Dominic D Smith
SVP & Company Secretary

QR National Limited
ABN 14 146 335 622

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16 February 2012

ASX Market Announcements
Australian Securities Exchange Limited
Riverside Centre, Level 5
123 Eagle Street
BRISBANE QLD 4000

QR National – Half Year Report

Please find attached for immediate release a copy of the Company's Half Year Report for the half year period ended 31 December 2011.

In accordance with the relief from dual lodgement of financial statements under ASIC Class Order 98/104, the Half Year Report will not be lodged separately with ASIC.

Yours faithfully

Dominic D Smith
SVP & Company Secretary

QR National Limited

ABN 14 146 335 622

Interim Financial Report
for the half-year ended 31 December 2011

QR National Limited
Appendix 4D
Half-year Report
Half-year ended 31 December 2011

QR National Limited	Half-year ended 31 December 2011
ABN 14 146 335 622	(Previous corresponding half-year: 31 December 2010)

Results for announcement to the market

		%		$m
Revenue from ordinary activities	Up	1.4	to	1,715.8
Underlying [(1)] profit/(loss) after tax attributable to members	Up	138.7	to	168.3
Statutory [(1)] profit/(loss) after tax attributable to members	Down	31.8	to	189.3
Net profit/(loss) for the period attributable to members	Down	31.8	to	189.3

Distributions

	31 December 2011	31 December 2010
Net tangible asset backing (per share)	2.90	2.82

Details of the dividends paid by the Group are provided in note 9 to the interim financial report.

The directors have declared an unfranked interim dividend of 3.7 cents per ordinary share for the half-year ended 31 December 2011 . The Conduit Foreign Income component of the dividend is nil. The Record Date for determining dividend entitlements for the dividend declared in respect to the half-year ended 31 December is 1 March 2012. The payment date is 30 April 2012. No dividend reinvestment plan is operational for the interim dividend payment.

Details of the basic earnings per share are provided in note 12 to the interim financial report.

Explanation of results

Commentary on the results for the half-year is provided in the Directors' report.

Details of associates and joint venture entities

	31 December 2011 %	31 December 2010 %
KMQR Sdn Bhd	30.0	30.0
ARG Risk Management Pty Ltd	50.0	50.0
QLM Pty Ltd	50.0	50.0
Surat Basin Rail Pty Ltd	33.3	33.3

The profit contribution from any one of these joint venture entities is not material to the Group's profit or the profit for the previous corresponding period.

Note 1:

The statutory results are prepared in accordance with IFRS. The underlying results remove the impact of significant items from the statutory results.

The result of the previous corresponding period included a significant tax credit which arose on the privatisation of QR National Limited

A reconciliation of underlying to statutory profit/(loss) after tax attributable to members is set out below:

	31 December 2011 $m	31 December 2010 $m
Statutory profit/(loss) after tax attributable to members	189.3	277.5
Significant EBIT items - refer note 3(c) of the Interim Financial Report	(8.8)	95.0
Significant income tax items:		
- tax credit upon privatisation	(12.2)	(281.2)
- tax effect of significant adjustments	-	(20.8)
Underlying profit/(loss) after tax attributable to members	168.3	70.5

QR National Limited ABN 14 146 335 622
Interim Financial Report - 31 December 2011

Contents

QR National Limited is a company limited by shares, incorporated and domiciled in Australia.

Its registered office and principal place of business is:

QR National Limited
Level 14, Rail Centre 1
305 Edward Street
BRISBANE QLD 4000

Directors' report

The directors present their report on the consolidated entity consisting of QR National Limited ("the Company") and the entities it controlled at the end of, or during, the half-year ended 31 December 2011 ("the Group").

Directors
The following persons were directors of the Company during the whole of the half-year and up to the date of this report, except as indicated below:

J B Prescott AC (Chairman)
L E Hockridge (Managing Director and CEO)
J Atkin
R R Caplan
A J Davies - resigned on 13 December 2011
G T John AO
P C Kenny (deceased) - ceased being a director on 8 October 2011
A J P Staines
G T Tilbrook

Principal activities
During the half-year the principal activities of the Group consisted of:

- integrated heavy haul freight railway operator
- rail transporter of coal from mine to port for export markets
- bulk, general and containerised freight
- large-scale rail services activities

Coal
Transport of coal from mines in Queensland and New South Wales to end customers and ports.

