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**FURTHER INFORMATION**
For assistance, publications or information concerning QR and the customer services we provide, please visit our website at www.qr.com.au or contact: Corporate Affairs, Marketing and Strategy, Telephone +61 (0)7 3235 3496

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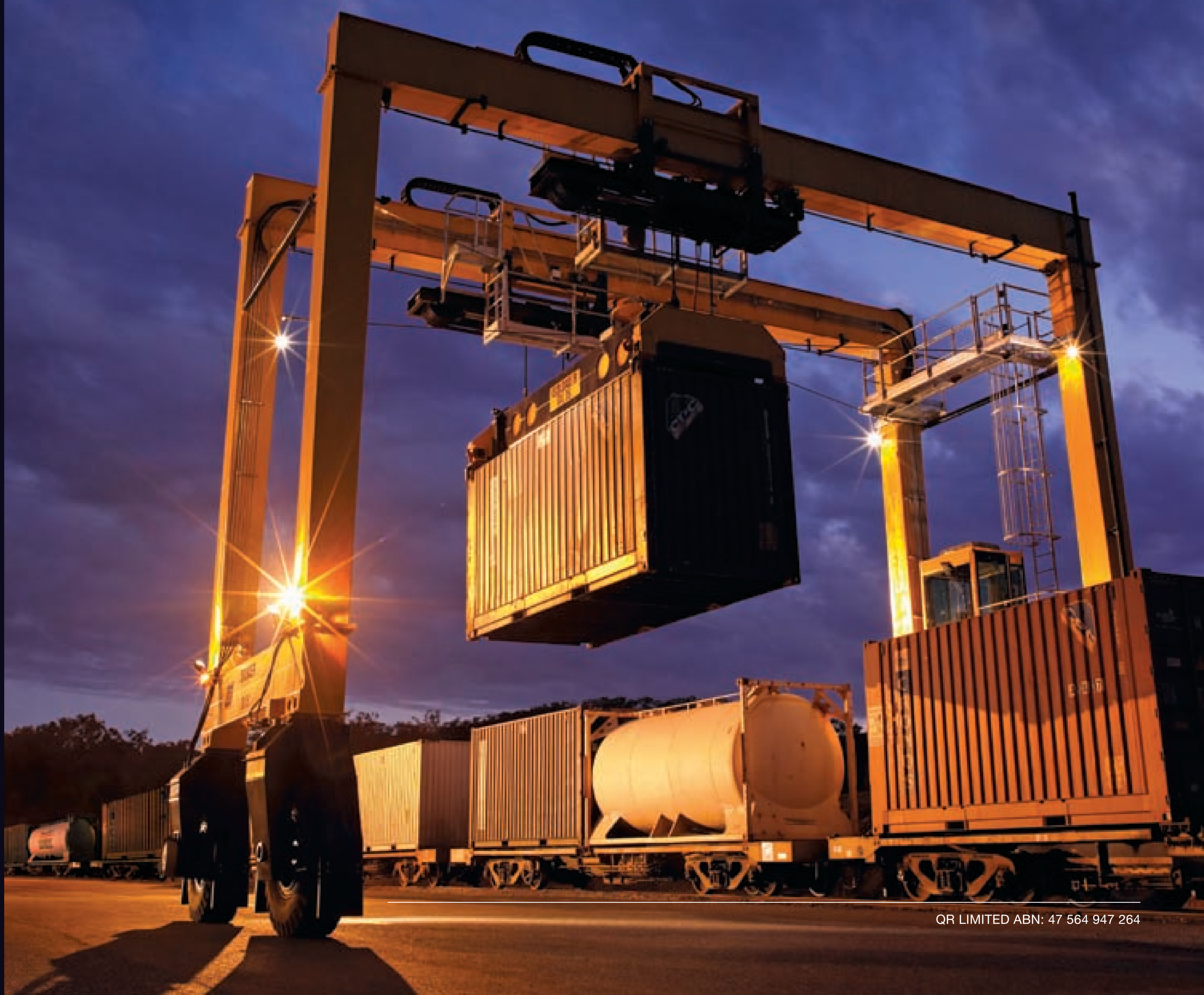
# QR financial report 2008/09



QR LIMITED ABN: 47 564 947 264

# CONTENTS

# DIRECTORS' REPORT

Your directors present their report together with the financial report of QR Limited and its controlled entities ("the Group") at the end of, or during, the year ended 30 June 2009 and the auditor's report thereon.

## DIRECTORS

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

J Prescott AC – Chairman
A Davies (appointed 1 October 2008)
P Gregg (appointed 7 May 2009)
R Holloway
P Holmes à Court
Dr L Keliher AO (appointed 1 October 2008)
W McLachlan
D Petie (reappointed 1 October 2008)
S Rix
J West

There were no Director resignations during the period.

Information relating to Directors' qualifications is contained in section 5 of the Annual Report.

Information relating to Directors' remuneration is contained in Note 32 in the Notes to the Financial Statements section of the Financial Report.

## PRINCIPAL ACTIVITIES

During the year the principal continuing activities of the Group consisted of:

(a) Freight comprising coal, bulk, regional freight, intermodal, logistics and retail services nationally;

(b) Passenger services throughout Queensland;

(c) Network access services throughout Queensland; and

(d) Other services comprising assets, infrastructure, rollingstock and component services and engineering services.

There were no significant changes in the nature of the activities of the Group during the year.

## REVIEW OF OPERATIONS

The profit of the Group for the financial year amounted to $298.7 million (2008: $216.0 million profit). For a detailed review of the Group's operations refer to section 3 of the Annual Report.

The comparatives for the 2008 reporting period have been restated due to changes in accounting policies. These changes are discussed further in Note 1(d) and Note 4 in the Notes to the Financial Statements section of the Financial Report.

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

- On 11 July 2008 QR Limited incorporated two new wholly-owned companies. These two companies, QR Network Pty Ltd and QR Passenger Pty Ltd are registered with the Australian Securities and Investments Commission. The existing network and passenger businesses within QR Limited commenced trading under these new companies from 1 September 2008.

- The remaining businesses, consisting of regional freight, intermodal, coal and services, continued as stand-alone businesses within the QR Limited parent company.



- The QR Board agreed to restructure the freight operations within the Group. This restructure consisted of the separation of the coal operations from the remaining freight businesses. The executive team reflects these changes through the formation of the Executive General Manager QR Freight and Executive General Manager QR Coal positions in December 2008. This restructure was approved by the Shareholding Minister on 24 June 2009.

As a result of the above changes, the QR Limited parent entity is significantly different than in previous years. The restructure has resulted in movements in assets and liabilities as well as operational revenues and expenses between the parent and its subsidiaries. The impact of this is a significantly different parent Balance Sheet and Income Statement.

## MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

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

## LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The recent announcement by the Queensland Government to privatise a major part of the QR business (initially being QR Coal above and below rail operations, with opportunities to sell other assets also to be investigated) together with the current economic conditions may have a negative impact on the forecast QR Group results. The impact, however, is not expected to be sufficiently significant to warrant a review of QR's going concern status. The QR Group has and will continue to receive significant support from the Queensland Government.

Further information on likely developments in the operations of the Group and the expected results of operations have been included in section 1 of the Annual Report.

## ENVIRONMENTAL REGULATION

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

Primary legislation and regulations that the Group is subject to are as follows:

- *Environmental Protection Act 1994* and other state equivalents
- *Energy Efficiency Opportunities Act 2006*
- *Environmental Protection and Biodiversity Conservation Act 1999*
- *Ozone Protection and Synthetic Greenhouse Gas Management Act 1989*
- *National Greenhouse and Energy Reporting Act 2007*
- *Fisheries Act 1994*
- *Integrated Planning Act 1997*
- *Land Protection (Pest and Stock Route Management) Act 2002*
- *Nature Conservation Act 1992*
- *Plant Protection Act 1989*
- *State Development and Public Works Organisation Act 1971*
- *Vegetation Management Act 1999*
- *Water Act 2000*
- *Wet Tropics World Heritage Protection and Management Act 1993*

## GREENHOUSE GAS AND ENERGY DATA REPORTING REQUIREMENTS

The Group is subject to the reporting requirements of both the *Energy Efficiency Opportunities Act 2006* and the *National Greenhouse and Energy Reporting Act 2007*.

The *Energy Efficiency Opportunities Act 2006* requires controlling corporations to assess energy usage of the corporation's group, including the identification, investigation and evaluation of energy saving opportunities, and to report publicly on the assessments undertaken, including what action is intended to be taken as a result. As required under this Act, QR has registered with the Department of Environment and Resource Management as a participant entity and had reported the results from its initial assessments before 31 December 2008.

The *National Greenhouse and Energy Reporting Act 2007* requires controlling corporations to report annually on the greenhouse gas emissions and energy use of the corporation's group. The first measurement period for this Act ran from 1 July 2008 to 30 June 2009. QR has implemented systems and processes for the collection and calculation of the data required and will be able to prepare and submit its initial report to the Greenhouse and Energy Data Officer by 31 October 2009.

## MEETINGS OF DIRECTORS

The number of meetings the Group's Board of Directors and each board committee held during the year ended 30 June 2009, and the number of meetings attended by each director were:

| | Board Meetings | | Audit & Risk Management | | Remuneration & Succession | | Freight Business Strategy[1] | | Passenger Services Strategy[2] | | Business Development[3] | | Network[4] | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | A | B | A | B | A | B | A | B | A | B | A | B | A | B |
| J Prescott AC | 14 | 14 | 6 | 6 | 3 | 3 | 1 | 1 | 1 | 1 | 2 | 2 | 2 | 2 |
| A Davies* | 10 | 10 | - | - | - | - | - | - | - | - | 2 | 2 | - | - |
| P Gregg** | 4 | 4 | - | - | - | - | - | - | - | - | - | - | - | - |
| R Holloway | 13 | 14 | - | - | 3 | 3 | - | - | 1 | 1 | 2 | 2 | - | - |
| P Holmes à Court | 12 | 14 | - | - | - | - | - | - | - | - | 2 | 2 | - | - |
| Dr L Keliher AO*** | 9 | 10 | 2 | 2 | - | - | - | - | - | - | - | - | 2 | 2 |
| W McLachlan | 14 | 14 | 6 | 6 | - | - | 1 | 1 | - | - | - | - | 2 | 2 |
| D Petie | 14 | 14 | - | - | 3 | 3 | 1 | 1 | - | - | - | - | 2 | 2 |
| S Rix | 13 | 14 | 6 | 6 | - | - | - | - | 1 | 1 | - | - | 2 | 2 |
| J West | 13 | 14 | - | - | - | - | 1 | 1 | - | - | 2 | 2 | - | - |

A = Number of meetings attended

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

(1) The Board approved the withdrawal of the remit of the Freight Business Strategy Committee at its meeting on 28 January 2009.

(2) The Board approved the withdrawal of the remit of the Passenger Services Strategy Committee at its meeting on 28 January 2009.

(3) The Board approved terms of reference for the Business Development Committee at its meeting on 28 January 2009.

(4) The Board approved terms of reference for the Network Committee at its meeting on 28 January 2009.

* Allan Davies was appointed as a Director on 1 October 2008.

** Peter Gregg was appointed as a Director on 7 May 2009.

*** Leo Keliher was appointed as a Director on 1 October 2008.

## DIVIDENDS

In respect of the financial year ended 30 June 2009, a dividend of $215.1 million was declared to the holders of fully paid ordinary shares (2008: $156.8 million declared and subsequently paid on 31 December 2008 for the full reporting period ending 30 June 2008), to be paid in December 2009.

## INSURANCE OF OFFICERS

During the financial year, a related entity paid a premium in respect of an insurance contract to indemnify officers against liabilities that may have arisen from their position as officers of the parent and its controlled entities. Officers indemnified include the Company Secretary and all executive officers participating in the management of the Group.

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

## PROCEEDINGS ON BEHALF OF THE GROUP

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

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



## AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 6.

## ROUNDING OF AMOUNTS

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

## AUDITOR

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

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

J B Prescott AC
Chairman

Brisbane, QLD
11 August 2009

Susan Rix

S Rix
Director

Brisbane, QLD
11 August 2009

## AUDITOR'S INDEPENDENCE DECLARATION

To the Directors of QR Limited

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

*Independence Declaration*

As lead auditor for the audit of QR Limited for the year ended 30 June 2009, I declare that, to the best of my knowledge and belief, there have been -

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

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

This declaration is in respect of QR Limited and the entities it controlled during the period.

GG POOLE FCPA

Auditor-General of Queensland

AUDITOR GENERAL
11 AUG 2009
OF QUEENSLAND

Queensland Audit Office



## INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

| | | Consolidated | | Parent | |
|---|---|---|---|---|---|
| | Notes | **2009 $'000** | 2008 $'000 | **2009 $'000** | 2008 $'000 |
| **Revenue from continuing operations** | 5 | **3,837,262** | 3,419,561 | **2,250,513** | 2,923,245 |
| Other income | 6 | **133,569** | 123,750 | **107,951** | 100,319 |
| Consumables | | **(1,396,993)** | (1,207,133) | **(905,353)** | (908,664) |
| Employee benefits expense | | **(1,228,112)** | (1,141,360) | **(837,304)** | (999,717) |
| Depreciation and amortisation expense | 7 | **(515,166)** | (459,805) | **(339,152)** | (425,201) |
| Other expenses | 7 | **(107,860)** | (143,996) | **(52,296)** | (118,932) |
| Finance costs | 7 | **(336,985)** | (304,106) | **(336,984)** | (304,105) |
| Share of net profits of associates and joint venture partnership accounted for using the equity method | | **551** | 795 | **512** | 101 |
| **Profit / (loss) before income tax** | | **386,266** | 287,706 | **(112,113)** | 267,046 |
| Income tax benefit / (expense) | 8 | **(87,587)** | (71,722) | **60,909** | (64,606) |
| **Profit / (loss) for the year** | | **298,679** | 215,984 | **(51,204)** | 202,440 |

*The above income statement should be read in conjunction with the accompanying notes (see page 11).*

## BALANCE SHEET AS AT 30 JUNE 2009

| | | Consolidated | | Parent | |
|---|---|---|---|---|---|
| | Notes | 2009 $'000 | 2008 $'000 | 2009 $'000 | 2008 $'000 |
| **ASSETS** | | | | | |
| **Current assets** | | | | | |
| Cash and cash equivalents | 9 | **105,185** | 55,099 | **53,785** | 45,470 |
| Trade and other receivables | 10 | **488,821** | 408,302 | **652,512** | 331,573 |
| Inventories | 11 | **239,269** | 210,245 | **175,384** | 185,232 |
| Derivative financial instruments | 12 | **14,044** | 76,476 | **13,971** | 76,476 |
| Other current assets | 13 | **18,298** | 16,526 | **29,461** | 26,162 |
| **Total current assets** | | **865,617** | 766,648 | **925,113** | 664,913 |
| **Non-current assets** | | | | | |
| Receivables | 14 | **21,128** | 27,506 | **5,570,745** | 727,242 |
| Inventories | 15 | **35,747** | 30,935 | **37,728** | 30,935 |
| Property, plant and equipment | 16 | **12,081,458** | 10,184,256 | **5,447,083** | 9,699,902 |
| Intangible assets | 17 | **98,630** | 109,414 | **20,147** | 30,700 |
| Investments accounted for using the equity method | 18 | **466** | 1,117 | **466** | 443 |
| Other financial assets | 19 | **46,078** | 31,028 | **101,239** | 18,479 |
| Deferred tax assets | 20 | **232,084** | 220,597 | **162,890** | 208,556 |
| Derivative financial instruments | 12 | **14,615** | 55,295 | **14,615** | 55,295 |
| Other non-current assets | 21 | **71,247** | 51,550 | **51,183** | 51,250 |
| **Total non-current assets** | | **12,601,453** | 10,711,698 | **11,406,096** | 10,822,802 |
| **Total assets** | | **13,467,070** | 11,478,346 | **12,331,209** | 11,487,715 |
| **LIABILITIES** | | | | | |
| **Current liabilities** | | | | | |
| Trade and other payables | 22 | **765,395** | 691,582 | **854,343** | 631,934 |
| Borrowings | 23 | **169** | 530,654 | **169** | 530,652 |
| Provisions | 24 | **18,369** | 16,939 | **17,955** | 16,175 |
| Derivative financial instruments | 12 | **23,012** | 34,596 | **22,576** | 34,062 |
| Other current liabilities | 25 | **212,603** | 200,904 | **88,967** | 187,163 |
| **Total current liabilities** | | **1,019,548** | 1,474,675 | **984,010** | 1,399,986 |
| **Non-current liabilities** | | | | | |
| Derivative financial instruments | 12 | **16,941** | 21,536 | **16,934** | 21,536 |
| Borrowings | 26 | **6,455,709** | 4,678,740 | **6,455,709** | 4,678,740 |
| Deferred tax liabilities | 27 | **1,046,214** | 973,943 | **341,286** | 964,600 |
| Provisions | 24 | **33,452** | 37,842 | **33,452** | 37,842 |
| Other non-current liabilities | 28 | **645,604** | 641,215 | **645,587** | 780,504 |
| **Total non-current liabilities** | | **8,197,920** | 6,353,276 | **7,492,968** | 6,483,222 |
| **Total liabilities** | | **9,217,468** | 7,827,951 | **8,476,978** | 7,883,208 |
| **Net assets** | | **4,249,602** | 3,650,395 | **3,854,231** | 3,604,507 |
| **EQUITY** | | | | | |
| Contributed equity | 29 | **3,412,923** | 2,834,480 | **3,412,923** | 2,834,480 |
| Reserves | 30(a) | **(10,859)** | 51,587 | **(10,610)** | 51,852 |
| Retained profits / (accumulated losses) | 30(b) | **847,538** | 764,328 | **451,918** | 718,175 |
| **Total equity** | | **4,249,602** | 3,650,395 | **3,854,231** | 3,604,507 |

*The above balance sheet should be read in conjunction with the accompanying notes (see page 11).*



## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2009

| | | Consolidated | | Parent | |
|---|---|---|---|---|---|
| | Notes | 2009 $'000 | 2008 $'000 | 2009 $'000 | 2008 $'000 |
| **Total equity at the beginning of the financial year** | | **3,650,395** | 3,084,495 | **3,604,507** | 3,044,843 |
| Movement in reserves | 30(a) | **(62,446)** | 59,091 | **(62,462)** | 59,356 |
| Adjustment to retained earnings | 30(b) | **(383)** | (1,754) | **33** | 5,289 |
| **Net income recognised directly in equity** | | **(62,829)** | 57,337 | **(62,429)** | 64,645 |
| Profit / (loss) for the year | | **298,679** | 215,984 | **(51,204)** | 202,440 |
| **Total recognised income and expense for the year** | | **235,850** | 273,321 | **(113,633)** | 267,085 |
| Contributions of equity | 29 | **578,443** | 449,400 | **578,443** | 449,400 |
| Dividends provided for or paid | 31 | **(215,086)** | (156,821) | **(215,086)** | (156,821) |
| **Total equity at the end of the financial year** | | **4,249,602** | 3,650,395 | **3,854,231** | 3,604,507 |

*The above statement of changes in equity should be read in conjunction with the accompanying notes (see page 11).*

## CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

| | Notes | Consolidated 2009 $'000 | Consolidated 2008 $'000 | Parent 2009 $'000 | Parent 2008 $'000 |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Receipts from customers (inclusive of goods and services tax i.e. "GST") | | **2,876,407** | 2,427,414 | **1,645,192** | 1,872,227 |
| Receipts from Government (inclusive of GST) | | **1,362,582** | 1,263,923 | **281,859** | 1,263,922 |
| Interest received | | **4,574** | 874 | **3,044** | 573 |
| Payments to suppliers and employees (inclusive of GST) | | **(3,051,905)** | (2,522,469) | **(1,580,654)** | (2,003,313) |
| Interest and other cost of finance paid | | **(435,768)** | (326,272) | **(406,676)** | (325,557) |
| Net GST received / (paid) | | **(28,333)** | (65,440) | **27,272** | (70,299) |
| Income taxes paid | | **(2,853)** | (10,529) | **(2,835)** | (10,529) |
| **Net cash (outflow) / inflow from operating activities** | 42 | **724,704** | 767,501 | **(32,798)** | 727,024 |
| **Cash flows from investing activities** | | | | | |
| Investment to acquire businesses | | **(16,708)** | (39,936) | **-** | - |
| Proceeds from the disposal of assets | | **86,451** | 75,500 | **30,892** | 77,772 |
| Payments made to acquire assets | | **(2,410,362)** | (1,738,843) | **(1,560,077)** | (1,686,438) |
| Investment in subsidiaries | | **-** | - | **(82,760)** | - |
| Loans to related parties | | **-** | - | **(12,917)** | (41,493) |
| Repayment of loans by related parties | | **-** | - | **-** | 680 |
| **Net cash (outflow) / inflow from investing activities** | | **(2,340,619)** | (1,703,279) | **(1,624,862)** | (1,649,479) |
| **Cash flows from financing activities** | | | | | |
| General borrowings | | **4,382,154** | 1,418,869 | **4,310,492** | 1,418,869 |
| Proceeds from issue of shares | | **578,443** | 449,400 | **578,443** | 449,400 |
| Repayment of borrowings | | **(3,136,781)** | (775,007) | **(3,065,119)** | (775,002) |
| Dividends paid | 31 | **(156,785)** | (151,493) | **(156,785)** | (151,493) |
| **Net cash inflow / (outflow) from financing activities** | | **1,667,031** | 941,769 | **1,667,031** | 941,774 |
| **Net increase / (decrease) in cash and cash equivalents** | | **51,116** | 5,991 | **9,371** | 19,319 |
| Cash and cash equivalents at the beginning of the financial year | | **54,040** | 48,049 | **44,411** | 25,092 |
| **Cash and cash equivalents at end of year** | 9(a) | **105,156** | 54,040 | **53,782** | 44,411 |

*The above cash flow statement should be read in conjunction with the accompanying notes (see page 11).*



## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for QR Limited as an individual entity and the consolidated entity consisting of QR Limited and its subsidiaries.

