions
Revenue	5	1,576,921	1,599,640	Sales, community service obligation, government concessions and interest revenue
Interest expense	7	221,961	223,447	QTC loan interest (includes financing cost)
Other expenses	7	112,578	93,852	Payroll tax, income tax, audit fees, licences and permits, consumables and transactions with QR National Limited
Dividends paid	28	84,429	-	Dividends paid

* Subsequent to the disposal of the Queensland Rail Limited's operations, and up until the listing of QR National, the former parent QR Limited and its subsidiaries were treated as State of Queensland controlled entities.

33 Business combination

Current period

There were no business combinations in the current reporting period.

Prior period

(a) Summary of acquisition

As a result of a Transfer Notice, effective on 6 October 2010, Queensland Rail Limited acquired 100% of the issued share capital of On Track Insurance Pty Ltd. On Track Insurance Pty Ltd was a captive insurance company for QR Limited, Queensland Rail Limited's former parent company, and it will continue to provide cover only for existing claims up until 30 June 2010 and subsequent claims relating to events that occurred prior to 30 June 2010.

Consideration for the shares in On Track Insurance Pty Ltd was in the form of Queensland Rail Limited assuming responsibility for a portion of QR Limited's loan from On Track Insurance Pty Ltd as required under the Transfer Notice.

There were no cash flows associated with this acquisition and all assets and liabilities were deemed to be at fair value in the books of the acquiree.

Details of the purchase consideration, the net assets and liabilities acquired are as follows:

	$'000
Purchase consideration	
Liabilities incurred	5,000
Total purchase consideration	5,000
Fair value of net identifiable assets acquired (refer to (b) below)	5,000

(b) Assets and liabilities acquired

The assets and liabilities arising from the acquisition are as follows:

	2011 Acquiree's carrying amount $'000	2011 Fair value $'000
Trade debtors and others receivables	13,834	13,834
Other current assets	9	9
Receivables	59,418	59,418
Deferred tax assets	155	155
Trade and Other Payables	(42)	(42)
Other current liabilities	(44)	(44)
Provisions	(68,330)	(68,330)
Net identifiable assets acquired	5,000	5,000

34 Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiary in accordance with the accounting policy described in note 1(b).

Name of entity	Country of incorporation	Class of shares	Equity holding 2012 %	Equity holding 2011 %
On Track Insurance Pty Ltd	Australia	Ordinary	**100**	100

Queensland Rail Limited acquired 100% of the issued share capital of On Track Insurance Pty Ltd on 6 October 2010.

35 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the group:

	2012 $'000	2011 $'000
(a) Audit services		
Auditor-General of Queensland		
Audit and review of financial reports	**560**	617
Total auditors' remuneration	**560**	617

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

	2012 $'000	2011 $'000
Profit for the year	**128,287**	149,264
Depreciation and amortisation	**296,548**	251,473
Net impairment of non-current assets	**-**	337
Amortisation of prepaid access facilitation charges	**(1,577)**	(1,998)
Losses on sale of non-current assets	**2,125**	1,475
Unrealised gain on derivatives	**(686)**	(3,590)
Impairment of trade receivables	**35**	78
Inventory obsolescence	**1,540**	623
Change in operating assets and liabilities		
(Increase) / decrease in trade debtors	**132,285**	(162,683)
(Increase) / decrease in inventories	**(10,877)**	1,748
(Increase) / decrease in other operating assets	**38,198**	22,632
Increase / (decrease) in trade creditors	**(44,361)**	190,560
Increase / (decrease) in other liabilities	**20,717**	47,239
Increase / (decrease) in other provisions	**(6,147)**	(9,805)
Net cash inflow from operating activities	**556,087**	487,353

37 Parent entity financial information

(a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	2012 $'000	2011 $'000
Balance sheet		
Current assets	**569,890**	539,659
Non-current assets	**6,266,585**	6,035,257
Total assets	**6,836,475**	6,574,916
Current liabilities	**592,162**	627,573
Non-current liabilities	**3,508,192**	3,482,287
Total liabilities	**4,100,354**	4,109,860
Net Assets	**2,736,121**	2,465,056
Shareholders' equity		
Contributed equity	**2,596,824**	2,357,368
Hedging reserves	**(1,033)**	(1,111)
Retained earnings	**140,330**	108,799
Total Equity	**2,736,121**	2,465,056
Profit for the year	**134,160**	147,635
Total comprehensive income	**134,238**	146,523

(b) Guarantees entered into by the parent entity

The parent entity has not provided financial guarantees in respect of bank overdrafts and loans of subsidiaries.