Freight
Transport of bulk mineral commodities (including iron ore), agricultural products, mining and industrial inputs and general freight throughout Queensland, New South Wales and Western Australia, and containerised freight throughout Australia.

Network Services
Provision of access to, and operation and management of, the Central Queensland Coal Network.

Provision of design, construction, overhaul, maintenance and management services to the Group as well as external customers.

Review of operations
The profit from ordinary activities after income tax of the Group for the half-year ended 31 December 2011 is $189.3 million (2011: $277.5 million).

The reported profit does not reflect the underlying results due to the impact of significant items as outlined in note 3(c).

	31 December 2011 $m	31 December 2010 $m
Earnings before interest and tax ("EBIT")	**260.2**	131.4
Significant items (refer note 3(c))	**(8.8)**	95.0
EBIT after adjusting for significant items	**251.4**	226.4

A summary of consolidated revenue and results (underlying EBIT) for the half-year by business segment is set out below. The chief operating decision maker assesses the performance of the operating segments based on underlying earnings before interest and tax.

Review of operations (continued)

	Segment revenues and other income		Segment results	
	31 December 2011 $m	31 December 2010 $m	**31 December 2011 $m**	31 December 2010 $m
Coal	**949.9**	895.7	**139.0**	100.9
Freight	**731.8**	685.4	**28.5**	14.5
Network Services	**595.4**	642.4	**155.6**	168.8
Unallocated /intersegment eliminations	**(510.2)**	(475.9)	**(71.7)**	(57.8)
Total Group revenue/underlying EBIT	**1,766.9**	1,747.6	**251.4**	226.4

Comments on the operations and the results of those operations are set out below:

Coal

Despite weaker flood-related volumes, higher revenue rates increased first half revenue by 6 per cent from $895.7 million for the half-year ended 31 December 2010 to $949.9 million.

While Queensland coal tonnages decreased 7 percent on the previous comparative period, this was balanced by a 34 percent increase in New South Wales coal volumes, with a net 2 percent reduction to 98 million tonnes. Coal railings in Queensland continued to reflect a steady recovery from the 2011 floods, however, other factors such as production issues and industrial disputes at some mines contributed to overall softer tonnages for the period.

Underlying EBIT increased by 38 percent from $100.9 million for the half-year ended 31 December 2010 to $139.0 million, due to stronger above rail revenue rates, receipt of contract performance payments, reduced labour costs and reduced maintenance costs.

Freight

Revenues for the half-year ended 31 December 2011 increased by 7 per cent from $685.4 million to $731.8 million. Underlying EBIT was $28.5 million, an increase of 97 per cent from $14.5 million in the previous corresponding half.

Higher volumes in Queensland, which had a strong sugar season and recovering grain harvest after the severe weather events of 2011, were partially offset by the delayed grain harvest in Western Australia.

Network Services

Revenues for the half-year ended 31 December 2011 decreased by 7 per cent from $642.4 million to $595.4 million. Underlying EBIT was $155.6 million, a decrease of 8 per cent from $168.8 million in the previous corresponding half. This reduction in revenue was primarily due to reduced Rollingstock and Infrastructure Services revenue driven by lower rollingstock fleet maintenance requirements and lower external project work primarily for Queensland Rail. The reduction in EBIT was due to lower network volumes and track maintenance being brought forward in advance of volume recovery.

The continued delayed recovery from the 2011 wet season reduced railings across the network to 87 million tonnes, down 7 percent from 93 million tonnes in the half-year ended 31 December 2010. Though tonnages were down, access revenue for the Central Queensland Coal Network remained stable due to the flow through of higher tariffs.

Dividends
Dividends paid to shareholders during the half-year were as follows:

	31 December 2011 $m	31 December 2010 $m
Final dividend for the year ended 30 June 2011 of 3.7 cents per share, paid September 2011 (unfranked)	**90.3**	-
Special dividend for the period to 21 September 2010 of 3.54 cents per fully paid share, paid November 2010 (unfranked)	**-**	86.4
	90.3	86.4

The directors have declared an unfranked interim dividend of 3.7 cents per ordinary share for the half-year ended 31 December 2011. The Conduit Foreign Income component of the dividend is nil. The Record Date for determining dividend entitlements for the dividend declared in respect to the half-year ended 31 December is 1 March 2012. The payment date is 30 April 2012. No dividend reinvestment plan is operational for the interim dividend payment.

