We are delighted to provide you with an Annual Report detailing the scope of QR Limited’s (QR) achievements and successful delivery for both customers and owners alike for the 2008/09 financial year. As a government owned corporation (GOC), we strive to ensure that our owners, the Queensland Government, and customers are fully informed on the performance of QR. This annual report provides a comprehensive insight into the operations, performance and aspirations of QR Limited.

While this report is prepared primarily for owners, it is made available to a wider audience in the interests of corporate transparency and accountability at www.QR.com.au.
contents

01 OUR BUSINESS
  About QR
  Chairman’s Statement
  CEO’s Statement
  Corporate Priorities

02 OUR JOURNEY TO ZERO HARM
  QR Safety
  ZERO Harm

03 OUR YEAR IN REVIEW
  QR Limited
  QR Freight
  QR National Coal
  QR Network
  QR Passenger
  QR Services

04 OUR FUTURE
  Our People
  Our Community
  Our Environment
  Our Resilience

05 OUR GOVERNANCE
  Leadership
  Statement of Corporate Intent
  Glossary

06 OUR OPERATIONAL & FINANCIAL PERFORMANCE

New concrete sleepered track at Mount Isa.
QR’s vision is to be a truly great Australian company, a world leader in rail and transport.
ABOUT QR

QR delivers rail transport solutions that are safe, reliable and sustainable
QR is Australia’s largest freight carrier by volume
QR has a national workforce of more than 15,000 employees in 500 locations throughout Australia.

OUR GROWTH AND BUSINESS DIRECTION IS UNDERPINNED BY FIVE CLEAR BUSINESS PRIORITIES:

World class safety performance
Excellence in customer service
Superior commercial capability
A growing business
The best people

QR is an organisation with forward momentum – ready to meet the expectations of our people and customers. QR generates close to $4 billion per annum in revenue and is one of Australia’s largest integrated transport providers. On any one day, QR operates more than 1,000 train services, moves more than 678,000 tonnes of freight and carries more than 178,000 passengers to work, home, events and other destinations.

Revenue $3,970 million
Fixed assets $12,081 million
Tonnes 249mt
Locomotives >700
Wagons >15,000
Services Wagons >680
Employees 15,852
Track network 10,000 km
Train services 1,000 + per day

QR as an integrated transport provider with five specialty customer facing businesses:

QR Freight
ARG Bulk East
ARG Bulk West
Intermodal

QR National Coal
Coal Systems
Freight Systems
South East
Queensland
Interstate Services

QR Network
Citytrain
Transtrain
Tourist Train
Heritage

QR Passenger

QR Services
Rollingstock & Component Services
Infrastructure Projects
Asset Services
Engineering Services

QR Network manages the 10,000km of track that is utilised by QR National Coal, QR Passenger and QR Freight to deliver supply chain solutions and services
QR Network operates 12 control centres, which share responsibility for Queensland’s rail network, including Freight, long-distance Passenger, Coal, Bulk, Intermodal and Suburban operations
QR Services Redbank facility provides maintenance and refurbishment services for QR Passenger as well as rollingstock construction for QR National Coal
QR Services provides routine maintenance, track resurfacing, procurement and logistics and rail grinding services to the QR Coal, Freight and Passenger networks
QR’s rollingstock is operated as a fleet, which enables QR to share resources between businesses
QR’s centralised traincrew instruction also provides for crew interoperability throughout Queensland.

Corporate Support Units

Finance and Shared Services
Enterprise Risk Services
Safety
Corporate Affairs, Marketing and Strategy
Human Resources

Queensland Government Shareholding Ministers

QR is a public company limited by shares and is a Government Owned Corporation under the Government Owned Corporations Act 1993. QR shareholders are the Honourable Andrew Fraser MP, Treasurer, and the Honourable Rachel Nolan MP, Minister for Transport.
WHILE THE SCOPE OF THE SALE AND PROCESS IS STILL BEING DETERMINED, I CAN SAY THAT PRIVATISATION IN NO WAY CHANGES OUR STRATEGIC AND OPERATIONAL OBJECTIVES.

SAFETY
At the forefront of QR’s priorities is safety. Despite major internal reforms and a tumultuous external environment, safety remains fundamental to our company’s priorities. QR’s efforts to achieve and maintain world-class safety standards will continue through the ZERO Harm program. With the continuing assistance of safety consultancy DuPont, QR is working to improve the organisation’s safety culture through a range of targeted initiatives. All QR managers and supervisors have completed safety leadership training and the launch of the company-wide ‘Targeting ZERO Injuries’ campaign means the safety focus is clearly visible in all workplaces.

Safety initiatives included several programs dedicated to improving key commercial capabilities across the organisation. Combined with leveraging off our inherent strengths and efficiencies, QR will realise great improved outcomes.

COMMERCIAL CAPABILITY
QR’s commercial capability has strengthened with the collective experience of its rejuvenated leadership team. The injection of private sector know-how into QR ensures our business direction and contractual arrangements are scrutinised under a genuinely commercial lens, and all future investments meet stringent capital return criteria. QR change initiatives included several programs dedicated to improving key commercial capabilities across the organisation. Combined with leveraging our inherent strengths and efficiencies, QR will realise greatly improved commercial returns in the coming years.

GROWTH
While the global economic crisis saw the extraordinary resources super-cycle slow in 2008/09, QR managed to capitalise on several key expansion opportunities. QR National Coal contracts, with Peabody Coal and Felix Resources in the Hunter Valley, secured in the current financial year, are excellent examples. Each business portfolio has been scrutinised and their future growth plans have been strategically set in motion. Underpinning these plans is our view that the medium to long-term growth prospects in the transport industry are bright.

PEOPLE
QR has a highly skilled group of employees capable of achieving our performance targets. Our employees will need to accept the challenge of becoming more commercial and focusing on delivering results for customers. It’s about providing connectivity between road, rail and port infrastructure and the seamless service that means QR genuinely delivers. We are confident that they will do this.

Although the challenges of the 2008/09 year have been considerable, there is a renewed vigour across QR with the rollout of the programs to transform the company. More than ever, we have a clear picture of our future as a world-class rail and transport provider and what we individually need to do to achieve that position.

CHAIRMAN’S STATEMENT
The 2008/09 financial year has been punctuated with significant milestones for QR amid the challenges of the global financial crisis. With a new leadership team under the direction of CEO Lance Hockridge, QR has forged ahead with a raft of business-specific and corporate-wide transformation initiatives.

Throughout 2008/09, QR conducted a substantial strategic review of all its businesses and overall corporate direction. It identified QR’s extraordinary strengths in operations and the need for continued improvement in commercial capability and customer service. It also reaffirmed the company should focus on profitable high-growth market segments across its diversified national business.

The end result of this review is a Board-approved set of clearly defined strategies and action plans which will guide each business to achieve the five corporate priorities of Safety Performance, Customer Service Excellence, Commercial Capability, Growth and People Capability.

QR has a suite of well-positioned commercial businesses tasked with achieving the best possible return for our owners, the Queensland Government, and, in turn, the people of Queensland, as well as our customers throughout Australia.

Towards the close of the 2008/09 financial year, our owners, the Queensland Government, announced its intention to privatise a large part of QR. This is a watershed for QR and recognition of the dramatic shifts and increasingly competitive nature of the markets in which our businesses operate.

While the scope of the sale and process is still being determined, I can say that prioritisation in the very near future of business-specific and corporate-wide transformation initiatives will leave the Board in October to take up another Board appointment to acknowledge the strong contribution made by director Susan Rix who is stepping down from the Board during 2008/09. We also welcome the significant high-calibre appointments made to the QR Board during 2008/09 including former QANTAS executive Peter Gipp, former Queensland public service leader Dr Leo Keliher and transport industry executive Adrian Davies. Long-standing director, Dawson Petie, was re-appointed to the Board for a further three years. I would also like to acknowledge the strong contribution made by director Susan Rix who will leave the Board in October to take up another Board appointment with the Port of Brisbane and also Warren McLachlan who will leave the Board in September.

 QR has stepped up its community education efforts and is investing in extra level crossing protection measures in the wake of these devastating accidents.
CEO’S STATEMENT

My first full year with QR has been marked by extraordinary change in the corporation and in external markets, coupled with the privatisation announcement by the Queensland Government. The global financial crisis has presented significant challenges for the company, our people and the new leadership team. Yet it also offers an opportunity for rapid improvement across all dimensions of the company. Safety Performance, Customer Service Excellence, Commercial Capability, Growth and People Development.

Significant work has continued to develop the strategies to transform QR into a company with world-class safety that competes commercially, delivers strong returns for its shareholders and is well positioned for strong growth in all of its businesses. QR’s new corporate plan will ensure QR is a truly national transport and logistics company with strong growth and commercial prospects.

We are working on delivering customer service excellence, making sure we are problem solvers for our customers and that they can rely on us to be innovative and anticipate their needs. The renewal of several major contracts and the securing of new business, especially in the Hunter Valley coal market, demonstrates the value proposition we can offer customers.

At the same time, we are cementing the relationships we already have and expanding into areas across the supply chain. I’m pleased to say that following the finalisation of our strategy, work is well underway on executing the business improvements across QR. Clearly this is now being carried out against the complex backdrop of the privatisation announcement in June 2009 by the Queensland Government.

While some may suggest this would change our focus, it actually gives us a greater imperative to demonstrate our expertise and the capability of our business to deliver safe world-class rail and transport operations.

SAFETY

I was devastated to receive the news late last year that two of QR’s Tilt Train drivers Rick Weatherall and Michael Smithers were killed in a level crossing collision with a truck near Cardwell. In January, another collision occurred between a truck and the Sunlander train, resulting in the death of the truck driver. Along with the enormous impact on families and friends, these incidents have far-reaching effects within the QR family and the communities in which our people live and work.

QR established a level crossing taskforce made up of train crew, safety and operational experts and unions, and has since worked to address priority crossing upgrades. A total of $76.5 million is being invested by QR and the Queensland and Federal Governments to improve crossings in Queensland. We are continuing to work with DuPoint to ensure the safety message penetrates at all levels and locations within QR. The establishment of safety committees by region, workplace and area of expertise has helped ensure safety remains core to the way we do all that and issues can be identified and resolved as early and quickly as possible. We will only be a truly world-class rail and transport operator when we achieve world-class safety performance standards. In my mind, anything less than ZERO Harm is unacceptable and working towards this remains my top priority.

OUTLOOK

We are continuing to realise the untapped value and efficiencies within and across our operations, and changing our mindset to that of a key supply chain partner, rather than just a provider. We also consider this through the perspective of the significant cultural shift we need to achieve in QR – away from an asset-based business in which one is truly customer-focused.

I remain ever enthusiastic about the emerging strengths of QR and the prospects ahead of us. We have clear strategic direction, we’ve already gained traction and I believe in 2009/10, we will really begin to realise the benefits of our hard work.

Lance Hockridge
Chief Executive Officer

NOW IS THE TIME TO DEMONSTRATE THAT WE KNOW OUR BUSINESS BEST AND HAVE THE EXPERTISE AND CAPABILITY TO DELIVER SAFE, WORLD-CLASS RAIL AND TRANSPORT OPERATIONS.

KEY APPOINTMENTS

During the year I was pleased to finalise my executive leadership team through a number of key appointments. QR now boasts an outstanding blend of commercial experience and operational excellence in our leadership ranks, unsurpassed in the transport and logistics industry in Australia. Key new appointments in 2008/09 included:

- Lindsay Cooper, formerly Group General Manager Rollingstock and Component Services, took up the role of Executive General Manager QR Services
- Ken Lowsley was appointed Executive General Manager of QR Freight in January, bringing his considerable commercial experience to the role
- Michael Madden, formerly of BHP Billiton commenced as Acting Chief Safety Officer
- Marcus McAlpine, formerly of Pacific National, appointed as Executive General Manager QR National Coal
- Greg Pringle, formerly of Flight Centre, commenced as Acting Chief Risk Officer and was later appointed to the new role of Chief Corporate Services Officer
- John Stephens, formerly of BHP Billiton Mitsubishi Alliance, commenced as Chief Human Resources Officer in January 2009.

I would also like to pay tribute to long standing executive, Stephen Cantwell who departed QR during 2008/09. Stephen fulfilled a range of roles in QR during a 33 year career including a decade in the executive leadership team. One of his outstanding achievements was QR’s landmark acquisition of ARG in 2006 which was a key plank in establishing QR as a truly national player.

RESULTS

The world economy suffered greatly in the second quarter and it was clear from the outset that QR would carry some cost. As demand for our customers’ products reduced, the downturn has meant our financial and operational performance in 2008/09, while improving over 2007/08, has been constrained by these impacts. Our net profit after tax was $298.7 million, an increase of 38%, with revenue increasing 12% to $4.0 billion. The improved result was driven by a range of factors including improved contract terms, higher access charges, higher cost control and increased revenue from higher volumes and the Transport Services Contract revenue from the Queensland Government.

Our Passenger, Coal and Network businesses delivered higher revenue, margins and earnings and our Freight business (Bulk, Regional Freight and Intermodal) improved financial performance. Regional Freight losses were reduced through a continuing improvement program. Specialist Bulk Freight subsidiary, ARG, improved its performance through growth in tonnages, revenue and earnings despite significant challenges in the business environment. Our Intermodal business maintained its expansion in the national containerised freight market and with the delivery of its fleet occurring in the first half of 2008/09, it will be pursuing the scale needed for ongoing profitability.

The 2008/09 year delivered the second successive year of improved results and the highest ever net profit for QR. This is a solid result in difficult market conditions. We now look forward to executing the transformation strategies across each of our businesses, quickly and decisively, and delivering the double-digit commercial returns that we know are achievable.

*Current as at September 2009.
CORPORATE PRIORITIES

WORLD CLASS SAFETY PERFORMANCE
Achieve a ZERO Harm environment with safety as the core value through continuous improvement of safety systems and processes, working environments and organisational culture. Led by managers and supervisors encouraging employees to take responsibility for their safety and the safety of others.

- Safety Leadership training and coaching for Executives, Operational Managers, Line Supervisors and Safety Professionals/Practitioners
- Safety Interactions as part of the day-to-day activities of Executives, Managers and Line Supervisors. Safety Interactions influence positive safety behaviour through the acknowledgement of good safety practices, addressing unsafe behaviours and openly discussing safety
- A new Safety Committee Framework to drive safety improvements across the organisation, including a central safety committee, sub-committees and district safety committees
- A new set of safety performance standards for managers which are currently being incorporated into performance plans
- ‘Targeting ZERO Injuries’ safety campaign
- Developed a Safety Road Map, to drive the direction of safety in QR and its subsidiaries. The Road Map will ensure a coordinated approach to safety across the organisation
- Delivered public safety campaigns around level crossing safety, along with a comprehensive community education program

EXCELLENCE IN CUSTOMER SERVICE
Positioning customers at the centre of our business decisions.

- Customer Service Excellence program to transform our business, through understanding and delivering to our customers’ expectations, resulting in a significant improvement in customer satisfaction and retention.

SUPERIOR COMMERCIAL CAPABILITY
Continuously improving our technical and operational excellence, delivering profitable customer relationships and worldclass project management.

- Improve our pricing management information systems and customer relationship capabilities, to ensure all QR’s investments are productive and efficiently delivered, particularly in our Coal and Bulk businesses. The focus for this program includes pricing, customer key account management and contracting capabilities.

A GROWING BUSINESS
Shaping our portfolio to focus on higher return businesses and capturing financial and strategic opportunities.

