The Financial Report for QR Limited and its controlled entities for the year ended 30 June 2010 is presented on the attached disc / in the accompanying report. This report includes the Directors' Report, the Financial Statements, Notes to the Financial Statements, the Directors' Declaration and the Independent Auditor's Report.

The key financial measures presented in the Financial Report include:

- Loss for the Group for the financial year of $36.8 million. This result should be considered in conjunction with the significant non-operating items detailed in the Directors' Report.
- The Group result comprises a loss of $222.1 million from continuing operations and profit of $185.3 million from discontinued operations.
- Revenue from continuing operations increased 13.9% to $2,865.9 million.
- Earnings before interest and tax and individually significant non-operating items for continuing operations increased by 44.7% to $204 million.
- While an additional $1,793.3 million was invested in property, plant and equipment during the year, property, plant and equipment decreased 38.6% to $7,383.8 million as a result of the transfer of $5,174.1 million in property, plant and equipment to Queensland Rail Limited in the financial separation.
- While borrowings increased throughout the year to fund capital expenditure, the transfer of $3,000.0 million to Queensland Rail Limited in the financial separation results in a decrease of 33.8% to $4,266.1 million in borrowings at year end.
- Net assets of $330.8 million, related to the discontinued operations, were held for distribution at 30 June 2010.
- Additional shares amounting to $379.8 million were issued to existing shareholders, followed at 30 June 2010 by a capital reduction of $1,725.8 million as a result of the financial separation.

Further details of the financial performance and position of the QR Group is available in the QR Limited Financial Report.
Building Australia’s Leading Transport Company

The 2009/10 year is the culmination of 145 years of evolution for QR Limited (QR), building towards our vision of a truly great Australian company and a world leader in rail and transport.
This annual report details the scope of QR Limited’s achievements for the financial year and provides an insight into the organisation’s performance around Australia.
Already a national transport and supply chain solutions company, as at 30 June 2010 QR is one of Australia’s largest integrated transport providers, demonstrating significant growth over the past five years. It has a national workforce of 16,500 people in more than 500 locations around Australia.

Our Business
Governance

A continuing evolution.

Over the past two financial years, and especially in 2009/10, QR’s leadership and management team have accelerated the pace of change throughout the organisation.
John B Prescott AC
Chairman
BCom (Indus Rel), Hon.DSc, Hon.LLD, FAICD, FAIM, FTSE
Age 69, independent non-executive director of QR Limited since July 2006.
Member of the IPO, Governance and Nomination Committee, the Remuneration and Succession Committee and the Safety and Environment Committee.
John has substantial experience in the mining, manufacturing, transport and government sectors. He was a long-term executive of The Broken Hill Proprietary Company Limited (now BHP Billiton Limited), including 10 years as an executive director and seven years as Managing Director and Chief Executive Officer (1991-98). He was also Chairman of ASC (formerly Australian Submarine Corporation Pty Ltd) from 2000 to 2009.
John is a Director of Newmont Mining Corporation, a Global Counsellor of The Conference Board since 2001 and a Member of the Commonwealth Remuneration Tribunal since 2010. Other directorships and consulting/advisory positions have included Conference Board USA, World Economic Forum, Booz Allen and Hamilton, JP Morgan Chase & Co, Proudfoot Consulting, Asia Pacific Advisory Committee of New York Stock Exchange, and many other community, business, education and government organisations.

Lance Hockridge
Managing Director & CEO
FCILT, FAIM, MAICD
Age 56, executive director of QR Limited since April 2010.
Director of QR Network Pty Ltd and member of the Safety and Environment Committee, and the IPO, Governance and Nomination Committee.
Lance joined QR Limited as Chief Executive Officer in 2007, with extensive experience in the transportation and heavy industrial sectors in Australia and the United States.
During a 30-year career with The Broken Hill Proprietary Company Limited (now BHP Billiton Limited) and BlueScope Steel, he was a member of the leadership team that led to BlueScope Steel’s successful demerger from BHP and the creation of a new publicly listed company.
In 2005 Lance was appointed President of BlueScope Steel’s North American operations, where he led a major turnaround in safety, production and financial performance. Other roles at BHP included Human Resources and Industrial Relations, General Manager of BHP Transport, head of Long Products Business and President of Industrial Markets.

John Atkin
Non-Executive Director
BA (Hons), LLB (Hons) MAICD
Age 53, independent non-executive director of QR Limited since April 2010.
Director of QR Network Pty Ltd and Chairman of the IPO, Governance and Nomination Committee.
He is chief executive officer of The Trust Company Limited and a director of The Australian Outward Bound Foundation.
John has over 20 years experience in the management of professional service firms, and extensive experience in strategy development and execution. Prior to his current executive appointment in January 2009, John was the managing partner of Blake Dawson, where he led a successful transformation of the firm. Previously he had been a senior partner at Mallesons Stephen Jaques where he specialised in mergers and acquisitions and equity capital markets.
Russell Caplan  
Non-Executive Director  
LLB, FAICD  
Age 64, independent non-executive director of QR Limited since April 2010.  
Member of the Audit and Risk Management Committee and the IPO, Governance and Nomination Committee.  
Russell has extensive international experience in the oil and gas industry. In a 42-year career with Shell, he held senior roles in the upstream and downstream industries and corporate functions in Australia and overseas. From 1997 to 2006 Russell had senior international postings in the UK, Europe and the USA. From 2006 to 2010 he was Chairman of the Shell Group of Companies in Australia. He is Chairman of the Melbourne and Olympic Parks Trust, a non-executive director of Orica Limited, and on the Board of the Global Foundation. Russell is a former non-executive Director of Woodside Petroleum Limited and of the Australian Science Media Centre.