Auditor's independence declaration
A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 7.

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 and Interim Financial Report. Amounts in the Directors' report and Interim Financial Report have been rounded off to the nearest hundred thousand dollars in accordance with that Class Order.

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

J B Prescott AC
Chairman

Brisbane Qld
16 February 2012

Auditor's Independence Declaration

As lead auditor for the review of QR National Limited for the half year ended 31 December 2011, 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 review; and

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

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

Robert Hubbard
Partner
PricewaterhouseCoopers

Brisbane
16 February 2012

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	Notes	**31 December 2011 $m**	31 December 2010 $m
Revenue	4	**1,715.8**	1,691.7
Other income		**51.1**	55.9
Consumables		**(720.8)**	(745.9)
Employee benefits expense		**(558.0)**	(608.2)
Depreciation and amortisation expense		**(216.3)**	(219.2)
Other expenses		**(10.1)**	(41.7)
Finance costs		**(16.2)**	(126.9)
Profit before income tax		**245.5**	5.7
Income tax (expense)/benefit	6	**(56.2)**	271.8
Profit for the half-year		**189.3**	277.5
		Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic and diluted earnings per share	12	**7.8**	12.4

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

	31 December 2011 $m	31 December 2010 $m
Profit for the half-year	**189.3**	277.5
Other comprehensive income		
Changes in the fair value of cash flow hedges recognised in equity	**0.1**	(18.0)
Gain on revaluation of other financial assets	**0.3**	-
Changes in the fair value of cash flow hedges recognised in the income statement	**1.9**	9.4
Income tax relating to components of other comprehensive income	**(0.7)**	2.6
Other comprehensive income for the half-year, net of tax	**1.6**	(6.0)
Total comprehensive income for the half-year	**190.9**	271.5

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

	Notes	**31 December 2011 $m**	30 June 2011 $m
ASSETS			
Current assets			
Cash and cash equivalents		**33.4**	117.1
Trade and other receivables		**422.4**	473.5
Inventories		**183.2**	177.6
Derivative financial instruments		**9.7**	21.3
Other current assets		**23.2**	10.6
Assets classified as held for sale		**8.1**	-
Total current assets		**680.0**	800.1
Non-current assets			
Receivables		**0.6**	-
Derivative financial instruments		**1.0**	3.5
Inventories		**26.0**	20.7
Property, plant and equipment		**8,666.7**	8,275.7
Intangible assets		**22.1**	24.9
Investments accounted for using the equity method		**0.5**	0.5
Other financial assets		**36.6**	36.3
Total non-current assets		**8,753.5**	8,361.6
Total assets		**9,433.5**	9,161.7
LIABILITIES			
Current liabilities			
Derivative financial instruments		**12.1**	27.3
Trade and other payables		**310.6**	310.2
Provisions		**320.8**	320.3
Other current liabilities		**29.9**	36.2
Total current liabilities		**673.4**	694.0
Non-current liabilities			
Derivative financial instruments		**0.8**	3.8
Provisions		**83.9**	81.3
Borrowings	7	**952.4**	803.2
Deferred tax liabilities		**299.9**	243.0
Other non-current liabilities		**328.1**	344.7
Total non-current liabilities		**1,665.1**	1,476.0
Total liabilities		**2,338.5**	2,170.0
Net assets		**7,095.0**	6,991.7
EQUITY			
Contributed equity	8	**6,114.6**	6,111.9
Reserves		**(0.7)**	(2.3)
Retained earnings		**981.1**	882.1
Total equity		**7,095.0**	6,991.7

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

QR National Limited
Consolidated statement of changes in equity
For the half-year ended 31 December 2011