QR Limited is a corporation owned by the Queensland State Government.

QR Limited is a company limited by shares, incorporated and domiciled in Australia. This financial report is denominated in Australian dollars.

### (a) BASIS OF PREPARATION

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

*Compliance with IFRS*

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). The parent and consolidated financial statements and notes of the QR Group comply with International Financial Reporting Standards (IFRS).

*Early adoption of standards*

QR Limited has elected to apply the following pronouncements to the annual reporting period beginning 1 July 2008:

- AASB 8 *Operating Segments*
- AASB 2007-3 *Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038]*
- AASB 123 *Borrowing costs*
- AASB 2007-6 *Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]*

The implications for QR Limited on adopting the above standards are:

- The segment Information note has been removed from this financial report.
- The requirement for segment information to be disclosed in other notes in this financial report has been removed.
- QR Limited has been capitalising interest on construction of qualifying assets. The early adoption of AASB 123 does not further impact this financial report.

*Historical cost convention*

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

*Critical accounting estimates*

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

### (b) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of QR Limited ("company" or "parent entity") as at 30 June 2009 and the results of all subsidiaries for the year then ended. QR Limited and its subsidiaries together are referred to in this financial report as the ("Group").

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities, generally accompanying a shareholding of more than one-half of the voting rights.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investments in subsidiaries are accounted for at cost in the individual financial statements of the Group.

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**(c) FOREIGN CURRENCY AND COMMODITY TRANSACTIONS**
*(i) Functional and presentation currency*
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entities operate (i.e. the functional currency). The financial statements are presented in Australian dollars, which is the Group's functional and presentation currency.

*(ii) Transactions and balances*
Where the Group is exposed to the risk of fluctuations in foreign exchange rates and commodity prices, it enters into financial arrangements to reduce this exposure. While the value of these financial instruments is subject to risk that market rates/prices may change subsequent to acquisition, such changes will generally be offset by opposite effects on the items being hedged.

Foreign currency transactions are initially translated into Australian currency using the exchange rate prevailing at the dates of the transactions.

At balance date, and upon finalisation of the hedge, the amounts payable and receivable in foreign currencies are translated to Australian currency at rates of exchange current at that date. Resulting exchange differences are brought to account in determining the profit or loss for the year, except when they are deferred in equity as qualifying cash flow hedges or where specific hedges are undertaken to hedge purchases, in which case the difference is deferred and included in the purchase cost.

**(d) ROUNDING OF AMOUNTS / COMPARATIVE RESTATEMENTS**
Unless otherwise indicated, amounts in the financial report have been rounded off to the nearest thousand dollars.

The restructure of the QR Limited parent entity during the year, as mentioned in the Directors' Report, has resulted in a significant movement in the current year financial information. These changes should be taken into account when comparing the current year with the previous year comparative figures.

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

The 2008 financial year comparative figures have been restated due to a change in the Group's interest capitalisation policy and to the bond rate used to calculate non-current employee leave balances. This is discussed further in note 4. Below is a summary of the material changes to the balances:

| Consolidated 2008 | Audited $'000 | Change in Accounting Policy $'000 | Restated $'000 |
|---|---|---|---|
| **Balance Sheet** | | | |
| **Assets** | | | |
| Deferred tax assets | 205,630 | 14,967 | 220,597 |
| Property, plant and equipment | 10,155,820 | 28,436 | 10,184,256 |
| **Liabilities** | | | |
| Other non-current liabilities | (619,271) | (21,944) | (641,215) |
| **Income Statement** | | | |
| Employee benefits expense | (1,119,416) | (21,944) | (1,141,360) |
| Finance costs | (332,542) | 28,436 | (304,106) |
| Income tax benefit / (expense) | (86,690) | 14,967 | (71,723) |



| Parent 2008 | Audited $'000 | Change in Accounting Policy $'000 | Restated $'000 |
|---|---|---|---|
| **Balance Sheet** | | | |
| **Assets** | | | |
| Deferred tax assets | 193,589 | 14,967 | 208,556 |
| Property, plant and equipment | 9,671,466 | 28,436 | 9,699,902 |
| **Liabilities** | | | |
| Other non-current liabilities | (758,560) | (21,944) | (780,504) |
| **Income Statement** | | | |
| Employee benefits expense | (977,773) | (21,944) | (999,717) |
| Finance costs | (332,541) | 28,436 | (304,105) |
| Income tax benefit / (expense) | (79,574) | 14,967 | (64,607) |

**(e) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS**
During the financial year, new accounting standards and interpretations have been published that are not mandatory for the 30 June 2009 reporting period. The Group's assessment of the impact of these new standards is set out below:

- Revised AASB 101 *Presentation of Financial Statements* and AASB 2007-8 *Amendments to Australian Accounting Standards arising from AASB 101* (issued September 2007) as applicable 1 January 2009 – the Standard requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or a reclassification of items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period. The Group intends to apply the revised Standard from 1 July 2009.
- Revised AASB 3 *Business Combinations* and AASB 2008-3 *Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127* (issued March 2008) as applicable 1 July 2009 – the standard requires all transaction costs incurred relating to a business combination to no longer be capitalised as part of the acquisition but to be expensed and recognised in the income statement. Transaction costs incurred relating to the raising of capital or debt can still be recognised against the equity or liability as required by existing accounting standards. Operating leases of the acquiree company must also be fair valued at the date of acquisition. Favourable variances between the fair value and the book value must be recognised as an intangible asset. Unfavourable variances must be recognised as a liability.

There are additional new accounting standards and interpretations that are not mandatory for the 30 June 2009 reporting period, however these are considered not to materially impact the Group in the period of initial application.

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

The Group designates certain derivatives as either:
- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or
- hedges of the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

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

*(i) Fair value hedge*
Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in the income statement within other income or other expense, together with the gain or loss relating to the ineffective portion and changes in the fair value of the hedged fixed rate borrowings attributable to the interest rate risk.

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedge item for which the effective interest method is used is amortised to profit or loss over the period to maturity using a recalculated effective interest rate. At balance sheet date, the Group held no fair value hedges.

*(ii) Cash flow hedge*
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

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

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

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

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

Embedded derivatives are separated from the host contract and accounted for as a stand-alone derivative.

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

**(g) FAIR VALUE ESTIMATION**
The fair value of financial assets and financial liabilities must be estimated for recognition and measurement, and for disclosure purposes. The fair value of financial instruments traded in active markets (such as foreign exchange and commodity derivatives) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets and liabilities held by the Group for effective hedges is the average (i.e. "mid") forward rate at close of business on balance sheet date.

**(h) JOINT VENTURES**
*(i) Jointly controlled assets*
Where the company has jointly controlled assets, the proportionate interests in the assets, liabilities, revenues and expenses of a joint venture activity are incorporated in the financial statements under the appropriate headings. Details of the joint venture are set out in note 35.

*(ii) Jointly controlled entities*
Where the company has an interest in a jointly controlled entity, the interest is accounted for in the financial statements using the equity method and is carried at cost by the parent entity. Under the equity method, the share of the profits or losses of the jointly controlled entity is recognised in the income statement. Details relating to the jointly controlled entities are set out in note 35.

*(iii) Jointly controlled operations*
Where the company has jointly controlled operations, the proportionate interests in the assets, liabilities, revenues and expenses of a joint venture activity are incorporated in the financial statements under the appropriate headings. Details relating to the jointly controlled operations are set out in note 35.

**(i) INVESTMENTS AND OTHER FINANCIAL ASSETS**
Other financial assets are unlisted equity securities, for which there is no active market to reliably determine the fair value of the investments. These investments are initially measured at fair value and subsequently at cost. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date.

**(j) INVESTMENTS IN ASSOCIATES**
Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% - 50% of the voting rights. Investments in associates are accounted for in the parent entity financial statements using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

There are no investments in associates within the Group for the current or prior reporting periods.

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

(i) *Service revenue*
Service revenue comprises revenue earned from the provision of services and products. It includes Transport Service Contract payments received from Queensland Transport for below rail, Citytrain, Traveltrain and low volume freight services, and amounts received from various State Government departments as direct reimbursement for concessions provided to senior citizens, pensioners and students.

Service revenue is brought to account when the service fee has been earned.

(ii) *Construction revenue*
Revenue from construction works is recognised by reference to the stage of completion of the transaction, provided that the transaction's outcome, stage of completion, and the past and prospective costs are all reliably measurable. Otherwise such revenue is only recognised to the extent of the associated recognised recoverable expenses.

(iii) *Asset sales*
Upon the sale of a fixed asset, the difference between the carrying amount and the sale proceeds is brought to account in the income statement.

(iv) *Interest income*
QR Limited has a bank account which currently forms part of a group banking facility. Interest on the bank account is linked to the group banking facility which is calculated daily and credited monthly to QR Limited.

(v) *Freight services revenue*
Freight services revenue comprises revenue earned (net of refunds, discounts and allowances) from the provision of services. Revenue is recognised at the time services are provided to customers.

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

(vii) *Dividends*
Dividends are recognised as revenue when the right to receive payment is established.

**(l) GOVERNMENT GRANTS**
Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

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

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

**(m) CLASSIFICATION OF EXPENDITURE**
Expenditure in excess of $2,000 which is expected to provide future economic benefits is capitalised, with the exception of the purchase of office equipment and other items of a similar nature that provide limited quantifiable benefits. The threshold applies to all asset classes. Capital spares have a threshold of $20,000. If capital spares are under $20,000, the item is recorded in inventory. All other expenditure, except reductions in equity, is treated as an operating expense in the period in which the expenditure is incurred.

**(n) CASH AND CASH EQUIVALENTS**
For cash flow statement and presentation purposes, cash and cash equivalents include cash on hand, deposits held at call with financial institutions, and other short term highly liquid investments with original maturities of 3 months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

The Group has a group banking facility whereby no interest is earned on subsidiary bank balances. Interest is earned on a daily basis on the consolidated bank balance of the Group which comprises the parent entity, the Logistics Australasia group, the QR Intermodal group (formerly known as National Logistics Alliance Pty Ltd) and Australian Rail Pty Ltd (formerly known as the QR National Holdings Pty Ltd) and its wholly-owned subsidiaries.

# 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**(o) TRADE AND OTHER RECEIVABLES**

*Trade receivables*

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

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

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

*Other receivables*

Other receivables include related party, contractual and GST receivables. Collectability is reviewed on an ongoing basis. As at reporting date, it has been assessed that all other receivables were collectable.

**(p) INVENTORIES**

The value of inventories reported includes items held in centralised stores, workshops and infrastructure and rollingstock depots.

Inventories are valued at cost. Cost is determined predominantly on an average cost basis.

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

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

**(q) PROPERTY, PLANT AND EQUIPMENT**

*Methodology for valuation of fixed assets*

Property, plant and equipment is measured at cost. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Australian Accounting Standards.

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

*Gifted and Donated Assets*

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

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

*Land*

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

*Depreciation and Amortisation*

Buildings, plant and equipment, rollingstock and infrastructure are depreciated on a straight-line basis over the useful life net of residual. Motor vehicles are depreciated using the diminishing value basis (percentages range from 13.64% to 35.0%), with land and assets under construction not depreciated.

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



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

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

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

| | |
|---|---|
| - Infrastructure | 5 – 100 years |
| - Buildings | 10 – 40 years |
| - Rollingstock | 8 – 40 years |
| - Plant and equipment | 3 – 20 years |

The depreciation and amortisation rates are reviewed annually and adjusted if appropriate (at 1 July of the financial year).

An asset's carrying amount is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(t)).

**(r) INTANGIBLE ASSETS**

*(i) Goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill acquired in business combinations is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

*(ii) Trademarks and licences*

The QR Group does not amortise licences and trademarks but applies an annual impairment test to each.

*(iii) IT development and software*

Software has a finite useful life and is carried at cost less accumulated amortisation. Amortisation is calculated using the straight line method over their estimated useful life which varies from 3 to 7 years. Computer software (mainly comprising the SAP implementation) is amortised over its useful life and carried at cost less accumulated amortisation and impairment.

*(iv) Patents, brand name and key customer contracts*

The patents and brand name have an indefinite useful life and are carried at cost less impairment losses. The nature of the brand and the commitment to sufficient ongoing marketing expenditure supports the assessment of an indefinite useful life. The brand name is valued by considering the cost to the business if the brand was not internally owned, but licensed from a third party.

The key customer contracts have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. The useful lives of the customer contracts are 8 – 10 years.

**(s) INVESTMENT PROPERTY**

Investment property is carried at fair value, which is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the company uses alternative valuation methods such as recent prices in less active markets or discounted cash flow projections. These valuations are reviewed annually. Changes in fair values are recorded in the income statement.

There are no investment properties within the Group for the current or prior reporting periods.

**(t) IMPAIRMENT OF ASSETS**

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate they might be impaired. Other assets are reviewed for impairment annually to determine if there are indications that the carrying amount may not be recoverable.

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

**(u) TRADE AND OTHER PAYABLES**
These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within the terms set by the supplier.

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

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

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

Interest costs which are directly attributable to the construction of material qualifying assets are capitalised. Qualifying assets are assets not funded from other sources with a cost of more than $0.1 million and which take a substantial period of time to prepare for intended use or sale. The rate used to determine the amount of borrowing cost to be capitalised is the QTC interest rate applicable to the entity's outstanding borrowings during the year, in this case 7.22% (2008: 6.98%). During the year, interest costs of $94.0 million were capitalised (2008: $50.9 million).

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

**(w) PROVISIONS**
Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

**(x) EMPLOYEE BENEFITS**
*(i) Wages and salaries, annual leave and leave loading*
Liabilities for wages and salaries, including non-monetary benefits, annual leave and leave loading expected to be settled within 12 months of the reporting date are recognised as current liabilities. The remaining liabilities are included within employee benefits and are recognised as non-current liabilities.

These liabilities are in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled plus related on-costs. The non-current liabilities are measured at the present value of the expected future payments to be made in respect of services provided by employees up to the reporting date. Expected future non-current payments are discounted using market yields at the reporting date on Commonwealth government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

*(ii) Long service leave*
Liabilities for long service leave, expected to be settled within 12 months of the reporting date, are recognised as current liabilities. The remaining liabilities are included as non-current liabilities.

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

*(iii) Retirement allowance*
Retirement allowance is payable to employees who fulfil the following requirements:

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

Liabilities for retirement allowance expected to be settled within 12 months of the reporting date are recognised as current liabilities. The remaining liabilities are included within employee benefits and recognised as non-current liabilities. The non-current liability for retirement allowance is measured at the present value of expected future payments to be made in respect of services provided by qualifying employees. Expected future payments are discounted using market yields at the reporting date on Commonwealth government bonds with maturities that match, as closely as possible, to the estimated future cash outflows. Consideration is given to expected future wage and salary levels, experience of the departure of qualifying employees and periods of service.

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

*(v) Superannuation*
Contributions are expensed as they are made.

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

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

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

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

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

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

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

*Tax consolidation legislation*
QR Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, QR Limited, and the controlled entities in the tax consolidated group have adopted a group allocation approach effective 1 July 2006 and account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, QR Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the QR tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the group. Details about the tax funding agreement are disclosed in note 8.

# 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

QR and its subsidiaries form part of the same GST group. This means any inter-company transactions within the QR Group do not attract GST. In 2008 Golden Bros. Group Pty Ltd did not form part of the GST group.

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

The Group recognises as payable those dividends declared on or before the reporting date. The entire amount remaining undistributed at reporting date is recognised.

**(ab) LEASES**
*Leases on property, plant and equipment, rollingstock and infrastructure*

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (note 34). Operating leases are expensed on a straight-line basis over the lease term and are charged to the income statement.

Expected rental revenue from operating leases are disclosed in note 34. Where a sale and lease back transaction has occurred, the lease is classified as a finance lease.

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

The corresponding rental obligations, net of finance charges, are included in other short term and long term payables.

*Cross border leases*

Cross border leases are accounted for on a basis that reflects the substance of the transactions, being to record a leased asset and to only recognise in the accounts the resulting changes in cash flows.

Where it is necessary under the cross border lease provisions to substitute existing owned assets for damaged or disposed leased assets, or to terminate part or all of a lease, and there is a difference between the value of the owned asset and the acquisition or termination cost of the leased asset, this amount is netted off in the income statement to ensure the leased asset is recorded at fair value.

**(ac) BUSINESS COMBINATIONS**
The purchase method of accounting is used to account for all acquisitions of assets (including business combinations) regardless of whether equity instruments or other assets are acquired. Cost is measured at the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the QR Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the QR Group's share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

The capitalisation threshold is $2,000. Certain items are excluded from this capitalisation as described in (note 1(m)).Costs subsequent to initial acquisition are capitalised when it is probable additional future economic benefits will flow in future years. Assets acquired at no cost or for nominal consideration are recognised at their fair value at the date of acquisition.



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

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

Self-insurance and other underwriting activities are performed by QR Limited's wholly-owned subsidiary, On Track Insurance Pty Ltd ("OTI"). Inter-company transactions are undertaken to reflect OTI's insurance activities however these net out to nil on consolidation.

**(ae) ENVIRONMENTAL REGULATION**
The Group is subject to a variety of laws and regulations in the jurisdiction in which it operates or maintains land. Where remediation measures are probable and can be reliably measured, such costs incurred in complying with relevant laws and regulations are accounted for accordingly. Where reliable estimates are unable to be determined for regulatory and remediation costs, no amounts have been provided for.

**(af) AUTHORISATION FOR ISSUE**
The consolidated financial statements are authorised for issue by the Chairman at the date of signing the management certificate.

**(ag) INTER-COMPANY TRANSACTIONS**
Transactions between the parent and entities within the Group which are of an operating nature are recognised in either trade and other receivables or trade and other payables of the parent. The net amount receivable or payable is settled via an inter-company loan account between the parent and the trading partner in the following month.

Inter-company transactions that are non-operating in nature are recognised directly against an inter-company loan account between the parent and the trading partner.

All inter-company loan balances are classified as either non-current trade and other receivables or other non-current liabilities at reporting date.

The balance of the inter-company loan accounts may be settled periodically via cash transfers between the parent and the trading partner at the discretion of the General Manager Treasury.