- Deliver projects with improved outcomes particularly in Queensland
- Diversify our business mix, including both product diversification and geographic diversification
- In the longer term, build our partnerships capability and innovating to improve the efficiency of our operations.

THE BEST PEOPLE
As a major Australian corporation, QR employs over 15,000 people in approximately 300 job categories, across more than 500 locations nationally.

- Our six key People Strategy program areas are:
  - Capable and confident leadership
  - Constructive performance culture
  - Depth in strategic capabilities and critical roles
  - Dynamic people cycle (i.e. progression of people through various stages of their QR career)
  - Genuine employee engagement
  - Enabler support for QR transformation.
- These programs deliver highly capable and motivated people to the corporation.

WORLD CLASS SAFETY PERFORMANCE

Safety Leadership training and coaching for Executives, Operational Managers, Line Supervisors and Safety Professionals/Practitioners

Safety Interactions as part of the day-to-day activities of Executives, Managers and Line Supervisors. Safety Interactions influence positive safety behaviour through the acknowledgement of good safety practices, addressing unsafe behaviours and openly discussing safety

A new Safety Committee Framework to drive safety improvements across the organisation, including a central safety committee, sub-committees and district safety committees

A new set of safety performance standards for managers which are currently being incorporated into performance plans

‘Targeting ZERO Injuries’ safety campaign

Developed a Safety Road Map, to drive the direction of safety in QR and its subsidiaries. The Road Map will ensure a coordinated approach to safety across the organisation

Delivered public safety campaigns around level crossing safety, along with a comprehensive community education program

EXCELLENCE IN CUSTOMER SERVICE

Positioning customers at the centre of our business decisions.

Customer Service Excellence program to transform our business, through understanding and delivering to our customers’ expectations, resulting in a significant improvement in customer satisfaction and retention.

SUPERIOR COMMERCIAL CAPABILITY

Continuously improving our technical and operational excellence, delivering profitable customer relationships and worldclass project management.

- Improve our pricing management information systems and customer relationship capabilities, to ensure all QR’s investments are productive and efficiently delivered, particularly in our Coal and Bulk businesses. The focus for this program includes pricing, customer key account management and contracting capabilities.

A GROWING BUSINESS

Shaping our portfolio to focus on higher return businesses and capturing financial and strategic opportunities.

- Deliver projects with improved outcomes particularly in Queensland
- Diversify our business mix, including both product diversification and geographic diversification
- In the longer term, build our partnerships capability and innovating to improve the efficiency of our operations.

THE BEST PEOPLE

As a major Australian corporation, QR employs over 15,000 people in approximately 300 job categories, across more than 500 locations nationally.

- Our six key People Strategy program areas are:
  - Capable and confident leadership
  - Constructive performance culture
  - Depth in strategic capabilities and critical roles
  - Dynamic people cycle (i.e. progression of people through various stages of their QR career)
  - Genuine employee engagement
  - Enabler support for QR transformation.
- These programs deliver highly capable and motivated people to the corporation.
SAFETY IS THE CORE VALUE AT QR. A SAFE ORGANISATION IS FUNDAMENTAL TO ATTRACTION AND KEEPING THE BEST PEOPLE TO HELP CONTINUE TO GROW OUR BUSINESS. IN 2008/09 QR CONTINUED TO FOCUS ON IMPROVING SAFETY PERFORMANCE TO WORLD CLASS STANDARDS. AS A RESULT OF THE IMPLEMENTATION OF QR’S SAFETY PROGRAM, THE ORGANISATION HAS EXPERIENCED AN IMPROVEMENT IN SAFETY ALTHOUGH WE HAVE A LONG JOURNEY AHEAD TO ACHIEVE OUR GOAL OF ZERO INJURIES.

Some of the key highlights include:

- Improvements to QR’s reporting culture to proactively eliminate safety risks, resulting in a significant increase in the number of Near Misses reported during this period
- An increase in the awareness and actions to mitigate high consequence risks, and proactive sharing of learnings associated with these risks across the organisation
- A continued commitment to our ZERO Harm journey across all business groups.
QR appointed DuPont, world-renowned safety consultants, to help us achieve a step change improvement in our safety culture and our safety performance, based on its work with other organisations and industry best practice. DuPont has developed world-class, best practice safety systems, that it has applied with great success to its own business, and which it shares with other companies to improve safety performance.

Improving our safety is not just about enhancing our systems and procedures; it’s about changing our attitudes and behaviours and shifting towards a positive safety culture where safety is openly discussed. To achieve this, QR introduced Safety Interactions into the day-to-day activities of operational managers and line supervisors.

Safety Interactions are about taking the time to have conversations with people to acknowledge good safety practices, providing the opportunity for any safety concerns to be raised, and working together to address safety issues. The primary intent is to identify and resolve safety issues at the time of the Safety Interaction where possible. Additionally, corrective action and its implementation must be followed up.
At QR, we are bedding in a philosophy of zero harm. The zero harm belief goes beyond our work environment – it is part of our daily life, our families, our friends and our community. Zero harm is a way of thinking, doing and being.

To drive the achievement of zero harm, QR has embraced a safety vision, goal and set of principles:

- Our safety vision is to be world-class in safety
- Our safety goal is zero injuries – nobody gets hurt.

Our five safety principles are:

- Safety is the core QR value
- All injuries can be prevented
- Management is accountable for creating and maintaining a safe workplace
- We are all responsible for preventing injuries
- Working safely is a condition of employment.

To support the achievement of zero harm, QR is continuing its commitment to transforming its safety performance and culture through QR’s Safety Program.

QR has completed the initial phases of this program including containing high level risks and assessing the current state of safety culture and performance. Both phases have shaped the development of a transformation phase, in which the principles of risk containment and diagnostics are being embedded to transform QR’s safety to world-class standards.

QR will continue to undertake activities as part of the transformation phase to improve safety culture, including increased safety leadership training and coaching, enhancing incident investigations, strengthening the work of the safety committees and rolling out the Safety Road Map.
When I started working for QR in 1982 safety seemed to be one of the least important aspects of the job. Most work was done manually, fall protection from bridges was virtually non-existent and on-site workers would labour in stubbies and singlets in the tropical sun. Over the years, safety has progressively become a higher priority in the workplace, and for me personally, the turning point in my safety focus came one day in August 2002 when my Group General Manager phoned to ask me to find the parents of a young Trackworker, to tell them their son had been killed in a workplace accident. While I didn’t end up having to speak to the parents, I still shudder to think back about this incident and never want to be placed in this position again. The incident influenced my commitment to the safety of my staff and reinforced the reality of the impact these tragedies can have on family, partners, friends and workmates.

But it’s also the lesser injuries that can have an impact on one’s personal and family life. Having experienced sporting injuries that prevented me from enjoying things like fishing or playing with my children and grandchildren, I can see that it’s the same way a work-related injury would stop me or any of my staff from enjoying the things they love in life. We’ve made huge improvements to the safety culture in Cairns, which is evidenced by achieving ZERO LTI’s over the past two years. I am proud of our achievements in improving safety and managing risks for staff and passengers, and in helping to establish the Cairns District Safety Committee, which was a State first.

I plan to retire in a few years from now, by which time I expect to have a team of workers totally committed to identifying and controlling hazards in the workplace, reporting all near misses and learning from the valuable lessons they provide, and having courageous conversations with those who are not working safely. I am lucky to have a great bunch of committed supervisors to continue after I’ve retired, and I have no doubt this team can succeed in the journey to a true safety culture, because that’s the kind of workers we are in the north.

Wayne Harisson is a Track Maintenance Coordinator at the QR Services Portsmith Workshops.

Over the years safety has progressively become a higher priority in the workplace.
EVERY CHALLENGE PRESENTS AN OPPORTUNITY. AS THE NATION MOVES TOWARDS RENEWED ECONOMIC GROWTH, QR IS DELIVERING NATIONAL TRANSPORT SOLUTIONS FOR TODAY AND BEYOND.

The past year saw the completion of a significant planning phase which has culminated in the implementation of a new Transformation Program for QR. QR’s Transformation Program sets a clear framework for how we will achieve our vision to be a truly great Australian company and world leader in rail and transport. This program is underpinned by our five corporate priorities and sets the foundations for significant commercial growth over the next five years.

The following pages are summaries of our business operations and the benefits they provide to customers and owners.
During the year, QR’s National Bulk Freight, Central Freight and Linehaul activities were separated from its specialist coal haulage business and reorganised as QR Freight, under the leadership of Ken Lewsey. QR Freight is a leading national partner in bulk and intermodal freight management. We are strongly focused on obtaining excellence in safety performance, commercial success, innovation and accountability. The group hauls more than 59 million tonnes of minerals, agricultural and general freight each year in Queensland and Western Australia and has a growing presence in the national rail linehaul market. In 2008/09 QR Freight continued to boost its presence in iron ore, which now represents 17% of volumes and is forecast to grow significantly in the years ahead. Transporting a wide variety of freight including grain, livestock, retail goods, mineral sands, sugar, alumina, bauxite, iron ore, copper, lead, zinc and nickel ore, QR Freight has an annual turnover of $1.2 billion. This turnover is only possible thanks to the work of over 3,700 highly skilled staff in five states throughout Australia. Our staff are focused on meeting and exceeding customer expectations through development of partnerships and tailored solutions, ensuring we deliver reliable, safe and efficient services in the ever-changing national freight market.

To meet the needs of this changing environment, the restructured Freight group is now positioned to develop and promote a coordinated, nationally focused freight and logistics business. The new QR Freight business includes ARG Bulk East, ARG Bulk West, Intermodal (including CRT Group) and Regional Freight.

During the year, QR’s National Bulk Freight, Central Freight and Linehaul activities were separated from its specialist coal haulage business and reorganised as QR Freight, under the leadership of Ken Lewsey. QR Freight is a leading national partner in bulk and intermodal freight management. We are strongly focused on obtaining excellence in safety performance, commercial success, innovation and accountability. The group hauls more than 59 million tonnes of minerals, agricultural and general freight each year in Queensland and Western Australia and has a growing presence in the national rail linehaul market. In 2008/09 QR Freight continued to boost its presence in iron ore, which now represents 17% of volumes and is forecast to grow significantly in the years ahead. Transporting a wide variety of freight including grain, livestock, retail goods, mineral sands, sugar, alumina, bauxite, iron ore, copper, lead, zinc and nickel ore, QR Freight has an annual turnover of $1.2 billion. This turnover is only possible thanks to the work of over 3,700 highly skilled staff in five states throughout Australia. Our staff are focused on meeting and exceeding customer expectations through development of partnerships and tailored solutions, ensuring we deliver reliable, safe and efficient services in the ever-changing national freight market.

To meet the needs of this changing environment, the restructured Freight group is now positioned to develop and promote a coordinated, nationally focused freight and logistics business. The new QR Freight business includes ARG Bulk East, ARG Bulk West, Intermodal (including CRT Group) and Regional Freight.

QR Freight fast facts:
- STAFF: 3,780 in five states
- REVENUE: $1.2 billion
- ANNUAL TONNAGE: 59 million
- CAPITAL INVESTMENT: $1.0 billion
- PROGRAM: safety performance, commercial success, innovation and accountability.

The group hauls more than 59 million tonnes of minerals, agricultural and general freight each year in Queensland and Western Australia and has a growing presence in the national rail linehaul market. In 2008/09 QR Freight continued to boost its presence in iron ore, which now represents 17% of volumes and is forecast to grow significantly in the years ahead. Transporting a wide variety of freight including grain, livestock, retail goods, mineral sands, sugar, alumina, bauxite, iron ore, copper, lead, zinc and nickel ore, QR Freight has an annual turnover of $1.2 billion. This turnover is only possible thanks to the work of over 3,700 highly skilled staff in five states throughout Australia. Our staff are focused on meeting and exceeding customer expectations through development of partnerships and tailored solutions, ensuring we deliver reliable, safe and efficient services in the ever-changing national freight market.

To meet the needs of this changing environment, the restructured Freight group is now positioned to develop and promote a coordinated, nationally focused freight and logistics business. The new QR Freight business includes ARG Bulk East, ARG Bulk West, Intermodal (including CRT Group) and Regional Freight.

As part of our ZERO Harm journey, QR Freight is committed to improving its safety culture and performance. An example of this is the level of support and commitment for intensive safety belief workshops that are underway throughout the freight business, to support our ZERO Harm program. While we are pleased with our improvements in safety performance, we recognise further improvements in safety are required. However, we have achieved improvements in safety performance such as in our Intermodal linehaul and CRT businesses, where more than 500 staff did not experience an LTI during the 2008/09 financial year. This demonstrates the success of our safety training programs. Through their commitment to safety, our Intermodal business has achieved the milestone of no LTIs or mainline derailments in rail operations and only one LTI in depot operations in 2008/09.

ARG is Australia’s leading bulk freight business with 15 depots operating nationally in the mining and agricultural bulk freight sectors. ARG hauled more than 56 million tonnes in 2008/09 throughout Queensland and Western Australia, covering a network of more than 14,000 kilometres.

The ARG Bulk West business is the biggest iron ore haulier outside the Pilbara region and is continuing to grow its presence, servicing major customers including Cliffs Natural Resources and Mount Gibson Mining. The continued investment in iron ore and grain businesses includes acquiring eight new generation standard gauge locomotives, providing greater hauling capacity, greater fuel efficiency and advanced braking systems.

During the year, ARG Bulk West successfully negotiated a new rail haulage agreement with the Proserpine Cooperative Sugar Milling Association Ltd. This agreement secures the transport of up to 280,000 tonnes per annum of bulk export raw sugar from Proserpine to Mackay for the next three years.

On 30 June 2009, ARG Bulk West, in conjunction with BIS Industrial Services, formalised the arrangements to service BHP Billiton Nickel West’s supply chain. ARG Bulk West, in conjunction with BIS Industrial Services, manages Nickel West’s supply chain in Western Australia, which BHP Billiton regards as its most complex across the globe.

ARG demonstrated its customer focus when it helped Portman Mining (now called Cliffs Natural Resources) lift rail tonnages from its Koolyanobbing iron ore project in Western Australia to the Port of Esperance by 4% with no capital expenditure after a 40-week process improvement program last year.

ARG in 2008/09
- In September 2008, ARG Bulk East assumed responsibility for the Townsville to Mount Isa rail corridor in Queensland. The transitioning of the workforce from QR to ARG was completed in July 2009 and represents a major operational reform for QR.
- During the year, ARG Bulk East successfully negotiated a new rail haulage agreement with the Proserpine Cooperative Sugar Milling Association Ltd. This agreement secures the transport of up to 280,000 tonnes per annum of bulk export raw sugar from Proserpine to Mackay for the next three years.

In 2008/09, ARG Bulk East successfully negotiated a new rail haulage agreement with the Proserpine Cooperative Sugar Milling Association Ltd. This agreement secures the transport of up to 280,000 tonnes per annum of bulk export raw sugar from Proserpine to Mackay for the next three years.

- On 30 June 2009, ARG Bulk West, in conjunction with BIS Industrial Services, formalised the arrangements to service BHP Billiton Nickel West’s supply chain. ARG Bulk West, in conjunction with BIS Industrial Services, manages Nickel West’s supply chain in Western Australia, which BHP Billiton regards as its most complex across the globe.
- ARG demonstrated its customer focus when it helped Portman Mining (now called Cliffs Natural Resources) lift rail tonnages from its Koolyanobbing iron ore project in Western Australia to the Port of Esperance by 4% with no capital expenditure after a 40-week process improvement program last year.
QR Freight Intermodal offers a containerised freight transport service from Cairns to Perth, together with value added customer solutions such as rail-based warehousing and specialised customer solutions. With a network of terminals and depots near major transport hubs, access to train paths across Australia and new rollingstock investment, QR's Intermodal Business is positioned for growth in the national market for containerised rail freight services.