In addition, there is no cross guarantee given by Queensland Rail Limited to On Track Insurance Pty Ltd.

(c) Contingent liabilities of the parent entity

Issues relating to common law claims and product warranties are dealt with as they arise. There were no material contingent liabilities requiring disclosures in the financial statements except as outlined in note 30. All provisions except provision for insurance claims relate to the parent entity.

(d) Contractual commitments for the acquisition of property, plant or equipment

As at 30 June 2012, the parent entity had contractual commitments. For information about these commitments please see note 31. All commitments outlined in this note relate to the parent entity.

38 Events occurring after the reporting period

No matters or circumstances have arisen since the end of the financial year which significantly affected, or may significantly affect the operations of the group, the results of those operations, or the state of affairs of the group in future financial years.

Directors' declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 56 to 115 are in accordance with the *Corporations Act 2001,* including:
  (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  (ii) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2012 and of its performance 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.

(c) note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

G Dawe
Director

Brisbane, QLD
29 August 2012

INDEPENDENT AUDITOR'S REPORT

To the Members of Queensland Rail Limited

Report on the Financial Report

I have audited the accompanying financial report of Queensland Rail Limited, which comprises the balance sheet as at 30 June 2012, the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entity it controlled at the year's end.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*, and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

The *Auditor-General Act 2009* promotes the independence of the Auditor-General and all authorised auditors. The Auditor-General is the auditor of all Queensland public sector entities and can be removed only by Parliament.

The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised. The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

In conducting the audit, the independence requirements of the *Corporations Act 2001* have been complied with. I confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Queensland Rail Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

INDEPENDENT AUDITOR'S REPORT (continued)

Opinion

In my opinion -

(a) the financial report of Queensland Rail Limited is in accordance with the *Corporations Act 2001*, including -

   (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2012 and of their performance for the year ended on that date; and

   (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Other Matters - Electronic Presentation of the Audited Financial Report

This auditor's report relates to the financial report of Queensland Rail for the year ended 30 June 2012. Where the financial report is included on Queensland Rail Limited's website the company's directors are responsible for the integrity of Queensland Rail Limited's website and I have not been engaged to report on the integrity of Queensland Rail Limited's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements or otherwise included with the financial report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report.

These matters also relate to the presentation of the audited financial report in other electronic media including CD Rom.

ASSISTANT AUDITOR-GENERAL
30 AUG 2012
QUEENSLAND AUDIT OFFICE

P G SHIPPERLEY FCPA
(as Delegate of the Auditor-General of Queensland)

Queensland Audit Office
Brisbane

Glossary

AASB
Australian Accounting Standards Board.

AICD
Australian Institute of Company Directors.

AO
Officer of the Order of Australia.

ARTC
Australian Rail Track Corporation.

ASX
Australian Securities Exchange.

ATO
Australian Tax Office.

CCTV
Closed Circuit Television.

CEO
Chief Executive Officer.

CFO
Chief Financial Officer.

City network
City network is a collective term for the tracks, stations, trains and infrastructure providing train services in South East Queensland bounded by the Gold Coast in the south, Rosewood in the west and the Sunshine Coast in the north.

CMC
Crime and Misconduct Commission.

COO
Chief Operating Officer.

Corporations Act
Corporations Act 2011.

Crime Stoppers
Crime Stoppers, a partnership between the registered charity and community volunteer organisation Crime Stoppers Queensland Limited and the Queensland Police Service.

CSIA
Customer Service Institute of Australia, Australia's premier customer service resource organisation.

CSR
Corporate Social Responsibility.

Customer Charter
The Queensland Rail Customer Charter sets out the commitment we are making to provide customers with the service they have the right to expect. It addresses seven key areas that our customers have told us are important to them; Safety, Time, Information, Comfort, Surroundings, Personal Service and Feedback.

DDA
Disability Discrimination Act.

DTMR
Department of Transport and Main Roads.

EAMS
Enterprise Asset Management System

E&IR Plan
Employment and Industrial Relations Plan, a guide to developing and maintaining conditions of employment.

EBIT
Earnings Before Interest and Tax.