## 2 FINANCIAL RISK MANAGEMENT

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

Risk management is carried out by a central treasury department within the Group (Group Treasury) under policies approved by the QR Board of Directors. Group Treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as mitigating foreign exchange, interest rate and credit risks, use of derivative financial instruments and investing excess liquidity. Compliance to this Board directive is reported to the Treasury Management Committee on a regular basis. Any breaches of policy are reported to the QR Board.

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

### (a) MARKET RISK

*(i) Foreign exchange risk*

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar ("USD") and the Euro ("EUR"). The risk is measured using cash flow at risk.

The Group has a Board Directive in place to manage foreign exchange risk. The parent entity, on behalf of the Group, is required to hedge foreign exchange risk on exposures arising from future transactions and recognised assets and liabilities using approved derivative risk instruments transacted by Group Treasury.

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

0 – 1 year: 80%–100%

1 – 2 years: 70%–100%

2 – 3 years: 60%–100%

The Group designates derivatives for highly probable foreign exchange forecast transactions. The Group operates on a 70% (2008: 70%) 'highly probable' hedge accounting framework for capital forecast foreign currency expenditure, and 100% (2008: 100%) 'highly probable' hedge accounting framework for commodity related foreign currency forecast expenditure. At balance date, 75% (2008: 85%) of foreign exchange hedges were designated for hedge accounting purposes.

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity. When the cash flows occur, the Group adjusts the initial measurement of the component recognised in the Consolidated Balance Sheet by the related amount deferred in equity.

At balance date, these contracts recognised directly in equity were net losses of $14.7 million (2008: loss of $45.8 million).

During the year ended 30 June 2009, losses of $4.7 million (2008: $14.3 million) were removed from equity and included in the acquisition cost of components, gains of $17.6 million (2008: $14.7 million loss) were removed from equity and included in the acquisition cost of capital and gains of $6.5 million (2008: loss of $9.0 million) were transferred to profit and loss.



The carrying amounts of the Group's and parent entity's financial assets and liabilities are denominated in Australian dollars except as set out below:

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | **2009 $'000** | 2008 $'000 | **2009 $'000** | 2008 $'000 |
| **Receivables** | | | | |
| Malaysian Ringgit | **18** | - | **18** | - |
| Hong Kong dollars | **-** | 31 | **-** | 31 |
| Canadian dollars | **9,505** | 8,391 | **9,505** | 8,391 |
| | **9,523** | 8,422 | **9,523** | 8,422 |
| **Trade payables** | | | | |
| Malaysian Ringgit | **136** | - | **136** | - |
| Canadian dollars | **9,505** | 8,391 | **9,505** | 8,391 |
| | **9,641** | 8,391 | **9,641** | 8,391 |

The Group's exposure to foreign currency risk at the reporting date was as follows:

| **30 June 2009** | **USD $'000** | **EUR $'000** | **SEK $'000** |
|---|---|---|---|
| Forward exchange contracts – buy foreign currency (cash flow hedges) | 159,255 | 111,558 | 129,720 |
| Net exposure | 159,255 | 111,558 | 129,720 |

| **30 June 2008** | **USD $'000** | **EUR $'000** | **SEK $'000** |
|---|---|---|---|
| Forward exchange contracts – buy foreign currency (cash flow hedges) | 311,728 | 170,940 | 90,300 |

The parent's exposure to foreign currency risk at the reporting date was as follows:

| **30 June 2009** | **USD $'000** | **EUR $'000** | **SEK $'000** |
|---|---|---|---|
| Forward exchange contracts – buy foreign currency (cash flow hedges) | 154,360 | 111,503 | 129,720 |
| Net exposure | 154,360 | 111,503 | 129,720 |

| **30 June 2008** | **USD $'000** | **EUR $'000** | **SEK $'000** |
|---|---|---|---|
| Forward exchange contracts – buy foreign currency (cash flow hedges) | 300,100 | 170,940 | 90,300 |

## 2 FINANCIAL RISK MANAGEMENT (CONTINUED)

*Group sensitivity*
At 30 June 2009, had the Australian dollar weakened / strengthened by 16.78% / 13.46% against the USD / EUR with all other variables held constant, the Group's post-tax profit for the year would have been $17.3 million higher / $12.6 million lower (2008: 10.64% / 8.51%, $10.2 million higher / $8.8 million lower), mainly as a result of forecast capital expenditure. Equity would have been $49.3 million higher / $35.7 million lower (2008: 10.64% / 8.51%, $48.1 million higher / $37.9 million lower) arising mainly from hedging capital expenditure (2008: arising mainly from hedging the forecast USD purchase price of diesel).

*Parent entity sensitivity*
At 30 June 2009, had the Australian dollar weakened / strengthened by 16.78% / 13.46% against the USD / EUR with all other variables held constant, the parent entity's post-tax profit for the year would have been $16.5 million higher / $12.0 million lower (2008: 10.64% / 8.51%, $9.7 million higher / $8.3 million lower), mainly as a result of forecast capital expenditure. Equity would have been $48.8 million higher / $35.4 million lower (2008: 10.64% / 8.51%, $47.3 million higher / $37.2 million lower) arising mainly from hedging capital expenditure (2008: arising mainly from hedging the forecast USD purchase price of diesel).

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

The Group has Board Directives in place to manage commodity price risk. The parent entity, on behalf of the Group, is required to hedge commodity price risk exposures arising from forecast future consumption and recognised assets and liabilities using approved derivative risk instruments transacted by Group Treasury.

The Group uses the commodity Singapore Gasoil 0.001% due to environmental efficiencies, however, as this product is not forward priced in the market the parent entity has used Singapore Gasoil 0.5% to hedge exposures until January 2010. All commodity exposures from February 2010 onwards have been hedged in Brent crude oil.

The Group's commodity price risk management policy is based on a matrix application that dictates the level of hedging to be undertaken within the Board approved limits. As at the balance sheet date, the Board approved trading range for the commodity price hedging is:

0 – 1 year: 80%-100%

1 – 2 years: 70%-100%

2 – 3 years: 60%-100%

Due to the reliability of forecasts, 100% hedge accounting is applied across monthly time buckets for distillate hedging. As a result, all gains and losses from hedges will be allocated to equity, and transferred to the distillate expense account upon realisation of the hedged position.

*Group sensitivity*
At 30 June 2009, had the Gasoil / Brent price decreased / increased by 37.1% / 40.8% with all other variables held constant, the Group's post-tax profit would have been $0.1 million lower / $0.1 million higher (2008: 24.47% / 31.25%, $4.0 million lower / $4.0 million higher), the Group's equity would have been $0.8 million lower / $0.7 million higher (2008: 24.47% / 31.25%, $60.0 million lower / $55.5 million higher).

*Parent entity sensitivity*
At 30 June 2009, had the Gasoil / Brent price weakened / strengthened by 37.1% / 40.8% with all other variables held constant, the parent entity's post-tax profit would have been $0.1 million lower / $0.1 million higher (2008: 24.47% / 31.25%, $4.0 million lower / $4.0 million higher), the parent entity's equity would have been $0.8 million lower / $0.7 million higher (2008: 24.47% / 31.25%, $60.0 million lower / $55.5 million higher).

*(iii) Cash flow and fair value interest rate risk*
The Group's interest rate risk arises from long term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Queensland Treasury Corporation ("QTC") has been authorised to manage the interest rate risk of the Group within limits in accordance with the risk profile approved by the QR Board of Directors.

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

The economic entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on those financial assets and financial liabilities, is therefore restricted to cash at bank. The interest rate applicable as at 30 June 2009 was 3.00% (2008: 7.00%).



| | **30 June 2009** | | 30 June 2008 | |
|---|---|---|---|---|
| | **Weighted average interest rate %** | **Balance $'000** | Weighted average interest rate % | Balance $'000 |
| Bank overdrafts and bank loans | **6.6%** | **6,446,373** | 6.4% | 5,201,000 |
| Net exposure to cash flow interest rate risk | | **6,446,373** | | 5,201,000 |

The following table summarises the sensitivity of the Group's debt with Queensland Treasury Corporation to interest rate risk.

| | | **Interest rate risk** | | | |
|---|---|---|---|---|---|
| | | **-1%** | | **+1%** | |
| **30 June 2009** | **Carrying amount $'000** | **Profit $'000** | **Equity $'000** | **Profit $'000** | **Equity $'000** |
| Client Specific Debt Pool | 4,774,199 | 8,792 | 8,792 | (8,792) | (8,792) |
| **Total increase / (decrease)** | | **8,792** | **8,792** | **(8,792)** | **(8,792)** |

| | | **Interest rate risk** | | | |
|---|---|---|---|---|---|
| | | **-1%** | | **+1%** | |
| **30 June 2008** | **Carrying amount $'000** | **Profit $'000** | **Equity $'000** | **Profit $'000** | **Equity $'000** |
| Client Specific Debt Pool | 4,695,420 | 3,406 | 3,406 | (3,406) | (3,406) |
| **Total increase / (decrease)** | | **3,406** | **3,406** | **(3,406)** | **(3,406)** |

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

The economic entity does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the economic entity. For wholesale customers without credit rating, the Group generally retains title over the goods sold until full payment is received. For some trade receivables the Group may also obtain security in the form of guarantees, deeds of undertaking or letters of credit which can be called upon if the counterparty is in default under the terms of the agreement.

The Group has policies in place to ensure sales of products and services are only made to customers with an appropriate credit history.

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

| | **Consolidated** | | **Parent entity** | |
|---|---|---|---|---|
| | **2009 $'000** | 2008 $'000 | **2009 $'000** | 2008 $'000 |
| **Cash at bank and short-term bank deposits** | | | | |
| AAA | **-** | 24,215 | **-** | 24,215 |
| AA+ | **47,840** | - | **47,840** | - |
| AA | **56,380** | 30,687 | **5,231** | 21,070 |
| | **104,220** | 54,902 | **53,071** | 45,285 |
| **Derivative financial assets** | | | | |
| AA+ | **-** | - | **-** | - |
| AA | **7,838** | 111,239 | **7,838** | 111,239 |
| AA– | **-** | 20,531 | **-** | 20,531 |
| A+ | **20,821** | - | **20,748** | - |
| | **28,659** | 131,770 | **28,586** | 131,770 |

## 2 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

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

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

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

| Group – At 30 June 2009 | Less than 1 year | Between 1 and 5 years | Over 5 years | Total contractual cash flows |
|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 |
| **Non-derivatives** | | | | |
| Non-interest bearing | 496,981 | 10,801 | 239 | **508,021** |
| Variable rate | 53,759 | - | - | **53,759** |
| Fixed rate | 342,387 | 1,365,960 | 4,737,856 | **6,446,203** |
| **Total non-derivatives** | 893,127 | 1,376,761 | 4,738,095 | **7,007,983** |
| **Derivatives** | | | | |
| Net settled (forward commodity hedges) | (515) | 3,490 | - | **2,975** |
| Gross settled (foreign exchange hedges) | | | | |
| – (inflow) | (457,187) | (251,149) | - | **(708,336)** |
| – outflow | 466,671 | 249,984 | - | **716,655** |
| **Total derivatives** | 8,969 | 2,325 | - | **11,294** |

| Group – At 30 June 2008 | Less than 1 year | Between 1 and 5 years | Over 5 years | Total contractual cash flows |
|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 |
| **Non-derivatives** | | | | |
| Non-interest bearing | 500,323 | - | - | **500,323** |
| Variable rate | 565,089 | - | - | **565,089** |
| Fixed rate | 335,635 | 1,349,624 | 2,993,481 | **4,678,740** |
| **Total non-derivatives** | 1,401,047 | 1,349,624 | 2,993,481 | **5,744,152** |
| **Derivatives** | | | | |
| Net settled (forward commodity hedges) | (73,741) | (53,197) | - | **(126,938)** |
| Gross settled (foreign exchange hedges) | | | | |
| – (inflow) | (436,492) | (337,304) | - | **(773,796)** |
| – outflow | 468,352 | 356,743 | - | **825,095** |
| **Total derivatives** | (41,881) | (33,758) | - | **(75,639)** |

| Parent – At 30 June 2009 | Less than 1 year | Between 1 and 5 years | Over 5 years | Total contractual cash flows |
|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 |
| **Non-derivatives** | | | | |
| Non-interest bearing | 585,668 | 9,554 | - | **595,222** |
| Variable rate | 53,759 | - | - | **53,759** |
| Fixed rate | 342,387 | 1,365,960 | 4,737,856 | **6,446,203** |
| **Total non-derivatives** | 981,814 | 1,375,514 | 4,737,856 | **7,095,184** |
| **Derivatives** | | | | |
| Net settled (forward commodity hedges) | (515) | 3,490 | - | **2,975** |
| Gross settled (foreign exchange hedges) | | | | |
| – (inflow) | (441,939) | (250,684) | - | **(692,623)** |
| – outflow | 451,059 | 249,513 | - | **700,572** |
| **Total derivatives** | 8,605 | 2,319 | - | **10,924** |



| Parent – At 30 June 2008 | Less than 1 year | Between 1 and 5 years | Over 5 years | Total contractual cash flows |
|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 |
| **Non-derivatives** | | | | |
| Non-interest bearing | 440,675 | - | 148,358 | **589,033** |
| Variable rate | 565,089 | - | - | **565,089** |
| Fixed rate | 335,634 | 1,349,624 | 2,993,481 | **4,678,739** |
| **Total non-derivatives** | 1,341,398 | 1,349,624 | 3,141,839 | **5,832,861** |
| **Derivatives** | | | | |
| Net settled (forward commodity hedges) | (73,741) | (53,197) | - | **(126,938)** |
| Gross settled (foreign exchange hedges) | | | | |
| – (inflow) | (426,562) | (337,304) | - | **(763,866)** |
| – outflow | 457,888 | 356,743 | - | **814,631** |
| **Total derivatives** | (42,415) | (33,758) | - | **(76,173)** |

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

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

*(i) Estimated impairment of goodwill*
The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1(r). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions. The Group has not recognised an impairment loss for the financial year. Refer to note 17 for details of these assumptions and the potential impact of changes to the assumptions.

## 4 CORRECTION OF ERROR, REVISION OF ESTIMATES AND VARIATION FROM PRELIMINARY REPORT
Management have decided to broaden the criteria for capitalisation of borrowing costs for the parent entity. The original criteria used for identifying "qualifying assets", in line with AASB 123 *Borrowing Costs*, was limited to property and also rollingstock not used for passenger services. The individual project spend had to also exceed $10 million.

The new criteria used to identify a "qualifying asset" has been extended to include infrastructure projects, other rollingstock and travel train assets. The individual project minimum spend has also been reduced to $0.1 million.

This revision in accounting policy was a voluntary decision and therefore must be applied retrospectively to all prior accounting periods which can be practically determined. The impact of the change for the comparative reporting period was to increase the value of property, plant and equipment sitting in assets under construction by $28.4 million and to decrease finance costs by $28.4 million. The impact, including tax effect accounting, is summarised in note 1(d).

Had the interest capitalisation policy not been changed, the current year profit after tax would have been $42.3 million lower.

Management have also revised the discount rate used to derive the present value of non-current employee benefits. Given the impact of the current economic downturn, it was considered appropriate to review the existing assumptions and other factors which may have changed over time. Whereas previously QR Limited had used the rate applicable to the Commonwealth Treasury Fixed Coupon Bonds, upon an independent review in 2008-09, it was decided to revise the discount rate slightly and adopt the Commonwealth Treasury Capital Indexed Bonds adjusted for an assumed annual inflation rate. This revision has been made retrospectively and applies to the comparative reporting period.

The impact of the revised bond rate for the comparative reporting period is to increase both employee benefits expense and non-current employee benefits liability by $21.9 million. The impact, including tax effect accounting, is summarised in note 1(d).

Had the calculation of non-current employee benefits not been changed the current year profit after tax would have been $29.5 million lower.

There were no other material corrections of errors or revisions of estimates relating to the previous financial year.

## 5 REVENUE FROM OPERATIONS

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | **2009 $'000** | 2008 $'000 | **2009 $'000** | 2008 $'000 |
| **From continuing operations** | | | | |
| Services revenue | **3,712,384** | 3,284,437 | **2,165,966** | 2,812,582 |
| Interest revenue | **5,424** | 3,301 | **4,178** | 2,646 |
| Other revenue | **76,399** | 101,591 | **48,572** | 77,797 |
| Construction and other works revenue | **32,045** | 20,781 | **24,674** | 20,781 |
| Rent and sub-lease rentals | **11,010** | 9,451 | **7,123** | 9,439 |
| | **3,837,262** | 3,419,561 | **2,250,513** | 2,923,245 |

Services revenue includes Transport Service Contracts of $1,307.2 million (2008: $1,103.8 million).

Other revenue includes Shareholder Agreement revenue of $8.7 million (2008: $9.7 million).

## 6 OTHER INCOME

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | **2009 $'000** | 2008 $'000 | **2009 $'000** | 2008 $'000 |
| Net gain / (loss) on disposal of property, plant and equipment | **-** | 14,412 | **-** | 14,750 |
| Net unrealised gain / (loss) on foreign currency and commodity derivatives not qualifying as hedges | **2,349** | 13,128 | **2,096** | 13,283 |
| Net realised gain / (loss) on foreign exchange | **29,793** | (1,647) | **29,545** | (1,647) |
| Government grants (a) | **101,427** | 97,857 | **76,310** | 73,933 |
| | **133,569** | 123,750 | **107,951** | 100,319 |

### (a) GOVERNMENT GRANTS

Grants of $101.4 million (2008: $97.9 million) were recognised as other income by the Group during the financial year. These grants mainly comprise fuel rebates of $99.4 million (2008: $96.5 million). There are no unfulfilled conditions or other contingencies attached to these grants. The Group did not benefit directly from any other forms of government assistance.