QR Freight Intermodal includes CRT Group (CRT), a wholly owned subsidiary of QR based in Melbourne. CRT is a highly specialised national transport and logistics company employing 300 people, with branches in Victoria, New South Wales, Queensland, South Australia and Western Australia.

Across its national network, QR Freight Intermodal hauled 0.7 million tonnes of retail freight and 2.5 million tonnes of wholesale freight in 2008/09.

QR Freight Intermodal in 2008/09
- QR Freight Intermodal entered contracts to purchase twelve and lease nine new locomotives for the national general freight network.

These new locomotives are providing a more reliable and efficient service for our customers and will enable the business to achieve a greater scale of operations and profitability.
- In April 2009, QR Freight Intermodal opened the new $10 million Forrestfield Terminal in Perth, which provides customers with ease of access and a streamlined service that enhances the Intermodal offering of superior customer service.

These investments demonstrate QR Freight Intermodal is serious about significantly building its position as a long-term participant in the $1.2 billion national linehaul market, which is expected to be worth $2 billion by 2020.
- In June 2009, CRT announced an agreement with refined sugar products supplier Sugar Australia to provide bulk transport and logistics services. The services provided by CRT to Sugar Australia throughout South Australia and Victoria include the transport and distribution of over 5,000 tonnes of sugar from its refinery and depots to customers in those states.

QR Regional Freight is a Queensland-based freight and logistics business providing general and retail freight services for customers across the state, including the livestock industry. In addition, it provides operational services and solutions to QR’s Coal, Passenger, Intermodal and ARG businesses throughout Queensland.

QR Regional Freight in 2008/09
- Successfully implemented a modal shift for general freight on the Townsville to Mt Isa rail corridor that provides a faster and more reliable service to customers. The modal shift has made QR more competitive with alternative transport services to the region and generated significant savings through improved efficiencies.
- A sharp focus on cost control was reflected in better financial results, but this performance is still below target and there is considerable room for improvement.

All of these reforms are part of a continuing business improvement program aimed at not only improving services for customers but also improving financial performance and assuring long-term business viability.
- In February 2009, Regional Freight worked closely with customers, community representatives and our competitors to help flood-bound communities in North Queensland.
COMPETITION IN QUEENSLAND

The 2008/09 financial year brought about the entry of a new competitor into the Queensland market in Pacific National. QR National Coal has welcomed this competition, conducting over the course of the year a full strategic and operational review to identify possible weaknesses as well as potential opportunities brought about by a more competitive environment.

This has resulted in the development of a new QR National Coal ten-year strategic plan, which focuses attention on understanding, developing and leveraging our competitive advantage. Key elements of the plan are:

- Develop product offers designed best to apply QR National Coal's substantial and flexible asset-base, to provide better outcomes for customers by helping them to balance their railings profile and risk appetite
- Substantially and consistently improve QR National Coal's operational performance – both in coal throughput and cost efficiency
- Work with customers to provide total coal logistics solutions
- Continue to invest in identifying, retaining and developing the best people

OPERATIONAL PERFORMANCE

Improved operational performance is a key objective of the QR National Coal strategy. During the year advances were made in a number of areas, with encouraging trends in metrics such as locomotive availability and delivery performance against plan. The successful renegotiation of the Enterprise Agreements was a major step forward for the business, with attractive terms offered to employees, in exchange for greater workplace flexibilities. This will assist QR National meet the challenge of increased competition head on.

The 2008/09 financial year was turbulent in terms of coal supply chain demand. The year began with close to maximum throughput required across all coal chain systems, with demand dropping off substantially mid-year as the Global Financial Crisis (GFC) took hold. The final quarter saw the market fall back to full throughput again as global demand for coking coal, particularly from China, substantially increased.

While demand swings at these levels are not common, QR National Coal sees its core role as working with customers to accommodate their needs as the coal chain moves through its demand cycle. The sudden and unprecedented upswing in demand presented several challenges to QR National Coal.

The response of the management team, with strong support from the CEO and other QR businesses, was the formation of the Goonyella Coal Chain Taskforce, which had a rapid and positive impact. The impact of this significant intervention is best illustrated through the improvement in performance, with a number of records achieved through the system including weekly throughput nearing two million tonnes.

The Taskforce has now evolved to broaden its focus to improving coal throughput across the business as part of strategic plan execution. As a result, a number of key project groups are being scoped and implemented throughout QR National Coal's operations. The project groups include:

- Yard management projects reducing turn around time through these facilities
- Rollingstock Utilisation Projects improving availability and reliability of new and existing fleet
- Network velocity and availability projects improving the performance of the track assets
- Train operating model projects improving the planning and resourcing of the train plans

INVESTMENTS IN AUSTRALIA’S COAL CHAIN CAPACITY

QR National Coal and its owner, the Queensland Government, continued throughout 2008/09 financial year to make substantial investments to develop Australia’s capacity to export coal to the rest of the world. The case study that follows provides a powerful example.

As the Nation’s largest coal haulier, QR National Coal provides a vital link between Australia’s coal mines and their customers locally and across the globe. QR National Coal operates more than 540 coal train services per week, from 56 mines for 23 customers in Queensland and New South Wales. QR National Coal is a market leader, investing in and deploying rolling stock and highly skilled people to benefit customers and the people of Queensland.

The restructure of QR’s freight operations during the year means QR National Coal now operates as a separate business within QR under the leadership of the Queensland Government, has committed to rolling stock and facilities investments to support our safety vision: “To be world class in safety”. The initial step was to develop the capability of the management team to support a range of initiatives. A safety interactions program was implemented, with QR National Coal leaders completing more than 240 personal interactions per month during the latter half of the year. The Line in the Sand employee safety initiative was launched in April 2009, challenging team members across the business to commit to real projects and higher standards aimed at improving safety outcomes – quickly and sustainably. All team members have been asked to make a personal commitment to working safely.

These initiatives, together with other programs focusing on fatigue management and compliance, have contributed towards improved outcomes in safety outcomes, such as:

- 1,000 days lost-time injury free in New South Wales
- 360 days SPAD (Signal passed at danger) free at the Coppabella depot
- 260 days SPAD (Signal passed at danger) free at the Calliope depot

QR National Coal’s management team, while encouraged by this progress, is nevertheless conscious of the long journey remaining to achieve ZERO Harm, and remains committed to continued improvement over the coming year and beyond.

NEW SOUTH WALES MARKET SHARE

In line with its strategic intention of maintaining its national market leadership position, QR National Coal has secured significant growth contracts in the Hunter Valley, and is considering opportunities in the Goonyella system.

As a result of negotiations undertaken during the 2008/09 financial year, contracts were signed in New South Wales with Peabody Coal (1.9 million tonnes per annum) and Felix Resources (12 million tonnes per annum). These contracts, each spanning ten years, and coming into operational implementation by the 2011/12 financial year, will take the business to approximately 30% of the New South Wales coal haulage market. This is strategically significant as it takes QR National Coal from the status of a successful new entrant to that of the established strong “number two” operator in a market previously dominated by our competitor.

QR National Coal, with the support of its owner, the Queensland Government, has committed to rolling stock and facilities investments totalling approximately $300 million to support this market growth. In addition, QR National Coal will employ 90 extra train crew.

As the Kangaroo Island airport was completed and the track from port to Callemondah depot is now ready for use, a link to the Gunnedah Valley system.

OUR YEAR IN REVIEW

QR NATIONAL COAL

QR NATIONAL COAL fast facts:

- STAFF 1,682
- ASSET VALUE $2.5 BILLION +
- REVENUE $1.3 BILLION +
- ANNUAL TONNAGE 185 MILLION
- WEEKLY SERVICES 540

QR National Coal accepts the general health and well-being of employees, customers’ employees, contractors, members of the general public – is viewed as the non-negotiable foundation of our business.

Our employees will enhance their quality of life, their motivation and their contribution to the business performance.

During the year, significant effort was focused on laying the foundations to support our safety vision: “To be world class in safety”. The initial step was to develop the capability of the management team to support a range of initiatives. A safety interactions program was implemented, with QR National Coal leaders completing more than 240 personal interactions per month during the latter half of the year. The Line in the Sand employee safety initiative was launched in April 2009, challenging team members across the business to commit to real projects and higher standards aimed at improving safety outcomes – quickly and sustainably. All team members have been asked to make a personal commitment to working safely.

These initiatives, together with other programs focusing on fatigue management and compliance, have contributed towards improved outcomes in safety outcomes, such as:

- 1,000 days lost-time injury free in New South Wales
- 360 days SPAD (Signal passed at danger) free at the Coppabella depot
- 260 days SPAD (Signal passed at danger) free at the Calliope depot

QR National Coal’s management team, while encouraged by this progress, is nevertheless conscious of the long journey remaining to achieve ZERO Harm, and remains committed to continued improvement over the coming year and beyond.

NEW SOUTH WALES MARKET SHARE

In line with its strategic intention of maintaining its national market leadership position, QR National Coal has secured significant growth contracts in the Hunter Valley, and is considering opportunities in the Goonyella system.

As a result of negotiations undertaken during the 2008/09 financial year, contracts were signed in New South Wales with Peabody Coal (1.9 million tonnes per annum) and Felix Resources (12 million tonnes per annum). These contracts, each spanning ten years, and coming into operational implementation by the 2011/12 financial year, will take the business to approximately 30% of the New South Wales coal haulage market. This is strategically significant as it takes QR National Coal from the status of a successful new entrant to that of the established strong “number two” operator in a market previously dominated by our competitor.

QR National Coal, with the support of its owner, the Queensland Government, has committed to rolling stock and facilities investments totalling approximately $300 million to support this market growth. In addition, QR National Coal will employ 90 extra train crew.

OUR YEAR IN REVIEW

QR NATIONAL COAL

As the Kangaroo Island airport was completed and the track from port to Callemondah depot is now ready for use, a link to the Gunnedah Valley system.

OUR YEAR IN REVIEW

QR NATIONAL COAL

As the Kangaroo Island airport was completed and the track from port to Callemondah depot is now ready for use, a link to the Gunnedah Valley system.

OUR YEAR IN REVIEW

QR NATIONAL COAL

As the Kangaroo Island airport was completed and the track from port to Callemondah depot is now ready for use, a link to the Gunnedah Valley system.

OUR YEAR IN REVIEW

QR NATIONAL COAL

As the Kangaroo Island airport was completed and the track from port to Callemondah depot is now ready for use, a link to the Gunnedah Valley system.

OUR YEAR IN REVIEW

QR NATIONAL COAL

As the Kangaroo Island airport was completed and the track from port to Callemondah depot is now ready for use, a link to the Gunnedah Valley system.

OUR YEAR IN REVIEW

QR NATIONAL COAL

As the Kangaroo Island airport was completed and the track from port to Callemondah depot is now ready for use, a link to the Gunnedah Valley system.

OUR YEAR IN REVIEW

QR NATIONAL COAL

As the Kangaroo Island airport was completed and the track from port to Callemondah depot is now ready for use, a link to the Gunnedah Valley system.

OUR YEAR IN REVIEW

QR NATIONAL COAL

As the Kangaroo Island airport was completed and the track from port to Callemondah depot is now ready for use, a link to the Gunnedah Valley system.

OUR YEAR IN REVIEW

QR NATIONAL COAL

As the Kangaroo Island airport was completed and the track from port to Callemondah depot is now ready for use, a link to the Gunnedah Valley system.
The Jilalan Rail Yard, located three kilometres south of Sarina, is a vital link in the Goonyella coal supply chain. The rail yard, used by QR to maintain and service coal transport trains, has expanded over the years in line with the growth in customers’ coal exports.

The Jilalan Rail Yard Upgrade (a joint QR Network and QR National Coal project) commenced in April 2008 and will see throughput capability increase by 40%, from 29 trains per day, carrying 92 million tonnes per annum (mtpa) to 42 trains per day carrying 130 mtpa. When completed, the new yard will have 42 kilometres of track, of which 22 kilometres will be electrified.

QR has teamed with the Coal Stream Alliance, comprising members Connell Wagner, Hatch, Parsons Brinckerhoff, Macmahon Holdings Limited and MVM Rail, to design, construct and deliver the upgrade.

To date, 300 staff mobilised on site have achieved a ZERO lost time injury rate – an outstanding result for a project where the scope of works exceeds the scale of anything previously undertaken by QR.

QR Network’s below rail works include the installation of 12 kilometres of new electrified track, two road-over-rail bridges and one rail-over-road bridge (including all the associated changes to the public road infrastructure) valued at $190 million.

New QR National Coal facilities include administration buildings, as well as wagon maintenance and provisioning facilities to maintain the additional rollingstock required to achieve the increased throughput. These works are valued at $310 million.

In March 2009 the project reached its first major milestone with the completion of the major civil earthworks on the site’s northernmost section. Premier Anna Bligh and Transport Minister Rachel Nolan were both on hand to see one of the first coal trains running on the new section of track.

The new track allows 10,000 tonne, two-kilometre long coal trains to keep operating from Central Queensland mines to the ports at Hay Point and Dalrymple Bay while extensive construction works continue at the facility.

This investment at Jilalan will ensure the system has the ability to cater for the expected increased number of trains and capacity demands at the ports, improve operational efficiency within the system’s operations, and better allow for the staged presentation of trains to Dalrymple Bay Coal Terminal and Hay Point Coal Terminal.

The project will be commissioned in October 2009.
QR Network manages the infrastructure assets that make up QR’s rail network and provides supply chain solutions and services. As one of Australia’s largest networks, QR Network provides rail, corridor, major yard and telecommunications access throughout the 8,000 kilometre open-access rail network, which is Australia’s largest and supports the unique network access arrangement between both the freight and passenger operations.

With rail assets recorded at approximately $6.0 billion, QR Network is delivering an additional $4.0 billion capital investment program over the coming years, expanding capacity on the network, primarily for Central Queensland Coal and South East Queensland passengers. This expansion plays a key role in positioning other QR lines of business for success and is another example of the integrated nature of the QR business.

Each day, QR Network manages the open-access network movements of more than 1,000 trains across the railway, providing train paths for rail transport, in coordination with its partners across multiple supply chains. It is the skilled QR Network workforce of over 1,000 who continue to ensure the delivery of these services. Our people are design engineers, network planners and controllers, asset managers, commercial and financial professionals and business support people, who are focused on continuing commercial success for QR Network and outstanding service to rail network users, including the other QR lines of business.

QR Network reflects QR’s core value of safety by going beyond compliance to ensure a world-class focus on safety by combining the network safety standards and processes with innovative approaches and technologies.

As an accredited rail manager, annual external audits confirm our processes for ensuring safety are effective and meeting critical safety standards. We also regularly demonstrate the meeting of legislative requirements for electrical safety, safety in signaling and telecommunications, security, environment, workplace health and safety, and safeworking methods.

Continuous improvement of safety is an integral goal of our infrastructure projects, beginning with the design and planning stages. For example, part of the Toowoomba Yard Resignalling project identified an opportunity to convert a siding into a fully signalled passing loop to allow safer changing of train crews. The inclusion of an all-weather driver change pad as part of this work has reduced the possibility of slips, trips and falls on uneven ground.