Allan Davies  
Non-Executive Director  
BE Mining (Hons)  
Age 58, independent non-executive director of QR Limited since October 2008.  
Chairman of the Remuneration and Succession Committee and member of the Safety and Environment Committee.  
Allan has 36 years’ experience in the Australian and international coal and metalliferous mining industries. He is a Director of XLX Pty Ltd, executive Director of Whitehaven Coal Ltd and on the advisory board of Qube Logistics. Allan was a founding Executive Director of Excel Coal Limited and an inaugural Director of Pacific National Pty Ltd. From 2000 until early 2006 Allan worked for Patrick Corporation as Director Operations, in addition to his role at Excel Coal Limited. This occurred after an extensive career in mining with companies including MIM Ltd, Union Corporation, BP Coal and Rio Tinto.

Graeme John AO  
Non-Executive Director  
FCILT, MAICD  
Age 67, independent non-executive director of QR Limited since April 2010.  
Chairman of the Safety and Environment Committee and Member of the Remuneration and Succession Committee.  
Graeme has 30 years of management experience in the transport operations sector, including 16 years as Managing Director of Australia Post. He was also a senior executive of TNT Australia Ltd. He is a director of West Australian Newspaper Holdings, Racing Victoria, and a commissioner of the Australian Football League. Graeme’s previous roles include chairman of Australian Air Express, chairman of Startrack Express, chairman of the Kahala Posts Group, director of the International Post Corporation (Netherlands), vice chairman of Sai-Cheng Logistics International [China], and a trustee of the Committee for Melbourne and the MCG. He has received the Australian Sports Medal and the Centenary Medal.
Peter Kenny  
**Non-Executive Director**  
Age 66, independent non-executive director of QR Limited since October 2009.  
Director of QR Network Pty Ltd and member of the Safety and Environment Committee.  
Peter has extensive experience in the rural sector. He is the Chairman of Biosecurity Qld and a member of the Australian Landcare Council, the National Biosecurity Advisory Council and the Cape York Heritage Committee. He represents Queensland agriculture on the Queensland Premier’s Advisory Council on Climate Change.  
Peter has owned and managed rural properties in different industries, including cattle, dairying, orchards, lucerne and piggeries. His work over many years with AgForce included membership of the State council and State executive. He was a Councillor and Secretary of the Cattlemen’s Union of Australia and its representative on the AgForce Unity Working Group, and a Director of the National Farmers Federation.  

Andrea Staines  
**Non-Executive Director**  
**BEcon, MBA, FAICD**  
Age 45, independent non-executive director of QR Limited since April 2010.  
Chairman of QR Network Pty Ltd and member of the Audit and Risk Management Committee.  
Andrea has extensive corporate financial and commercial experience, and advisory experience in governance, strategy and risk management. She is a Director of Allconnex Water and the Brisbane Royal Children’s Hospital Foundation. Former directorships include the Australian Rail Track Corporation, Gladstone Ports Corporation and Early Learning Services (now GB).  
Andrea is a former Chief Executive Officer of Australian Airlines, a Qantas subsidiary she co-launched in 2002 as a member of the carrier’s 12-person senior team. She previously held various financial, strategy and economic roles at Qantas. Prior to this, she held various financial roles at American Airlines’ headquarters in Dallas.  

Gene Tilbrook  
**Non-Executive Director**  
**BSc, MBA**  
Age 59, independent non-executive director of QR Limited since April 2010.  
Chairman of the Audit and Risk Management Committee and member of the IPO, Governance and Nomination Committee.  
Gene has broad experience in corporate strategy, investment and finance. He joined Wesfarmers in 1985 and was an Executive Director from 2002 to 2009. Between 2000 and 2006 when Wesfarmers was a joint owner of the Australian Railroad Group (ARG), he was a Director of ARG and Chairman of Westnet Rail.  
Gene is Chairman of Transpacific Industries, and a Director of Fletcher Building, GPT Group, the Federal Government-owned broadband group NBN Co, the Perth International Arts Festival, the Bell Shakespeare Company and the Committee for Perth. He is also Councillor of Curtin University and the Australian Institute of Company Directors WA.
Board of Directors - QR Limited

2009/10 Financial Year

Peter Gregg
Independent non-executive director since 7 May 2009. Chaired the Audit and Risk Management Committee following Susan Rix’s resignation.

Peter resigned in November 2009.

Maureen Hayes
Independent non-executive director since 1 October 2009. Sat on the Audit and Risk Management, and Network Committees.

Maureen resigned in June 2010 to accept an invitation to join the Board of Queensland Rail Limited.

Robert Holloway

Robert resigned in April 2010.

Peter Holmes à Court

Peter resigned in March 2010.

Dr Leo Keliher AO

Leo resigned in June 2010 to accept an invitation to join the Board of Queensland Rail Limited.

Warren McLachlan


Dawson Petie
Independent non-executive director since 1 October 2008. Chaired the Network Committee and On Track Insurance Pty Ltd, and the Audit and Risk Management Committee after Peter Gregg, and sat on the Business Development, and Remuneration and Succession Committees.

Dawson resigned in June 2010 to accept an invitation to join the Board of Queensland Rail Limited.

Susan Rix
Independent non-executive director since 1 October 2007. Chaired the Audit and Risk Management Committee, and sat on the Network Committee.

Susan resigned in September 2009.

John West
Independent non-executive director since 1 October 2007. Chaired the Business Development Committee and sat on the Remuneration and Succession Committee.

John resigned in February 2010.
Corporate Governance

Directors’ Appointment and Attendance

The Board comprises nine Directors in office as at the date of this statement.