	Notes	Contributed equity $m	Reserves $m	Retained earnings $m	Total equity $m
		Attributable to owners of QR National Limited			
Balance at 1 July 2010		2,067.0	(2.0)	619.0	2,684.0
Profit for the half-year		-	-	277.5	277.5
Other comprehensive income		-	(6.0)	-	(6.0)
Total comprehensive income for the half-year		-	(6.0)	277.5	271.5
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	9	-	-	(86.4)	(86.4)
Share-based payments		0.6	-	-	0.6
Capital distribution to Queensland Rail Limited		(332.3)	-	-	(332.3)
Capital distribution to State of Queensland		(23.0)	-	-	(23.0)
Capital contribution from State of Queensland		4,397.3	-	-	4,397.3
		4,042.6	-	(86.4)	3,956.2
Balance at 31 December 2010		6,109.6	(8.0)	810.1	6,911.7
Balance at 1 July 2011		**6,111.9**	**(2.3)**	**882.1**	**6,991.7**
Profit for the half-year		-	-	189.3	189.3
Other comprehensive income		-	1.6	-	1.6
Total comprehensive income for the half-year		-	1.6	189.3	190.9
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	9	-	-	(90.3)	(90.3)
Share-based payments		2.7	-	-	2.7
		2.7	-	(90.3)	(87.6)
Balance at 31 December 2011		**6,114.6**	**(0.7)**	**981.1**	**7,095.0**

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

	31 December 2011 $m	31 December 2010 $m
Cash flows from operating activities		
Receipts from customers	**1,980.9**	2,040.3
Payments to suppliers and employees	**(1,491.1)**	(1,531.5)
Interest paid	**(34.6)**	(207.0)
Income taxes paid	**-**	(2.3)
Interest received	**1.5**	0.8
Net cash inflow from operating activities	**456.7**	300.3
Cash flows from investing activities		
Payments for acquisition of business, net of cash acquired	**-**	(6.1)
Payments for property, plant and equipment	**(607.2)**	(676.6)
Payments for available-for-sale financial assets	**-**	(0.2)
Proceeds from sale of property, plant and equipment	**12.4**	13.3
Net cash outflow from investing activities	**(594.8)**	(669.6)
Cash flows from financing activities		
Proceeds from borrowings	**145.0**	963.4
Repayment of borrowings	**-**	(471.2)
Dividends paid to company's shareholders	**(90.3)**	(86.4)
Net cash inflow from financing activities	**54.7**	405.8
Net (decrease)/increase in cash and cash equivalents	**(83.4)**	36.5
Cash and cash equivalents at the beginning of the financial half-year	**116.7**	7.3
Cash and cash equivalents at end of half-year	**33.3**	43.8
Cash and cash equivalents	**33.4**	44.3
Less: Trust monies	**(0.1)**	(0.5)
Cash and cash equivalents in the cash flow statement	**33.3**	43.8

Given the short-term nature of the drawdowns and repayments, cash flows in relation to the Syndicated Debt Facility (effective from November 2010) are presented on a net basis in the cash flows from financing activities.

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

1 Summary of significant accounting policies

The financial statements of QR National Limited ("the Company") as at and for the period ended 31 December 2011 are for the consolidated entity consisting of the Company and its subsidiaries (together referred to as "the Group" or "QR National"). The financial statements are presented in Australian currency.

(a) Basis of preparation

This general purpose Interim Financial Report has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting*, and the *Corporations Act 2001*.

This Interim Financial Report does not include all the notes of the type normally included in an annual financial report. Accordingly, this financial report is to be read in conjunction with the annual report of the Company for the year ended 30 June 2011 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the Australian Securities Exchange Listing Rules. The annual report for the year ended 30 June 2011 is accessible at http://www.qrnational.com.au/investor/Pages/Reports.aspx.

The principal accounting policies adopted in the preparation of these consolidated financial statements are consistent with those of the previous financial year, except as modified as required for the adoption of new accounting standards. These policies have been consistently applied to both half-years presented, unless otherwise stated. Where necessary, comparative information has been restated to conform with changes in presentation in the current year.

(i) New and amended standards adopted by the Group
The Group has adopted a number of Australian Accounting Standards and Interpretations that are mandatory for annual reporting periods beginning on or after 1 July 2011. The adoption of these standards did not have any impact on the current period or any previous period and is not likely to affect future periods.

(ii) Early adoption of standards
The Group has not elected to early adopt any of the pronouncements available for adoption for the annual reporting period beginning 1 July 2011.

(iii) Historical cost convention
These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and assets and liabilities (including derivative instruments) at fair value.