## 7 EXPENSES

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | **2009 $'000** | 2008 $'000 | **2009 $'000** | 2008 $'000 |
| **Profit before income tax includes the following specific expenses:** | | | | |
| *Depreciation* | | | | |
| Buildings | **19,316** | 17,309 | **17,435** | 16,122 |
| Plant and equipment | **55,758** | 52,849 | **45,341** | 45,206 |
| Rollingstock | **169,883** | 112,300 | **143,243** | 90,538 |
| Infrastructure | **179,968** | 164,738 | **43,575** | 162,939 |
| Total depreciation | **424,925** | 347,196 | **249,594** | 314,805 |
| *Amortisation* | | | | |
| Buildings under finance leases | **419** | 343 | **208** | 231 |
| Rollingstock under finance leases | **78,431** | 98,838 | **78,431** | 98,839 |
| Infrastructure under finance leases | **-** | 1 | **-** | 1 |
| Total amortisation | **78,850** | 99,182 | **78,639** | 99,071 |
| **Total property, plant and equipment depreciation and amortisation expense** (note 16) | **503,775** | 446,378 | **328,233** | 413,876 |
| *Other amortisation* | | | | |
| Software | **11,150** | 11,611 | **10,919** | 11,325 |
| Customer contracts | **241** | 1,816 | **-** | - |
| Total amortisation (note 17) | **11,391** | 13,427 | **10,919** | 11,325 |
| **Total depreciation and amortisation expense** | **515,166** | 459,805 | **339,152** | 425,201 |
| *Finance costs* | | | | |
| Interest and finance charges paid/payable | **336,985** | 304,106 | **336,984** | 304,105 |
| **Finance costs expensed** | **336,985** | 304,106 | **336,984** | 304,105 |
| *Other expenses* | | | | |
| Rental expenses relating to leases | **15,348** | 11,448 | **200** | 857 |
| Net loss on disposal of property, plant and equipment | **3,445** | - | **1,851** | - |
| Defined benefit superannuation expense | **41,112** | 40,264 | **32,534** | 40,264 |
| Defined contribution superannuation expense | **64,834** | 52,317 | **40,228** | 43,470 |
| Provision for inventory obsolescence | **1,475** | 4,863 | **1,298** | 4,749 |
| Research and development costs | **555** | 296 | **530** | 295 |
| Other expenses | **(1,574)** | 6,940 | **(4,550)** | 5,268 |
| | **125,195** | 116,128 | **72,091** | 94,903 |
| *Settlement of litigation expenses* | **(2,130)** | (986) | **(2,133)** | (986) |
| *Impairment losses – financial assets* | | | | |
| Trade receivables | **2,412** | 1,221 | **237** | 590 |
| *Impairment of other assets* | | | | |
| Property, plant and equipment | **(17,617)** | 26,746 | **(17,899)** | 23,538 |
| Software | **-** | 887 | **-** | 887 |
| Impairment of other assets | **(17,617)** | 27,633 | **(17,899)** | 24,425 |
| **Total other expenses** | **107,860** | 143,996 | **52,296** | 118,932 |

## 8 INCOME TAX EXPENSE

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 |
| | **$'000** | $'000 | **$'000** | $'000 |
| **(a) INCOME TAX EXPENSE** | | | | |
| Current tax | **12,338** | 45,371 | **(109,754)** | 35,422 |
| Deferred tax | **73,650** | 23,679 | **47,071** | 26,543 |
| Adjustments for current tax of prior periods | **1,599** | 2,672 | **1,774** | 2,641 |
| | **87,587** | 71,722 | **(60,909)** | 64,606 |
| Deferred income tax expense included in income tax expense comprises: | | | | |
| (Increase) / decrease in deferred tax assets (note 20) | **(20,844)** | (7,532) | **(31,918)** | (3,469) |
| Increase in deferred tax liabilities (note 27) | **94,494** | 31,211 | **78,989** | 30,012 |
| | **73,650** | 23,679 | **47,071** | 26,543 |
| **(b) NUMERICAL RECONCILIATION OF INCOME TAX EXPENSE TO PRIMA FACIE TAX PAYABLE** | | | | |
| Profit from continuing operations before income tax expense | **386,266** | 287,706 | **(112,113)** | 267,046 |
| Tax at the Australian tax rate of 30% (2008: 30%) | **115,880** | 86,311 | **(33,633)** | 80,113 |
| Tax effect of amounts which are non-deductible (taxable) in calculating taxable income: | | | | |
| Capital gains / (losses) | **(37)** | 5,532 | **(37)** | 5,532 |
| Consulting | **842** | 166 | **265** | 91 |
| Entertainment | **98** | 128 | **40** | 52 |
| Research and development | **(4,014)** | (124) | **(3,362)** | (124) |
| Share of net profit from joint ventures | **(165)** | - | **(153)** | - |
| Interest Capitalisation | **(28,208)** | (8,384) | **(28,208)** | (8,384) |
| Foreign exchange gains capitalised | **(4,414)** | - | **(4,414)** | - |
| Other | **6,283** | (13,208) | **7,119** | (13,943) |
| Non-assessable income | **(277)** | (1,372) | **(300)** | (1,372) |
| Adjustment for fixed assets transfer | **-** | - | **-** | - |
| Adjustments for current tax of prior periods | **1,599** | 2,673 | **1,774** | 2,641 |
| Total income tax expense | **87,587** | 71,722 | **(60,909)** | 64,606 |
| **(c) AMOUNTS RECOGNISED DIRECTLY IN EQUITY** | | | | |
| Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity | | | | |
| Net deferred tax – debited (credited) directly to equity (notes 20 and 27) | **(26,785)** | 25,325 | **(26,791)** | 25,438 |
| **(d) TAX LOSSES** | | | | |
| Tax losses transferred to (receivable from) parent entity under tax funding agreement | **-** | - | **406,390** | 33,139 |
| Potential tax benefit @ 30% | **-** | **-** | **121,917** | 9,942 |



**(e) TAX CONSOLIDATION LEGISLATION**

QR Limited and its wholly-owned Australian controlled entities implemented tax consolidation legislation from 1 July 2003.

The tax consolidation group adopted a group allocation approach effective 1 July 2006 and account for their own current and deferred tax amounts. This method complies with Interpretation 1052 *Tax Consolidation Accounting* and AASB 112 *Income Taxes* with tax amounts measured as if the Group were a stand-alone taxpayer in its own right.

Under the terms of the tax funding agreement, the Group compensates QR for any current tax payable assumed and is compensated by QR for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to QR under tax consolidated legislation. The funding amounts are recognised as non-current inter-company receivables or payables.

## 9 CURRENT ASSETS – CASH AND CASH EQUIVALENTS

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | **2009 $'000** | 2008 $'000 | **2009 $'000** | 2008 $'000 |
| Cash on hand | **188** | 198 | **45** | 185 |
| Bank balances | **57,127** | 25,955 | **5,897** | 20,012 |
| Short term investments | **47,840** | 27,888 | **47,840** | 24,215 |
| Trust monies | **30** | 1,058 | **3** | 1,058 |
| | **105,185** | 55,099 | **53,785** | 45,470 |

**(a) RECONCILIATION TO CASH AT THE END OF THE YEAR**

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | **2009 $'000** | 2008 $'000 | **2009 $'000** | 2008 $'000 |
| Balances as above | **105,186** | 55,098 | **53,785** | 45,469 |
| Less: Trust monies | **(30)** | (1,058) | **(3)** | (1,058) |
| Balances per statement of cash flows | **105,156** | 54,040 | **53,782** | 44,411 |

**(b) INTEREST RATE RISK EXPOSURE**

The Group's and the parent entity's exposure to interest rate risk is discussed in note 2.

## 10 CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | **2009 $'000** | 2008 $'000 | **2009 $'000** | 2008 $'000 |
| Trade receivables | **336,363** | 304,183 | **182,117** | 203,860 |
| Provision for impairment of receivables | **(2,274)** | (1,413) | **(471)** | (767) |
| Net trade receivables | **334,089** | 302,770 | **181,646** | 203,093 |
| Inter-company receivables | **17** | - | **434,998** | 26,183 |
| Transport service contracts | **88,381** | 47,737 | **2,103** | 47,737 |
| Other receivables | **66,042** | 57,250 | **33,473** | 54,015 |
| Lease receivable | **292** | 545 | **292** | 545 |
| | **488,821** | 408,302 | **652,512** | 331,573 |

### (a) IMPAIRED TRADE RECEIVABLES

As at 30 June 2009, current trade receivables of the Group with a nominal value of $0.7 million (2008: $1.0 million) were impaired. The amount of the provision was $2.3 million (2008: $1.4 million). It was assessed that a portion of the receivables is expected to be recovered. The ageing of these receivables is as follows:

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | **2009 $'000** | 2008 $'000 | **2009 $'000** | 2008 $'000 |
| 1 to 3 months | **256** | 362 | **152** | 359 |
| 3 to 6 months | **33** | 168 | **33** | 158 |
| over 6 months | **362** | 431 | **321** | 390 |
| | **651** | 961 | **506** | 907 |

*Past due but not impaired*

As at 30 June 2009, trade receivables of $4.5 million (2008: $3.6 million) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | **2009 $'000** | 2008 $'000 | **2009 $'000** | 2008 $'000 |
| 3 to 6 months | **3,454** | 2,543 | **1,478** | 618 |
| over 6 months | **1,090** | 1,093 | **764** | 1,078 |
| | **4,544** | 3,636 | **2,242** | 1,696 |

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

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | **2009 $'000** | 2008 $'000 | **2009 $'000** | 2008 $'000 |
| At 1 July | **1,413** | 1,394 | **767** | 1,384 |
| Provision for impairment recognised during the year | **1,668** | 1,215 | **237** | 569 |
| Receivables written off during the year as uncollectable | **(807)** | (1,196) | **(343)** | (1,186) |
| Transfer between entities | **-** | - | **(190)** | - |
| | **2,274** | 1,413 | **471** | 767 |

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



### (b) OTHER RECEIVABLES

These amounts generally arise from transactions outside the usual operating activities of the Group. For the parent entity, these mainly consist of a Shareholder Agreement (SHA) receivable amounting to $8.7 million (2008: $9.7 million) and miscellaneous receivables relating to items of a revenue nature not invoiced at reporting date amounting to $30.0 million (2008: $23.8 million).

### (c) FOREIGN EXCHANGE AND INTEREST RATE RISK

Information about the Group's and the parent entity's exposure to foreign currency risk and interest rate risk in relation to trade and other receivables is discussed in note 2.

### (d) FAIR VALUE AND CREDIT RISK

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

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. The Group does hold collateral as security in the form of bank guarantees, refer to note 26(c). For more information on the risk management policy of the Group and the credit quality of the entity's trade receivables, refer to note 2.

## 11 CURRENT ASSETS – INVENTORIES

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | **2009 $'000** | 2008 $'000 | **2009 $'000** | 2008 $'000 |
| Raw materials and stores – at cost | **230,531** | 200,360 | **166,065** | 174,792 |
| Less: provision for inventory obsolescence | **(581)** | (555) | **-** | - |
| Work in progress – at cost | **9,319** | 10,440 | **9,319** | 10,440 |
| Inventory at lower of cost or net realisable value | **239,269** | 210,245 | **175,384** | 185,232 |

### (a) INVENTORY EXPENSE

Inventory recognised as expense during the year ended 30 June 2009 amounted to $835.1 million (2008: $788.5 million). Write-downs of inventories to net realisable value recognised as an expense during the year ended 30 June 2009 amounted to $2.0 million (2008: $3.0 million).

## 12 DERIVATIVE FINANCIAL INSTRUMENTS

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | 2009 $'000 | 2008 $'000 | 2009 $'000 | 2008 $'000 |
| **Current assets** | | | | |
| Forward foreign currency contracts ((a)(i)) | 9,762 | 2,735 | 9,689 | 2,735 |
| Commodity contracts ((a)(ii)) | 4,282 | 73,741 | 4,282 | 73,741 |
| Total current derivative financial instrument assets | 14,044 | 76,476 | 13,971 | 76,476 |
| **Non-current assets** | | | | |
| Forward foreign currency contracts ((a)(i)) | 10,694 | 2,097 | 10,694 | 2,097 |
| Commodity contracts ((a)(ii)) | 3,921 | 53,198 | 3,921 | 53,198 |
| Total non-current derivative financial instrument assets | 14,615 | 55,295 | 14,615 | 55,295 |
| **Total derivative financial instrument assets** | 28,659 | 131,771 | 28,586 | 131,771 |
| **Current liabilities** | | | | |
| Forward foreign currency contracts ((a)(i)) | 19,245 | 34,596 | 18,809 | 34,062 |
| Commodity contracts ((a)(ii)) | 3,767 | - | 3,767 | - |
| Total current derivative financial instrument liabilities | 23,012 | 34,596 | 22,576 | 34,062 |
| **Non-current liabilities** | | | | |
| Forward foreign currency contracts ((a)(i)) | 9,530 | 21,536 | 9,523 | 21,536 |
| Commodity contracts ((a)(ii)) | 7,411 | - | 7,411 | - |
| Total non-current derivative financial instrument liabilities | 16,941 | 21,536 | 16,934 | 21,536 |
| **Total derivative financial instrument liabilities** | 39,953 | 56,132 | 39,510 | 55,598 |

At balance date, all derivative instruments were contracted by the parent entity on behalf of the QR Group.

### (a) INSTRUMENTS USED BY THE GROUP
The Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in foreign exchange rates and diesel prices in accordance with the Group's financial risk management policies (note 2).

*(i) Forward exchange contracts – cash flow hedges*
The Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in foreign exchange rates. The Group enters into forward exchange contracts to hedge against identifiable currency risks associated with capital investment contracts and components, including the foreign currency risk associated with hedging diesel. The cash flows are expected to occur at various dates within the next three years.

*(ii) Commodity swap contracts – cash flow hedges*
The Group is party to derivative financial instruments in the normal course of business to hedge exposures to fluctuations in commodity prices. The Group enters into commodity swap contracts to hedge against identifiable commodity price risk associated with the purchase of diesel fuel.

### (b) CREDIT RISK EXPOSURES
Credit risk on derivative contracts is minimised as counterparties are approved by the QR Board of Directors and are recognised financial intermediaries with acceptable credit ratings determined by a recognised ratings agency, in accordance with a credit risk management framework. Information about the Group's and the parent entity's exposure to credit risk and foreign exchange is provided in note 2.

## 13 CURRENT ASSETS – OTHER CURRENT ASSETS

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | 2009 $'000 | 2008 $'000 | 2009 $'000 | 2008 $'000 |
| Prepayments | 18,298 | 16,526 | 29,461 | 26,162 |
| | 18,298 | 16,526 | 29,461 | 26,162 |



## 14 NON-CURRENT ASSETS – RECEIVABLES

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | 2009 $'000 | 2008 $'000 | 2009 $'000 | 2008 $'000 |
| Inter-company receivables | - | - | 5,548,962 | 699,742 |
| Deposits | 9,522 | 8,398 | 9,505 | 8,392 |
| Lease receivables | - | 292 | - | 292 |
| Other receivables | 11,606 | 18,816 | 12,278 | 18,816 |
| | 21,128 | 27,506 | 5,570,745 | 727,242 |

### (a) IMPAIRED RECEIVABLES AND RECEIVABLES PAST DUE
None of the non-current receivables are impaired or past due but not impaired.

### (b) FAIR VALUES
The fair values and carrying values of non-current receivables are as follows:

| Group | 2009 Carrying amount $'000 | 2009 Fair value $'000 | 2008 Carrying amount $'000 | 2008 Fair value $'000 |
|---|---|---|---|---|
| Deposits | 9,522 | 9,522 | 8,398 | 8,398 |
| Lease receivables | - | - | 292 | 292 |
| Other receivables | 11,606 | 11,606 | 18,816 | 18,816 |
| | 21,128 | 21,128 | 27,506 | 27,506 |

| Parent | 2009 Carrying amount $'000 | 2009 Fair value $'000 | 2008 Carrying amount $'000 | 2008 Fair value $'000 |
|---|---|---|---|---|
| Inter-company receivables | 5,548,962 | 5,548,962 | 699,742 | 699,742 |
| Deposits | 9,505 | 9,505 | 8,392 | 8,392 |
| Lease receivables | - | - | 292 | 292 |
| Other receivables | 12,278 | 12,278 | 18,816 | 18,816 |
| | 5,570,745 | 5,570,745 | 727,242 | 727,242 |

The carrying amounts of the receivables represent the best approximation of fair value.

### (c) RISK EXPOSURE
Information about the Group's and the parent entity's exposure to credit risk, foreign exchange and interest rate risk is provided in note 2.

## 15 NON-CURRENT ASSETS – INVENTORIES

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | 2009 $'000 | 2008 $'000 | 2009 $'000 | 2008 $'000 |
| Raw materials and stores | 39,318 | 37,157 | 39,318 | 37,157 |
| Less: provision for inventory obsolescence | (3,571) | (6,222) | (1,590) | (6,222) |
| | 35,747 | 30,935 | 37,728 | 30,935 |

## 16 NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

| Consolidated | Asset under construction $'000 | Land $'000 | Leased property $'000 | Buildings $'000 | Plant and equipment $'000 | Rollingstock $'000 | Leased infrastructure $'000 | Leased rollingstock $'000 | Infrastructure $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| **At 1 July 2007** | | | | | | | | | | |
| Cost | 1,361,216 | 299,722 | 3,793 | 482,011 | 422,655 | 1,708,443 | 54 | 1,460,588 | 4,633,506 | 10,371,988 |
| Accumulated depreciation and impairment losses | (10,467) | (3,428) | (2,205) | (104,134) | (163,606) | (317,651) | (15) | (389,000) | (497,728) | (1,488,234) |
| **Net book amount** | **1,350,749** | **296,294** | **1,588** | **377,877** | **259,049** | **1,390,792** | **39** | **1,071,588** | **4,135,778** | **8,883,754** |
| **Year ended 30 June 2008** | | | | | | | | | | |
| Opening net book amount | 1,350,749 | 296,294 | 1,588 | 377,877 | 259,049 | 1,390,792 | 39 | 1,071,588 | 4,135,778 | 8,883,754 |
| Acquisition of subsidiary | - | - | 395 | - | 1,713 | - | - | - | - | 2,108 |
| Additions | 1,754,941 | - | 528 | 3,229 | 50,085 | 23,490 | - | 5,228 | 390 | 1,837,891 |
| Transfers between asset classes | (1,223,848) | 14,717 | (4) | 51,857 | 32,683 | 334,000 | (32) | 130,355 | 655,695 | (4,577) |
| Disposals | (23,426) | (7,924) | - | (2,166) | (17,573) | (1,026) | (6) | (14) | (9,161) | (61,296) |
| Impairment expense | 4,113 | (982) | - | (4,333) | (440) | (8,526) | - | (17,423) | (928) | (28,519) |
| Impairment reversal | 140 | - | - | - | 3 | 678 | - | 926 | 26 | 1,773 |
| Depreciation / amortisation expense | - | - | (343) | (17,309) | (52,849) | (112,300) | (1) | (98,838) | (164,738) | (446,378) |
| Other adjustments | - | (500) | - | - | - | - | - | - | - | (500) |
| **Closing net book amount** | **1,862,669** | **301,605** | **2,164** | **409,155** | **272,671** | **1,627,108** | **-** | **1,091,822** | **4,617,062** | **10,184,256** |
| **At 30 June 2008** | | | | | | | | | | |
| Cost | 1,868,883 | 306,561 | 4,771 | 534,475 | 470,779 | 2,052,595 | - | 1,588,731 | 5,278,811 | 12,105,606 |
| Accumulated depreciation and impairment losses | (6,214) | (4,956) | (2,607) | (125,320) | (198,108) | (425,487) | - | (496,909) | (661,749) | (1,921,350) |
| **Net book amount** | **1,862,669** | **301,605** | **2,164** | **409,155** | **272,671** | **1,627,108** | **-** | **1,091,822** | **4,617,062** | **10,184,256** |



| Consolidated | Asset under construction $'000 | Land $'000 | Leased property $'000 | Buildings $'000 | Plant and equipment $'000 | Rollingstock $'000 | Leased rollingstock $'000 | Infrastructure $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|---|
| **Year ended 30 June 2009** | | | | | | | | | |
| Opening net book amount | 1,862,669 | 301,605 | 2,164 | 409,155 | 272,671 | 1,627,108 | 1,091,822 | 4,617,062 | 10,184,256 |
| Transfers within group | (49,177) | 735 | 2 | 18,956 | 566 | 3 | 27 | 28,888 | - |
| Additions | 2,301,985 | 2,528 | 602 | 15,734 | 45,397 | 107,052 | - | 87 | 2,473,385 |
| Transfers between asset classes | (1,493,222) | 4,801 | 1,099 | 49,146 | 37,739 | 945,487 | (121,518) | 576,339 | (129) |
| Disposals | (67,494) | (4,463) | (2) | (2,377) | (11,693) | (1,791) | (202) | (1,874) | (89,896) |
| Impairment expense | - | - | (69) | (22) | (2,230) | (1,709) | (4,101) | (101) | (8,232) |
| Impairment reversal | 3,411 | - | - | 780 | 1,736 | 15,127 | 3,371 | 1,424 | 25,849 |
| Depreciation / amortisation expense | - | - | (419) | (19,316) | (55,758) | (169,883) | (78,431) | (179,968) | (503,775) |
| Other adjustments | - | - | - | - | - | - | - | - | - |
| **Closing net book amount** | **2,558,172** | **305,206** | **3,377** | **472,056** | **288,428** | **2,521,394** | **890,968** | **5,041,857** | **12,081,458** |
| **At 30 June 2009** | | | | | | | | | |
| Cost | 2,560,975 | 309,768 | 5,671 | 604,377 | 512,788 | 3,172,483 | 1,364,906 | 5,297,808 | 13,828,776 |
| Accumulated depreciation and impairment losses | (2,803) | (4,562) | (2,294) | (132,321) | (224,360) | (651,089) | (473,938) | (255,951) | (1,747,318) |
| **Net book amount** | **2,558,172** | **305,206** | **3,377** | **472,056** | **288,428** | **2,521,394** | **890,968** | **5,041,857** | **12,081,458** |