Safety is also the most integral part of infrastructure construction and maintenance. Achieving a ZERO LTI rate is a goal of all our projects. For example, through the establishment of a safety culture on-site, QR Network’s Robina to Varsity Lakes rail extension project achieved one million hours free of LTIs in June 2009.
Our performance during the past year was characterised by a continuing pattern of solid financial results, on time and on budget infrastructure delivery and excellence in customer service across the network.

QR Network provided a significant increase in revenue for 2008/09 of $1.4 billion, up 14% on the previous year. Our earnings rose 28% to $539 million, continuing our trend of improving business performance. This was achieved during a year of mixed demand and tonnages across our network.

The global economic downturn and flooding in Northern Queensland were two major events that dominated our business activities during the financial year. Our business has been able to adjust on both counts, with tonnages increasing, after a slowdown mid-year, to record levels on the Blackwater Coal System in June. QR Network consistently earns a stable cash flow, contributing to the QR group financial performance.

Major accomplishments this year include:

- Continued work on a number of projects as part of the South East Queensland Infrastructure Plan (SEQIP) including the Beerwah Rail Crossing Project, which will improve the local and regional traffic network, and the duplication of the rail line between Helensvale and Robina. The new track will cater for future passenger demand.
- Work has also continued on the Beerburrum duplication project and upgrades to stations at Elimbah and Beerburrum with the new stations and track commissioned in April 2009.

The project scope of work included the duplication of 10.5 kilometres of track and the construction of the new Bushley Overpass Bridge over the Capricorn Highway.

A series of duplication projects along the Blackwater System are being implemented to improve the system’s infrastructure capabilities to provide for increased coal haulage from mines to ports to meet customer requirements.

Since 2006/07, QR Network has commissioned seven out of 12 planned duplication projects. By the end of 2009, QR Network will have fully duplicated nearly 80% of the Blackwater rail system, leading to a 40% increase in capacity for the coal supply chain.

The duplication of track between Stanwell to Wycarbah was commissioned in May 2009. The project scope of work included the duplication of 10.5 kilometres of track, the construction of a new Bushley Overpass Bridge over the Capricorn Highway, a number of other smaller rail bridges, electrification and signalling.

The next duplication between Grantleigh and Tunnel on the Blackwater System is due to be commissioned in September 2009.

Our performance during the past year was characterised by a continuing pattern of solid financial results, on time and on budget infrastructure delivery and excellence in customer service across the network.

QR Network provided a significant increase in revenue for 2008/09 of $1.4 billion, up 14% on the previous year. Our earnings rose 28% to $539 million, continuing our trend of improving business performance. This was achieved during a year of mixed demand and tonnages across our network.

The global economic downturn and flooding in Northern Queensland were two major events that dominated our business activities during the financial year. Our business has been able to adjust on both counts, with tonnages increasing, after a slowdown mid-year, to record levels on the Blackwater Coal System in June. QR Network consistently earns a stable cash flow, contributing to the QR group financial performance.

Major accomplishments this year include:

- Continued work on a number of projects as part of the South East Queensland Infrastructure Plan (SEQIP) including the Beerwah Rail Crossing Project, which will improve the local and regional traffic network, and the duplication of the rail line between Helensvale and Robina. The new track will cater for future passenger demand.
- Work has also continued on the Beerburrum duplication project and upgrades to stations at Elimbah and Beerburrum with the new stations and track commissioned in April 2009.

Our performance during the past year was characterised by a continuing pattern of solid financial results, on time and on budget infrastructure delivery and excellence in customer service across the network.

QR Network provided a significant increase in revenue for 2008/09 of $1.4 billion, up 14% on the previous year. Our earnings rose 28% to $539 million, continuing our trend of improving business performance. This was achieved during a year of mixed demand and tonnages across our network.

The global economic downturn and flooding in Northern Queensland were two major events that dominated our business activities during the financial year. Our business has been able to adjust on both counts, with tonnages increasing, after a slowdown mid-year, to record levels on the Blackwater Coal System in June. QR Network consistently earns a stable cash flow, contributing to the QR group financial performance.

Major accomplishments this year include:

- Continued work on a number of projects as part of the South East Queensland Infrastructure Plan (SEQIP) including the Beerwah Rail Crossing Project, which will improve the local and regional traffic network, and the duplication of the rail line between Helensvale and Robina. The new track will cater for future passenger demand.
- Work has also continued on the Beerburrum duplication project and upgrades to stations at Elimbah and Beerburrum with the new stations and track commissioned in April 2009.

Our performance during the past year was characterised by a continuing pattern of solid financial results, on time and on budget infrastructure delivery and excellence in customer service across the network.

QR Network provided a significant increase in revenue for 2008/09 of $1.4 billion, up 14% on the previous year. Our earnings rose 28% to $539 million, continuing our trend of improving business performance. This was achieved during a year of mixed demand and tonnages across our network.

The global economic downturn and flooding in Northern Queensland were two major events that dominated our business activities during the financial year. Our business has been able to adjust on both counts, with tonnages increasing, after a slowdown mid-year, to record levels on the Blackwater Coal System in June. QR Network consistently earns a stable cash flow, contributing to the QR group financial performance.

Major accomplishments this year include:

- Continued work on a number of projects as part of the South East Queensland Infrastructure Plan (SEQIP) including the Beerwah Rail Crossing Project, which will improve the local and regional traffic network, and the duplication of the rail line between Helensvale and Robina. The new track will cater for future passenger demand.
- Work has also continued on the Beerburrum duplication project and upgrades to stations at Elimbah and Beerburrum with the new stations and track commissioned in April 2009.

Our performance during the past year was characterised by a continuing pattern of solid financial results, on time and on budget infrastructure delivery and excellence in customer service across the network.

QR Network provided a significant increase in revenue for 2008/09 of $1.4 billion, up 14% on the previous year. Our earnings rose 28% to $539 million, continuing our trend of improving business performance. This was achieved during a year of mixed demand and tonnages across our network.

The global economic downturn and flooding in Northern Queensland were two major events that dominated our business activities during the financial year. Our business has been able to adjust on both counts, with tonnages increasing, after a slowdown mid-year, to record levels on the Blackwater Coal System in June. QR Network consistently earns a stable cash flow, contributing to the QR group financial performance.

Major accomplishments this year include:

- Continued work on a number of projects as part of the South East Queensland Infrastructure Plan (SEQIP) including the Beerwah Rail Crossing Project, which will improve the local and regional traffic network, and the duplication of the rail line between Helensvale and Robina. The new track will cater for future passenger demand.
- Work has also continued on the Beerburrum duplication project and upgrades to stations at Elimbah and Beerburrum with the new stations and track commissioned in April 2009.

Our performance during the past year was characterised by a continuing pattern of solid financial results, on time and on budget infrastructure delivery and excellence in customer service across the network.

QR Network provided a significant increase in revenue for 2008/09 of $1.4 billion, up 14% on the previous year. Our earnings rose 28% to $539 million, continuing our trend of improving business performance. This was achieved during a year of mixed demand and tonnages across our network.

The global economic downturn and flooding in Northern Queensland were two major events that dominated our business activities during the financial year. Our business has been able to adjust on both counts, with tonnages increasing, after a slowdown mid-year, to record levels on the Blackwater Coal System in June. QR Network consistently earns a stable cash flow, contributing to the QR group financial performance.

Major accomplishments this year include:

- Continued work on a number of projects as part of the South East Queensland Infrastructure Plan (SEQIP) including the Beerwah Rail Crossing Project, which will improve the local and regional traffic network, and the duplication of the rail line between Helensvale and Robina. The new track will cater for future passenger demand.
- Work has also continued on the Beerburrum duplication project and upgrades to stations at Elimbah and Beerburrum with the new stations and track commissioned in April 2009.

Our performance during the past year was characterised by a continuing pattern of solid financial results, on time and on budget infrastructure delivery and excellence in customer service across the network.

QR Network provided a significant increase in revenue for 2008/09 of $1.4 billion, up 14% on the previous year. Our earnings rose 28% to $539 million, continuing our trend of improving business performance. This was achieved during a year of mixed demand and tonnages across our network.

The global economic downturn and flooding in Northern Queensland were two major events that dominated our business activities during the financial year. Our business has been able to adjust on both counts, with tonnages increasing, after a slowdown mid-year, to record levels on the Blackwater Coal System in June. QR Network consistently earns a stable cash flow, contributing to the QR group financial performance.

Major accomplishments this year include:

- Continued work on a number of projects as part of the South East Queensland Infrastructure Plan (SEQIP) including the Beerwah Rail Crossing Project, which will improve the local and regional traffic network, and the duplication of the rail line between Helensvale and Robina. The new track will cater for future passenger demand.
- Work has also continued on the Beerburrum duplication project and upgrades to stations at Elimbah and Beerburrum with the new stations and track commissioned in April 2009.
QR Limited Annual Report

Queensland urban public transport landscape and the Queensland community.

QR Limited.

QR Passenger is an Australian industry leader in passenger transport and travel services, with a strong reputation in safety, sustainability, innovation, service and reliability. On 1 September 2008, QR Passenger became its own Accredited Railway and a wholly-owned subsidiary of QR Limited.

QR Passenger at a glance:

- **STAFF**: 3,236
- **REVENUE**: $30.85 BILLION
- **ASSETS**: 353 TRAIN SETS
- **SERVICES ANNUALLY**: 266,416

QR Passenger occupies a strong position within the South East Queensland urban public transport landscape and the Queensland long distance travel market, delivering a range of rail-based solutions and services.

QR Passenger is committed to achieving its vision of shaping the future of passenger transport which requires a shift from being traditionally asset-focused to one focused on delivering exceptional customer service. The framework developed to achieve this change has the potential to deliver key financial, customer and employee benefits, confirming QR Passenger's status as a significant contributor to the Queensland community.

In 2008/09, QR Passenger carried more than 66 million passengers on more than 260,000 scheduled services, supported by over 3,000 staff to deliver an annual revenue growth of 15.7%. As the backbone of Queensland's urban transport network, QR Passenger forges ahead with transport innovations that deliver value to Queenslanders.

QR Passenger is an Australian industry leader in passenger transport and travel services, with a strong reputation in safety, sustainability, innovation, service and reliability. On 1 September 2008, QR Passenger became its own Accredited Railway and a wholly-owned subsidiary of QR Limited.

QR Passenger's 2008/09 strategy will deliver commercially sustainable and profitable initiatives, structured to deliver optimum value for all its stakeholders.

COMMERCIAL CAPABILITY AND GROWTH

2008/09 saw the continuation of upgrades to the South East Queensland Rail Network under the South East Queensland Infrastructure Program Rail (SEQP Rail) work program. The upgrades included:

- Caboolture to Beerburrum (duplication and realignment)
- Corinda to Darra (third track)
- Darra to Springfield (track extension)
- Robina to Variety Lakes (track extension).

QR Passenger also participated in Queensland Transport’s Inner City Rail Capacity Study which determined preliminary route options to allow for future growth of the Citytrain network to ensure continuing passenger demand can be catered for in the long term.

$211 million worth of various capital works projects were delivered in 2008/09 including new rollingstock, new stations, upgrades to existing stations and rollingstock, card parks and information systems.

NEW ROLLINGSTOCK

The acquisition of new rollingstock for the Citytrain network continues to be a major focus for QR Passenger and represents more than half of the $211 million QR Passenger Capital Investment Program for 2008/09. Strategies for future rollingstock supply and maintenance have been developed, along with a strategy for future train stabling requirements. Strategic rollingstock utilisation models will ensure effective allocation of train sets in the network to cater for passenger demand.

QR Passenger took delivery of a further 13 three-car sets taking the total to 28 three-car sets delivered of the current orders for 64 three-car sets of new rollingstock. Delivery and acceptance of a further 15 three-car sets is planned for the 2009/10 financial year. In conjunction with continued investigations into new generation rollingstock.

The management and maintenance of the expanding Citytrain fleet is essential to ensure QR Passenger operates at optimal levels. Accordingly, the Rollingstock Assets group has undertaken the following activities in 2008/09:

- Reviewed the engineering scope for all preventative maintenance of the Citytrain fleet
- Developed a future maintenance facility plan to accommodate new Citytrain rollingstock
- Increased the rate of Citytrain detail cleans from once every two months to once a month.

A new Citytrain timetable was implemented on 23 February 2009 providing two additional morning peak services for both the Ipswich and Caboolture lines. The development of the 2010 timetable will review the demand and service levels for the Ipswich and Caboolture lines as well as associated intercity extensions.

To ensure future planning outcomes meet expected customer demand, partnerships with relevant planning Divisions of Queensland Transport and Main Roads, the TransLink, Transit Authority, and QR Network have been developed and fostered.

NEW BUSINESS STRATEGY TEAM

In November 2008, a New Business Strategy Team was established to strengthen QR Passenger’s commercial capabilities and increase revenues through identifying and realising sustainable growth opportunities.

With a focus on customer service, the team is working to optimise financial performance across the business in areas such as retail leasing, advertising and property-related development around railway stations. This includes managing QR Passenger’s involvement in Transit Oriented Developments (TODs) in South East Queensland and working to increase returns on utilised assets while enhancing the experience of customers.

In its first six months, the team:

- Began discussions with major suppliers to introduce new convenience-based services to enhance commuters’ travelling experiences
- Audited retail leases and began implementing strategies for greater service offerings and revenue growth
- Represented QR Passenger interests in commercial negotiations with developers on TOD developments impacting Citytrain network stations
- Was short-listed for the provision of a $150 million commercial development on an important TOD site adjoining Bowen Hills Station
- Developed concepts focused on enhancing cycling facilities at stations while also reducing traffic congestion and commuter carbon footprints
- Reviewed outdoor advertising agreements resulting in the first steps of a Station Precinct Strategy

QR PASSENGER SAFETY

In 2008/09 QR Passenger delivered on the safety strategies outlined in its ‘Roadmap to ZERO Harm’. The dedication to safety and an unwavering commitment to ZERO Harm were best demonstrated by the successful completion of the Fortitude Valley Station and Indooroopilly Station redevelopments with only four hours lost in over 30,900 person hours.

QR Passenger reviewed its Safety Management System and subsequently redrafted and implemented a web-based system that allows all QR Passenger staff with intranet access to obtain the most up-to-date safety information.

CITYTRAIN

Rapid population growth in South East Queensland, combined with economic and environmental factors, has increased patronage on public transport over the past five years with strong growth forecast to continue. Citytrain patronage reached 65.1 million passengers in 2008/09, a 5.4% increase on the 2007/08 figure. A distinct shift from private car to public transport contributed significantly to this increase, particularly for passengers commuting during peak periods.

QR Passenger is committed to improving the customer experience and alleviating passenger congestion through a number of customer service focused initiatives. This is demonstrated in the delivery to date of approximately $400 million in rail infrastructure with additional Queensland Government investment underway including the commissioning of 28 new three-car units with an additional 74 planned by July 2012.

TRAVELTRAIN

Despite a challenging tourism year marked by declining international and interstate visitor numbers due to the global financial crisis, Traveltrain continued to record positive results. Focus was placed on improving direct sales channels growth through our QR Travel Centres, Central Reservations and the Traveltrain website.

The Traveltrain website was revitalised in 2009 to improve presentation, usability and introduce online booking functionality, resulting in sales growth from the online channel of 41% for 2008/09.

The TFI Train had its 10th anniversary on 10 November 2008 and celebrated with a $10 Seat Sale. The results were overwhelming, with 3,400 bookings taken.