<table>
<thead>
<tr>
<th>Director</th>
<th>Date first appointed</th>
<th>Date of resignation</th>
<th>Meetings attended*</th>
<th>Max no. possible**</th>
</tr>
</thead>
<tbody>
<tr>
<td>John B Prescott AC</td>
<td>1 July 2006</td>
<td>-</td>
<td>23</td>
<td>23</td>
</tr>
<tr>
<td>Lance Hockridge</td>
<td>22 April 2010</td>
<td>-</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>John Atkin</td>
<td>22 April 2010</td>
<td>-</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Russell Caplan</td>
<td>22 April 2010</td>
<td>-</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Allan Davies</td>
<td>1 October 2008</td>
<td>-</td>
<td>22</td>
<td>23</td>
</tr>
<tr>
<td>Peter Gregg</td>
<td>7 May 2009</td>
<td>2 November 2009</td>
<td>2</td>
<td>6</td>
</tr>
<tr>
<td>Maureen Hayes</td>
<td>1 October 2009</td>
<td>3 June 2010</td>
<td>13</td>
<td>18</td>
</tr>
<tr>
<td>Robert Holloway</td>
<td>1 July 2005</td>
<td>9 April 2010</td>
<td>17</td>
<td>18</td>
</tr>
<tr>
<td>Peter Holmes à Court</td>
<td>1 July 2006</td>
<td>23 March 2010</td>
<td>14</td>
<td>17</td>
</tr>
<tr>
<td>Graeme John AO</td>
<td>22 April 2010</td>
<td>-</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Dr Leo Keliher AO</td>
<td>1 October 2008</td>
<td>3 June 2010</td>
<td>20</td>
<td>22</td>
</tr>
<tr>
<td>Peter Kenny</td>
<td>1 October 2009</td>
<td>-</td>
<td>15</td>
<td>19</td>
</tr>
<tr>
<td>Warren McLachlan</td>
<td>1 July 1998</td>
<td>30 September 2009</td>
<td>3</td>
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</tr>
<tr>
<td>Dawson Petie</td>
<td>1 July 1998</td>
<td>3 June 2010</td>
<td>17</td>
<td>22</td>
</tr>
<tr>
<td>Susan Rix</td>
<td>1 July 2005</td>
<td>30 September 2009</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Andrea Staines</td>
<td>22 April 2010</td>
<td>-</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Gene Tilbrook</td>
<td>22 April 2010</td>
<td>-</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>John West</td>
<td>1 July 2005</td>
<td>8 February 2010</td>
<td>11</td>
<td>13</td>
</tr>
</tbody>
</table>

* Number of meetings attended

** Number of meetings held during the time the director held office during the financial year
QR has adopted the principles and recommendations contained in the Corporate Governance Guidelines for Government Owned Corporations (the Guidelines). The Guidelines are intended to provide a framework for GoCs to develop, implement, review and report upon their corporate governance arrangements.

**PRINCIPLE 1**
**Foundations of Management and Oversight**

- The roles and responsibilities of the Board and Board Committee are defined in the Terms of Reference for each body. These roles and responsibilities are reviewed by the Board annually.
- Newly appointed Directors are taken through a formal induction process.
- Directors familiarised themselves with the company through a comprehensive Board handbook that details QR and Board operational information, governance requirements and QR policies. The Board handbook is reviewed and updated annually.
- Management’s responsibilities are defined and documented in formal position descriptions and performance plans.
- Delegations from the Board to the CEO and from the CEO to management are documented and reviewed annually.

**PRINCIPLE 2**
**Structure the Board to Add Value**

- The size and composition of the Board is determined by the Shareholding Ministers.

QR was a Government Owned Corporation (GOC) under the Government Owned Corporations Act 1993 (GOC Act) throughout the 2009/10 financial year. Subsequent to the 2009/10 year, QR Limited ceased to be a GOC, in preparation for the State’s proposed sale via an initial public offering as to QR National Limited, which has since become the parent company of QR Limited.

This statement reflects QR’s corporate governance practices in the 2009/10 financial year.
Corporate Governance cont.

- QR Directors are appointed by the Governor-in-Council.
- Non-executive directors are considered to be independent and all Directors must declare actual or potential conflicts of interest and excuse themselves from discussions on issues where they may have an actual or potential conflict of interest.
- Directors are required to keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of QR. In circumstances where a conflict is believed to exist, the Director concerned does not take part in any decision or consideration of the issue. In addition, the Director will not receive copies of the relevant Board papers.
- Directors declare their business interests and other directorships and employment roles annually and must notify the Board via the Company Secretary of changes to business interests and appointments.
- Details of Directors’ experience and expertise are disclosed in the Annual Report, as is information on attendance at Board and Committee meetings.
  - The Board composition during 2009/10 and details of Director terms of appointment and remuneration is set out on the following pages.
  - For details of skills, experience and expertise of individual Board Directors, please refer to pages 4 to 6.
- A process is in place whereby Directors, either collectively or individually, may seek independent professional advice where it is considered necessary to fulfil their duties and responsibilities. This is done at QR’s expense. A Director wishing to seek such advice must obtain the approval of the Chairman.
- QR Directors are encouraged to further their knowledge through participation in industry, governance and government forums, and attend seminars hosted by the Australian Institute of Company Directors, Chartered Secretaries Australia and other peak professional bodies. In addition to peer review, interaction and networking with other Directors and industry leaders, QR Directors participate in QR leadership forums and actively engage with QR employees, and visit QR operations to gain an understanding of operational employee requirements, challenges and issues.
- A whole-of-Board performance review is undertaken annually in addition to individual evaluation sessions between the Chairman and individual Directors. A formal self-evaluation questionnaire is used to facilitate the annual Board performance review process.

**PRINCIPLE 3**
**Promote Ethical and Responsible Decision Making**
- QR has a Code of Conduct to guide Directors and employees in compliance with QR’s ethical, legal and statutory obligations.
- QR has a Trading in Securities Policy.

**PRINCIPLE 4**
**Safeguard Integrity in Financial Reporting**
- The CEO and CFO certify in writing that QR’s annual financial report represents a true and fair view of QR’s financial position and that the financial report has been prepared in accordance with International Financial Reporting Standards.
- The Board Audit and Risk Management Committee reviews the integrity of QR’s financial reporting systems. The Board Audit and Risk Management Committee is governed by its own Charter, which is reviewed annually.
- QR has a detailed internal audit plan that is approved by the Audit and Risk Management Committee and managed under the auspices of the Chief Internal Auditor, who provides regular reports to the Audit and Risk Management Committee.
- The external audit function is performed by the Queensland Audit Office.