## 16 NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| Parent | Asset under construction $'000 | Land $'000 | Leased property $'000 | Buildings $'000 | Plant and equipment $'000 | Rollingstock $'000 | Leased infrastructure $'000 | Leased rollingstock $'000 | Infrastructure $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| **At 1 July 2007** | | | | | | | | | | |
| Cost | 1,351,780 | 245,594 | 3,058 | 444,714 | 344,298 | 1,414,865 | 54 | 1,460,582 | 4,586,577 | 9,851,522 |
| Accumulated depreciation and impairment losses | (10,467) | (3,428) | (1,917) | (101,693) | (148,670) | (291,668) | (16) | (388,996) | (495,067) | (1,441,922) |
| **Net book amount** | **1,341,313** | **242,166** | **1,141** | **343,021** | **195,628** | **1,123,197** | **38** | **1,071,586** | **4,091,510** | **8,409,600** |
| **Year ended 30 June 2008** | | | | | | | | | | |
| Opening net book amount | 1,341,313 | 242,166 | 1,141 | 343,021 | 195,628 | 1,123,197 | 38 | 1,071,586 | 4,091,510 | 8,409,600 |
| Additions | 1,736,468 | - | - | 419 | 40,081 | 13,243 | - | 5,227 | 21 | 1,795,459 |
| Transfers between asset classes | (1,223,848) | 14,717 | - | 51,857 | 32,745 | 334,000 | (32) | 130,355 | 655,696 | (4,510) |
| Disposals | (23,426) | (7,924) | - | (2,166) | (16,444) | (4,093) | (5) | (14) | (9,161) | (63,233) |
| Impairment expense | 4,113 | (982) | - | (1,125) | (440) | (8,526) | - | (17,423) | (928) | (25,311) |
| Impairment reversal | 140 | - | - | - | 3 | 678 | - | 926 | 26 | 1,773 |
| Depreciation / amortisation expense | - | - | (231) | (16,122) | (45,206) | (90,538) | (1) | (98,839) | (162,939) | (413,876) |
| **Closing net book amount** | **1,834,760** | **247,977** | **910** | **375,884** | **206,367** | **1,367,961** | **-** | **1,091,818** | **4,574,225** | **9,699,902** |
| **At 30 June 2008** | | | | | | | | | | |
| Cost | 1,840,974 | 252,933 | 3,059 | 494,367 | 381,068 | 1,748,148 | - | 1,588,727 | 5,231,514 | 11,540,790 |
| Accumulated depreciation and impairment losses | (6,214) | (4,956) | (2,149) | (118,483) | (174,701) | (380,187) | - | (496,909) | (657,289) | (1,840,888) |
| **Net book amount** | **1,834,760** | **247,977** | **910** | **375,884** | **206,367** | **1,367,961** | **-** | **1,091,818** | **4,574,225** | **9,699,902** |



| Parent | Asset under construction $'000 | Land $'000 | Leased property $'000 | Buildings $'000 | Plant and equipment $'000 | Rollingstock $'000 | Leased rollingstock $'000 | Infrastructure $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|---|
| **Year ended 30 June 2009** | | | | | | | | | |
| Opening net book amount | 1,834,760 | 247,977 | 910 | 375,884 | 206,367 | 1,367,961 | 1,091,818 | 4,574,225 | 9,699,902 |
| Transfers within group | (1,188,451) | 484 | (737) | 9,638 | (8,620) | (15) | 28 | (4,270,956) | (5,458,629) |
| Additions | 1,515,090 | 2,531 | - | 296 | 30,944 | 69 | - | 89 | 1,549,019 |
| Transfers between asset classes | (962,934) | 2,465 | 1,099 | 49,143 | 36,705 | 945,486 | (121,517) | 49,422 | (131) |
| Disposals | (12,888) | (4,463) | - | (2,282) | (9,867) | (1,791) | (202) | (1,251) | (32,744) |
| Impairment expense | - | - | - | (22) | (2,017) | (1,709) | (4,101) | (101) | (7,950) |
| Impairment reversal | 3,411 | - | - | 780 | 1,736 | 15,127 | 3,371 | 1,424 | 25,849 |
| Depreciation/ amortisation expense | - | - | (208) | (17,435) | (45,341) | (143,243) | (78,431) | (43,575) | (328,233) |
| **Closing net book amount** | **1,188,988** | **248,994** | **1,064** | **416,002** | **209,907** | **2,181,885** | **890,966** | **309,277** | **5,447,083** |
| **At 30 June 2009** | | | | | | | | | |
| Cost | 1,191,791 | 253,556 | 2,701 | 544,451 | 421,928 | 2,761,035 | 1,364,904 | 422,305 | 6,962,671 |
| Accumulated depreciation and impairment losses | (2,803) | (4,562) | (1,637) | (128,449) | (212,021) | (579,150) | (473,938) | (113,028) | (1,515,588) |
| **Net book amount** | **1,188,988** | **248,994** | **1,064** | **416,002** | **209,907** | **2,181,885** | **890,966** | **309,277** | **5,447,083** |

### (a) IMPAIRMENT

Whilst the economic downturn has impacted on QR Group operations and financial results, the impact has not been significant enough to warrant asset write-downs. In addition, QR Group continues to receive significant support from the Queensland Government to ensure it continues to deliver its community service obligation.

## 17 NON-CURRENT ASSETS – INTANGIBLE ASSETS

| Consolidated | Goodwill $'000 | Key customer contracts and brand name $'000 | Computer software $'000 | Total $'000 |
|---|---|---|---|---|
| **At 1 July 2007** | | | | |
| Cost | 78,590 | 8,571 | 58,939 | 146,100 |
| Accumulated amortisation and impairment | (12,373) | (1,815) | (19,910) | (34,098) |
| **Net book amount** | **66,217** | **6,756** | **39,029** | **112,002** |
| **Year ended 30 June 2008** | | | | |
| Opening net book amount | 66,217 | 6,756 | 39,029 | 112,002 |
| Additions | - | 2 | 333 | 335 |
| Acquisition of subsidiary | 6,820 | - | - | 6,820 |
| Transfers | - | - | 4,571 | 4,571 |
| Impairment expense | - | - | (887) | (887) |
| Amortisation expense | - | (1,816) | (11,611) | (13,427) |
| **Closing net book amount** | **73,037** | **4,942** | **31,435** | **109,414** |
| **At 30 June 2008** | | | | |
| Cost | 85,410 | 8,573 | 63,713 | 157,696 |
| Accumulated amortisation and impairment | (12,373) | (3,631) | (32,278) | (48,282) |
| **Net book amount** | **73,037** | **4,942** | **31,435** | **109,414** |

| Consolidated | Goodwill $'000 | Key customer contracts and brand name $'000 | Computer software $'000 | Total $'000 |
|---|---|---|---|---|
| **Year ended 30 June 2009** | | | | |
| Opening net book amount | 73,037 | 4,942 | 31,435 | 109,414 |
| Additions | - | 7 | 469 | 476 |
| Acquisition of subsidiary | - | - | 118 | 118 |
| Transfers | - | - | 13 | 13 |
| Amortisation expense | - | (241) | (11,150) | (11,391) |
| **Closing net book amount** | **73,037** | **4,708** | **20,885** | **98,630** |
| **At 30 June 2009** | | | | |
| Cost | 85,410 | 8,579 | 63,806 | 157,795 |
| Accumulated amortisation and impairment | (12,373) | (3,871) | (42,921) | (59,165) |
| **Net book amount** | **73,037** | **4,708** | **20,885** | **98,630** |



| Parent | Computer software $'000 |
|---|---|
| **At 1 July 2007** | |
| Cost | 57,238 |
| Accumulated amortisation and impairment | (18,835) |
| **Net book amount** | **38,403** |
| **Year ended 30 June 2008** | |
| Opening net book amount | 38,403 |
| Transfers | 4,509 |
| Impairment expense | (887) |
| Amortisation expense | (11,325) |
| **Closing net book amount** | **30,700** |
| **At 30 June 2008** | |
| Cost | 61,703 |
| Accumulated amortisation and impairment | (31,003) |
| **Net book amount** | **30,700** |

| Parent | Computer software $'000 |
|---|---|
| **Year ended 30 June 2009** | |
| Opening net book amount | 30,700 |
| Intercompany transfers | (118) |
| Additions | 353 |
| Transfers | 131 |
| Amortisation expense | (10,919) |
| **Closing net book amount** | **20,147** |
| **At 30 June 2009** | |
| Cost | 61,515 |
| Accumulated amortisation and impairment | (41,368) |
| **Net book amount** | **20,147** |

## 17 NON-CURRENT ASSETS – INTANGIBLE ASSETS (CONTINUED)

### (a) IMPAIRMENT TESTS FOR GOODWILL

Goodwill is allocated to the Group's cash generating units ("CGU") identified according to a whole of business approach. The recoverable amount of CGU for both the Logistics Australasia Pty Ltd ("LA") and Australia Eastern Railroad Pty Ltd ("AER") group of companies has been determined based on a value-in-use calculation which uses cash flow projections based on financial budgets.

The recent announcement regarding the sale of the QR business has been considered. Whilst the announcement will impact on these businesses going forward, there is no impact on the recorded goodwill. The assessment was made on the basis of the Government's stated commitment to realise the full market value of the assets. In addition, the Government's commitment through the delivery of the Corporate Plan and the expectation that QR would continue with its usual operation of the business which includes continuation with contract negotiations and with the development of projects as part of the organisation's ongoing business, has meant the assumptions around the future cash flows and salvage values remain intact.

Goodwill is not amortised but is subject to annual impairment testing. No impairment loss was recognised for continuing operations in the year to 30 June 2009 (2008: $nil).

A summary of the goodwill allocation by CGU is presented below:

| 2009 | Consolidated $'000 | Parent $'000 |
|---|---|---|
| Logistics Australasia Pty Ltd – Retail | 31,872 | - |
| Australia Eastern Railroad Pty Ltd – Bulk Freight | 41,165 | - |
| | 73,037 | - |

| 2008 | Consolidated $'000 | Parent $'000 |
|---|---|---|
| Logistics Australasia Pty Ltd – Retail | 31,872 | - |
| Australia Eastern Railroad Pty Ltd – Bulk Freight | 41,165 | - |
| | 73,037 | - |

### (b) KEY ASSUMPTIONS USED FOR VALUE-IN-USE CALCULATIONS

| CGU | Growth rate * | | Discount rate ** | |
|---|---|---|---|---|
| | **2009 %** | 2008 % | **2009 %** | 2008 % |
| Logistics Australasia Pty Ltd – Retail | **2.5** | 2.5 | **14.0** | 15.3 |
| Australia Eastern Railroad Pty Ltd – Bulk Freight | **2.5** | 2.5 | **13.7** | 15.3 |

* The growth rate for LA is based on the long-term average growth rate for the transport industry. The growth rate used for AER is based on the expected future growth rate specific to the group.

** In performing the value-in-use calculations for each CGU, the Group has applied post-tax discount rates to discount the forecast future attributable post-tax cash flows. The equivalent pre-tax discount rates are disclosed above.

The following describes each key assumption on which management has based its cash flow projections when determining the value-in-use of the LA and AER group of companies:

- five year projected cash flows as per management forecast.
- assumption that over the next five years, material customer contracts are retained.
- the cost of capital will remain stable over the next five year period.



### (c) IMPACT OF POSSIBLE CHANGES IN KEY ASSUMPTIONS

The recoverable amount of the CGU incorporating the goodwill relating to the Logistics Australasia group acquisition is estimated to be $133.1 million (2008: $73.9 million). This exceeds the carrying amount of the CGU's assets at 30 June 2009 by $14.5 million (2008: $5.5 million).

If the pre-tax discount rate applied to the cash flow projections of the LA Group was 15.26% instead of 13.96% (2008: 16.54% instead of 15.34%), the recoverable amount of the CGU's assets would equal its carrying amount. Management does not consider a change in any of the other key assumptions to be reasonably possible.

The recoverable amount of the CGU incorporating the goodwill relating to the Australian Rail Group acquisition of AWR is estimated to be $626.7 million (2008: $444.7 million). This exceeds the carrying amount of the CGU's assets at 30 June 2009 by $61.1 million (2008: $23.8 million).

If the pre-tax discount rate applied to the cash flow projections of the AWR CGU was 14.53% instead of 13.74% (2008: 15.77% instead of 15.34%), the recoverable amount of the CGU's assets would equal its carrying amount. Management does not consider a change in any of the other key assumptions to be reasonably possible.

### (d) IMPAIRMENT CHARGE

No impairment loss was recognised against goodwill for the period.

## 18 NON-CURRENT ASSETS – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | **2009 $'000** | 2008 $'000 | **2009 $'000** | 2008 $'000 |
| Interest in joint ventures (note 35) | **466** | 1,117 | **466** | 443 |
| | **466** | 1,117 | **466** | 443 |

### (a) INTEREST IN JOINT VENTURE

The interest in the joint venture is accounted for in the financial statements using the equity method of accounting and is carried at cost by the parent entity (refer to note 35).

## 19 NON-CURRENT ASSETS – OTHER FINANCIAL ASSETS

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | **2009 $'000** | 2008 $'000 | **2009 $'000** | 2008 $'000 |
| Unlisted equity securities (a) | **46,077** | 31,028 | **-** | - |
| Shares in subsidiaries (note 38) | **1** | - | **101,239** | 18,479 |
| | **46,078** | 31,028 | **101,239** | 18,479 |

### (a) UNLISTED SECURITIES

Unlisted securities are traded in inactive markets. The financial asset will be initially recorded at fair value plus transaction costs that are directly attributable to the acquisition. Subsequent measurement will be in accordance with AASB 139 *Financial Instruments: Recognition and Measurement* which requires investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured to be measured at cost.

### (b) IMPAIRMENT AND RISK EXPOSURE

The above financial assets are neither past due nor impaired. They are also denominated in Australian currency.

## 20 NON-CURRENT ASSETS – DEFERRED TAX ASSETS

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | 2009 $'000 | 2008 $'000 | 2009 $'000 | 2008 $'000 |
| **The balance comprises temporary differences attributable to:** | | | | |
| Accrued expenses | 9,430 | 4,636 | 3,282 | 659 |
| Foreign exchange losses | 8,691 | - | 8,691 | - |
| Provisions | 144,395 | 136,673 | 96,983 | 129,816 |
| Superannuation contributions | 271 | 82 | - | - |
| Tax losses | 47,421 | 61,340 | 47,421 | 61,339 |
| Unearned revenue | 11,784 | 12,205 | - | 11,648 |
| Cash flow hedges | 4,675 | 114 | 4,568 | - |
| Various adjustments – temporary differences | 5,417 | 5,547 | 1,945 | 5,094 |
| **Total deferred tax assets** | 232,084 | 220,597 | 162,890 | 208,556 |
| **Movements:** | | | | |
| Opening balance at 1 July | 220,597 | 262,750 | 208,556 | 255,242 |
| Credited/(charged) to the income statement (note 8) | 20,844 | 7,532 | 31,918 | 3,469 |
| Transfer between entities | - | - | (68,233) | - |
| Credited/(charged) to equity (note 30) | 4,562 | (3,103) | 4,568 | (3,216) |
| Acquisition of subsidiary (note 37) | - | 530 | - | - |
| Pre-acquisition losses of subsidiary written off to tax expense | - | (173) | - | - |
| Tax losses utilised against taxable income | (13,919) | (46,939) | (13,919) | (46,939) |
| **Closing balance at 30 June** | 232,084 | 220,597 | 162,890 | 208,556 |
| Deferred tax assets to be recovered within 12 months | - | - | - | - |
| Deferred tax assets to be recovered after more than 12 months | 232,084 | 220,597 | 162,890 | 208,556 |

## 21 NON-CURRENT ASSETS – OTHER NON-CURRENT ASSETS

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | 2009 $'000 | 2008 $'000 | 2009 $'000 | 2008 $'000 |
| Prepayments | 71,247 | 51,250 | 51,183 | 51,250 |
| Other | - | 300 | - | - |
| | 71,247 | 51,550 | 51,183 | 51,250 |



## 22 CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | 2009 $'000 | 2008 $'000 | 2009 $'000 | 2008 $'000 |
| Trade payables – external | 529,768 | 474,034 | 279,968 | 416,168 |
| Trade payables – intercompany | - | - | 346,073 | 4,623 |
| Dividend payables | 215,086 | 156,821 | 215,086 | 156,821 |
| Trusts | 19 | 24 | - | 24 |
| Other payables | 20,522 | 60,703 | 13,216 | 54,298 |
| | 765,395 | 691,582 | 854,343 | 631,934 |

### (a) RISK EXPOSURE

Information about the Group's and the parent entity's exposure to foreign exchange risk is provided in note 2.

## 23 CURRENT LIABILITIES – BORROWINGS

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | 2009 $'000 | 2008 $'000 | 2009 $'000 | 2008 $'000 |
| **Secured** | | | | |
| Lease liabilities (note 34) | - | 2 | - | - |
| Total secured current borrowings | - | 2 | - | - |
| **Unsecured** | | | | |
| Queensland Treasury Corporation borrowings | 169 | 530,652 | 169 | 530,652 |
| Total unsecured current borrowings | 169 | 530,652 | 169 | 530,652 |
| Total current borrowings | 169 | 530,654 | 169 | 530,652 |

### (a) QUEENSLAND TREASURY CORPORATION BORROWINGS

Details of the Group's borrowing arrangements are set out in note 26 .

### (b) RISK EXPOSURES

Details of the Group's exposure to risks arising from current and non-current borrowings are set out in note 2.

### (c) FAIR VALUE DISCLOSURES

Details of the fair value of borrowings for the Group are set out in note 26.

### (d) SECURITY

Information about the security relating to each of the secured liabilities and further information on the bank overdrafts and bank loans are set out in note 26.

## 24 LIABILITIES – PROVISIONS

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | **2009 $'000** | 2008 $'000 | **2009 $'000** | 2008 $'000 |
| **Current provisions** | | | | |
| Litigation and workers' compensation provision | **18,369** | 15,538 | **17,955** | 15,538 |
| Other provisions | **-** | 1,401 | **-** | 637 |
| | **18,369** | 16,939 | **17,955** | 16,175 |
| **Non-current provision** | | | | |
| Litigation and workers' compensation provision | **33,452** | 37,842 | **33,452** | 37,842 |
| | **33,452** | 37,842 | **33,452** | 37,842 |
| **Total Provisions** | **51,821** | 54,781 | **51,407** | 54,017 |

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

**(b) MOVEMENTS IN PROVISIONS**
Movements in each class of provision during the financial year are set out below:

| Consolidated – 2009 | Litigation and workers' compensation provision $'000 | Other provisions $'000 | Total $'000 |
|---|---|---|---|
| **Current and non-current** | | | |
| Carrying amount at start of year | 53,380 | 1,401 | 54,781 |
| Charged/(credited) to the income statement | | | |
| – additional provisions recognised | 22,199 | - | 22,199 |
| – unused amounts transferred | - | (669) | (669) |
| Amounts used during the period | (23,758) | (732) | (24,490) |
| **Carrying amount at end of year** | **51,821** | **-** | **51,821** |

| Parent – 2009 | Litigation and workers' compensation provision $'000 | Other provisions $'000 | Total $'000 |
|---|---|---|---|
| **Current and non-current** | | | |
| Carrying amount at start of year | 53,380 | 637 | 54,017 |
| Charged/(credited) to the income statement | | | |
| – additional provisions recognised | 22,199 | - | 22,199 |
| – unused amounts transferred | - | (637) | (637) |
| Amounts used during the period | (24,172) | - | (24,172) |
| **Carrying amount at end of year** | **51,407** | **-** | **51,407** |



## 25 CURRENT LIABILITIES – OTHER CURRENT LIABILITIES

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | **2009 $'000** | 2008 $'000 | **2009 $'000** | 2008 $'000 |
| Income in advance | **63,413** | 50,286 | **1,124** | 50,236 |
| Other current liabilities | **10,688** | 19,569 | **3,084** | 19,540 |
| Employee benefits | **138,341** | 130,891 | **84,759** | 117,387 |
| Operating lease liabilities | **161** | 158 | **-** | - |
| | **212,603** | 200,904 | **88,967** | 187,163 |

## 26 NON-CURRENT LIABILITIES – BORROWINGS

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | **2009 $'000** | 2008 $'000 | **2009 $'000** | 2008 $'000 |
| **Secured** | | | | |
| Lease liabilities (note 34) | **9,505** | 8,392 | **9,505** | 8,392 |
| Total secured non-current borrowings | **9,505** | 8,392 | **9,505** | 8,392 |
| **Unsecured** | | | | |
| Queensland Treasury Corporation borrowings | **6,446,204** | 4,670,348 | **6,446,204** | 4,670,348 |
| Total unsecured non-current borrowings | **6,446,204** | 4,670,348 | **6,446,204** | 4,670,348 |
| Total non-current borrowings | **6,455,709** | 4,678,740 | **6,455,709** | 4,678,740 |

## 26 NON-CURRENT LIABILITIES – BORROWINGS (CONTINUED)

### (a) SECURED LIABILITIES AND ASSETS PLEDGED AS SECURITY

The total secured liabilities (current and non-current) are as follows:

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | **2009 $'000** | 2008 $'000 | **2009 $'000** | 2008 $'000 |
| Lease liabilities | **9,505** | 8,394 | **9,505** | 8,392 |
| Total secured liabilities | **9,505** | 8,394 | **9,505** | 8,392 |

The finance lease liabilities of the subsidiaries are effectively secured as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default.