(iv) Rounding of amounts
The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investment Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded of in accordance with that Class Order to the nearest hundred thousand dollars, unless otherwise indicated.

(v) Group Restructure
QR National Limited was incorporated on 14 September 2010 and did not undertake any trading activities between its incorporation and 21 September 2010 when it became a non operating holding company for a group comprising itself, QR Limited and QR Limited's controlled entities, by issuing shares to the State of Queensland in exchange for the State of Queensland's existing shares in QR Limited. The consolidated financial statements of QR National Limited have been prepared as a continuation of the financial statements of QR Limited.

2 Critical accounting estimates and judgements

The preparation of interim financial statements requires management to make estimates, judgements, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. 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 Group and that are believed to be reasonable in the circumstances. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The same significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty as those that applied to the financial report as at and for the year ended 30 June 2011 have been made for 31 December 2011.

(a) Take or Pay

During the half-year, actual tonnages have been below the regulatory forecast. As a result, significant estimates have been made in forecasting annual tonnages to determine the amount of annual net take or pay the Group is entitled to receive in respect of the half-year in accordance with the Access Undertaking agreements.

(b) Strategic infrastructure projects

During the period, work continued on various significant infrastructure projects in relation to above and below rail development. For the six months ended 31 December 2011, $10.9 million of costs were capitalised. Management's judgement has been applied to the extent to which capitalisation of these projects is appropriate. The application of this judgement will be re-assessed throughout the life of the projects.

(c) Revision of useful lives of plant and equipment

During the half-year, the useful lives of Coal locomotives were revised upwards to 30 years, to more accurately reflect the useful lives of these assets. There has also been a reduction in the value ascribed to the initial overhaul component of locomotives used within the Coal business. The overhaul component is depreciated over a useful life of between 10 to 12 years depending on the class of locomotive. The effect of these changes for the six months ended 31 December 2011 was a decrease in depreciation expense for the Group of $15.1 million. A similar useful life assessment will be undertaken in the second half of the financial year over Coal wagons and the Freight fleet.

3 Segment information

(a) Operating segments

The following summary describes the operations in each of the Group's reportable segments:

Coal
Transport of coal from mines in Queensland and NSW to end customers and ports.

Freight
Transport of bulk mineral commodities (including iron ore), agricultural products, mining and industrial inputs and general freight throughout Queensland, New South Wales and Western Australia, and containerised freight throughout Australia.

Network Services
Provision of access to, and operation and management of the Central Queensland Coal Network.

Provision of design, construction, overhaul, maintenance and management services to the Group as well as external customers.

Unallocated
Items of revenue and expense of a corporate nature, as well as those relating to minor operations within the Group, and ineffective hedging gains and losses.

Interest expense for the entire Group is not allocated to specific segments but rather recorded as a corporate expense. With the exception of property, plant and equipment, asset and liability positions of the Group are only reviewed at the consolidated level.

(b) Segment information

	Coal $m	Freight $m	Network Services $m	Unallocated $m	Total $m
31 December 2011					
Segment revenue					
Revenue from external customers					
Services revenue					
Track access	382.0	1.4	43.7	-	427.1
Freight transport	535.7	532.9	-	-	1,068.6
Other services	-	72.2	90.4	-	162.6
Other revenue	1.2	30.8	10.0	15.5	57.5
Total revenue from external customers	918.9	637.3	144.1	15.5	1,715.8
Intersegment revenue					
Services revenue					
Track access	-	-	335.0	-	335.0
Freight transport	12.0	60.8	-	-	72.8
Other services	-	-	115.8	-	115.8
Other revenue	-	-	-	42.5	42.5
Total intersegment revenue	12.0	60.8	450.8	42.5	566.1
Total revenue	930.9	698.1	594.9	58.0	2,281.9
Other income	19.0	33.7	0.5	(2.1)	51.1
Total segment revenue and other income	**949.9**	**731.8**	**595.4**	**55.9**	**2,333.0**
Intersegment elimination					(566.1)
Consolidated revenue and other income					**1,766.9**

3 Segment information (continued)

(b) Segment information (continued)