**PRINCIPLE 5**
**Make Timely and Balanced Disclosures**
- In accordance with the requirements of the GOC Act, QR submits to its shareholding Ministers a quarterly report detailing its performance outcomes for the quarter.
PRINCIPLE 6
Respect the Rights of Shareholders

➢ In line with the requirements of the GOC Act, shareholding Ministers are advised in a timely manner of all issues likely to have a significant financial, operational, employee, community or environmental impact.

➢ Regular scheduled meetings are held between the Chairman/CEO and the shareholding Ministers, including meeting to advise of outcomes of Board meetings.

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

➢ QR has a comprehensive stakeholder management and reporting framework.

PRINCIPLE 7
Recognise and Manage Risk

➢ The Board has approved a Risk Management policy.

➢ The Board Audit and Risk Management Committee oversees the process for identification and management of risk in QR.

➢ QR has a Risk Register, with risk profiles populated at the various layers of the organisation.

➢ QR has adopted an enterprise-wide approach to Risk Management.

➢ QR has a Management Specification that outlines the processes for the prevention, detection and management of fraud within QR, and for fair dealing in matters pertaining to fraud.

PRINCIPLE 8
Remunerate Fairly and Responsibly

➢ Director and specified Senior Executive remuneration is disclosed in the Annual Report in accordance with legislation, accounting standards and government policy.

REMUNERATION
Fixed Component
Fixed remuneration for the CEO and Senior Executives is reviewed at 1 July each year and adjusted in accordance with government guidelines. In setting the fixed remuneration for the year, regard is given to a range of information, including job size and general market movement in salary rates.

In setting remuneration for other contract officers, regard is given to individual performance, market conditions and positioning, ensuring that QR is competitively placed to retain and attract the skills and capabilities required to achieve QR’s business objectives.

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

Performance Component
The CEO, Senior Executives and other contract officers may receive a performance payment, dependent on the achievement of specific performance outcomes. Achievement of Corporate and Business Group Key Performance Indicators are measured as on-target, above-target or stretch target.

The amount that will be funded as a bonus pool will be dependent on the level at which the performance objectives have been achieved.

The funded amount will be distributed to the CEO, Senior Executives and other contract employees based on assessment of how they have performed in relation to the performance objectives set for them in their performance plans for the year. The measure of individual performance will include how well the person has acted in accordance with the QR Values and Behaviours.

Board Committees
The Board has established a number of Committees to assist it in discharging its responsibilities. The following Board Committees operated in 2009/10:
The Board approved the cessation of the Business Development Committee in February 2010 and the Network Committee in June 2010. The QR Network Pty Ltd Board has now been established.

The inaugural meeting of the IPO, Governance and Nomination Committee was held in June 2010.

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

The Board has approved terms of reference for each Committee.

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

**Audit and Risk Management Committee**

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

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

- the annual financial reporting process for the QR Group;
- the process implemented to support the annual certifications for the QR Group to be provided by the Chief Financial Officer;
- accounting policies for the QR Group;
- the scope of QR Group internal audit and external audit programs and any material issues arising from these audits;
- the performance of the internal and external auditors;
- the effectiveness of the systems of accounting and internal controls for the QR Group;
- the quality of reporting by the QR Group;
- the effectiveness of the processes used by QR Group management to monitor and ensure compliance with laws, regulations, ethical guidelines, ring-fencing requirements and obligations for external reporting of financial information;
- identification and management of material risk exposures (actual or potential) to the QR Group;
- the effectiveness of the QR Group risk management systems and strategies.

*Gene Tilbrook chairs the Committee.*

The composition of the Committee and attendance at Committee meetings in 2009/10 is set out below:

<table>
<thead>
<tr>
<th>Members</th>
<th>Meetings attended</th>
<th>Max no. possible</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gene Tilbrook (Chair)</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>John B Prescott AC *</td>
<td>5</td>
<td>5</td>
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<tr>
<td>Russell Caplan</td>
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<td>Peter Gregg</td>
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<td>Maureen Hayes</td>
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<tr>
<td>Dr Leo Keliher AO</td>
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<tr>
<td>Peter Kenny</td>
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<tr>
<td>Warren McLachlan</td>
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<tr>
<td>Dawson Petie</td>
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<tr>
<td>Susan Rix</td>
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</tr>
<tr>
<td>Andrea Staines</td>
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</tbody>
</table>

* John B Prescott AC attended all meetings in an ex officio capacity

**IPO, Governance and Nomination Committee**

The purpose of the IPO, Governance and Nomination Committee is to assist the Board in the effective discharge of its responsibilities for:

- the Initial Public Offering;
- the governance policies, framework and compliance of QR Limited;
- the Code of Conduct and any breaches of the Code of Conduct;
- the performance of the Board;
the independence of Directors;
> succession planning for non-executive directors;
> the terms and conditions on which non-executive directors are appointed and hold office;
> the appointment of the CEO;
> making recommendations to the Board about its composition and strategies to address Board diversity;
> the QR Limited Annual Report.

John Atkin chairs the Committee.

The composition of the Committee and attendance at Committee meetings in 2009/10 is set out below:

<table>
<thead>
<tr>
<th>Members</th>
<th>Meetings attended</th>
<th>Max no. possible</th>
</tr>
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<tr>
<td>Lance Hockridge</td>
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<td>1</td>
</tr>
<tr>
<td>Gene Tilbrook</td>
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</tbody>
</table>

Remuneration and Succession Committee

The purpose of the Remuneration and Succession Committee is to assist the Board in the effective discharge of its responsibilities for:
> the appointment and review of performance of the CEO;
> the system of remuneration and benefits for the CEO and his/her direct reports.

The Committee reviews and makes recommendations to the QR Board on:
> the appointment and termination of the CEO and his/her direct reports;
> the performance measures for the CEO and his/her direct reports;
> annual performance payments to the CEO and his/her direct reports;
> succession planning for the CEO and his/her direct reports;
> remuneration policies;
> collective agreements with unions;
> the professional development of Directors, the CEO, and direct reports to CEO.

Allan Davies chairs the Committee.