The carrying amounts of assets pledged as security for current and non-current borrowings are:

| | Notes | Consolidated | | Parent | |
|---|---|---|---|---|---|
| | | **2009 $'000** | 2008 $'000 | **2009 $'000** | 2008 $'000 |
| **Non-current** | | | | | |
| *Finance lease* | | | | | |
| Plant and equipment | 16 | **-** | 1 | **-** | - |
| | | **-** | 1 | **-** | - |
| *Floating charge* | | | | | |
| Receivables non-current | 14 | **9,522** | 8,398 | **9,505** | 8,392 |
| | | **9,522** | 8,398 | **9,505** | 8,392 |
| Total non-current assets pledged as security | | **9,522** | 8,399 | **9,505** | 8,392 |
| Total assets pledged as security | | **9,522** | 8,399 | **9,505** | 8,392 |

### (b) FINANCING ARRANGEMENTS

The short-term borrowing arrangements with Queensland Treasury Corporation ("QTC") are interest-bearing. The borrowing arrangements are subject to annual review. The total amount of credit unused as at 30 June 2009 was $1,014.8 million (2008: $519.3 million).

Borrowings are sourced from the QR Client Specific Pool subject to annual approval of the Queensland State Treasurer. QR may draw up to the amount of the approved borrowing program.

QR has a credit standby arrangement with the Commonwealth Bank of Australia in the form of a bank overdraft totalling $2.0 million (2008: $2.0 million).

The amount of undrawn borrowing facilities with Queensland Treasury Corporation ("QTC") available as at reporting date is shown below:

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | **2009 $'000** | 2008 $'000 | **2009 $'000** | 2008 $'000 |
| **Bank loan facilities** | | | | |
| Total facilities | **1,015,000** | 1,050,000 | **1,015,000** | 1,050,000 |
| Used at balance date | **169** | 530,652 | **169** | 530,652 |
| Unused at balance date | **1,014,831** | 519,348 | **1,014,831** | 519,348 |



### (c) FAIR VALUE

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

| Group | At 30 June 2009 | | At 30 June 2008 | |
|---|---|---|---|---|
| | **Carrying amount $'000** | **Fair value $'000** | Carrying amount $'000 | Fair value $'000 |
| **On-balance sheet** | | | | |
| *Non-traded financial liabilities* | | | | |
| Borrowings | **6,446,373** | **6,565,830** | 5,201,000 | 5,139,058 |
| Lease liabilities | **9,505** | **9,505** | 8,394 | 8,393 |
| | **6,455,878** | **6,575,335** | 5,209,394 | 5,147,451 |
| **Off-balance sheet** | | | | |
| *Unrecognised financial assets* | | | | |
| Parent company guarantees | **-** | **402,348** | - | 367,128 |
| Bank guarantees | **-** | **231,419** | - | 228,044 |
| Insurance company guarantees | **-** | **40,219** | - | 36,365 |
| *Unrecognised financial liabilities* | | | | |
| Parent company guarantees | **-** | **(7,027)** | - | (7,312) |
| Bank guarantees | **-** | **(71,138)** | - | (71,063) |
| Letters of credit | **-** | **(156)** | - | (823) |
| | **-** | **595,665** | - | 552,339 |

| Parent entity | At 30 June 2009 | | At 30 June 2008 | |
|---|---|---|---|---|
| | **Carrying amount $'000** | **Fair value $'000** | Carrying amount $'000 | Fair value $'000 |
| **On-balance sheet** | | | | |
| *Non-traded financial liabilities* | | | | |
| Borrowings | **6,446,373** | **6,565,830** | 5,201,000 | 5,139,058 |
| Lease liabilities | **9,505** | **9,505** | 8,392 | 8,392 |
| | **6,455,878** | **6,575,335** | 5,209,392 | 5,147,450 |
| **Off-balance sheet** | | | | |
| *Unrecognised financial assets* | | | | |
| Parent company guarantees | **-** | **350,760** | - | 367,128 |
| Bank guarantees | **-** | **228,688** | - | 224,462 |
| Insurance company guarantees | **-** | **40,219** | - | 36,365 |
| *Unrecognised financial liabilities* | | | | |
| Parent company guarantees | **-** | **(6,863)** | - | (7,312) |
| Bank guarantees | **-** | **(71,138)** | - | (71,063) |
| Letters of credit | **-** | **(156)** | - | (823) |
| | **-** | **541,510** | - | 548,757 |

## 26 NON-CURRENT LIABILITIES – BORROWINGS (CONTINUED)

### (i) ON-BALANCE SHEET

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

### (d) RISK EXPOSURES

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

## 27 NON-CURRENT LIABILITIES – DEFERRED TAX LIABILITIES

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | **2009 $'000** | 2008 $'000 | **2009 $'000** | 2008 $'000 |
| **The balance comprises temporary differences attributable to:** | | | | |
| Accrued income | **2,828** | 2,720 | **1,770** | 1,933 |
| Consumables and spare parts | **31,367** | 29,834 | **31,139** | 29,834 |
| Foreign exchange gains | **1,058** | 4,347 | **1,038** | 4,347 |
| Prepayments | **437** | 395 | **240** | 242 |
| Tangible fixed assets | **1,010,524** | 908,415 | **307,099** | 899,975 |
| Cash flow hedges | **-** | 22,222 | **-** | 22,222 |
| Various adjustments – temporary difference | **-** | 6,010 | **-** | 6,047 |
| **Net deferred tax liabilities** | **1,046,214** | 973,943 | **341,286** | 964,600 |
| **Movements:** | | | | |
| Opening balance at 1 July | **973,943** | 920,510 | **964,600** | 912,366 |
| Transfers between entities | **-** | - | **(680,081)** | - |
| Charged/(credited) to the income statement (note 8) | **94,494** | 31,211 | **78,989** | 30,012 |
| Charged/(credited) to equity (notes 29 and 30) | **(22,223)** | 22,222 | **(22,222)** | 22,222 |
| **Closing balance at 30 June** | **1,046,214** | 973,943 | **341,286** | 964,600 |
| Deferred tax liabilities to be settled within 12 months | **-** | - | **-** | - |
| Deferred tax liabilities to be settled after more than 12 months | **1,046,214** | 973,943 | **341,286** | 964,600 |

## 28 NON-CURRENT LIABILITIES – OTHER NON-CURRENT LIABILITIES

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | **2009 $'000** | 2008 $'000 | **2009 $'000** | 2008 $'000 |
| Income in advance | **336,776** | 352,427 | **-** | 351,765 |
| Inter-company loans | **-** | - | **431,525** | 148,358 |
| Employee benefits | **307,030** | 286,556 | **214,013** | 280,342 |
| Operating lease liabilities | **1,798** | 2,232 | **49** | 39 |
| | **645,604** | 641,215 | **645,587** | 780,504 |

Inter-company loans are loans payable to related parties. All amounts due to related parties are unsecured and non-interest bearing.



## 29 CONTRIBUTED EQUITY

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | **2009 $'000** | 2008 $'000 | **2009 $'000** | 2008 $'000 |
| **(a) SHARE CAPITAL** | | | | |
| Ordinary shares | | | | |
| Fully paid | **2,834,480** | 2,385,080 | **2,834,480** | 2,385,080 |
| Share issue | **578,443** | 449,400 | **578,443** | 449,400 |
| | **3,412,923** | 2,834,480 | **3,412,923** | 2,834,480 |

### (b) MOVEMENTS IN ORDINARY SHARE CAPITAL:

| Date | Details | Number of shares | Issue price | $'000 |
|---|---|---|---|---|
| 1 July 2007 | Opening balance | 2,385,080 | | 2,385,080 |
| | Share issue | 449,400 | $1.00 | 449,400 |
| 30 June 2008 | Balance | 2,834,480 | | 2,834,480 |
| 1 July 2008 | Opening balance | 2,834,480 | | 2,834,480 |
| | Share issue | 578,443 | $1.00 | 578,443 |
| **30 June 2009** | **Balance** | **3,412,923** | | **3,412,923** |

### (c) ORDINARY SHARES

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

### (d) CAPITAL RISK MANAGEMENT

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

The Shareholding Ministers advise the parent entity on the appropriate methodology in determining the dividend payable annually.

## 29 CONTRIBUTED EQUITY (CONTINUED)

Consistent with others in the industry, the Group and the parent entity monitor capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'borrowings' and 'trade and other payables' as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt.

The Group is required to maintain an EBIT Interest Coverage of greater than 1:1, except where the gearing ratio is greater than 70%, in which case the EBIT Interest Coverage must be at least 1.35:1. These requirements remain unchanged from 2007 and the group has complied with these requirements throughout the period. The Group's gearing ratios at 30 June 2009 and 30 June 2008 were as follows:

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | **2009 $'000** | 2008 $'000 | **2009 $'000** | 2008 $'000 |
| Total borrowings | **7,221,272** | 5,900,974 | **7,310,221** | 5,841,325 |
| Less: cash and cash equivalents (note 9) | **(105,185)** | (55,099) | **(53,785)** | (45,470) |
| Net debt | **7,116,087** | 5,845,875 | **7,256,436** | 5,795,855 |
| Total equity | **4,249,602** | 3,650,395 | **3,854,231** | 3,604,507 |
| Total capital | **11,365,689** | 9,496,270 | **11,110,667** | 9,400,362 |
| **Gearing ratio** | **63%** | 62% | **65%** | 62% |

## 30 RESERVES AND RETAINED PROFITS / (ACCUMULATED LOSSES)

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | **2009 $'000** | 2008 $'000 | **2009 $'000** | 2008 $'000 |
| **(a) RESERVES** | | | | |
| Hedging reserve – cash flow hedges | **(10,909)** | 51,587 | **(10,660)** | 51,852 |
| Foreign currency translation reserve | **50** | - | **50** | - |
| | **(10,859)** | 51,587 | **(10,610)** | 51,852 |

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | **2009 $'000** | 2008 $'000 | **2009 $'000** | 2008 $'000 |
| **Movements:** | | | | |
| *Hedging reserve – cash flow hedges* | | | | |
| Balance 1 July | **51,587** | (7,504) | **51,852** | (7,504) |
| Revaluation | **(43,214)** | 83,080 | **(46,469)** | 83,080 |
| Deferred tax | **12,964** | (24,924) | **13,941** | (24,924) |
| New highly probable effective hedging | **(13,676)** | (1,067) | **(13,784)** | (689) |
| Deferred tax | **4,103** | 320 | **4,135** | 207 |
| Realised movement to profit and loss | **(6,463)** | 9,031 | **(6,463)** | 9,031 |
| Deferred tax | **1,939** | (2,709) | **1,939** | (2,709) |
| Matured and capitalised highly probable effective hedging | **(17,563)** | 14,713 | **(14,225)** | 14,713 |
| Deferred tax | **5,269** | (4,414) | **4,268** | (4,414) |
| Matured and included in components cost highly probable effective hedging | **(12,564)** | (22,064) | **(12,564)** | (22,064) |
| Deferred tax | **3,769** | 6,619 | **3,769** | 6,619 |
| No longer highly effective * | **4,200** | 722 | **4,201** | 722 |
| Deferred tax | **(1,260)** | (216) | **(1,260)** | (216) |
| Balance 30 June | **(10,909)** | 51,587 | **(10,660)** | 51,852 |



| | Consolidated | | Parent | |
|---|---|---|---|---|
| | **2009 $'000** | 2008 $'000 | **2009 $'000** | 2008 $'000 |
| **Movements:** | | | | |
| *Foreign currency translation reserve* | | | | |
| Balance 1 July | **-** | - | **-** | - |
| Currency translation differences arising during the year : | | | | |
| Joint venture entities | **50** | - | **50** | - |
| Balance 30 June | **50** | - | **50** | - |

* In the bi-annual review of diesel usage it was determined that some of the fuel price risk was covered in commercial trading contracts. Accordingly, these exposures no longer required hedging.

**(b) RETAINED PROFITS / (ACCUMULATED LOSSES)**

Movements in retained profits / (accumulated losses) were as follows:

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | **2009 $'000** | 2008 $'000 | **2009 $'000** | 2008 $'000 |
| Opening balance | **764,328** | 706,919 | **718,175** | 667,267 |
| Profit / (loss) for the year | **298,679** | 215,984 | **(51,204)** | 202,440 |
| Dividends | **(215,086)** | (156,821) | **(215,086)** | (156,821) |
| Adjustment to retained earnings | **(1)** | (61) | **(3)** | - |
| Adjustment to prior year dividend | **36** | - | **36** | - |
| Prior year adjustments from subsidiary companies * | **279** | - | **-** | (2,536) |
| Prior year pre-acquisition adjustment ARG ** | **-** | (1,693) | **-** | - |
| Acquisition of additional interest in jointly controlled assets | **(697)** | - | **-** | - |
| Reversal of prior year insurance excess payable *** | **-** | - | **-** | 7,825 |
| Balance 30 June | **847,538** | 764,328 | **451,918** | 718,175 |

* QR parent recognised prior period internal charges from subsidiary entities in the current year against retained earnings. These mainly consisted of bulk recharges for costs incurred by subsidiaries.

** A pre 1 June 2006 acquisition amount of $1.7 million within the subsidiary Australia Western Railroad's GST Payable balance has been identified as an error understating GST liability. This error would have been adjusted against acquisition goodwill. However, the error was discovered more than 12 months from the date of acquisition. The amount was recognised against retained earnings in 2008.

*** The excess insurance payable to the QR Group's insurance subsidiary, On Track Insurance Pty Ltd ("OTI"), has been de-recognised in accordance with accounting standards. Insurance excesses must be off set against insurance provisions and not recognised as a receivable. The adjustment included prior period amounts. The impact was a reversal of the excess insurance payable in QR parent against retained earnings. On consolidation the adjustment is eliminated in full as the transaction is internal in nature. Hence the QR Group impact on retained earnings is nil.

**(c) NATURE AND PURPOSE OF RESERVES**

*(i) Hedging reserve – cash flow hedges*

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised directly in equity, as described in note 1(f). Amounts are recognised in the income statement when the associated hedged transaction affects the income statement.

## 31 DIVIDENDS

| | Parent | |
|---|---|---|
| | **2009 $'000** | 2008 $'000 |
| **(a) ORDINARY SHARES** | | |
| Dividend of 6.30 cents per share (2008: 5.53 cents) was declared by the Board for the year ended 30 June 2009: | | |
| Fully franked portion | **-** | - |
| Unfranked portion | **215,086** | 156,821 |
| Dividend paid | | |
| Fully franked portion | **-** | - |
| Unfranked portion | **156,785** | 151,493 |

The 2009 dividend paid was $36,000 less than the amount declared in 2008 due to an amendment to Shareholder Agreement payment.

## 32 KEY MANAGEMENT PERSONNEL DISCLOSURES

### (a) DIRECTORS AND SPECIFIED EXECUTIVES

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

**QR Limited**

| Directors | Position | Term | Expiry Date |
|---|---|---|---|
| J Prescott AC | Chairman | 3 years 3 months | 30 September 2009 |
| A Davies | Director | 3 years | 30 September 2011 |
| P Gregg | Director | 3 years 5 months | 30 September 2012 |
| R Holloway | Director | 3 years | 30 September 2010 |
| P Holmes à Court | Director | 3 years 3 months | 30 September 2009 |
| Dr L Keliher AO | Director | 3 years | 30 September 2011 |
| W McLachlan | Director | 2 years | 30 September 2009 |
| D Petie | Director | 3 years | 30 September 2011 |
| S Rix | Director | 2 years | 30 September 2009 |
| J West | Director | 3 years | 30 September 2010 |



**Subsidiaries**

| Directors | Position | Company | Expiry Date |
|---|---|---|---|
| Lance Hockridge | Director | QR Intermodal Pty Ltd, Interail Australia Pty Ltd, Australian Rail Pty Ltd, Australia Eastern Railroad Pty Ltd, Australia Western Railroad Pty Ltd, Australian Railroad Group Employment Pty Ltd, AWR Lease Co Pty Ltd, Logistics Australasia Pty Ltd, CRT Group Pty Ltd, NHK Pty Ltd, Golden Bros. Group Pty Ltd, QR Network Pty Ltd, QR Passenger Pty Ltd | Permanent |
| Deborah O'Toole | Director | QR Intermodal Pty Ltd, Interail Australia Pty Ltd, Australian Rail Pty Ltd, Australia Eastern Railroad Pty Ltd, Australia Western Railroad Pty Ltd, Australian Railroad Group Employment Pty Ltd, AWR Lease Co Pty Ltd, Logistics Australasia Pty Ltd, CRT Group Pty Ltd, NHK Pty Ltd, Golden Bros. Group Pty Ltd, QR Network Pty Ltd, QR Passenger Pty Ltd, QR Surat Basin Pty Ltd | Permanent |
| Michael Carter | Director | QR Network Pty Ltd, QR Surat Basin Pty Ltd | Permanent |
| Paul Scurrah | Director | QR Passenger Pty Ltd | Permanent |
| Warren McLachlan | Chairman | On Track Insurance Pty Ltd | 30 September 2009 |
| David Drew | Director | On Track Insurance Pty Ltd | Permanent |
| Rob Holloway | Director | On Track Insurance Pty Ltd | 30 September 2010 |
| Ron Ashton | Director | On Track Insurance Pty Ltd | Permanent |

## 32 KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

| Specified executives | Term | Expiry Date |
|---|---|---|
| **QR Limited** | | |
| Chief Executive Officer | 3 years | 7 November 2010 with option for 2 year extension. |
| Chief Financial Officer | 3 years | 11 December 2010 with option for 2 year extension. |
| Group Executive General Manager QR Freight | 3 years | 10 December 2009 with option for 2 year extension. |
| Executive General Manager QR Freight | 3 years | 24 June 2012 with option for 2 year extension. |
| Executive General Manager QR Network | 3 years | 9 December 2010 with option for 2 year extension. |
| Executive General Manager QR Passenger | 3 years | 25 May 2011 with option for 2 year extension. |
| Executive General Manager QR Coal | 3 years | 24 June 2012 with option for 2 year extension. |
| Executive General Manager QR Services | This role is currently being performed on an acting basis. | |
| Chief Human Resources Officer | 3 years | 4 January 2012 with option for 2 year extension. |
| Chief Corporate Services Officer | 3 years | 24 June 2012 with option for 2 year extension. |
| Chief Risk Officer | This role was abolished effective from 24 June 2009– refer notes on Executive Changes for 2008/09. | |
| Chief Marketing Officer | 3 years | 10 June 2011 with option for 2 year extension. |

The above are the key executives representing the QR Group and its subsidiaries. These executives provide advice in relation to strategy and future direction of the QR Group under the business model adopted. The subsidiary entities have CEOs or senior executives who are involved in operational matters only and are not disclosed above for this reason.

**(b) KEY MANAGEMENT PERSONNEL COMPENSATION**
Directors' compensation and terms of appointment are set by the Governor in Council.

The Board Remuneration and Succession Committee reviews the compensation and other terms of employment of the specified executives, having regard to performance against goals set at the start of the year, relevant comparative information and independent expert advice.