Segment result					
Underlying EBITDA	**233.6**	**62.0**	**233.0**	**(57.0)**	**471.6**
Depreciation and amortisation	(94.6)	(33.5)	(77.4)	(10.8)	(216.3)
	139.0	**28.5**	**155.6**	**(67.8)**	**255.3**
Intersegment elimination					(3.9)
Underlying EBIT					**251.4**
Significant adjustments (note 3(c))					8.8
EBIT					**260.2**
Net finance costs					(14.7)
Profit before income tax					**245.5**
Income tax (expense)/benefit					(56.2)
Profit for the year					**189.3**

31 December 2010	Coal $m	Freight $m	Network Services $m	Unallocated $m	Total $m
Segment revenue					
Revenue from external customers					
Services revenue					
Track access	394.3	4.7	46.2	-	445.2
Freight transport	474.9	509.5	-	-	984.4
Other services	-	73.2	103.2	-	176.4
Other revenue	0.8	16.8	39.3	28.8	85.7
Total revenue from external customers	870.0	604.2	188.7	28.8	1,691.7
Intersegment revenue					
Services revenue					
Track access	-	-	334.1	-	334.1
Freight transport	6.4	52.3	-	-	58.7
Other services	-	-	119.2	-	119.2
Other revenue	-	-	-	19.3	19.3
Total intersegment revenue	6.4	52.3	453.3	19.3	531.3
Total revenue	876.4	656.5	642.0	48.1	2,223.0
Other income	19.3	28.9	0.4	7.3	55.9
Total segment revenue and other income	**895.7**	**685.4**	**642.4**	**55.4**	**2,278.9**
Intersegment elimination					(531.3)
Consolidated revenue and other income					**1,747.6**
Segment result					
Underlying EBITDA	**202.8**	**42.8**	**246.2**	**(40.3)**	**451.5**
Depreciation and amortisation	(101.9)	(28.3)	(77.4)	(11.6)	(219.2)
	100.9	**14.5**	**168.8**	**(51.9)**	**232.3**
Intersegment elimination					(5.9)
Underlying EBIT					**226.4**
Significant adjustments (note 3(c))					(95.0)
EBIT					**131.4**
Net finance costs					(125.7)
Profit before income tax					**5.7**
Income tax (expense)/benefit					271.8
Profit for the year					**277.5**

3 Segment information (continued)

(c) Significant adjustments

Profit before income tax includes the following significant items. The exclusion of these items permits analysis of the Group's underlying performance on a comparative basis. The Group's underlying result differs from the statutory result.

	31 December 2011 $m	31 December 2010 $m
Expenses		
Employee benefits	**-**	57.2
Restructure costs	**(8.8)**	37.8
	(8.8)	95.0

31 December 2011

- The Group has concluded negotiations with the NSW Office of State Revenue with respect to the stamp duty payable in New South Wales relating to the group restructure. The provision previously recognised has been decreased by $8.8 million.

31 December 2010

- Employee benefits expense of $57.2 million comprises the payment of $41.9 million to employees under enterprise agreements negotiated with union representatives which provide for a one-off payment of $4,000 per eligible employee as at settlement; $9.0 million expense related to the Employee Gift Offer; and $6.3 million expense related to incentive schemes for management and employees in relation to the Offer.
- The Group incurred $37.8 million of non-operating costs in respect of the restructure and separation of the discontinued businesses which were transferred to Queensland Rail in June 2010, and in respect of the Offer. These costs comprise advisory and system separation costs incurred in respect of the restructure and the Offer, and stamp duty estimated as payable in New South Wales.

4 Revenue

	31 December 2011 $m	31 December 2010 $m
Services revenue		
Track access	**427.1**	445.2
Freight transport	**1,068.6**	984.4
Other services	**162.6**	176.4
Other revenue	**57.5**	85.7
	1,715.8	1,691.7

5 Profit before income tax

Included within profit before income tax, and not adjusted as significant items, are the following:

	31 December 2011 $m	31 December 2010 $m
Revenue		
Deficit tonnage charges	**21.1**	5.1
Take or pay	**16.6**	18.4
Revenue cap	**-**	14.2
	37.7	37.7

	31 December 2011 $m	31 December 2010 $m
Expenses		
Voluntary redundancy costs	**7.1**	-
Restructure costs	**12.9**	-
	20.0	-

Deficit tonnage charges are recognised in the period following that in which the service was due to be provided where the customer elects to pay the charges rather than reduce future tonnage entitlements.