The composition of the Committee and attendance at Committee meetings in 2009/10 is set out below:

<table>
<thead>
<tr>
<th>Members</th>
<th>Meetings attended</th>
<th>Max no. possible</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allan Davies (Chair)</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>John B Prescott AC</td>
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<tr>
<td>Robert Holloway</td>
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<tr>
<td>Peter Holmes à Court</td>
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<td>1</td>
</tr>
<tr>
<td>Graeme John AO</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Dawson Petie (chair until 14/10/09, resigned 09/04/10)</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>John West (resigned 08/02/10)</td>
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</tbody>
</table>

Network Committee

The purpose of the Network Committee was to assist the Board in:
> assessing the merits of below-rail business development initiatives, as directed by the Board;
> reviewing growth proposals for the Network business to ensure that these proposals are aligned with board approved strategies;
> reviewing prospective below-rail business acquisitions, divestments and joint venture arrangements, as directed by the Board;
> providing direction to management on further work to be undertaken before major Network business proposals are submitted to the Board for consideration and/or approval;
> evaluating the adequacy of ring-fencing procedures for the Business;
> ensuring that Network business activities are ring-fenced in accordance with ring-fencing procedures.

The Committee makes recommendations to the Board as appropriate.

Dawson Petie chaired the Committee until his resignation in June 2010. John B Prescott AC then became chair until the Committee was replaced in June 2010 by the QR Network Pty Ltd Board now chaired by Andrea Staines.
The composition of the Committee and attendance at Committee meetings in 2009/10 is set out below:

<table>
<thead>
<tr>
<th>Members</th>
<th>Meetings attended</th>
<th>Max no. possible</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dawson Petie (Chair)</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>(chair until and resigned 03/06/10)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>John B Prescott AC</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Maureen Hayes</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>(resigned 03/06/10)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Robert Holloway</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>(resigned 09/04/10)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Peter Holmes à Court</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>(resigned 23/03/10)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dr Leo Keliher AO</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>(resigned 03/06/10)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Warren McLachlan</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>(resigned 30/09/09)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Susan Rix</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>(resigned 30/09/09)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Business Development Committee
The purpose of the Business Development Committee was to assist the Board in the effective discharge of its responsibilities for:

- assessing the merits of above-rail business development initiatives, as directed by the Board;
- reviewing growth proposals for the Freight, Passenger and Services businesses to ensure that these proposals are aligned with Board approved strategies;
- reviewing prospective above-rail business acquisitions and divestments and joint venture arrangements, as directed by the Board;
- providing direction to management on further work to be undertaken before major Freight, Passenger and Services business proposals are submitted to the Board for consideration and/or approval;
- monitoring specific aspects of the implementation of approved strategies as directed by the Board.

John West chaired the Committee until his resignation in February 2010. John B Prescott AC then chaired this committee until its cessation in February 2010.

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

QR’s risk management framework, responsibilities and accountabilities are aligned with the QR business model, where the individual businesses are accountable for demonstrating they are managing their risks effectively and in accordance with the Board approved risk management policy and framework. The corporate Risk and Assurance business unit is responsible for providing oversight of the risk management function and assurance on the management of significant risks to the CEO and the Board.

The risk management framework has a strong focus on key organisational controls. Focusing on the key organisational controls helps to shape the strategies, capabilities and culture of the organisation, identify and address vulnerabilities, strengthen the system of internal controls and build a more resilient organisation.
For QR, business resilience builds upon our ability to rapidly adapt and respond to dynamic changes involving our operations, with a view to minimising any adverse impacts by facilitating continued business operations. Adverse events may include threats, disruptions and demands. This is achieved through the adoption of an integrated approach toward security, incident management and business continuity disciplines.

QR is actively involved in the promotion of these key concepts within the rail and greater transport industries. QR is a participant in State and national forums relating to security, continuity and incident-response specialisations, and has forged strong working relationships with fellow transport operators, government agencies and response agencies. This provides continued confidence that major events affecting the organisation and broader community will be managed in a coordinated manner, minimising adverse impacts, and that QR will continue to meet customer needs.

### QR Limited - Corporate Hospitality and Entertainment

<table>
<thead>
<tr>
<th>DATE</th>
<th>EVENTS &gt; $5,000</th>
<th>EXPENDITURE</th>
</tr>
</thead>
<tbody>
<tr>
<td>JUL 09 - JUN 10</td>
<td>QUT Business Leaders Forums*</td>
<td>$5,000.00</td>
</tr>
<tr>
<td>JUL - SEP 09</td>
<td>QR Reds Hospitality Program - Wallabies test match</td>
<td>$5,042.00</td>
</tr>
<tr>
<td></td>
<td>AFL Grand Final Day</td>
<td>$18,000.00</td>
</tr>
<tr>
<td></td>
<td>Graduate Showcase Awards</td>
<td>$7,814.00</td>
</tr>
<tr>
<td>OCT - DEC 09</td>
<td>Townsville Family Staff Day</td>
<td>$5,221.00</td>
</tr>
<tr>
<td></td>
<td>Rockhampton Family Staff Day</td>
<td>$6,754.00</td>
</tr>
<tr>
<td></td>
<td>Brisbane Family Staff Day</td>
<td>$35,007.00</td>
</tr>
<tr>
<td></td>
<td>QR National Coal South Staff event</td>
<td>$19,800.00</td>
</tr>
<tr>
<td></td>
<td>QR Excellence Awards</td>
<td>$35,277.00</td>
</tr>
<tr>
<td></td>
<td>Launch of QR Young Professionals Program</td>
<td>$5,421.00</td>
</tr>
<tr>
<td></td>
<td>Apprentice and Trainee of the Year Awards</td>
<td>$6,672.00</td>
</tr>
<tr>
<td>JAN - MAR 10</td>
<td>QR Reds Hospitality Program - QR Reds home games</td>
<td>$14,608.00</td>
</tr>
<tr>
<td></td>
<td>CEO Customer Function - Townsville</td>
<td>$5,263.00</td>
</tr>
<tr>
<td></td>
<td>QR Bulk (ARG) Hospitality Program - International Cricket Perth</td>
<td>$10,000.00</td>
</tr>
<tr>
<td></td>
<td>QR National Coal - Brisbane Customer event</td>
<td>$11,809.00</td>
</tr>
<tr>
<td>APR - JUN 10</td>
<td>QR Bulk (ARG) Hospitality Program - International Cricket Perth</td>
<td>$10,000.00</td>
</tr>
<tr>
<td></td>
<td>QR Reds Hospitality Program - Wallabies test match</td>
<td>$24,106.00</td>
</tr>
<tr>
<td></td>
<td>QR Bulk (ARG) Hospitality Program - North Queensland Cowboys</td>
<td>$9,742.00</td>
</tr>
<tr>
<td></td>
<td>QR Bulk (ARG) Hospitality Program - Troy Dunn</td>
<td>$4,095.00</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$239,631.00</td>
</tr>
</tbody>
</table>