KURANDA SCENIC RAILWAY (KSR)

The KSR business continues to implement financial reforms to improve its commercial viability. In the face of a challenging period for the tourism industry, the business continues to look for cost reductions and market leverage from strategic distribution relationships.
QR PASSENGER IN 2008/09

- Set a benchmark for design with the opening of the new Fortitude Valley station in October 2008. A close partnership between QR Passenger and construction management firm Bovis Lend Lease allowed this award-winning station to be successfully opened ahead of schedule and under budget.
- A new maintenance and capital improvement program was delivered, targeting the top 28 stations within South East Queensland.
- Enhanced LCD Passenger Information Display System monitors were installed in key stations such as Central, Robina, and Fortitude Valley to improve customer access to train departure and arrival schedules.
- Tilt train service cancellations affected the diesel-powered Cairns Tilt Train service that operates two trains in each direction each week between Brisbane and Cairns. Services resumed 4 May 2009.
- E-rail train service notifications were introduced in January 2009. E-rail provides free SMS updates to subscribers by notifying commuters of unplanned disruptions or late running trains across the Citytrain network.
- Online booking for Traveltrain services became available in December 2008 allowing passengers to book and purchase tickets for long-distance train services via the Traveltrain website.
- An intense management and employee engagement process commenced in 2008/09, which reiterated the fundamental importance of the contribution QR Passenger’s people make to the business. A range of programs have been implemented to deliver business outcomes and commercial value and enhance employee engagement, satisfaction and performance.
- An Independent Access Guide for people with disabilities was published and a safe boarding campaign was developed, making it easier and safer for customers with disabilities to access platforms and rollingstock.
- A customer education campaign focusing on journey information and behaviour onboard trains was launched.
- The Graffiti Management Program was revised to ensure the management of graffiti is coordinated across QR subsidiaries. The approach taken to graffiti management is both preventative and responsive, involving partnerships with the community, Queensland Police and government, and aligns to the Queensland Graffiti Management Policy 2008 to 2011.
- Traveltrain continues to be recognised for the quality of its holiday experiences. The Sunlander, Spirit of the Outback, Kuranda Scenic Railway and The Gulflander were included in the Queensland Must-Do 150. The Sunlander was also voted one of the Top 25 Rail Journeys of the World by the Society of International Rail Travellers for the third year in a row.
- Completion of the $72 million Helensvale to Robina Track Duplication project in July 2008 provided another boost for passenger services on the Gold Coast line. As well as improving operational flexibility, it paved the way for 15-minute intervals on morning and evening peak-hour services.
- The first extension of the Gold Coast line in ten years is being delivered through the $324 million Robina to Varsity Lakes (R2VL) Rail Extension project. The new 4.1 kilometre rail line from Robina will link into a new, innovative and eco-friendly station at Varsity Lakes.
- After two years of construction, the project reached a significant safety milestone of one million LTI-free hours on 1 June 2009. Works are approximately 80% complete and the project team is gearing up for the first service to start in December 2009. Residents of Varsity Lakes will be able to reach Brisbane’s Central Station in 75 minutes.

GOLD COAST UPGRADES ON TRACK

THE NEW 4.1 KILOMETRE RAIL LINE FROM ROBINA WILL LINK INTO A NEW, INNOVATIVE AND ECO-FRIENDLY STATION AT VARSITY LAKES.

Completion of the $72 million Helensvale to Robina Track Duplication project in July 2008 provided another boost for passenger services on the Gold Coast line. As well as improving operational flexibility, it paved the way for 15-minute intervals on morning and evening peak-hour services.

The first extension of the Gold Coast line in ten years is being delivered through the $324 million Robina to Varsity Lakes (R2VL) Rail Extension project. The new 4.1 kilometre rail line from Robina will link into a new, innovative and eco-friendly station at Varsity Lakes.

After two years of construction, the project reached a significant safety milestone of one million LTI-free hours on 1 June 2009. Works are approximately 80% complete and the project team is gearing up for the first service to start in December 2009. Residents of Varsity Lakes will be able to reach Brisbane’s Central Station in 75 minutes.
QR Services is the largest rail specialist engineering and construction contracting business in Australia, providing whole-of-life asset solutions in the rail sector. QR Services designs, constructs, maintains and manages while providing the rail industry with responsive, innovative and competitive asset solutions.

QR Services fast facts:
- **STAFF**: 5,109
- **REVENUE**: $1.01 billion (inclusive of inter-segment revenue)
- **CAPITAL WORKS**: $444 million
- **DEPOTS**: 190+

In July 2008, as part of QR's redefinition of its portfolio, a dedicated engineering services business was established. QR Services is the largest rail specialist engineering and construction contracting business in Australia, providing whole-of-life asset solutions in the rail sector. QR Services provides the rail industry with responsive, innovative and competitive asset solutions.

With operations stretching across Queensland, Tasmania, New South Wales and Western Australia, QR Services' offerings are supported by its ownership of the largest fleet of high-production rail maintenance and construction machinery in Australia.

With projects including engineering, track construction, maintenance and rollingstock delivery, QR Services has been increasingly successful in securing contracts in other states and working rail networks beyond Queensland's borders, while continuing to provide integrated above and below rail solutions for its internal customers. QR Services provides an end-to-end service, including feasibility, delivery and ongoing asset management, capitalising on our in-house expertise and contractor partnerships to ensure 'best for project' decisions and whole-of-life asset value. QR Services has a track record for completing projects on time, on budget and to the highest operational and safety standards.

Our highly skilled team of more than 5,100 people, through nearly 200 locations across Australia, deliver significant infrastructure expansions, maintenance, manufacturing and augmentation projects to support rail capacity in the coal, minerals and commuter sectors.

The growth strategy recently put in place leverages the strong technical and operational excellence of QR Services' team and its rail-specific assets. With increasing commercial capability and customer focus, QR Services will continue to deliver quality services to internal QR customers while diversifying and growing in external markets.

QR Services has developed a deliberate growth strategy that recognises the significant expansion of infrastructure construction and maintenance requirements in external markets. A number of commercial opportunities have been identified for consideration over coming years in Australia and New Zealand – a market worth in excess of $5 billion.

Extensive strategy work has been completed during 2008/09 and programs have commenced to drive a stronger commercial and customer-driven culture across the business.

QR Services worked closely with major customer QR Network to increase availability and reliability within the coal network. A new model was introduced in May 2009 enabling QR Services to refocus efforts on improving response to faults and failures. This new strategy will maximise available train paths and increase the movement of coal to port.

A new trans-shipment and rail welding facility is under construction at Yeerongpilly to replace the ageing depot at Banyo. The Yeerongpilly facility boosts in-house capability to manufacture, store and deliver rail, improving productivity and efficiency.
The $28 million, 180 metre long, 740 tonne behemoth will grind rail across the vast Queensland network, focusing particularly on the high tonnage coal field areas.

Custom built and designed by US-based company Loram, the new grinder will cut maintenance time by 75%, allowing more coal and freight trains to access the network.

By investing in the latest rail maintenance technology, QR is able to improve the safety, reliability and availability of our 10,000 kilometre Queensland rail network.

QR Services also delivered a second-hand 80 stone grinder for use in delivering its contract with Australia Rail Track Corporation (ARTC) in New South Wales and has also been successful in contracts with WESTNET in Western Australia and resleepering works for the Tasmanian government.

LARGEST RAIL GRINDER IN SOUTHERN HEMISPHERE DISPLAYS QR SERVICES’ COMMERCIAL FOCUS

THIS YEAR, QR SERVICES WELCOMED THE LARGEST AND MOST POWERFUL RAIL GRINDER IN THE SOUTHERN HEMISPHERE INTO ITS TRACK MAINTENANCE FLEET.
our people

During 2008/09, the CEO announced the addition of “people” to the existing priorities of safety, customers, commerciality and growth. People sit at the heart of QR’s capability and competitive advantage in the marketplace. The attraction, retention and development of QR’s people will, in a large part, drive the transformation of the company and underpin future success and growth. To service the needs of QR’s large and diverse businesses, the corporation has a Human Resources (HR) function in place comprising strategic, operational and service delivery elements.
A STRATEGY FOR SUCCESS

QR’s Human Resources (HR) function is driving the people strategy in the company to create a high performing culture that is constructive and achievement focused. Under new leadership, a strategy was put in place with identified initiatives linked to six key People Strategy areas:

- Capable and confident leadership
- Constructive performance culture
- Depth in strategic capabilities and critical roles
- Dynamic people cycle (i.e. progression of people through various stages of their QR career)
- Genuine employee engagement.

These programs will deliver highly capable, motivated people to drive future commercial success and continued growth.

QR’s HR community is working across the company and its various businesses to ensure the initiatives align with the broader organisational transformation work and support QR’s vision.

LEADERSHIP AND PERFORMANCE CULTURE

In 2008/09, QR focused on refining and delivering initiatives to attract, retain and develop talented employees with a particular emphasis on developing capable and confident leaders. The leadership renewal across QR has introduced new and much-needed commercial talent and energy, alongside the experience and operational excellence of existing leaders. QR focused on ways to ensure continuity in critical senior roles. This involved building upon our leadership framework, to ensure people currently in, or aspiring to be in, leadership positions have a clearly mapped understanding of what constitutes successful performance at their own and other levels of leadership.

As a major Australian Corporation, QR employs over 15,000 people at more than 500 locations across the country from Cairns to Perth.

With a growing national footprint and more than 1,500 positions located outside our home state of Queensland, QR offers excellent employment and development opportunities for its people. More than 75% of QR’s people are employed in operations, trades and construction, and in businesses where there are strong growth opportunities. These include the resources sector, general freight and the passenger market.

Ultimately, QR aspires to be the employer of choice in the transport industry and the broader job market. It offers an outstanding range of professional opportunities across 300 job categories. You can drive a two kilometre-long coal train, be at the cutting-edge of engineering design, or in a frontline customer service role on QR’s suite of Traveltrains.

WORKPLACE AGREEMENTS

QR Made a fundamental shift in its industrial framework during the year, designed to support the Corporation’s vision. This involved negotiating greater flexibility in working arrangements, and promoting “ownership” of industrial agreements at the local workplace. The end result is a framework that is more streamlined, focused on customer outcomes and attuned to the specific needs of different businesses.

During 2008/09, QR’s recruitment centre processed more than 34,000 applications for over 2,000 positions and reduced our fill-time rate to 31 days. The centre reduced reliance on recruitment agencies and resulted in savings for the organisation. QR is witnessing rejuvenation across its ranks while ensuring retention of its renowned operational and technical excellence. This is illustrated by the fact that one-third of QR’s employees - some 5,000 people - have been with the company for one to four years. At the other end of the spectrum, and where company loyalty is strongly evident, about half have been with QR for 20 years or more.
our community

QR LEVEL CROSSING TASKFORCE

On November 27 2008, QR tragically lost two of our team members at a level crossing incident near Cardwell, North Queensland. Following this tragic event QR established a level crossing taskforce to focus on improving level crossing safety through community participation and awareness. With the determination of never having this tragic event happen again, QR, in partnership with Government and other stakeholders, are providing education like never before.

The Level Crossing Taskforce involves train drivers, railway unions, Queensland Police Service, QR Engineers, as well as many other stakeholders, working with local stakeholders to assess level crossings in North Queensland. The Task Force has now identified eight priority level crossings and has commenced work to upgrade protection with boom gates, flashing lights, improved lighting, warning markings and road signs. Further to this, QR Network is delivering a massive program of upgrades to level crossing protection to reduce risk on our coal, freight and passenger lines. Queensland has the largest number of level crossings in Australia, with 1,658 crossings accessible to public road users. The number of level crossing collisions in Queensland has dropped about 30% over the last decade, and QR has continued to work towards further reductions.

A second program is the Boom Gates for Rail Crossings, a federally funded program providing $42.7 million to upgrade 66 level crossings across Queensland. Each upgrade includes boom gates and flashing lights. The first eight of these upgrades were completed by 30 June. In addition, the Queensland Government is providing funding of $33.8 million to identify further level crossing improvements throughout the state.

Further to this, QR Network is delivering a massive program of upgrades to level crossing protection to reduce risk on our coal, freight and passenger lines. Queensland has the largest number of level crossings in Australia, with 1,658 crossings accessible to public road users. The number of level crossing collisions in Queensland has dropped about 30% over the last decade, and QR has continued to work towards further reductions.

A second program is the Boom Gates for Rail Crossings, a federally funded program providing $42.7 million to upgrade 66 level crossings across Queensland. Each upgrade includes boom gates and flashing lights. The first eight of these upgrades were completed by 30 June. In addition, the Queensland Government is providing funding of $33.8 million to identify further level crossing improvements throughout the state.

QR’s RailSmart Program aims to positively influence people’s attitude and behaviour on and around trains, tracks and rail property, and encourage community members to take responsibility for their own safety and that of others.

QR RailSmart Program

QR, through its ongoing community commitment, offers school and community visits across Queensland, where our Education unit deliver a proactive message of safety at or near railway lines. In 2008/09 the Community Education Team (including RailSmart presentations and Events) delivered:

- Around 500 education session and events presenting to 136,205 people throughout the state
- A significant achievement in February 2009 when our 1 millionth student participated in our Safety educational program
- Visits to schools and community groups between Mount Isa and Townsville for the first time as part of the regional RailSmart program
- The rail safety message with the launch of our global best practice rail safety education website RailSmart.com.au.

Queensland Junior Rugby Union

QR sponsored the Queensland Junior Rugby Union competition during 2008/09 to encourage 14,000 young aspiring rugby union players, representing over 100 regional communities across the country, to stay safe and be RailSmart.

QR Reds

As Principal Sponsor of Queensland Rugby Union and Naming Rights sponsor of the Reds Super 14 team, QR has received well over $1 million of brand exposure during the 2009 Super 14 season. QR used this opportunity to spread the RailSmart message to approximately 100,000 people at QR Reds home games and promoted safety throughout our metropolitan stations.

QR also held two charity events at the QR Reds suite where patients, families and carers from Ronald McDonald House, the Cancer Council and Leukaemia Foundation were treated to a ‘day at the footy’.

QR Level crossing safety advertisement.
Q150 STEAM TRAIN
2009 has marked the 150th anniversary of the creation of the state of Queensland. QR ran its first trains in 1865, only six years after the separation of Queensland from New South Wales. In 2009, QR in commercial partnership with the Queensland Government Q150 project team, delivered a tour of the Q150 Steam Train throughout the state.

The Q150 Steam Train has attracted thousands of people to stations and vantage points along the track to cheer it on its way. By the end of Sector Five, stretching from Brisbane to Cairns, more than 16,700 will have taken the opportunity to ride on the train. This number is expected to grow to more than 20,000 by the completion of the journey at the Ipswich workshops on 30 August 2009.

The goodwill engendered by this train was illustrated by the huge welcoming ceremonies and the positive media attention at towns and cities along the way.

QR staff operated the train with the assistance of the QR Heritage Volunteers.

COMMUNITY ENGAGEMENT DISABILITY DISCRIMINATION ACT 1992
QR is incorporating improvements to QR Passenger rollingstock design as a result of extensive engagement with the disability sector, including vision and hearing impaired, physical and intellectual disability groups and people with temporary disabilities.

In 2008/09, QR Passenger jointly published an Independent Access Guide for people with disabilities and developed a safe boarding campaign, making it easier and safer for customers with disabilities to access platforms and Rollingstock.

PARTNERING WITH WWF FOR EARTH HOUR
At 8.30pm on Saturday 28 March 2009, millions of people switched off their lights for one hour as part of Earth Hour 2009. Leading up to the event, QR Passenger also worked closely with the World Wildlife Fund to encourage passengers and staff to take part in this global event.