Where annual actual tonnages railed are less than the regulatory approved annual tonnage forecast, an annual take or pay mechanism may become operative. A variable component of take or pay may also be applied where tonnage forecasts do not meet certain consecutive monthly thresholds. The take or pay portion of access revenue is recognised in the year that the contractual railings were not achieved.

Access revenue is subject to a revenue cap mechanism that serves to ensure the network recovers its full regulated revenue over the regulatory period, with the majority of under or over recovery in access tariffs (net of take or pay charges) during a financial year being charged or refunded, and recognised as revenue, in the second year following the period in which the contractual railings were not achieved. The revenue cap of $14.2 million recovered in the half-year ended 31 December 2010 relates to contractual railings that were not achieved in 2009.

The Group has incurred $7.1 million in redundancy costs during the half-year, primarily relating to the restructure to the functional model. Non-operational costs of $9.4 million have also been incurred with respect to this project to date, which includes IT separation costs and salary, wages and on-costs for employees working solely on the project. A further $3.5 million in restructuring costs have been incurred in relation to the finalisation of the separation of the Queensland Rail business.

6 Income tax expense/(benefit)

(a) Income tax expense/(benefit)

	31 December 2011 $m	31 December 2010 $m
Deferred tax	**66.0**	9.4
Deferred tax base reset on consolidation and privatisation	**(7.8)**	(281.2)
Adjustment for current tax of previous periods	**(2.0)**	-
	56.2	(271.8)

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

	31 December 2011 $m	31 December 2010 $m
Profit before income tax expense	**245.5**	5.7
Tax at the Australian tax rate of 30.0% (2011: 30.0%)	**73.7**	1.7
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Share-based payments	**(0.1)**	2.7
Sundry items	**-**	1.7
Stamp duty	**(2.7)**	3.3
Research and development	**(2.5)**	-
Non-assessable income	**(2.4)**	-
	66.0	9.4
Deferred tax base reset on consolidation and privatisation	**(7.8)**	(281.2)
Adjustment for current tax of previous periods	**(2.0)**	-
Income tax expense/(benefit)	**56.2**	(271.8)

6 Income tax expense/(benefit) (continued)

(c) Privatisation and Tax Consolidation

Entities within the Group exited the State administered National Tax Equivalents Regime upon privatisation on 22 November 2010. At the same time, QR National Limited and its wholly owned Australian subsidiaries entered the Federal Tax Regime.

QR National Limited and its wholly owned Australian subsidiaries implemented the tax consolidation legislation as of 22 November 2010. All Australian wholly owned companies in the QR National Limited Group are part of the tax consolidated group and are therefore taxed as a single entity. In this regard, the Australian Taxation Office has not yet been formally notified. The Group will notify the Australian Taxation Office when it lodges its 2011 income tax return that it had formed an income tax consolidated group to apply from 22 November 2010.

During the period ended 31 December 2010, as a consequence of the privatisation of QR National Limited and the proposed election to consolidate its wholly owned Australian subsidiaries under the Australian tax consolidation regime, the Group reset the tax base of its assets and liabilities as required by the specific privatisation tax rules and the tax consolidation regime. This resulted in an initial assessment of the net tax benefit of $281.2 million as at 31 December 2010 and $290.3 million as at 30 June 2011. At 31 December 2011, this net tax benefit upon privatisation has been reassessed to $298.1 million, and as a result, an additional income tax benefit of $7.8 million has been recognised in the half-year ended 31 December 2011.

Included in the $298.1 million net tax benefit upon privatisation, is a benefit of $134.9 million relating to valuable customer contracts that can be deducted for tax purposes over an average life of 7 years. On 30 March 2011 the Assistant Federal Treasurer requested that the Board of Taxation review the application of the laws which allow QRN to claim this benefit, including the possibility of retrospective law changes, and make recommendations to the Government. The Board of Taxation has reported on its finding to the Government and the Government announced on 25 November 2011 that the law in relation to rights to future income will be amended with retrospective effect from 1 July 2002. It is expected that the Group's entitlement to deductions will be largely protected under the tax law changes announced by the Government as the Group's entitlement arose under an arrangement entered into during the “transition period” being the period between the date the relevant law was passed by Parliament (12 May 2010) and the date the Board of Taxation was asked to review the rules (30 March 2011).