*QR Limited supported four (4) business leaders forums throughout the 2009-10 financial year.*
2009/10 financial data and comparisons will be released with approved audited financial statements in October 2010.
## Summary of QR Operations

### Summary of Traffic

<table>
<thead>
<tr>
<th></th>
<th>2009/10 Tonnage (000s)</th>
<th>2008/09 Tonnage (000s)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>QR Group Freight (QR National)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Coal</td>
<td>198,400</td>
<td>186,658</td>
</tr>
<tr>
<td>Freight (including minerals, other freight and intermodal)</td>
<td>63,800</td>
<td>61,874</td>
</tr>
<tr>
<td>Total Freight</td>
<td>262,200</td>
<td>248,532</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Trips (000's)</th>
<th>Trips (000’s)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>QR Group Passenger Trips</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Citytrain</td>
<td>59,733</td>
<td>65,098</td>
</tr>
<tr>
<td>Traveltrain (includes tourist services)</td>
<td>775</td>
<td>866</td>
</tr>
<tr>
<td>Total passenger Trips</td>
<td>60,508</td>
<td>65,964</td>
</tr>
</tbody>
</table>

### Rail Network Owned (Leased) in Use

<table>
<thead>
<tr>
<th></th>
<th>30 Jun 10</th>
<th>30 Jun 09</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Route Kilometres</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1067 mm Gauge</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Owned</td>
<td>8,576</td>
<td>9,539</td>
</tr>
<tr>
<td>Less: Lines suspended from use</td>
<td>-</td>
<td>246</td>
</tr>
<tr>
<td>Lines with no freight or passenger services</td>
<td>739</td>
<td>1,389</td>
</tr>
<tr>
<td>Sub total</td>
<td>7,837</td>
<td>7,904</td>
</tr>
<tr>
<td>1435 mm Gauge</td>
<td>3</td>
<td>98</td>
</tr>
<tr>
<td>Dual Gauge</td>
<td>36</td>
<td>36</td>
</tr>
<tr>
<td>Total in use as at 30 June</td>
<td>7,876</td>
<td>8,038</td>
</tr>
</tbody>
</table>

### Line Section Opened During 2009/10

- Robina to Varsity Lakes: 4

### Line Section Transferred to ARTC During 2009/10

- Acacia Ridge to QLD Border (1435 mm Gauge): 95

### Line Sections Closed/Surrendered to DTMR

- 967

### Rollingstock in Use

<table>
<thead>
<tr>
<th></th>
<th>30 June 10</th>
<th>30 June 09</th>
</tr>
</thead>
<tbody>
<tr>
<td>Locomotive</td>
<td>703</td>
<td>708</td>
</tr>
<tr>
<td>Coal Wagons</td>
<td>8,993</td>
<td>8,529</td>
</tr>
<tr>
<td>Minerals &amp; Freight Wagons</td>
<td>7,153</td>
<td>7,076</td>
</tr>
<tr>
<td>Passenger Rollingstock</td>
<td>779</td>
<td>747</td>
</tr>
</tbody>
</table>
Financial Summary

Consolidated Results

The consolidated financial report includes the results of the continuing operations of the QR Limited Group (Group) and also the discontinued operations (comprising the passenger and non-coal network businesses) which were transferred out of the Group as at 30 June 2010.

The loss of the Group for the financial year amounted to $36.8 million, comprising a loss of $222.1 million from continuing operations and profit of $185.3 million from discontinued operations. The loss from continuing operations does not reflect the underlying results of the business due to the impact of individually significant non-operating items, including asset impairments and restructuring costs, as outlined in the table below. Further explanation of these items is provided in the Directors’ Report.

No dividend has been declared in respect of the year ended 30 June 2010.

Consolidated Financial Performance

For the year ended 30 June 2010

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$m</td>
<td>$m</td>
<td>$m</td>
</tr>
<tr>
<td><strong>Continuing Operations</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue from continuing operations</td>
<td>2,865.9</td>
<td>2,517.2</td>
<td>2,250.3</td>
</tr>
<tr>
<td>EBITDA and individually significant non-operating items</td>
<td>628.5</td>
<td>492.5</td>
<td>417.5</td>
</tr>
<tr>
<td>Individually significant non-operating items</td>
<td>(276.0)</td>
<td>(86.0)</td>
<td>30.0</td>
</tr>
<tr>
<td>EBITDA</td>
<td>352.5</td>
<td>406.5</td>
<td>447.5</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>(423.9)</td>
<td>(351.5)</td>
<td>(318.2)</td>
</tr>
<tr>
<td>(Loss)/profit before interest and tax (EBIT)</td>
<td>(71.4)</td>
<td>55.0</td>
<td>129.3</td>
</tr>
<tr>
<td>Net finance costs</td>
<td>(225.7)</td>
<td>(197.6)</td>
<td>(184.4)</td>
</tr>
<tr>
<td>(Loss) before tax from continuing operations</td>
<td>(297.1)</td>
<td>(142.6)</td>
<td>(55.1)</td>
</tr>
<tr>
<td>Income Tax</td>
<td>75.0</td>
<td>44.9</td>
<td>9.4</td>
</tr>
<tr>
<td>(Loss) from continuing operations</td>
<td>(222.1)</td>
<td>(97.7)</td>
<td>(45.7)</td>
</tr>
<tr>
<td><strong>Discontinued Operations</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit from discontinued operations</td>
<td>185.3</td>
<td>279.8</td>
<td>271.3</td>
</tr>
<tr>
<td>(Loss)/profit for the year</td>
<td>(36.8)</td>
<td>182.1</td>
<td>225.6</td>
</tr>
</tbody>
</table>

Sales revenue from continuing operations increased by $348.7 million to $2,865.9 million due to organic growth in the coal freight business and higher coal network access tariffs.