QR Passenger supported this event by offsetting the total amount of electricity used in one hour by all QR business groups to an accredited offset supplier, Climate Friendly.

AUSTRALIA’S TRANSPORT SECTOR REPRESENTS 14.6%1 OF THE NATION’S TOTAL GREENHOUSE GAS EMISSIONS FOOTPRINT. AS ONE OF AUSTRALIA’S LARGEST TRANSPORT PROVIDERS, QR MUST BE PART OF THE SOLUTION IN ADDRESSING AUSTRALIA’S EMISSIONS FROM TRANSPORT.

ENERGY EFFICIENCY INITIATIVES
Throughout 2008/09, QR delivered a number of energy efficiency initiatives to curb its consumption and associated greenhouse gas emissions including:

- Rollingstock innovation and upgrading
- Enhanced efficiency of train operations and asset utilisation
- Infrastructure development and upgrading
- Participation in the Australian Government’s Greenhouse Challenge
- Support for the Queensland Government’s QFleet Policy
- Offset 929 tonnes of CO2-e caused by air travel
- Recycled 56% of our waste
- 100% recycling in our CRT business diverting 12 tonnes from landfill.

WATER EFFICIENCY
Water scarcity is becoming increasingly important when combined with the projected effects of climate change and population growth. Queensland recently experienced the effect of resource scarcity associated with prolonged drought conditions that saw South East Queensland’s water storages drop to below 20% in 2007 and Stage 6 water restrictions implemented.

QR’s water conservation campaign, ‘Not Just a Drop in the Ocean’, is now in its third year. The objective has been to raise awareness of the importance of using water efficiently and the restrictions in-force. QR has implemented a number of water saving initiatives across its operations. QR Passenger sites have decreased their water consumption on average 46%, or around 60 million litres per year when compared to 2006/07.

INCIDENTS
QR experienced one major environmental incident this year. In November 2008 during a severe flood event, contaminated trade waste water containing approximately 500 litres of hydrocarbons was released at the Albany depot in Western Australia, resulting in short-term contamination to surface soil, stormwater drains and a small section of a local waterway. All areas were remediated to original state and validated by an independent environmental consultant.

CASE STUDY – RESPONDING TO CONCERNS ABOUT NOISE
Managing noise levels in our operations is a priority for QR. We take seriously our responsibility to comply with State Government approved planning levels for noise. Complementary with this, QR endeavours to act as a good neighbour to surrounding communities whilst being committed to meeting the needs of our customers.

Areas of our operations we focus on for noise management include:
- Wheel squeal and other rollingstock noise from running train operation
- Infrastructure noise from maintenance and construction work
- Workshops and depot noise.

QR’s approach to managing noise involves:
- Aiding by the Code of Practice for Railway Noise Management (“the Noise Code” is available on QR’s website)
- Implementing a Network Noise Management Plan with a long term program to prioritise and implement noise reduction measures
- Diligently investigating and responding to noise matters raised as concerns in the community
- Being part of Cooperative Research Centre’s national research into railway noise management
- Efficiently and effectively greasing track on tight curves where it is well recognised to have high potential for wheel squeal/flanging
- Introduction of quieter trains dependent on technological advances, operational requirements and economics.

NETWORK NOISE MANAGEMENT PLAN
In accordance with the Noise Code, QR has delivered its noise management strategy based around a Network Noise Management Plan since early 2001. The plan has provided a long-term program to prioritise and implement noise reduction measures.

Its implementation has been assisted by significant funding from the Queensland State Government.

COAL DUST
QR is establishing a Coal Dust Management Plan in collaboration with the coal industry, which will implement a number of coal dust mitigation methods. These include the use of liquid surface spray weneger agents and improved load profiles of coal in wagons.

This final plan is due to be submitted to the Department for Environment and Resource Management in December 2009. The plan is being programmed to establish spray stations for the dustiest coals by the first quarter of 2010. QR has installed the first of three monitoring units in the central Queensland systems which will be able to identify dusty trains and measure the effectiveness of spray stations.

QR is also continuing to monitor coal dust levels from the Dalrymple Bay Coal Terminal third rail loop as a means of continuing its compliance with approval requirements.

QR is committed to managing its risks in an integrated, systematic and practical manner. The overall objective of risk management is to assist QR in achieving its objectives by appropriately considering both threats and opportunities and making informed decisions.

RISK MANAGEMENT
As part of its strategic transformation program, QR has recently reviewed its risk management policy and developed risk management and fraud management frameworks in response. One of the primary objectives of these changes is to align the risk management responsibilities and accountabilities with the QR business model. Under this model, the individual businesses are accountable for demonstrating they are managing their risks effectively and in accordance with the Board approved risk management policy and frameworks. The changes will ensure there is continual improvement in the way risk is managed and reported on in QR.

The legal compliance process has also been reviewed during the year. The revised process is more robust, verifiable and includes a quality assurance process managed by the corporate risk function.

In 2008/09 QR commenced implementation of a new integrated safety and risk recording and reporting system. This will greatly enhance our ability to produce reliable and timely reports.

BUSINESS RESILIENCE
For QR, business resilience is a risk management practice that addresses the ability of our organisation to dynamically adapt to threats and opportunities so that it can meet its customers’ needs. This is achieved by attempting to prevent and to prepare for major impact events and respond in a timely manner to reduce the consequences if those events occur.

QR continues to enhance its resilience activities through the effective management of protective security, business continuity and crisis management capabilities. By continuing to participate in multi-agency exercises, QR is able to further refine its business resilience strategies with relevant stakeholders and provide confidence that major incidents affecting the broader community will be managed in a coordinated manner.

QR is committed to managing its risks in an integrated, systematic and practical manner. The overall objective of risk management is to assist QR in achieving its objectives by appropriately considering both threats and opportunities and making informed decisions.
COMPLIANCE SUMMARY

ENVIRONMENT COMPLIANCE SUMMARY 2008/09

ACTIVITY | COMPLIANCE PERFORMANCE | LEGISLATION

NEW DEVELOPMENT
- QR continues to be involved in rail facility and infrastructure development in Queensland and particularly in the southeast and the central coal field areas.
- Legislative assessment and compliance planning have ensured no significant non-compliances have occurred.
- These projects are subjected to QLD and federal environmental legislation including:
  - Queensland Environmental Protection Act 1994
  - Queensland State development and Public Works Organisation Act 1971
  - Queensland Vegetation Management Act 1999
  - Queensland Nature Conservation Act 1992
  - Queensland Water Act 2000
  - Queensland Heritage Act 1992
  - Queensland Integrated Planning Act 1997
  - Commonwealth Environmental Protection and Biodiversity Conservation Act 2000.

FACILITY OPERATION
- QR is currently operating under a Transitional Environmental Program under the Queensland Environmental Protection Act 1994 at the Jilalan Depot near Sarina for non-compliances associated with water quality discharge under its site licence. This plan is due to be completed in April 2010.
- As a result of changes brought with the new Queensland Environmental Protection Regulation 2008, QR has commenced updating its environmentally relevant activity approvals and registrations.
- QR currently holds approximately 80 development approvals and operator registrations of which many contain conditions relating to the quality of wastewater discharged from sites. Conditions can typically require monthly compliance checks. QR has experienced at least 50 non-compliances in this area and while minor in nature is working hard to bring these under control.
- In 2008/09 QR continued to be compliant in reporting its relevant emissions under the National Pollutant Inventory requirements.

TRANSPORT OPERATIONS
- In New South Wales, QR operates in compliance with the environmental licence held by rail network managers ARTC and Railcorp under the Protection of the Environment Operations Act 1997. In South Australia a licence must be obtained for ‘railway operations’ under the Environment Protection Act 1993. In 2008/09 QR continued to be compliant in reporting its relevant emissions under the National Pollutant Inventory requirements.
- Rail and road operations are mostly subject to the general environmental requirements of commonwealth and state legislation.

INTERSTATE NETWORK MAINTENANCE
- QR has undertaken some network maintenance activity for rail network owners or managers in other states including Tasmania.
- Rail network maintenance is mostly subject to the general environmental requirements of commonwealth and state legislation.

ENERGY & GREENHOUSE LEGISLATION
- In December 2008 QR submitted its first public report in compliance with the Energy Efficiency Opportunities Act 2006. QR also complies with a number of Queensland government policies for state agencies and government-owned corporations designed to reduce or offset energy usage and greenhouse gas emissions.
- QR facilities across Australia work to applicable state and commonwealth environmental laws, such as:
  - Victorian Environmental Protection Act 1970
  - Western Australia Environmental Protection Act 1986
  - South Australia Environment Protection Act 1993
JOHN B PRESCOTT AC – Chairman
John has been the Chairman of the QR board since 2006. He is also Director of Newmont Mining Corporation. He is retired from a range of other organisations including:

- BHP (now BHP Billiton) where he served for over 40 years including his appointment as the company’s Managing Director and Chief Executive Officer between 1991 and 1998
- ASC Pty Ltd (originally the Australian Submarine Corporation) where he was Chairman from 2000 to 2009
- The Sunshine Coast Business Council, where he was Chairman from 2004 to 2007 and Patron from 2007 to 2009.

John’s awards include a Companion of the Order of Australia (1996), Honorary Doctor of Laws from Monash University (1994), Honorary Doctor of Science from the University of New South Wales (1995), and the Australian Centenary Medal (2003).

ALLAN DAVIES – Director
Allan Davies has had 35 years’ mining experience in the Australian and International Coal and Metallics mining industries and is a registered mine manager in Australia and South Africa. Allan was a Founding Director of Excel Coal Limited which, in October 2006, was sold to Peabody Energy, the largest non-government coal company in the world. As Executive Director – Operations for Excel Coal Pty Ltd, Allan had direct responsibility for operations and construction projects.

From 2000 until early 2006, Allan also worked for Patrick Corporation as Director Operations. Allan was an inaugural Director of Pacific National from 2002 until 2006. Currently, Allan is a Director and Shareholder of XLX Pty Ltd, a member of the Advisory Board of the Kaplan Infrastructure and Logistics Fund and a Director of QMastor Limited.

PETER GREGG – Director
Peter Gregg is a Director of Leighton Holdings Limited, Stanwell Corporation Limited and Skilled Group Limited. He is also Chairman of Leighton Holdings and Stanwell Corporation Audit Committees.

Peter was Chief Financial Officer (CFO) of the Qantas Limited Group from September 2001 to August 2008. Prior to his appointment as CFO of Qantas, he was Deputy Chief Financial Officer and Group Treasurer at Qantas. Peter was also Treasurer at Australian Airlines and has worked for the Queensland Government in various risk management roles.

Peter served as an Executive Director on the Qantas Limited Board from 2000 to 2008 and was also a Director of a number of controlled entities and associated companies of the Qantas Limited Group. He was formerly Chairman of Tristarpect Investment Holdings Pty Limited and is a former Director of Air Pacific Limited and Jetstar Travelworld Ltd.

Peter is a Fellow of the Finance and Treasury Association, a Member of the Australian Institute of Company Directors and holds a Bachelor of Economics.

ROB HOLLOWAY – Director
Rob is Chairman of Rusta Information Technology and is also Chairman of a private importing and retailing company. He held senior national roles with SingTel Optus for almost a decade.

This followed a 27 year career in software development, systems sales and general management for the IT industry in Australia, the United Kingdom and North America. He was also a civil and structural engineer with the Brisbane City Council and is a former member of the Library Board of Queensland.

PETER HOLMES À COURT – Director
Peter is the Chairman of White Bull Holdings, a private investment company, and a Non-Executive Director of Wiscorp, ISP and the Barangaroo Delivery Authority. Peter is Co-Owner and Director of the South Sydney Rabbits.

In 1993, Peter formed Back Row Productions, operating in New York, London and Sydney. Back Row produced over 20 live shows in 30 countries and 300 cities worldwide. Live acts included the Australian show Tap Dogs, the UK’s Eddie Izzard and the US’s Jerry Seinfeld. Peter was formerly Chief Executive Officer of the Australian Agricultural Company (ASX:AAC).

DR LEO KELIHER AO – Director
Leo commenced with the State Government Insurance Office (now Suncorp) in 1968 and transferred to Treasury Computer Centre (now QGEC – Centre for Communication and Information Technology) in the early 1970s. After almost 20 years in the IT sector, Leo worked with the Public Sector Management Commission and later was appointed as Director-General of the Department of Emergency Services.

Leo was appointed as Director-General and Commissioner of the NSW Department of Corrective Services in 1996. In 2001 he was appointed as Director-General of the Department of Premier and Cabinet in Queensland.

Most recently Leo served as Chairman of the Service Delivery and Performance Commission until his retirement from the Queensland Public Service in July 2008. He is currently consulting with the Government of Abu Dhabi in the United Arab Emirates. He is currently Chairman of MIT International Consultancy.
WARREN McLACHLAN - Director

Warren is a Central Queensland beef cattle producer and a qualified Native Title practitioner. A former mayor and councillor of the Monto Shire, he also served as a councillor on the Calliope Shire Council.

He is a former Director of the Central Queensland Ports Authority and was a foundation member, State Chairman and National Farmer’s representative of the Cattlemen’s Union of Australia and an inaugural member of the Gladstone Area Water Board.

DAWSON PETIE - Director

Dawson is a Director of Indue Limited, Uniting Church Superannuation Pty Ltd. and a UnitingCare Queensland Board Member. Dawson is also a Director of Epilepsy Queensland Inc. Prior to becoming a professional Director, Dawson had extensive senior executive experience in a range of private sector and public sector organisations including AMP, QIC and Suncorp.

Dawson is a former General Secretary of the ACTU Queensland, Chairman of Teachers’ Union Health and held Board positions with 2KY, QIC, Sunsuper, The National Trust of Queensland and Currumbin Wildlife Sanctuary.

SUSAN RIX - Director

Susan is a Chartered Accountant with more than 25 years’ experience and is a partner of BDO Kendalls. She is Director and Treasurer of the Cerebral Palsy League of Queensland and a Queensland Council Member of the Australian Institute of Company Directors.

Susan is a Director of QUT Enterprise holdings Pty Ltd, a Member – Audit and Risk Committee, Department of Main Roads and Director and Chair of the Audit Committee of the Port of Brisbane Corporation. She has previously served as a Director of the Queensland Rural Adjustment Authority.

JOHN WEST - Director

John is co-founder, majority shareholder and Managing Director of DGL (Aust) Pty Ltd, a national business specialising in general and hazardous storage along with contract fleet distribution.

He is Chairman of the Chartered Institute of Transport and Logistics Association (Australian Section) and sits on the Queensland Transport and Logistics Council.

He was formerly General Manager Australia for the Transport Management division of Mayne Nickless Group and is a past president of the Brisbane branch of the Volunteer Marine Rescue Organisation, based at Shorncliffe.
LANCE HOCKRIDGE – Chief Executive Officer

Lance Hockridge joined QR Limited as Chief Executive Officer in 2007. He has more than 30 years’ experience in transportation and heavy industrial sectors in Australia and the US. Beginning at BHP his roles included Human Resources and Industrial Relations, General Manager of BHP Transport, head of BHP’s Long Products business and President Industrial Markets responsible for Port Kembla’s steelmaking operation and New Zealand Steel. In March 2005, Lance was appointed President of BlueScope Steel’s North American operations.

DEBORAH O’TOOLE – Chief Financial Officer

Deborah O’Toole was appointed QR’s Chief Financial Officer in 2007. She worked as CFO at MIM Holdings and Queensland Cotton, as well as being Director of companies such as Norfolk Group Ltd, CSIRO, Raheny Consulting Pty Ltd. She has also been a member of the Boards of Workers’ Compensation of Queensland, Queensland Country Health Society. Deborah received a law degree from the University of Queensland and was admitted as a Solicitor of the Supreme Court of Queensland in 1981.