Payment of termination benefit on early termination by the employer, other than for gross misconduct, is equal to one week's total compensation for each year of QR service, plus between 6 and 18 months total compensation, dependent on the length of the balance of the contract at the time.

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

| | 2009 $'000 | 2008 $'000 |
|---|---|---|
| Short-term employee benefits | 5,055 | 2,968 |
| Post-employment benefits | 1,452 | 798 |
| Termination benefits | 321 | 362 |
| | 6,828 | 4,128 |



Short-term Employee Benefits includes cash salary and fees and non-monetary benefits. Non-monetary benefits represent the value of Reportable Fringe Benefits for the respective Fringe Benefits Tax year ending 31 March and the estimated value of car parking provided.

*(i) Directors of QR Limited and subsidiaries*

| 2009 | | Short-term benefits | | Post-employment benefits | | |
|---|---|---|---|---|---|---|
| Specified directors | Position | Cash salary and fees | Non-monetary benefits | Superannuation | Retirement benefits | Total |
| | | $'000 | $'000 | $'000 | $'000 | $'000 |
| J Prescott AC | Chairman | 121 | - | 16 | - | 137 |
| A Davies | Director | 27 | - | - | - | 27 |
| P Gregg | Director | - | - | - | - | - |
| R Holloway | Director | 43 | - | 6 | - | 49 |
| P Holmes à Court | Director | 34 | - | 4 | - | 38 |
| Dr L Keliher AO | Director | 26 | - | 3 | - | 29 |
| W McLachlan | Director | 45 | - | 4 | - | 49 |
| D Petie | Director | 40 | - | 5 | - | 45 |
| S Rix | Director | 43 | - | - | - | 43 |
| J West | Director | 36 | - | 4 | - | 40 |
| R Ashton | Director | 4 | - | - | - | 4 |
| **Total** | | **419** | **-** | **42** | **-** | **461** |

| 2008 | | Short-term benefits | | Post-employment benefits | | |
|---|---|---|---|---|---|---|
| Specified directors | Position | Cash salary and fees | Non-monetary benefits | Superannuation | Retirement benefits | Total |
| | | $'000 | $'000 | $'000 | $'000 | $'000 |
| J Prescott AC | Chairman | 116 | - | 15 | - | 131 |
| Cr P Bell AM | Deputy Chairman | 34 | - | 3 | - | 37 |
| R Holloway | Director | 42 | - | 5 | - | 47 |
| P Holmes à Court | Director | 29 | - | 4 | - | 33 |
| L Hunt | Director | 13 | - | - | - | 13 |
| W McLachlan | Director | 42 | - | 4 | - | 46 |
| D Petie | Director | 37 | - | 5 | - | 42 |
| S Rix | Director | 42 | - | - | - | 42 |
| J West | Director | 33 | - | 4 | - | 37 |
| R Ashton | Director | 4 | - | - | - | 4 |
| **Total** | | **392** | **-** | **40** | **-** | **432** |

In addition to the above, Lance Hockridge, Deborah O'Toole, Michael Carter, Paul Scurrah and David Drew are internally appointed directors of subsidiary companies. These QR executives do not receive additional remuneration in their capacity as directors.

## 32 KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

*(ii) Specified executives of the Group*
Total cash salary and fees for specified executives includes packaged benefits such as salary sacrifice relating to employer provided motor vehicles used by employee for private purposes, additional superannuation and any exempt benefits.

*On 18 December 2008 the CEO announced changes in the management structure relating to the Freight business. The following table has been amended to incorporate the appointments made.*

**QR Limited**

| 2009 | Short-term benefits | | Post-employment benefits | | Long-term benefits | |
|---|---|---|---|---|---|---|
| Function | Cash salary and fees | Non-monetary benefits | Superannuation | Retirement benefits | Long service leave | Total |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Chief Executive Officer | 854 | 31 | 96 | - | - | 981 |
| Chief Financial Officer | 489 | 19 | 56 | - | - | 564 |
| Group Executive General Manager QR Freight (1) | 362 | 129 | 37 | 985 | 321 | 1,834 |
| Executive General Manager QR Freight (1) | 256 | - | 7 | - | - | 263 |
| Executive General Manager QR Network | 393 | 5 | 45 | - | - | 443 |
| Executive General Manager QR Passenger | 371 | 4 | 47 | - | - | 422 |
| Executive General Manager QR Coal (1) | 156 | 1 | 20 | - | - | 177 |
| Executive General Manager QR Services (2) | 341 | 23 | 36 | - | - | 400 |
| Chief Human Resources Officer (3) | 559 | 2 | 23 | - | - | 584 |
| Chief Corporate Services Officer (4) | - | - | - | - | - | - |
| Chief Risk Officer (4) | 320 | 5 | 18 | - | - | 343 |
| Chief Marketing Officer | 311 | 5 | 40 | - | - | 356 |
| **Total** | **4,412** | **224** | **425** | **985** | **321** | **6,367** |

*Notes on Executive Changes*

*(1) Following a comprehensive review of QR's Freight business, the position of Group Executive General Manager QR Freight was abolished and the positions of Executive General Manager QR Freight and Executive General Manager QR Coal were established on 18 December 2008. This restructure was approved by the Shareholding Minister on 24 June 2009.*

*(2) The position of Executive General Manager QR Services has been performed by two officers during this term.*

*(3) The position of Chief Human Resources Officer has been performed by two officers during this term.*

*(4) On 24 June 2009 the position of Chief Corporate Services Officer was approved. The responsibilities of the Chief Corporate Services Officer includes Risk Management, thus, the position of Chief Risk Officer was abolished effective from this date.*

| 2008 | Short-term benefits | | Post-employment benefits | | Long-term benefits | |
|---|---|---|---|---|---|---|
| Function | Cash salary and fees | Non-monetary benefits | Superannuation | Retirement benefits | Long service leave | Total |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Chief Executive Officer (1) | 669 | 23 | 77 | 489 | 362 | 1,620 |
| Chief Financial Officer (2) | 384 | 6 | 36 | - | - | 426 |
| Group Executive General Manager QR Freight (3) | 218 | 21 | 23 | - | - | 262 |
| Executive General Manager QR Network (4) | 282 | 4 | 27 | - | - | 313 |
| Executive General Manager QR Passenger (5) | 326 | 9 | 37 | - | - | 372 |
| Executive General Manager QR Services (6) | 150 | 12 | 19 | - | - | 181 |
| Chief Human Resources Officer (7) | 266 | 2 | 25 | - | - | 293 |
| Chief Risk Officer | 186 | 8 | 24 | - | - | 218 |
| Chief Marketing Officer | 10 | - | 1 | - | - | 11 |
| **Total** | **2,491** | **85** | **269** | **489** | **362** | **3,696** |



*Notes on Executive Changes*

*(1) The duties of the Chief Executive Officer were performed by two separate officers during this term.*

*(2) The duties of the Chief Financial Officer were performed by three separate officers during this term.*

*(3) The position of Group Executive General Manager QR Freight was established on 10 December 2007.*

*(4) Executive General Manager QR Network was previously titled Group General Manager Network Access.*

*(5) Executive General Manager QR Passenger was previously titled Group General Manager Passenger Services.*

*(6) The Executive General Manager QR Services was established on 10 December 2007.*

*(7) Chief Human Resources Officer was previously titled Executive General Manager Human Resources.*

| | 2009 $'000 | 2008 $'000 |
|---|---|---|
| **Aggregate performance bonus compensation** | | |
| Aggregate performance bonus compensation | **14,942** | 17,912 |
| Aggregate compensation (including performance bonus compensation) paid / payable to employees to whom a performance payment is paid or payable | **390,493** | 347,075 |

| | 2009 | 2008 |
|---|---|---|
| Number of employees to whom a performance bonus is paid or payable | **4,392** | 4,158 |

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

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

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

## 32 KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

**(c) TRANSACTIONS WITH DIRECTORS AND KEY MANAGEMENT PERSONNEL**
A number of directors of the QR Group are also directors of other corporations that have transacted with the QR Group. The directors do not believe they have the individual capacity to control or significantly influence the financial and operating policies of the QR Group or the other corporations in their dealings with each other. Those corporations are therefore not considered to be related entities.

The following directors were also directors of other companies as follows.

- J Prescott is also a director of Newmont Mining Corporation.
- P Gregg is also a director of Stanwell Corporation Limited, Leighton Holdings Limited, Skilled Group Limited and Skilled Rail Services Pty Ltd.
- W McLachlan is also the chairman of On Track Insurance Pty Ltd.
- R Holloway is also a director of On Track Insurance Pty Ltd.
- S Rix is also a director of BDO Kendalls and the Port of Brisbane Corporation Limited.

The above excludes directorships held with family companies and non-related entities. All transactions between these directors and related entities were based on commercial trading terms.

During the reporting period, Ron Ashton, director of On Track Insurance Pty Ltd, was compensated for legal advice provided to the same company. No other directors were directly compensated for services provided to the QR Group of companies whilst acting in their capacity as directors. The legal fees for Ron Ashton is summarised below.

| | 2009 $'000 | 2008 $'000 |
|---|---|---|
| Legal fees | 11 | 17 |
| | 11 | 17 |

## 33 CONTINGENCIES

The Group had contingencies at 30 June 2009 in respect of:

**(a) CONTINGENT LIABILITIES**
Issues relating to common law claims and product warranties are dealt with as they arise. There were no material contingent liabilities requiring disclosures in the financial statements.

*Litigation*
A number of common law claims are pending against the QR Group. Provisions are taken up for some of these exposures based on the Board's determination, and are included as such in note 24.

*Contaminated land*
QR has a number of land parcels that are affected by pollutants. The organisation will be obliged to remediate these assets in the event that their use changes, which in most cases is when the land is sold. Current land valuations take into account any land that is contaminated. Given its nature, it is not possible to provide an estimate of this exposure.

*Warranties*
QR has provided warranties to customers regarding construction defects. As no claims have been made under these clauses, it is not possible to provide an estimate of this exposure.

*Guarantees and letters of credit*
For information about guarantees and letters of credit given by the QR Group and the parent entity, refer to note 26(c). For detailed disclosure of QR's jointly controlled entities letter of credit, refer to note 35.

*Deed of Cross Guarantee*
Cross guarantees are given by QR Limited and some of its wholly-owned subsidiaries as described in note 39. No deficiencies of assets exist in any of these companies.



**(b) CONTINGENT ASSETS**
For information about guarantees given to the QR Group and the parent entity, refer to note 26(c).

## 34 COMMITMENTS

**(a) CAPITAL COMMITMENTS**
Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | 2009 $'000 | 2008 $'000 | 2009 $'000 | 2008 $'000 |
| *Property, plant and equipment* | | | | |
| Payable: | | | | |
| Within one year | 931,797 | 1,445,104 | 626,167 | 1,392,589 |
| Later than one year but not later than five years | 255,703 | 839,267 | 184,000 | 839,267 |
| Later than five years | - | - | - | - |
| | 1,187,500 | 2,284,371 | 810,167 | 2,231,856 |

**(b) LEASE COMMITMENTS**
Commitments for minimum lease payments in relation to non-cancellable operating leases (excluding GST) are payable as follows:

*(i) Operating leases*

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | 2009 $'000 | 2008 $'000 | 2009 $'000 | 2008 $'000 |
| Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows: | | | | |
| Within one year | 32,184 | 18,939 | 22,523 | 9,250 |
| Later than one year but not later than five years | 77,184 | 41,642 | 50,453 | 15,612 |
| Later than five years | 13,693 | 14,882 | 1,887 | 321 |
| | 123,061 | 75,463 | 74,863 | 25,183 |

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

## 34 COMMITMENTS (CONTINUED)

*(ii) Finance leases*
Commitments in relation to finance lease (excluding GST) are payables as follows:

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | **2009 $'000** | 2008 $'000 | **2009 $'000** | 2008 $'000 |
| Commitments in relation to finance leases are payable as follows: | | | | |
| Within one year | **-** | 2 | **-** | - |
| Later than one year but not later than five years | **12,759** | 7,137 | **12,759** | 7,137 |
| Later than five years | **-** | 5,102 | **-** | 5,102 |
| **Minimum lease payments** | **12,759** | 12,241 | **12,759** | 12,239 |
| Future finance charges | **(3,254)** | (3,847) | **(3,254)** | (3,847) |
| **Recognised as a liability** | **9,505** | 8,394 | **9,505** | 8,392 |
| **Total lease liabilities** | **9,505** | 8,394 | **9,505** | 8,392 |
| Representing lease liabilities: | | | | |
| Current (note 23) | **-** | 2 | **-** | - |
| Non-current (note 26) | **9,505** | 8,392 | **9,505** | 8,392 |
| | **9,505** | 8,394 | **9,505** | 8,392 |

The above commitments flow primarily from leases of rollingstock.

**(c) LEASE COMMITMENTS RECEIVABLE: WHERE THE GROUP COMPANY IS THE LESSOR**
Some fixed assets are leased to tenants with rents payable monthly. Minimum lease payments not recognised in the financial statements are receivable as follows:

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | **2009 $'000** | 2008 $'000 | **2009 $'000** | 2008 $'000 |
| Within one year | **6,893** | 4,809 | **5,081** | 4,588 |
| Later than one year and not later than five years | **16,384** | 13,000 | **13,852** | 13,000 |
| Later than five years | **78,392** | 38,982 | **73,889** | 38,982 |
| | **101,669** | 56,791 | **92,822** | 56,570 |

## 35 INTERESTS IN JOINT VENTURES

**Joint venture operation**

QR has a 50% interest in the CityTrans jointly controlled operation with Brisbane City Council.

QR's share of the revenue generated from the operation is dependent on and agreed on an event by event basis taking into consideration the resources consumed by the event. Essentially each operator develops a "charter" price for the event which is then consolidated into a "CityTrans" quote for the event.

There are no assets jointly controlled by the operation.

**Jointly controlled assets**

The parent entity increased its participating interest from 20% to 33.33% in a joint venture through its wholly-owned subsidiary QR Surat Basin Pty Ltd. Two existing participants sold their 40% interest to QR Surat Basin Pty Ltd and the two other remaining parties.

The Group's interest, as a venturer, in assets employed in this jointly controlled asset is detailed aside.



The amounts are included in the consolidated financial statements under their respective asset categories:

| | Consolidated | |
|---|---|---|
| | **2009 $'000** | 2008 $'000 |
| **QR Group's share of:** | | |
| Current assets | **1,798** | 79 |
| Non-current assets | **1,322** | 330 |
| Current liabilities | **(870)** | (22) |
| Non-current liabilities | **(6,078)** | - |
| **Net assets** | **(3,828)** | 387 |
| Revenue | **4** | 9 |
| Expenses | **(3,004)** | (1,315) |
| **Net profit / (loss) before tax** | **(3,000)** | (1,306) |
| Tax | **864** | 392 |
| **Net profit / (loss) after tax** | **(2,136)** | (914) |

*(The balance sheet and income statement is based on the unaudited financial statements of Surat Basin Rail joint venture as at 30 June 2009).*

**Joint venture entities**

The joint venture entities in which the QR Group has an interest and which are proportionately included in the financial report are as follows:

| Name | Country of operation | Principal Activity | Ownership interest 2009 % | 2008 % |
|---|---|---|---|---|
| CHCQ | China – Hong Kong | Construction | **15** | 15 |
| KMQR Sdn Bhd | Malaysia | Consulting | **30** | 30 |
| ARG Risk Management | Australia | Insurance | **50** | 50 |

**(a) MOVEMENT IN CARRYING AMOUNTS**

| | | | Consolidated | |
|---|---|---|---|---|
| | | | **2009 $'000** | 2008 $'000 |
| Carrying amount at 1July | | | **1,117** | 3,605 |
| Increase / (decrease) in joint venture interest resulting from final net value calculation | | | **1,034** | 362 |
| Loan Repayment | - | - | **(183)** | - |
| Dividend received | | | **(1,502)** | (2,850) |
| **Carrying amount at 30 June** | | | **466** | 1,117 |

** The 2009 dividend included an amount of $0.1 million (2008: $0.1 million) received from CHCQ post balance sheet date resulting in a reduction by the same amount in the net investment as compared to the QR Group's share of net assets.*

**(b) FAIR VALUE OF LISTED INVESTMENTS IN JOINT VENTURE**
The joint venture entities are not listed companies and therefore, no disclosure is required.

## 35 INTERESTS IN JOINT VENTURES (CONTINUED)

### (c) SHARE OF JOINT VENTURES' ASSETS, LIABILITIES, REVENUE, EXPENSES AND RESULTS

| | Consolidated | |
|---|---|---|
| | **2009 $'000** | 2008 $'000 |
| **QR Group's share of:** | | |
| Current assets | **2,637** | 4,897 |
| Non-current assets | **114** | 667 |
| Current liabilities | **(2,203)** | (3,872) |
| Non-current liabilities | **(21)** | (475) |
| **Net assets** | **527** | 1,217 |
| Revenues | **1,696** | 1,657 |
| Expenses | **(752)** | (1,085) |
| **Net Profit / (Loss) before tax** | **944** | 572 |
| Tax | **(138)** | (161) |
| **Net profit / (loss) after income tax** | **806** | 411 |

*The balance sheet and the income statement include amounts based on unaudited financial statements for CHCQ as at 31 March 2009 and KMQR Sdn Bhd as at 31 December 2008.*

*The balance sheet and the income statements for ARG Risk Management are based on audited financial statements for the 12 months ending 31 December 2008 whilst the comparative figures are based on 6 months to 31 December 2007.*

### (d) SHARE OF JOINT VENTURE'S COMMITMENTS

There are no expenditure commitments or capital commitments.

### (e) SHARE OF JOINT VENTURE'S CONTINGENT LIABILITIES

CHCQ had a deposit with the HSBC bank (2008: AUD$0.6 million) to cover a letter of credit facility. This facility was cancelled during the current reporting period. The QR parent's interest in this contingent liability (2008: AUD$0.1 million) was cancelled. The amount of the unused credit facility was AUD$2.8 million in 2008 with the HSBC Bank. The QR Group had no contingent liabilities related to its interest in these joint ventures at balance sheet date.

### (f) METHOD OF ACCOUNTING

The QR Group accounts for its share in this entity using the equity method of accounting.

## 36 RELATED PARTY TRANSACTIONS

### (a) PARENT ENTITIES

The ultimate parent entity within the Group is QR Limited.

### (b) SUBSIDIARIES

Interests in subsidiaries are set out in note 38.

### (c) KEY MANAGEMENT AND PERSONNEL COMPENSATION

Disclosures relating to key management personnel are set out in note 32.



### (d) TRANSACTIONS WITH RELATED PARTIES

The following transactions occurred with related parties:

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | **2009 $'000** | 2008 $'000 | **2009 $'000** | 2008 $'000 |
| Sale of goods and services to subsidiaries | **-** | - | **797,220** | 182,266 |
| Purchase of goods and services from subsidiaries | **-** | - | **624,586** | 47,563 |
| Dividend revenue from other related parties | **1,503** | 2,850 | **-** | 100 |
| Trade receivables – current | **-** | - | **428,569** | 19,502 |
| Other receivables – current | **-** | - | **6,429** | 6,681 |
| Related parties receivables – current | **-** | - | **-** | - |
| Related parties receivables – non-current | **-** | - | **4,852,143** | 61,684 |
| Shares in related companies | **-** | - | **101,239** | 18,479 |
| Trade payables – current | **-** | - | **346,074** | 4,623 |
| Payables to controlled entities – non-current | **-** | - | **410,627** | 53,613 |

Apart from dividends all of the balances and transactions above are with subsidiaries.

### (e) LOANS TO/FROM RELATED PARTIES

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | **2009 $'000** | 2008 $'000 | **2009 $'000** | 2008 $'000 |
| *Loans to subsidiaries* | | | | |
| Beginning of the year | **-** | - | **543,313** | 506,430 |
| Loans advanced | **-** | - | **300,766** | 97,872 |
| Loan repayments received | **-** | - | **(168,158)** | (60,989) |
| **End of year** | **-** | - | **675,921** | 543,313 |
| *Loans to related parties* | | | | |
| Beginning of the year | **-** | - | **-** | 1,419 |
| Loans advanced | **-** | - | **-** | - |
| Loan repayments made | **-** | - | **-** | (1,419) |
| **End of year** | **-** | - | **-** | - |

## 36 RELATED PARTY TRANSACTIONS (CONTINUED)

**(f) TERMS AND CONDITIONS**
All other transactions were made on normal commercial terms and conditions and at market rates, except that there are no fixed terms for the repayment of loans between the parent and its subsidiaries. All loans are non interest bearing.