Earnings before interest, taxation, depreciation and amortisation (EBITDA) and individually significant items from continuing operations increased by $136 million to $628.5 million in the year ended 30 June 2010 largely as a result of the impact of revenue uplifts arising from the regulatory determination made by the QCA (which was published in June 2010 and applies retrospectively from 1 July 2009), record coal volumes hauled and a higher average above rail rate per tonne hauled, partially offset by increases in employee numbers in preparation for growth, escalation of employee entitlements in line with negotiated EBAs and increases in corporate costs associated with the development of QR National’s enterprise strategy and operating model. In arriving at earnings before interest and tax (EBIT) for continuing operations of $71.4 million loss, depreciation increased in the year by $72.4 million to reflect the additional investment in infrastructure and rollingstock.
Total equity of the Group has decreased by 34.8% to $2,683.9 million during the year as a result of the loss for the year of $36.8 million and transfer of the net assets of the discontinued operations of $1,778.1 million to Queensland Rail Limited on 30 June 2010. Further balances related to discontinued operations, totalling $330.8 million, are classified as held for distribution at balance date and will reduce equity by this amount once transferred during the year ended 30 June 2011.

During the current financial year the Group has invested more than $1.8 billion in capital expenditure programs in line with QR’s capital expenditure and growth strategy. The most significant investments were in rollingstock and infrastructure expenditure in South East Queensland.

**Consolidated Financial Position**

**As at 30 June 2010**

<table>
<thead>
<tr>
<th></th>
<th>2010 $m</th>
<th>2009 $m</th>
<th>2008 $m</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Assets</strong></td>
<td>1,079.1</td>
<td>856.8</td>
<td>751.1</td>
</tr>
<tr>
<td><strong>Non-current Assets</strong></td>
<td>7,494.7</td>
<td>12,247.9</td>
<td>10,381.2</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>8,573.8</td>
<td>13,104.7</td>
<td>11,132.3</td>
</tr>
<tr>
<td><strong>Current Liabilities</strong></td>
<td>4,957.4</td>
<td>1,323.5</td>
<td>1,757.0</td>
</tr>
<tr>
<td><strong>Non-current Liabilities</strong></td>
<td>932.5</td>
<td>7,661.6</td>
<td>5,826.1</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>5,889.9</td>
<td>8,985.1</td>
<td>7,583.1</td>
</tr>
<tr>
<td><strong>Net Assets</strong></td>
<td>2,683.9</td>
<td>4,119.6</td>
<td>3,549.2</td>
</tr>
<tr>
<td><strong>Contributed Equity</strong></td>
<td>2,066.9</td>
<td>3,412.9</td>
<td>2,834.5</td>
</tr>
<tr>
<td><strong>Retained Profits</strong></td>
<td>619.0</td>
<td>708.2</td>
<td>741.1</td>
</tr>
<tr>
<td><strong>Reserves</strong></td>
<td>(2.0)</td>
<td>(1.5)</td>
<td>(26.4)</td>
</tr>
<tr>
<td><strong>Total Equity</strong></td>
<td>2,683.9</td>
<td>4,119.6</td>
<td>3,549.2</td>
</tr>
</tbody>
</table>

**Consolidated Cash Flows**

**For the year ended 30 June 2010**

<table>
<thead>
<tr>
<th></th>
<th>2010 $m</th>
<th>2009 $m</th>
<th>2008 $m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net cash flow from operating activities</td>
<td>638.9</td>
<td>812.2</td>
<td>716.1</td>
</tr>
<tr>
<td>Net cash flow from investing activities</td>
<td>(1,721.0)</td>
<td>(2,428.1)</td>
<td>(1,651.9)</td>
</tr>
<tr>
<td>Net cash flow from financing activities</td>
<td>984.5</td>
<td>1,667.0</td>
<td>941.8</td>
</tr>
<tr>
<td><strong>Net (decrease)/increase in cash held</strong></td>
<td>(97.6)</td>
<td>51.1</td>
<td>6.0</td>
</tr>
</tbody>
</table>

The above cash flow statement for the year ended 30 June 2010 includes cash flows related to both continuing and discontinued operations.
Net operating cash flows from all operations decreased by (21.3%) to $638.9 million in the year ended 30 June 2010 compared with the previous corresponding period primarily due to a decrease in trade working capital inflows, primarily as a result of the increase in receivables at year end.

Net investing cash outflows from all operations of $1,721.0 million decreased by $707.1 million from $2,428.1 million in the previous corresponding period due to lower capital expenditure during the year.

Net financing cash inflows from all operations decreased by $682.5 million to $984.5 million principally as a result of lower borrowings required to fund capital expenditure.

Notifications by Shareholding Ministers to the QR Limited Board

The company received a number of Project Directions during the financial year to 30 June 2010 from the Treasurer under the Infrastructure Investment (Asset Restructuring and Disposal) Act 2009, in respect of the separation of Queensland Rail Limited from QR Limited which was effected on 30 June 2010 and represents the primary impact upon the financial position of the company during the financial year.

The notifications were

1. On 9 December 2009, the QR Limited Board received direction from The Shareholding Ministers to surrender QR Network Pty Ltd (QR Network) sublease over the interstate rail corridor to the State of Queensland (represented by the Department of Main Roads) and transfer of the structures which are the subject of the sublease to Australian Rail Track Corporation Limited (ARTC) for nil consideration.