7 Non-current liabilities - Borrowings

	31 December 2011 $m	30 June 2011 $m
Unsecured		
Syndicated debt facility	**975.0**	830.0
Capitalised borrowing costs	**(22.6)**	(26.8)
Total unsecured non-current borrowings	**952.4**	803.2

The Syndicated Debt Facility imposes certain covenants on the Group to ensure that certain financial ratios are met, and restricts the amount of security that the Group and its subsidiaries can provide over their assets in certain circumstances.

8 Contributed equity

	December 2011 Shares '000	June 2011 Shares '000	December 2011 $m	June 2011 $m
Issued capital				
Ordinary shares - fully paid	**2,440,000**	2,440,000	**1,711.7**	1,711.7
Other contributed equity				
Share-based payments			**5.6**	2.9
Capital contributions from the State			**4,397.3**	4,397.3
	2,440,000	2,440,000	**6,114.6**	6,111.9

9 Dividends

(a) Ordinary shares

	31 December 2011 $m	31 December 2010 $m
Final dividend for the year ended 30 June 2011 of 3.7 cents per share, paid September 2011 (unfranked)	**90.3**	-
Special dividend for the period to 21 September 2010 of 3.54 cents per fully paid share, paid November 2010 (unfranked)	**-**	86.4
	90.3	86.4

(b) Dividends not recognised at the end of the reporting period

	31 December 2011 $m	31 December 2010 $m
Since 31 December 2011, the directors have recommended the payment of a final dividend of 3.7 cents per fully paid ordinary share (2011: nil), unfranked. The aggregate amount of the proposed dividend expected to be paid on 30 April 2012 out of retained earnings, but not recognised as a liability at 31 December 2011, is $90.3 million.	**90.3**	-

10 Contingencies

Issues relating to common law claims and product warranties are dealt with as they arise. A number of common law claims are pending against the Group. Provisions are taken up for some of these exposures based on management's determination.

There have been no material changes in contingent assets or liabilities since 30 June 2011. The Group has received $21.1 million in deficit tonnage charges during the period relating to the year ended 30 June 2011 that were previously recognised as a contingent asset. The Group has a contingent asset in the range of $6.0 - $7.5 million in respect of deficit tonnage charges relating to contracts with a period ended 31 December 2011.

11 Related party transactions

Except as described below, arrangements for related parties continue to be in place as disclosed in the 30 June 2011 financial report.

Share-based payments
Under the terms of the Omnibus Equity Plan - Rights and Options discussed in the June 2011 consolidated financial report, rights to 1,106,464 rights were offered to key management personnel on 22 August 2011 as part of their remuneration package. Performance rights granted comprise two tranches - Tranche 1 (50%) with vesting based on TSR performance from 1 July 2011 to 30 June 2014 having a fair value of $1.28; and Tranche 2 (50%) with vesting based on EBIT and EPS performance over the same period having a fair value of $2.93. Unconditional ownership does not occur until performance targets are achieved and the rights vest.

12 Earnings per share

(a) Basic and diluted earnings per share

	31 December 2011 Cents	31 December 2010 Cents
From continuing operations attributable to the ordinary equity holders of the Company	**7.8**	12.4

(b) Weighted average number of shares used as denominator

	31 December 2011 Number '000	31 December 2010 Number '000
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**2,440,000**	2,241,087

13 Events occurring after the reporting period

No matter or circumstance has occurred subsequent to half-year end that 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 or economic entity in the subsequent half-year.

In accordance with a resolution of the directors of the Company , I state that:

In the opinion of the directors of the Company:

(a) the financial statements and notes set out on pages 8 to 23 are in accordance with the *Corporations Act 2001*, including:
   (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
   (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date, and

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

J B Prescott AC
Chairman

Brisbane Qld
16 February 2012

Independent auditor's review report to the members of QR National Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of QR National Limited, which comprises the balance sheet as at 31 December 2011, and the income statement, the statement of comprehensive income, statement of changes in equity and cash flow statement for the half-year ended on that date, selected explanatory notes and the directors' declaration for the QR National Limited Group (the consolidated entity). The consolidated entity comprises both QR National Limited (the company) and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001 and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of QR National Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001.*

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of QR National Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

Robert Hubbard
Partner

Brisbane
16 February 2012