LINDSAY WOODLAND – Chief Marketing Officer

Lindsay has over 20 years’ experience in marketing, sales and customer service gained with several blue chip organisations including Ergon Energy, AGL, Telstra MobileNet and Yamaha (music and consumer electronics products). Lindsay’s priorities in his role include building QR’s marketing, communications, business development and sales capability, driving improvements in government and stakeholder relations management and leading the development of the overarching business strategy for the organisation.

JOHN STEPHENS – Chief Human Resources Officer

John commenced working as QR’s Chief Human Resources Officer at the beginning of 2009. He brought to the role more than 25 years’ experience in industrial relations, human resources and senior management positions. John’s most recent prior role was Vice President Human Resources with BHP Billiton Mitsubishi Alliance. Before that, John held a range of senior HR roles in Australia, Indonesia and Canada. John has a strong understanding of some key markets within which QR operates, having worked extensively in the mining sector. In his current role, John is responsible for the overall development of QR’s people and performance capability, and will oversee the cultural transformation of QR as it intensifies its focus on delivering commercial, performance-driven business outcomes.

MICHAEL (MICK) MADDEN – Chief Safety Officer

Mick joined QR Limited in March 2009 with over 35 years’ experience in various key operational roles in both underground coal mining and large scale open cut mining. Most recently prior to joining QR, Mick held executive roles in operations, health, safety, environment and technology. He has tertiary qualifications in mining and business, is a fellow of the Australasian Institute of Mining and Metallurgy and has previously represented industry on the Board of Directors on non-profit organisations for mines rescue and skills Councils.

At QR, Mick has functional responsibility for the Corporate Safety unit. His responsibilities include championing QR’s ZERO Harm safety program and sponsoring the DuPont safety engagement.

GREG PRINGLE – Chief Corporate Services Officer

In early 2009, Greg worked on a project role focusing on coordinating various governance functions across QR. As of late June 2009, Greg became the Acting Chief Corporate Services Officer. Corporate Services manages the governance of the organisation which consists of the Company Secretariat, Enterprise Risk Services, Internal Audit and Legal Services. Greg has extensive experience in the areas of compliance, governance and risk. Greg is on the Board of Trustees of the Travel Compensation Fund which is the prudential regulator of the travel industry. Greg is a former Barrister and Magistrate. Before commencing work with QR, Greg had been the Group Corporate Secretary for Flight Centre from 2002 to 2008.
MICHAEL CARTER – Executive General Manager, QR Network

Michael has extensive management experience in QR’s freight, passenger and heavy haul rail businesses. Responsible for the commercial performance of QR’s 10,000-kilometre network, Michael is directing the largest infrastructure development program in QR Network’s history, valued at more than $10 billion. In addition to his work for QR, Michael was a consultant to the London Underground during its restructuring, advising on access issues for private operators and European rail infrastructure standards.

KEN LEWSEY – Executive General Manager QR Freight

Ken has 20 years’ experience in the logistics, steel distribution and manufacturing industries as a former Managing Director of Cleanaway Industrial and Regional Director of Brambles Industrial Services. Since joining QR Ken has held two roles: Chief Executive Officer ARG from December 2006 (a QR subsidiary) and his current role as Executive General Manager QR Freight since January 2009. In his current role Ken has widened his responsibilities to lead QR’s national freight businesses, incorporating regional freight, intermodal (containerised), road businesses (including CRT) and ARG’s bulk freight operations.

MARCUS MCAULIFFE – Executive General Manager QR National Coal

Marcus joined QR National Coal as Group General Manager in July 2008. With strong senior management experience in the rail and logistics sector Marcus is heading up a radical reform program at QR National Coal designed to realise the business’s commercial ambitions. Marcus joined QR from rail operator Pacific National. He has also worked in senior roles with Chemtrans, Incitec P Felix, United Transport Services (Brambles) and Patrick Intermodal.

LINDSAY COOPER – Acting Executive General Manager QR Services

Lindsay Cooper has been in the position of Executive General Manager QR Services since October 2008, leading the business through a period of transformation with a strong focus on safety, customer service and commerciality.

Prior to taking up his current role, Lindsay was the Group General Manager for Rollingstock and Component Services for two and a half years. Lindsay brings to the organisation more than 35 years’ experience in the rail industry and extensive expertise in heavy rail engineering, manufacturing and maintenance.

PAUL SCURRAH – Executive General Manager, QR Passenger

Paul was appointed to this role in May 2008. Paul brings to QR a wealth of experience and has held senior roles with Ansett, Tourism Queensland, Flight Centre, AOT holidays, AustraliaWide Airlines and the Roamfree Group. In 1996, Paul was awarded the President’s Club Award for the top performing sales individual in the Asia/Pacific Region of American Express. Paul’s efforts were further recognised when he was awarded the 2003 Australian Institute of Management’s “Young Manager of the Year” award. As QR looks for significant growth, Paul is committed to leading QR Passenger to become a customer focused entity.

ANDREW HAYNES – Company Secretary

Andrew Haynes joined QR in March 2006. He was admitted as an Attorney of the High Court of South Africa in 1994 and worked in the areas of personal injury litigation and international taxation before migrating to Australia in 1997. Andrew has held senior legal, company secretarial and compliance roles in ASX100 companies and overseas listed multinational companies. He has experience in both the private and public sectors in Australia and was previously Director Corporate Governance of the Metropolitan Fire and Emergency Services Board in Victoria. Andrew’s responsibilities include delivery of the company’s secretarial function and providing support to the QR Board and Senior Executive of QR.

DAVID DREW – Corporate Counsel

David joined QR in 1991 as Manager, Legal Services. He was admitted as a solicitor of the Supreme Court of Queensland in 1983 and prior to joining QR had worked as a commercial lawyer in both the public and private sector. David was appointed to the role of Company Secretary in addition to his role as QR’s senior legal advisor in May 2003. In February 2006, the role of Company Secretary and Corporate Counsel was split and David returned to the position of Corporate Counsel. His responsibilities include the development and management of QR’s insurance program.
SUMMARY OF 2008/09 STATEMENT OF CORPORATE INTENT

INTRODUCTION
In accordance with the requirements of the Government Owned Corporations Act 1993 (GOC Act), QR prepares a Statement of Corporate Intent (SCI) each financial year.

The SCI is the formal statement of QR’s strategic direction, key objectives and priority initiatives for 2008/09, and represents the performance agreement between the Board of QR and our shareholding Ministers, the Minister for Transport and the Treasurer. It is consistent with QR’s five year Corporate Plan.

The SCI is tabled in the Queensland Parliament with QR’s Annual Report. The Annual Report provides a summary of QR’s SCI performance outcomes relating to the delivery of the following QR goals:

- QR is recognised as a national leader in transport solutions with global reach
- Our shareholders value QR as a sound commercial investment
- QR’s people are recognised for service excellence
- Customers are able to achieve their sustainability outcomes (social, safety and environment) through the use of QR’s services and products.

Other key components of the SCI are summarised as follows:

PERFORMANCE MONITORING
The SCI contains a framework for performance monitoring that ensures the QR Board is accountable to our shareholding Ministers for QR’s performance. This framework enables QR to report on a number of financial and non-financial performance indicators to present a balanced perspective on QR’s overall performance. These financial and non-financial performance indicators are also reported in the Quarterly Report to shareholding Ministers.

Examples of financial indicators included in 2008/09 SCI:

- Profit before tax
- Earnings before interest and tax (EBIT)
- Return on invested capital
- Return on equity.

Examples of non-financial indicators included in 2008/09 SCI:

- Lost time frequency rate
- Signals passed at danger per million train kilometres
- Delay
- Injury downtime rate
- Freight tonnages
- Customer perceptions.

TRANSPORT SERVICE CONTRACT FUNDING
The SCI outlines the funding of the following services, which are purchased by Government through Transport Service Contracts with QR:

- Citytrain
- Travellink
- Some freight services
- Network infrastructure.

EMPLOYMENT AND INDUSTRIAL RELATIONS PLAN
This plan, which forms part of the SCI, guides QR in developing and maintaining conditions of employment for employees, including labour market based remuneration. The Employment and Industrial Relations Plan contains information relating to:

- Employment conditions
- Enterprise bargaining
- Flexible work practices
- Staff profile (by employment type)
- Workplace health and safety
- Equal employment opportunity and anti-discrimination
- Consultation with unions
- Superannuation.

MODIFICATIONS TO SCI
Section 120 (7)(g) of the Government Owned Corporations Act 1993 requires that a GOC must include particulars of any modifications made to the Statement of Corporate Intent during the relevant year. In 2008/09, the Board sought and obtained agreement from the shareholding Ministers to make modifications to the Corporation’s 2008/09 Statement of Corporate Intent to include additional information in relation to sponsorship, advertising, corporate entertainment, donations and other arrangements.

DIVIDEND POLICY
QR’s dividend policy takes into account the return its shareholders expect on their investments. It is anticipated the Board of QR will recommend a dividend amount equivalent to 80% of the Corporation’s net profit after tax for the 2008/09 financial year adjusted for the Shareholder Agreement (SRA). The QR Board will adopt such a recommendation on the following proviso:

1. Shareholders agree to provide the necessary equity funding for the maintenance of an investment grade credit rating;
2. QR experiences no liquidity issues arising from the funding of QR’s capital program;
3. Borrowing approvals from Queensland Treasury Corporation (QTC) and Queensland Treasury are provided in a timely manner to fund QR’s capital program.

CORPORATE GOVERNANCE STATEMENT
This Statement reflects QR’s corporate governance practices in the 2008/09 financial year. QR is a Government Owned Corporation (GOC) under the Government Owned Corporations Act 1993 (GOC Act). QR has adopted the principles and recommendations contained in the Corporate Governance Guidelines for Government Owned Corporations (the Guidelines). The Guidelines are intended to provide a framework for GOCs to develop, implement, review and report upon their corporate governance arrangements.

<table>
<thead>
<tr>
<th>PRINCIPLE</th>
<th>HOW QR CONFORMS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Foundations for management and oversight</td>
<td>The roles and responsibilities of the Board and Board Committees are defined in Charters for each body. These roles and responsibilities are reviewed by the Board annually</td>
</tr>
<tr>
<td>2. Structure the Board to add value</td>
<td>The Board of Directors are appointed by Governor in Council</td>
</tr>
<tr>
<td>3. Promote ethical and responsible decision making</td>
<td>QR has a Code of Conduct to guide Directors and employees on compliance with QR’s ethical, legal and statutory obligations</td>
</tr>
<tr>
<td>4. Safeguard integrity in financial reporting</td>
<td>QR has a Code of Conduct to guide Directors and employees on compliance with QR’s ethical, legal and statutory obligations</td>
</tr>
</tbody>
</table>

QR Directors are encouraged to further their knowledge through participation in forums such as the Australian Institute of Company Directors. In addition to peer review, interaction and networking with other Directors and industry leaders, QR Directors participate in QR’s leadership forums and actively engage with QR employees and visit QR operations to gain an understanding of operational and employee requirements, challenges and issues.
For details of skills, experience and expertise of individual Board Directors, Report attached.

The Board composition during 2008/09 and details of director appointments are as follows. Mr John Phlips has been reappointed for the period of 1 October 2009 to 30 September 2012.

1. Make timely and balanced disclosure
   - QR submits detailed quarterly reports to its shareholders on its performance against the QR Statement of Corporate Intent which is agreed annually with shareholders. This is in accordance with the requirements of the Government-Owned Corporations Act 1993 (GOCA).

2. Respect the rights of shareholders
   - In line with the requirements of the GOCA, shareholders at meetings are advised of any matter that may have a significant financial, operating, employee, community or environmental impact.
   - Regular scheduled meetings are held between the Chairman of the Board and the shareholders, meeting the directors of the Board.
   - Approval of shareholders at meetings is sought on major investments and expenditure outcomes.
   - Directors are required to hold and be present at all Board meetings.
   - QR has a comprehensive stakeholder management and reporting framework.

3. Remunerate fairly and responsibly
   - Director remuneration is set by Governor-in-Council and by the Board.
   - The Remuneration and Succession Committee reviews and provides recommendations to the Board on remuneration arrangements.
   - QR has a Management Specification that outlines the processes for the prevention, detection and management of fraud within QR, and for fair dealing in matters pertaining to fraud.

4. Respect the rights of shareholders
   - QR has a Risk Register with risk profiles populated at the various layers of the organisation.
   - QR has adopted an Enterprise-wide approach to Risk Management.
   - QR has a comprehensive stakeholder management and reporting framework.

5. Respect the rights of shareholders
   - The Board has approved a Risk Management Policy.
   - The Board Audit and Risk Management Committee oversees the process for identification and management of risk in QR.

6. Respect the rights of shareholders
   - QR has a Risk Register with risk profiles populated at the various layers of the organisation.
   - QR has adopted an Enterprise-wide approach to Risk Management.
   - QR has a Management Specification that outlines the processes for the prevention, detection and management of fraud within QR, and for fair dealing in matters pertaining to fraud.

7. Respect the rights of shareholders
   - The Board has approved a Risk Management Policy.
   - The Board Audit and Risk Management Committee oversees the process for identification and management of risk in QR.
   - QR has a Risk Register with risk profiles populated at the various layers of the organisation.
   - QR has adopted an Enterprise-wide approach to Risk Management.
   - QR has a Management Specification that outlines the processes for the prevention, detection and management of fraud within QR, and for fair dealing in matters pertaining to fraud.

8. Respect the rights of shareholders
   - Director remuneration is set by Governor-in-Council.
   - The Board has established a Remuneration and Succession Committee with its own Charter.
   - The Remuneration and Succession Committee reviews and provides recommendations to the Board on remuneration arrangements.
   - QR has a Management Specification that outlines the processes for the prevention, detection and management of fraud within QR, and for fair dealing in matters pertaining to fraud.

For details of skills, experience and expertise of individual Board Directors, please refer to pages 56 to 58.

BOARD CHARTER

The Board has adopted a Charter which clearly defines the role and functions of the Board.

INDEPENDENCE OF DIRECTORS

Directors do not hold shares in QR. All Directors of QR are considered to be independent. The definition of ‘independence’ is contained in the GOCA and in the Brisbane/Practices Recommendations and enunciated in the Corporate Governance Guidelines for Government-Owned Corporations. The Governance Charter outlines the process for disclosure of interests by Directors. Directors are required to keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of QR. 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.
CORPORATE GOVERNANCE

In December 2008, shareholders approved the recommended changes to the Board Committee structure, including the terms of reference for the Network and the Business Development Committees.

The membership of each Board Committee is made up of a minimum of three (3) and a maximum of five (5) Directors from the Board. The CEO and senior executives attend meetings at the discretion of the Committee.

The inaugural meetings of the Business Development and Network Committees were held in February 2009.

An annual evaluation of Committee performance is undertaken by the Board as part of its overall performance review.

AUDIT AND RISK MANAGEMENT COMMITTEE

The purpose of the Audit and Risk Management Committee is to assist the Board in the effective discharge of its responsibilities for the financial reporting, internal control structures, internal and external audit functions and risk management and compliance systems of the QR Limited Group (QR Group).