2. It was noted in the Queensland Government Gazette dated the 29th of July 2009:

   Government Owned Corporations Act 1993

   Section 114

   We hereby give notice that the public sector policy entitled State Procurement Policy, as amended from time to time, is to apply to QR Limited and as far as practicable to all of its subsidiaries.

   ANDREW FRASER MP
   Treasurer and Minister for Employment and Economic Development

   RACHEL NOLAN MP
   Minister for Transport

QR Limited has governance and management guidelines to define the requirements, responsibilities and methods that shall be employed in the purchasing of goods and services from external sources, consistent with the State Procurement Policy. QR’s internal policies and standards ensure that QR commits to, and delivers on the primary objectives of the policy:

1. Seeking value for money;
2. Purchasing with probity and accountability; and
3. Giving local business and industry full, fair and reasonable competitive opportunity to supply.
Glossary

Above Rail
Ownership and operation of rollingstock, such as locomotives and wagons.

ARG
Australian Railroad Group (QR subsidiary company).

AWA
Australian Workplace Agreement.

Below Rail
Track infrastructure, such as signalling, overheads and the track itself.

Bulk Freight
Commodities such as coal, minerals and grain. Bulk trains generally carry a single commodity.

CEO
Chief Executive Officer.

CRT Group
Colin Rees Transport Pty Ltd.

EGM
Executive General Manager.

Environmental Incident
An undesired, unplanned and uncontrolled event that under different circumstances may lead to environmental harm.

GAP
Goonyella to Abbot Point expansion project.

General Freight
Freight that does not travel in a block train and does not include intermodal and industrial products.

Goonyella System
The Goonyella System services the coal mines in the northern and central areas of the Bowen Basin. Coal is transported via rail to the two coal terminals at the port: the Dalrymple Bay Coal Terminal and the Hay Point Services Coal Terminal.

LTI
Lost Time Injury.

LTIFR
Lost Time Injury Frequency Rate, a measure of the number of lost-time injuries per million hours worked, used by QR to monitor and report employee health and safety.

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

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

Newlands System
The Newlands System services the coal mines in the northern end of the Bowen Basin. Coal is transported via rail to the coal terminal at Abbott Point Port as well as domestic coal to the Queensland Nickel Refinery and the Bowen Coke Works.

QR
QR Limited.

Rail Operator
A party (QR and non QR) that operates rollingstock (ie. trains) on a railway.

Rollingstock
Locomotives and wagons.

SEQIPRAIL
The rail component of the Queensland Government’s overarching South East Queensland Infrastructure Program (SEQIP).

SCI
Statement of Corporate Intent.

Signals Passed at Danger (SPAD)
An incident where a train passes a red signal without authority to do so, used as a measure of risk.

ZEROHarm
ZEROHarm is a journey towards ZERO incidents, ZERO injuries, ZERO work-related illnesses and ZERO environmental incidents.
The Financial Report for QR Limited and its controlled entities for the year ended 30 June 2010 is presented on the attached disc/in the accompanying report.

This report includes the Directors’ Report, the Financial Statements, Notes to the Financial Statements, the Directors’ Declaration and the Independent Auditor’s Report.

The key financial measures presented in the Financial Report include:

- Loss for the Group for the financial year of $36.8 million. This result should be considered in conjunction with the significant non-operating items detailed in the Directors’ Report.
- The Group result comprises a loss of $222.1 million from continuing operations and profit of $185.3 million from discontinued operations.
- Revenue from continuing operations increased 13.9% to $2,865.9 million.
- Earnings before interest and tax and individually significant non-operating items for continuing operations increased by 44.7% to $204 million.
- While an additional $1,793.3 million was invested in property, plant and equipment during the year, property, plant and equipment decreased 38.6% to $7,383.8 million as a result of the transfer of $5,174.1 million in property, plant and equipment to Queensland Rail Limited in the financial separation.
- While borrowings increased throughout the year to fund capital expenditure, the transfer of $3,000.0 million to Queensland Rail Limited in the financial separation results in a decrease of 33.8% to $4,266.1 million in borrowings at year end.
- Net assets of $330.8 million, related to the discontinued operations, were held for distribution at 30 June 2010.
- Additional shares amounting to $379.8 million were issued to existing shareholders, followed at 30 June 2010 by a capital reduction of $1,725.8 million as a result of the financial separation.

Further details of the financial performance and position of the QR Group is available in the QR Limited Financial Report.
FINANCIAL REPORT

The Financial Report for QR Limited and its controlled entities for the year ended 30 June 2010 is presented on the attached disc / in the accompanying report.

This report includes the Directors’ Report, the Financial Statements, Notes to the Financial Statements, the Directors’ Declaration and the Independent Auditor’s Report.

The key financial measures presented in the Financial Report include:

i. Loss for the Group for the financial year of $36.8 million. This result should be considered in conjunction with the significant non-operating items detailed in the Directors’ Report.

ii. The Group result comprises a loss of $222.1 million from continuing operations and profit of $185.3 million from discontinued operations.

iii. Revenue from continuing operations increased 13.9% to $2,865.9 million.

iv. Earnings before interest and tax and individually significant non-operating items for continuing operations increased by 44.7% to $204 million.

v. While an additional $1,793.3 million was invested in property, plant and equipment during the year, property, plant and equipment decreased 38.6% to $7,383.8 million as a result of the transfer of $5,174.1 million in property, plant and equipment to Queensland Rail Limited in the financial separation.

vi. While borrowings increased throughout the year to fund capital expenditure, the transfer of $3,000.0 million to Queensland Rail Limited in the financial separation results in a decrease of 33.8% to $4,266.1 million in borrowings at year end.

vii. Net assets of $330.8 million, related to the discontinued operations, were held for distribution at 30 June 2010.

viii. Additional shares amounting to $379.8 million were issued to existing shareholders, followed at 30 June 2010 by a capital reduction of $1,725.8 million as a result of the financial separation.

Further details of the financial performance and position of the QR Group is available in the QR Limited Financial Report.