Outstanding balances are unsecured.

**(g) TRANSACTIONS WITH STATE OF QUEENSLAND CONTROLLED ENTITIES**
The Group is a Queensland Government Owned Corporation, with all shares held by the Shareholding Ministers on behalf of the state of Queensland.

The value of these related party transactions and balances, as reported in the balance sheet and income statement, are discussed below:

| | Note | 2009 $'000 | 2008 $'000 | Nature of Transaction |
|---|---|---|---|---|
| Other assets | 9, 10 | **103,982** | 106,193 | Short term investment (QTC), transport services contracts and accounts receivable. |
| Loans | 23, 26 | **6,446,374** | 5,201,000 | Unsecured loan facility (QTC). |
| Other liabilities | 22, 25, 28 | **439,431** | 373,615 | Interest payable, unearned revenue, accounts payable and dividend payable. |
| Equity injection | 29 | **578,443** | 449,400 | Equity contributions. |
| Revenue | 5 | **1,190,547** | 1,156,955 | Sales, community service obligation, government concessions and interest revenue. |
| Interest expense | 7 | **303,611** | 306,491 | QTC loan interest (includes financing cost). |
| Other expense | 7 | **241,026** | 219,432 | Electricity, payroll tax, audit fees, licences and permits, rates and water payments. |
| Dividend paid | 31 | **156,785** | 151,493 | Dividend paid. |

## 37 BUSINESS COMBINATION

**(a) SUMMARY OF ACQUISITION**
QR has made no acquisitions in 2009.

The acquisition of Golden Bros. Group Pty Ltd by Logistics Australasia Pty Ltd (a wholly-owned subsidiary of QR Limited) was completed in 2008.

**(b) PURCHASE CONSIDERATION**

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | **2009 $'000** | 2008 $'000 | **2009 $'000** | 2008 $'000 |
| Outflow of cash to acquire subsidiary, net of cash acquired | | | | |
| Cash consideration | **-** | 9,053 | **-** | - |
| Less: Balances acquired | | | | |
| Cash | **-** | 145 | **-** | - |
| **Outflow of cash** | **-** | 8,908 | **-** | - |



**(c) ASSETS AND LIABILITIES ACQUIRED**
No assets or liabilities were acquired through business combinations in 2009.

The assets and liabilities arising from the acquisition in 2008 are as follows:

| | 2008 Acquiree's carrying amount $'000 | 2008 Fair value $'000 |
|---|---|---|
| Cash | 145 | 145 |
| Trade receivables | 2,204 | 2,204 |
| Inventories | 19 | 19 |
| Other current assets | 268 | 268 |
| Plant and equipment | 2,106 | 2,106 |
| Deferred tax asset | 530 | 530 |
| Intangible assets | 628 | 628 |
| Trade payables | (2,366) | (2,366) |
| Provisions current | (14) | (14) |
| Other current liabilities | (511) | (511) |
| Provisions non-current | (33) | (33) |
| Other non-current liabilities | (115) | (115) |
| **Net assets** | 2,861 | 2,861 |

The goodwill is attributable to the workforce savings. The fair value of assets and liabilities are based on discounted cash flow models.

## 38 SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b):

| Name of entity | Country of incorporation | Class of shares | Equity holding 2009 % | Equity holding 2008 % |
|---|---|---|---|---|
| On Track Insurance Pty Ltd | Australia | Ordinary | 100 | 100 |
| QR Intermodal Pty Ltd | Australia | Ordinary | 100 | 100 |
| Interail Australia Pty Ltd | Australia | Ordinary | 100 | 100 |
| Logistics Australasia Pty Ltd | Australia | Ordinary | 100 | 100 |
| Golden Bros. Group Pty Ltd | Australia | Ordinary | 100 | 100 |
| CRT Group Pty Ltd | Australia | Ordinary | 100 | 100 |
| NHK Pty Ltd | Australia | Ordinary | 100 | 100 |
| Australian Rail Pty Ltd | Australia | Ordinary | 100 | 100 |
| Australia Eastern Railroad Pty Ltd | Australia | Ordinary | 100 | 100 |
| Australian Railroad Group Employment Pty Ltd | Australia | Ordinary | 100 | 100 |
| Australia Western Railroad Pty Ltd | Australia | Ordinary | 100 | 100 |
| AWR Lease Co Pty Ltd | Australia | Ordinary | 100 | 100 |
| QR Passenger Pty Ltd | Australia | Ordinary | 100 | - |
| QR Network Pty Ltd | Australia | Ordinary | 100 | - |
| QR Surat Basin Pty Ltd | Australia | Ordinary | 100 | 100 |

## 38 SUBSIDIARIES (CONTINUED)

1. Except for On Track Insurance Pty Ltd, NHK Pty Ltd and QR Surat Basin Pty Ltd, these subsidiaries have been granted relief from the necessity to prepare financial reports in accordance with Class Order 98/1418 issued by the Australian Securities and Investments Commission. For further information refer to note 39.
2. NHK Pty Ltd and QR Surat Basin Pty Ltd satisfy the criteria for a small company under the *Corporations Act 2001*. Accordingly, no financial statements have been prepared.
3. On 2 July 2008 National Logistics Alliance Pty Ltd changed its name to QR Intermodal Pty Ltd.
4. On 11 July 2008 the shares in Interail Australia Pty Ltd were transferred in full from QR Limited to QR Intermodal Pty Ltd.
5. On 11 July 2008 the shares in Logistics Australasia Pty Ltd were transferred in full from QR Intermodal Pty Ltd to QR Limited.
6. On 11 July 2008 QR Passenger Pty Ltd and QR Network Pty Ltd were incorporated.
7. On 11 July 2008 the shares in QR Surat Basin Pty Ltd were transferred in full from QR Limited to QR Network Pty Ltd.

## 39 DEED OF CROSS GUARANTEE

QR Limited, QR Intermodal Pty Ltd (formerly National Logistics Alliance Pty Ltd), Logistics Australasia Pty Ltd, Golden Bros. Group Pty Ltd, CRT Group Pty Ltd, Interail Australia Pty Ltd, Australian Rail Pty Ltd, Australia Eastern Railroad Pty Ltd, Australia Western Railroad Pty Ltd, Australian Railroad Group Employment Pty Ltd, QR Network Pty Ltd and QR Passenger Pty Ltd are parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

QR Network Pty Ltd and QR Passenger Pty Ltd were added to the Deed of Cross Guarantee by an Assumption Deed on 1 September 2008.

### (a) CONSOLIDATED INCOME STATEMENT AND A SUMMARY OF MOVEMENTS IN CONSOLIDATED RETAINED PROFITS

The above companies represent a 'Closed Group' for the purposes of the Class Order, and as there are no other parties to the Deed of Cross Guarantee that are controlled by QR Limited, they also represent the 'Extended Closed Group'.

Set out below is a consolidated income statement and a summary of movements in consolidated retained profits for the year ended 30 June 2009 of the Closed Group.

| | 2009 $'000 | 2008 $'000 |
|---|---|---|
| **Income statement** | | |
| **Revenue from continuing operations** | 3,858,607 | 3,407,409 |
| Other income | 133,569 | 123,751 |
| Consumables | (1,409,108) | (1,217,597) |
| Employee benefits expense | (1,227,970) | (1,141,294) |
| Depreciation and amortisation expense | (514,806) | (459,309) |
| Other expenses | (107,336) | (140,510) |
| Finance costs | (336,984) | (304,107) |
| Share of net profits of associates and joint venture partnership accounted for using the equity method | 550 | 795 |
| **Profit before income tax** | 396,522 | 269,138 |
| Income tax expense | (92,512) | (66,152) |
| **Profit for the year** | 304,010 | 202,986 |
| **Summary of movements in consolidated retained profits** | | |
| **Retained profits at the beginning of the financial year** | 708,951 | 659,389 |
| Profit for the year | 304,010 | 202,986 |
| Dividends provided for or paid | (215,086) | (156,821) |
| Adjustments to retained earnings | (7,579) | 3,397 |
| **Retained profits at the end of the financial year** | 790,296 | 708,951 |



### (b) BALANCE SHEET

Set out below is a consolidated balance sheet as at 30 June 2009 of the Closed Group.

| | 2009 $'000 | 2008 $'000 |
|---|---|---|
| **Current assets** | | |
| Cash and cash equivalents | 103,047 | 51,446 |
| Trade and other receivables | 520,727 | 414,575 |
| Inventories | 239,268 | 210,245 |
| Derivative financial instruments | 14,044 | 76,476 |
| Other current assets | 32,405 | 27,756 |
| **Total current assets** | 909,491 | 780,498 |
| **Non-current assets** | | |
| Receivables | 60,922 | (154) |
| Inventories | 35,746 | 30,936 |
| Property, plant and equipment | 12,062,899 | 10,165,136 |
| Intangible assets | 98,631 | 109,416 |
| Investments accounted for using the equity method | 466 | 1,117 |
| Other financial assets | 18,091 | 18,091 |
| Deferred tax assets | 229,660 | 228,949 |
| Derivative financial instruments | 14,615 | 55,294 |
| Other non-current assets | 71,246 | 51,550 |
| **Total non-current assets** | 12,592,276 | 10,660,335 |
| **Total assets** | 13,501,767 | 11,440,833 |
| **Current liabilities** | | |
| Trade and other payables | 793,661 | 691,215 |
| Borrowings | 167 | 530,654 |
| Provisions | 18,369 | 16,939 |
| Derivative financial instruments | 23,012 | 34,596 |
| Other current liabilities | 212,420 | 200,871 |
| **Total current liabilities** | 1,047,629 | 1,474,275 |
| **Non-current liabilities** | | |
| Derivative financial instruments | 16,940 | 21,536 |
| Borrowings | 6,455,709 | 4,678,739 |
| Deferred tax liabilities | 1,042,111 | 972,180 |
| Provisions | 34,820 | 37,842 |
| Other non-current liabilities | 712,923 | 661,969 |
| **Total non-current liabilities** | 8,262,503 | 6,372,266 |
| **Total liabilities** | 9,310,132 | 7,846,541 |
| **Net assets** | 4,191,635 | 3,594,292 |
| **Equity** | | |
| Contributed equity | 3,412,923 | 2,834,480 |
| Reserves | (11,584) | 50,861 |
| Retained profits | 790,296 | 708,951 |
| **Total equity** | 4,191,635 | 3,594,292 |

## 40 KEY RESULTS BY ENTITY

2009

| Entity | | Total Assets $'000 | Total Liabilities $'000 | Total Revenue $'000 | EBIT $'000 |
|---|---|---|---|---|---|
| **QR Limited** | General Freight (Coal Intermodal, Retail) in QLD | 12,331,209 | 8,476,978 | 2,538,464 | 220,693 |
| **QR Network Pty Ltd (1)** | Below Rail Infrastructure Services in QLD | 6,479,218 | 6,171,410 | 605,043 | 442,532 |
| **QR Passenger Pty Ltd (2)** | Passenger Rail Services in QLD | 602,786 | 562,696 | 707,251 | 56,461 |
| **QR Intermodal Pty Ltd (3)** | General Rail Freight in New South Wales | 55,183 | 52,658 | 48,647 | 287 |
| **Australia Eastern Railroad Pty Ltd** | Bulk Rail Freight Services (QLD & NSW) | 539,129 | 297,875 | 228,024 | 7,712 |
| **Australia Western Railroad Pty Ltd** | Bulk Rail Freight Services (WA) | 660,430 | 204,005 | 445,917 | 7,934 |
| **Logistics Australasia Pty Ltd Consolidated (4)** | Local Retail Freight & Warehousing Services (VIC) | 130,483 | 69,101 | 84,290 | (5,960) |
| **On Track Insurance Pty Ltd** | Group Self Insurance | 155,420 | 151,699 | 69,777 | (13,535) |

(1) New entity incorporated on 11th July 2008.

(2) New entity incorporated on 11th July 2008.

(3) Previously National Logistics Alliance Pty Ltd. It now holds Interail Australia Pty Ltd but no longer holds Logistics Australasia Pty Ltd and its subsidiaries.

(4) Previously held by National Logistics Alliance Pty Ltd and is now directly held by QR Limited.



2008

| Entity | | Total Assets $'000 | Total Liabilities $'000 | Total Revenue $'000 | EBIT $'000 |
|---|---|---|---|---|---|
| **QR Limited** | General Freight (Coal Intermodal, Retail) in QLD | 11,487,715 | 7,883,208 | 3,023,564 | 568,505 |
| **Australia Eastern Railroad Pty Ltd** | Bulk Rail Freight Services (QLD & NSW) | 529,063 | 284,428 | 207,960 | 3,683 |
| **Australia Western Railroad Pty Ltd** | Bulk Rail Freight Services (WA) | 514,645 | 130,702 | 373,335 | (603) |
| **National Logistics Alliance Pty Ltd** | Local Retail Freight & Warehousing Services (VIC) | 161,511 | 161,955 | 110,694 | (1,425) |
| **Interail Australia Pty Ltd** | General Rail Freight in New South Wales | 33,637 | 18,658 | 38,222 | - |
| **QR Surat Basin Pty Ltd** | Holding company of Surat Basin Rail Joint Venture | 520 | 1,515 | 9 | (1,316) |
| **On Track Insurance Pty Ltd** | Group Self Insurance | 87,955 | 74,759 | 25,030 | (8,984) |

## 41 REMUNERATION OF AUDITORS

During the year, the following fees were paid or payable for services provided by the auditor of the Group and non-related audit firms:

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | **2009 $** | 2008 $ | **2009 $** | 2008 $ |
| **Audit services** | | | | |
| Auditor-General of Queensland | | | | |
| Audit and review of financial reports | **1,521,000** | 1,469,580 | **943,000** | 913,500 |
| Total remuneration for audit services | **1,521,000** | 1,469,580 | **943,000** | 913,500 |

## 42 RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | **2009 $'000** | 2008 $'000 | **2009 $'000** | 2008 $'000 |
| Profit / (loss) for the year | **298,679** | 215,984 | **(51,204)** | 202,440 |
| Depreciation and amortisation | **515,166** | 459,805 | **339,152** | 425,201 |
| Impairment of property, plant & equipment and intangibles | **(17,617)** | 27,633 | **(17,899)** | 24,425 |
| Impairment of trade receivables | **2,412** | 1,221 | **237** | 589 |
| Net (gain) / loss on sale of non-current assets | **3,445** | (14,412) | **1,851** | (14,750) |
| Inventory obsolescence | **1,475** | 4,863 | **1,298** | 4,749 |
| Capital works expense (prior year) | **-** | 14,866 | **-** | 14,865 |
| Working capital loan on On Track Insurance Pty Ltd | **-** | - | **-** | 7,355 |
| Derivative financial instrument – unrealised | **(2,350)** | (13,127) | **(2,096)** | (13,283) |
| Non-current asset stocktake adjustments | **-** | 1 | **-** | 1 |
| Net non-cash interest | **-** | (1,685) | **-** | (1,334) |
| Non-cash commissions | **-** | 45 | **-** | 45 |
| Non-cash fee expenses | **-** | 165 | **-** | 165 |
| Promissory notes | **-** | 6,773 | **-** | 6,773 |
| Change in operating assets and liabilities | | | | |
| (Increase) / decrease in trade debtors | **(75,527)** | (95,198) | **(5,340,954)** | (114,736) |
| (Increase) / decrease in inventories | **(35,308)** | (15,564) | **(143,964)** | (1,478) |
| (Increase) / decrease in other operating assets | **70,807** | (6,664) | **70,629** | 1,107 |
| Increase / (decrease) in payables | **(46,022)** | 85,228 | **218,223** | 63,248 |
| Increase / (decrease) in other liabilities | **74,949** | (249) | **4,948,125** | 32,505 |
| Increase / (decrease) in other provisions | **(2,960)** | 52,560 | **7,604** | 51,978 |
| Increase / (decrease) in employee provisions | **-** | 46,389 | **-** | 43,150 |
| Increase / (decrease) in GST (net) | **-** | (1,133) | **-** | (5,991) |
| Increase / (decrease) in cash flow hedges | **(62,445)** | - | **(63,800)** | - |
| **Net cash (outflow) / inflow from operating activities** | **724,704** | 767,501 | **(32,798)** | 727,024 |



## 43 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

**Disposal of all or part of the above and below rail businesses, assets and liabilities of QR other than passenger services**

On 2 June 2009 the Queensland Government announced its intention to undertake a significant asset sale program.

The *Infrastructure Investment (Assets Restructuring and Disposal) Act 2009* has been passed to facilitate the restructure and disposal of particular businesses, assets and liabilities of government entities. The Act grants extensive powers to the Minister to direct the restructuring, disposal or other processes necessary for the sale program with respect to 'declared projects'. Under sections 5(1)(c) and (d) of the Act, the following are 'declared projects':

– the disposal of all or part of the above rail businesses, assets and liabilities of QR Limited (QR) other than a passenger services business, asset or liability; and

– the disposal of all or part of the of the below rail businesses, assets and liabilities of QR Limited (QR).

The asset sale program will initially consider available options for the disposal of QR's above and below rail coal business. Opportunities to package up all or parts of QR's bulk, intermodal, retail and regional freight services as well as certain parts of the below rail network will also be investigated.

At balance sheet date there is significant uncertainty around the timing and nature of the disposals and therefore management considers that the criteria to reclassify the relevant non-current assets or disposal group as 'held for sale' in accordance with AASB 5 *Non current Assets Held for Sale and Discontinued Operations* have not been met.

No other matters or circumstances have arisen since the end of the financial year which has significantly affected, or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group.

## DIRECTORS' DECLARATION

In the directors' opinion:

(a) the financial statements and notes set out on pages 7 to 73 are in accordance with the *Corporations Act 2001*, including:

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

(ii) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the financial year ended on that date

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

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in note 39 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 39.

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

J B Prescott AC
Chairman

Brisbane, QLD
11 August 2009

S Rix
Director

Brisbane, QLD
11 August 2009



## INDEPENDENT AUDITOR'S REPORT

To the Members of QR Limited

**Matters relating to the Electronic Presentation of the audited Financial Report**

The auditor's report relates to the financial report of QR Limited for the financial year ended 30 June 2009 included on QR Limited's website. The directors are responsible for the integrity of QR Limited website. I have not been engaged to report on the integrity of QR Limited's website.

The auditor's report refers only to the statements named below. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report, available from QR Limited, to confirm the information included in the audited financial report presented on this website.

These matters also relate to the presentation of the audited financial report in other electronic media including CD-ROM.

**Report on the Financial Report**

I have audited the accompanying financial report of QR Limited, which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

*Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

*Auditor's responsibility*

My responsibility to express an opinion on the financial report based on the audit, is prescribed in the *Auditor-General Act 2009*. This Act, including transitional provisions, came into operation on 1 July 2009 and replaces the previous requirements contained in the *Financial Administration and Audit Act 1997*.

The audit was conducted in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. These auditing standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of risks of material misstatement in the financial report, whether due to fraud or error. In making those risk assessments, the audit considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

*Independence*

The *Auditor-General Act 2009* promotes the independence of the Auditor-General and QAO authorised auditors. The Auditor-General is the auditor of all Queensland government owned corporations and their controlled entities and can only be removed by Parliament.

The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised. The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

In conducting the audit, the independence requirements of the *Corporations Act 2001* have been complied with. I confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of QR Limited on 11 August 2009, would be in the same terms if provided to the directors, as at the date of this auditor's report.

**AUDITOR'S OPINION**

In my opinion –

(a) the financial report of QR Limited is in accordance with the *Corporations Act 2001*, including –

(i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001;* and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

AUDITOR GENERAL
18 AUG 2009
OF QUEENSLAND

G G POOLE FCPA

Auditor-General of Queensland

Queensland Audit Office

Brisbane