EBITDA
Earnings Before Interest, Tax, Depreciation and Amortisation.

EGP
Enterprise Governance Program, established to create a robust governance framework for Queensland Rail.

functions.

Freight GTK
Freight Gross Tonne Kilometres, the sum of gross tonne kilometres for Queensland Rail and non Queensland Rail operators operating on Queensland Rail networks.

FTE
Full-time Equivalent Employee.

Gearing Ratio
Gearing ratio, the percentage of net debt, including trade payables less cash, over total capital.

General freight
Freight that does not travel in a bulk train and does not include intermodal and industrial products.

GhG
Greenhouse Gas.

GOC
Government Owned Corporation.

GOC Act
Government Owned Corporations Act 1993.

GST
Goods and Services Tax.

IASB
International Accounting Standards Board.

ICSS
International Customer Service Standard, a global standard for customer service excellence.

ICT
Information and Communication Technology, the IT and telecommunications management division of Queensland Rail.

IFRS
International Financial Reporting Standards.

Kiss'n'ride bay
Allocated drop off zone at station for customers.

KPIs
Key Performance Indicators.

KSR
Kuranda Scenic Railway.

LTI
Lost Time Injury, an occurrence that results in a fatality, permanent disability or time lost from work of one day/shift or more.

LTIFR
Lost Time Injury Frequency Rate, a measure of the number of lost time injuries per million hours worked, used by Queensland Rail to monitor and report employee health and safety.

MBA
Master of Business Administration.

MP
Member of Parliament.

MTK
Million Train Kilometres.

Network
Queensland's rail system, including all main railway lines, marshalling yards, bulk freight loading and unloading points and customer stations.

NGR
New Generation Rollingstock, a project for the purchase of new rollingstock for the City network.

NPAT
Net Profit After Tax, net profit after allowance for tax expense.

OGOC
Office of Government Owned Corporations.

positive pARTnerships
A Queensland Rail program that works with community groups, local schools, and stakeholders to collaborate and produce high quality public artwork projects that transform rail stations across South East Queensland.

QR Limited
A GOC which ceased to exist on 30 June 2010, after the creation of two companies, Queensland Rail Limited and QR National Limited.

QR National
One of the largest rail freight haulage operators in Australia incorporating part of QR Limited.

QTC
Queensland Treasury Corporation.

QTIC
Queensland Tourism Industry Council.

Quiet carriage
The second and fifth carriage of every six car, and the middle of every three-car, City network train is a designated quiet area where customers are asked to refrain from having loud conversations, talking on their mobile phone or listening to loud musical devices.

RACQ
Royal Automobile Club of Queensland.

Rail Operator
A party (Queensland Rail and/or non-Queensland Rail) that operates rollingstock (i.e. trains) on a railway.

RFDS
Royal Flying Doctor Service.

ROA
Return On Assets, EBIT less income from investments, divided by average operating assets.

ROE
Return On Equity, operating profit after tax divided by average equity.

Rollingstock
Rail locomotives and wagons.

RSPCA
Royal Society for the Prevention of Cruelty to Animals.

SCI
Statement of Corporate Intent, the document in which a GOC sets out its corporate targets and objectives for each financial year.

SEMS
Safety and Environment Management System.

SEQIPP
South East Queensland Infrastructure Plan and Program.

SMART
Safety Motivated Action Resource Team, employees forming teams to work together to resolve safety issues in the workplace.

SPADs
Signals Passed at Danger, an incident where a train passes a red signal without authority to do so, used as a measure of risk.

T CO^2-e
Tonnes of carbon dioxide equivalent emissions.

TransLink
TransLink Transit Authority, coordinates and delivers bus, train and ferry services across South East Queensland.

Travel network
The long distance customer train operation between Brisbane and Charleville, Longreach, Mount Isa and Cairns.

TSC
Transport Service Contracts, the name for the contracts between Queensland Rail and TransLink, and Queensland Rail and DTMR.

TSC (RI)
Transport Service Contract (Rail Infrastructure).

TSN
Trauma Support Network.

VERS
Voluntary Employee Redundancy Scheme.

Wi-Fi
Wireless internet, a networking technology that allows electronic devices to communicate without wires.

ZERO Harm
ZERO Harm is Queensland Rail's program to improve the safety culture and performance to achieve world-class standards of zero incidents, zero injuries, zero work-related illnesses and zero environmental incidents.