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

- The annual financial reporting process for the QR Group
- The process implemented to support the annual certifications for the QR Group to be provided by the CEO and CFO
- Accounting policies for the QR Group
- The scope of QR Group 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 the QR Group
- The quality of reporting by the QR Group
- The effectiveness of the processes used by QR Group management to monitor and ensure compliance with laws, regulations, ethical guidelines, ring-fencing requirements and obligations for external reporting of financial information
- Identification and management of material risk exposures (actual or potential) to the QR Group
- The effectiveness of the QR Group risk management systems and strategies.

SUSAN RIX (CHAIRMAN)

Robert Holloway chairs the Committee.

The composition of the Committee and attendance at Committee meetings in 2008/09 is set out below:

<table>
<thead>
<tr>
<th>MEMBERS</th>
<th>ATTENDED</th>
<th>MAX NO. POSSIBLE</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROBERT HOLLOWAY (CHAIRMAN)</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>JOHN B PRESCOTT AC</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>DAWSON PETE</td>
<td>3</td>
<td>3</td>
</tr>
</tbody>
</table>

Robert Holloway chairs the Committee.

The Committee reviews and makes recommendations to the QR Board:

- 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.

The composition of the Committee and attendance at Committee meetings in 2008/09 is set out below:

<table>
<thead>
<tr>
<th>MEMBERS</th>
<th>ATTENDED</th>
<th>MAX NO. POSSIBLE</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROBERT HOLLOWAY (CHAIRMAN)</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>SUSAN RIX</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>JOHN B PRESCOTT AC</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>WARREN MCLAHAN</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>DR LEO KELHIER AG</td>
<td>2</td>
<td>2</td>
</tr>
</tbody>
</table>

The composition of the Committee and attendance at Committee meetings in 2008/09 is set out below:

<table>
<thead>
<tr>
<th>MEMBERS</th>
<th>ATTENDED</th>
<th>MAX NO. POSSIBLE</th>
</tr>
</thead>
<tbody>
<tr>
<td>JOHN WEST</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>JOHN B PRESCOTT AC</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>WARREN MCLAHAN</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>

The composition of the Committee and attendance at Committee meetings in 2008/09 is set out below:

<table>
<thead>
<tr>
<th>MEMBERS</th>
<th>ATTENDED</th>
<th>MAX NO. POSSIBLE</th>
</tr>
</thead>
<tbody>
<tr>
<td>JOHN WEST</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>JOHN B PRESCOTT AC</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>WARREN MCLAHAN</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>

The composition of the Committee and attendance at Committee meetings in 2008/09 is set out below:

<table>
<thead>
<tr>
<th>MEMBERS</th>
<th>ATTENDED</th>
<th>MAX NO. POSSIBLE</th>
</tr>
</thead>
<tbody>
<tr>
<td>JOHN WEST</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>JOHN B PRESCOTT AC</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>WARREN MCLAHAN</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>

The composition of the Committee and attendance at Committee meetings in 2008/09 is set out below:

<table>
<thead>
<tr>
<th>MEMBERS</th>
<th>ATTENDED</th>
<th>MAX NO. POSSIBLE</th>
</tr>
</thead>
<tbody>
<tr>
<td>JOHN WEST</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>ROBERT HOLLOWAY</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>SUSAN RIX</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>

The composition of the Committee and attendance at Committee meetings in 2008/09 is set out below:

<table>
<thead>
<tr>
<th>MEMBERS</th>
<th>ATTENDED</th>
<th>MAX NO. POSSIBLE</th>
</tr>
</thead>
<tbody>
<tr>
<td>JOHN WEST</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>ROBERT HOLLOWAY</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>SUSAN RIX</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>
CORPORATE GOVERNANCE

CODE OF CONDUCT
QR directors and employees must comply with the QR Code of Conduct.

DIRECTORS AND SENIOR EXECUTIVES’ EMPLOYMENTS
Directors’ remuneration packages are set by Governor in Council. Details of the nature and amount of each element of remuneration of each Director of QR and specified QR Executives are set out in the QR Financial Report attached.

QR REMUNERATION
Fixed Pay
Fixed remuneration for the CEO and Senior Executives is reviewed at 1 July each year and adjusted in accordance with advice provided by the Treasurer and the Minister for Transport. In settling the fixed remuneration for the year, regard is given to a range of information, including job size and general market movement in salary rates. In setting remuneration for other contract officers, regard is given to individual performance, market conditions and positioning, ensuring that QR is competitively placed to retain and attract the skills and capabilities required to achieve QR’s business objectives.

The Total Fixed Remuneration of the CEO, Senior Executives and all other contract employees is inclusive of benefit and fringe benefits tax that are salary sacrificed. The CEO, Senior Executives and other contract officers must contribute from their Fixed Remuneration to superannuation in accordance with QR Policy.

Performance Pay
The CEO, Senior Executives and other contract officers may receive a performance payment dependent on the achievement of specific performance outcomes. Achievement of Corporate and Business Group Key Performance Indicators is measured as on-target, above-target performance outcomes. Achievement of Corporate and Business Group and opportunities and making informed decisions.

As part of its strategic transformation programs, QR has recently reviewed its risk management policy and developed risk management frameworks. One of the primary objectives of these changes is to align the risk management responsibilities and accountabilities with the QR business model. Under this model, the QR businesses are accountable for demonstrating they are managing their risks effectively and in accordance with the Board approved risk management policy and frameworks. The changes will ensure there is continual improvement in the way risk is managed and reported on in QR.

The legal compliance process has also been reviewed during the year in review. The revised process is more robust, verifiable and includes a quality assurance process managed by the corporate risk function.

QR has commenced implementation of a new integrated safety and risk recording and reporting system. This will greatly enhance QR’s ability to produce reliable and timely risk reports.

CORPORATE GOVERNANCE

OUR GOVERNANCE

OUR GOVERNANCE GLOSSARY

GOC ACT
Government Owned Corporations Act 2002

GOODWYNELL AND NEWLANDS SYSTEMS BASIN
The Goodwynell System services the coal mine in the north and central areas of the Bowen Basin, which produces 100% coking coal.

GREENHOUSE GAS ABATEMENT
Reducing the intensity of or eliminating greenhouse gas emissions.

HR
Human Resources.

KSR
Kundu Rail Safety.

LOSS-TIME INJURY FREQUENCY RATE (LTIFR)
A measure of the number of lost-time injuries per million hours worked, used by QR in its monitor and report employees health and safety.

LTR
Lost-time injury.

MISSING LINK
The Northern Missing Link (NML) – a 69km long railway line to provide a rail connection between the Goonyella and Newlands rail systems.

MOU
Memorandum of understanding.

MTFA
Million tonnes per annum.

NETWORK
Queensland’s rail system, including all railway lines, marshalling yards, bulk loading and unloading points and passenger stations.

RACS
Rail and Commodity Services.

RAIL OPERATOR
A partly QR and non-QR that operates roll-on/roll-off (a train) on a railway.

ROLLINGSTOCK
Locomotives and wagon.

SO
Statement of Corporate Intent.

SSE
South East Queensland.

SEQMRAIL
The rail component of the Queensland Government’s overarching South East Queensland Infrastructure Program (SEQIP). SEQMRAIL will deliver nearly $7 billion of upgrades to the South East Queensland railway network over the next 20 years.

STochaSIS
A stochastic simulation that integrates a range of factors to provide reliable and timely risk reports.

Signals Passed at Danger (SPAD)/Lost Time Injury (LTI)
An incident where a train passes a red signal without authority to do so – used as a measure of risk.

TOD
Transport Orientation Development.

ZERO-HARM
ZERO Harm is a journey towards ZERO incidents, ZERO injuries, ZERO work-related illnesses and ZERO environmental incidents.
Coal ships loading at a central Queensland port.
FINANCIAL SUMMARY

SUMMARY OF TRAFFIC TASK

<table>
<thead>
<tr>
<th></th>
<th>2008/09</th>
<th>2007/08</th>
</tr>
</thead>
<tbody>
<tr>
<td>Off Group Freight</td>
<td>Tonnage (000's)</td>
<td>Tonnage (000's)</td>
</tr>
<tr>
<td>Bulk Coal</td>
<td>188,606</td>
<td>185,783</td>
</tr>
<tr>
<td>Freight and Mineral</td>
<td>59,106</td>
<td>58,705</td>
</tr>
<tr>
<td>Total Freight</td>
<td>247,712</td>
<td>244,488</td>
</tr>
<tr>
<td>Off Group Passengers</td>
<td>Trips (000's)</td>
<td>Trips (000's)</td>
</tr>
<tr>
<td>Citytrain</td>
<td>66,098</td>
<td>61,735</td>
</tr>
<tr>
<td>Traveltrain</td>
<td>866</td>
<td>926</td>
</tr>
<tr>
<td>Total Passenger Journeys</td>
<td>65,964</td>
<td>62,661</td>
</tr>
</tbody>
</table>

RESOURCE STATISTICS – QR GROUP

<table>
<thead>
<tr>
<th>Route Kilometres</th>
<th>30 June 2009</th>
<th>30 June 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Length in Kilometres</td>
<td>Length in Kilometres</td>
<td></td>
</tr>
<tr>
<td>1067mm Gauge</td>
<td>9,539</td>
<td>9,526</td>
</tr>
<tr>
<td>Owned</td>
<td>9,539</td>
<td>9,526</td>
</tr>
<tr>
<td>Less: Lines Suspended from Use</td>
<td>246</td>
<td>246</td>
</tr>
<tr>
<td>Lines with No Freight or Passenger Services</td>
<td>1,389</td>
<td>1,366</td>
</tr>
<tr>
<td>Sub Total</td>
<td>7,904</td>
<td>7,914</td>
</tr>
<tr>
<td>1435 mm Gauge</td>
<td>98</td>
<td>98</td>
</tr>
<tr>
<td>Dual Gauge</td>
<td>36</td>
<td>36</td>
</tr>
<tr>
<td>Total in Use as at 30 June</td>
<td>8,038</td>
<td>8,048</td>
</tr>
</tbody>
</table>

Line Sections Opened During 2008/09

<table>
<thead>
<tr>
<th>Line</th>
<th>2008/09</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lake Vermont Branch</td>
<td>18</td>
</tr>
</tbody>
</table>

Rollingstock in Use

<table>
<thead>
<tr>
<th>Rollingstock in Use</th>
<th>30 June 2009</th>
<th>30 June 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Locomotives</td>
<td>708</td>
<td>717</td>
</tr>
<tr>
<td>Coal wagons</td>
<td>8,539</td>
<td>7,698</td>
</tr>
<tr>
<td>Minerals &amp; Freight wagons</td>
<td>7,076</td>
<td>6,897</td>
</tr>
<tr>
<td>Passenger Rollingstock</td>
<td>747</td>
<td>715</td>
</tr>
<tr>
<td>Service stock</td>
<td>687</td>
<td>724</td>
</tr>
</tbody>
</table>

CONSOLIDATED RESULTS

We have achieved another year of record performance with our profit before tax increasing by 34.3% to $386.3 million, compared with the previous corresponding period. This result was driven by strong operating performance, cost control, and business specific and corporate wide transformation initiatives.

On 11 August 2009 the Board declared a final dividend of $215.1 million that has been provided in this year’s accounts, to be paid in the next financial year.

CONSOLIDATED FINANCIAL PERFORMANCE

For the 2008/09 financial year, net profit after tax increased 38.3% to $298.7 million compared with $216.0 million for the previous corresponding period.

Sales revenue increased by $427.5 million to $3,970.8 million due to ongoing growth in the freight businesses and increased revenue from Transport Services contracts.

Strong global demand for resources continues to provide cost challenges for the industry mainly due to shortages of skilled labour and rising input prices. Approximately $121.4 million of the increase in costs was due to higher infrastructure spend during the year and higher raw materials costs.

CONSOLIDATED FINANCIAL POSITION

Total equity of the QR group has increased by 16.4% to $4,249.6 million during the year. Gearing (or the ratio of our long term funds with fixed interest to total equity, measured as debt to debt plus equity) reported at 62.6%, up from 61.6% in the previous corresponding period.

CONSOLIDATED CASH FLOW

During 2008/09 QR has invested more than $2.4 billion in capital expenditure programs across its operations, which is in line with QR’s capital expenditure and growth strategy. The most significant investments were in rollingstock and infrastructure expenditure in South East Queensland.

Net debt increased by 23.9% to $6,455.9 million during the year in order to support the capital expenditure program. QR’s shareholder equity increased by $599.2 million during the year, mainly due to an increase in retained earnings of $63.2 million and a decrease in reserves of ($62.4 million).

CONSOLIDATED FINANCIAL PERFORMANCE

For the year ended 30 June 2009

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>$3,970.8</td>
<td>$3,543.3</td>
</tr>
<tr>
<td>EBITDA</td>
<td>1,233.0</td>
<td>1,048.3</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>515.2</td>
<td>459.8</td>
</tr>
<tr>
<td>EBIT</td>
<td>717.8</td>
<td>588.5</td>
</tr>
<tr>
<td>Interest Expense</td>
<td>331.5</td>
<td>300.8</td>
</tr>
<tr>
<td>Profit before income tax</td>
<td>386.3</td>
<td>287.8</td>
</tr>
<tr>
<td>Income Tax expense</td>
<td>87.6</td>
<td>71.7</td>
</tr>
<tr>
<td>NET Profit</td>
<td>298.7</td>
<td>216.0</td>
</tr>
</tbody>
</table>
## FINANCIAL SUMMARY

### CONSOLIDATED FINANCIAL POSITION
For the year ended 30 June 2009

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ Million</td>
<td>$ Million</td>
</tr>
<tr>
<td>Current Assets</td>
<td>865.6</td>
<td>766.7</td>
</tr>
<tr>
<td>Non-current Assets</td>
<td>13,801.4</td>
<td>10,711.7</td>
</tr>
<tr>
<td>Total Assets</td>
<td>14,667.0</td>
<td>11,478.4</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>1,019.5</td>
<td>1,474.7</td>
</tr>
<tr>
<td>Non-Current liabilities</td>
<td>6,791.9</td>
<td>6,353.3</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>7,811.4</td>
<td>7,828.0</td>
</tr>
<tr>
<td>Net Assets</td>
<td>4,246.6</td>
<td>3,650.4</td>
</tr>
<tr>
<td>Contributed Equity</td>
<td>3,412.9</td>
<td>2,834.5</td>
</tr>
<tr>
<td>Retained Profits</td>
<td>847.6</td>
<td>764.3</td>
</tr>
<tr>
<td>Reserves</td>
<td>(10.9)</td>
<td>51.6</td>
</tr>
<tr>
<td>Total Equity</td>
<td>4,246.6</td>
<td>3,650.4</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Gearing Ratios:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt to Equity (%)</td>
<td>167.5%</td>
</tr>
<tr>
<td>Debt to Equity plus Debt (%)</td>
<td>62.6%</td>
</tr>
<tr>
<td>Interest cover (times)</td>
<td>2.16</td>
</tr>
</tbody>
</table>

### CONSOLIDATED CASH FLOWS
For the year ended 30 June 2009

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ Million</td>
<td>$ Million</td>
</tr>
<tr>
<td>Net cash flow from operating activities</td>
<td>724.7</td>
<td>767.5</td>
</tr>
<tr>
<td>Net cash flow from investing activities</td>
<td>(2,340.0)</td>
<td>(1,703.3)</td>
</tr>
<tr>
<td>Net cash flow from financing activities</td>
<td>1,667.0</td>
<td>941.8</td>
</tr>
<tr>
<td>Net increase / (decrease) in cash held</td>
<td>51.1</td>
<td>6.0</td>
</tr>
</tbody>
</table>