QUBE HOLDINGS LIMITED
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17 October 2018

ASX Announcement

Notice of 2018 Annual General Meeting and 2018 Annual Report

Attached below are Qube's:

- Notice of 2018 Annual General Meeting (including proxy form); and
- 2018 Annual Report.

Adam Jacobs
Company Secretary

AUSTRALIA'S LEADING INTEGRATED LOGISTICS SOLUTIONS PROVIDER

QUBE HOLDINGS LIMITED
NOTICE OF 2018 ANNUAL GENERAL MEETING

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of members of Qube Holdings Limited (**Company**) will be held at Level 15, PricewaterhouseCoopers (PwC), One International Towers Sydney, Watermans Quay, Barangaroo, Sydney on Thursday, 22 November 2018 at 10:30am (Sydney time).

ITEMS OF BUSINESS

FINANCIAL STATEMENTS AND REPORTS

To receive and consider the financial report of the Company and the reports of the Directors and Auditor for the year ended 30 June 2018.

Note: there is no requirement for Shareholders to approve these reports.

RESOLUTIONS

1. Re-election of Sam Kaplan

To consider and, if thought fit, to pass the following Resolution as an Ordinary Resolution:

"That Mr. Sam Kaplan be re-elected as a Director of the Company."

Note: the Chairman of the meeting intends to vote all available proxies in favour of this Resolution.

2. Re-election of Ross Burney

To consider and, if thought fit, to pass the following Resolution as an Ordinary Resolution:

"That Mr. Ross Burney be re-elected as a Director of the Company."

Note: the Chairman of the meeting intends to vote all available proxies in favour of this Resolution.

3. Remuneration Report

To consider and, if thought fit, to pass the following Resolution as an Ordinary Resolution:

"That the Remuneration Report for the year ended 30 June 2018 be adopted."

Notes:

(a) The vote on this Resolution is advisory only and does not bind the Directors or the Company.

(b) This Resolution is subject to voting exclusions as outlined in the notes accompanying this Notice of Meeting.

(c) The Directors will consider the outcome of the vote and comments made by Shareholders on the Remuneration Report at the Meeting when reviewing the Company's remuneration policies.

(d) If 25% or more of votes cast are against the adoption of the Remuneration Report at two consecutive AGMs, Shareholders will be required to vote at the second of those AGMs on a Resolution that another meeting be held within 90 days at which all of the Directors (other than the Managing Director) must stand for re-election.

(e) The Chairman of the meeting intends to vote all available proxies in favour of this Resolution.

4. Approval of FY19 award of SARs under the Qube Long Term Incentive (SAR) Plan to Maurice James

To consider, and if thought fit, to pass the following Resolution as an Ordinary Resolution:

"That, for the purposes of ASX Listing Rule 10.14 and for all other purposes, the award of 4,248,300 SARs to Maurice James in accordance with the terms of the Qube Long Term Incentive (SAR) Plan and otherwise on the terms and conditions set out in the Explanatory Memorandum be approved."

Notes:

(a) This Resolution is subject to voting exclusions as outlined in the notes accompanying this Notice of Meeting.

(b) The Chairman of the meeting intends to vote available proxies in favour of this Resolution.

5. Approval of FY19 award of rights to Shares under the Qube Short Term Incentive Plan to Maurice James

To consider and, if thought fit, to pass the following Resolution as an Ordinary Resolution:

"That, for the purposes of ASX Listing Rule 10.14 and for all other purposes, the award of up to 142,668 rights to Shares to Maurice James in accordance with the terms of the Qube Short Term Incentive Plan and otherwise on the terms and conditions set out in the Explanatory Memorandum be approved."

Notes:

(a) This Resolution is subject to voting exclusions as outlined in the notes accompanying this Notice of Meeting.

(b) The Chairman of the meeting intends to vote available proxies in favour of this Resolution.

6. Approval of the issue of securities under the Qube Long Term Incentive (SAR) Plan

To consider, and if thought fit, to pass the following Resolution as an Ordinary Resolution:

"That, for the purposes of ASX Listing Rule 7.2 exception 9 and for all other purposes, the issue of securities under the Qube Long Term Incentive (SAR) Plan and otherwise on the terms and conditions set out in the Explanatory Memorandum be approved."

Note:

(a) This Resolution is subject to voting exclusions as outlined in the notes accompanying this Notice of Meeting.

(b) The Chairman of the meeting intends to vote available proxies in favour of this Resolution.

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7. Approval of grant of financial assistance

To consider and, if thought fit, to pass the following resolution as a Special Resolution:

"That for the purpose of section 260B(2) of the Corporations Act and for all other purposes, the Company approves the grant of financial assistance by:

*(a) D&J Holding Co Pty. Limited (ACN 615 429 199) (**D&J Holding Co**);*

(b) D&J Subsidiary Co Pty. Limited (ACN 615 447 259); and

(c) Maritime Container Services Pty. Limited (ACN 001 169 240);

(d) Australian Grain Packers Pty. Limited (ACN 613 560 400),

*(**MCS Group Companies**); and*

*(e) ISO Marshalling Pty. Limited (ACN 152 640 009) (**ISO Marshalling**),*

*(**ISO Marshalling**),*

*(each an **Acquired Company**) as contemplated in the accompanying Explanatory Memorandum in connection with the acquisitions by subsidiaries of the Company of all of the shares in D&J Holding Co. (of which the other MCS Group Companies are subsidiaries) and ISO Marshalling, and all elements of these transactions and any other transaction that may constitute financial assistance by the Acquired Companies for the purposes of section 260A of the Corporations Act."*

Without limitation, section 260B(2) of the Corporations Act is relevant to this Resolution.

Note: the Chairman of the meeting intends to vote available proxies in favour of this Resolution.

VOTING EXCLUSIONS

The Company will disregard any votes cast in favour of:

- Resolution 3 (Remuneration Report):
  - by or on behalf of a member of the Key Management Personnel (whose remuneration is disclosed in the Remuneration Report) and any of their Closely Related Parties; and
  - as proxy by a member of the Key Management Personnel, or any of their Closely Related Parties.

  However, the Company need not disregard a vote if it is cast as proxy for a person who is entitled to vote on the Resolution:
  - in accordance with a direction on the proxy form; or
  - by the Chairman of the Meeting as proxy for a member entitled to vote on Resolution 3 pursuant to an authorisation on the proxy form to exercise the proxy as the Chairman of the Meeting sees fit (even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel);
- Resolution 4 (Approval of FY19 award of SARs under the Qube Long Term Incentive (SAR) Plan to Maurice James):
  - by Mr. James (being the only Director eligible to participate in any of the Company's employee incentive plans) and any of his Associates; and
  - as proxy by a member of the Key Management Personnel or any of their Closely Related Parties.

  However, the Company need not disregard a vote if it is cast as proxy for a person who is entitled to vote on the Resolution:
  - in accordance with a direction on the proxy form; or
  - by the Chairman of the Meeting as proxy for a member entitled to vote on Resolution 4 pursuant to an authorisation on the proxy form to exercise the proxy as the Chairman of the Meeting sees fit (even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel);
- Resolution 5 (Approval of FY19 award of rights to Shares under the Qube Short Term Incentive Plan to Maurice James):
  - by Mr. James (being the only Director eligible to participate in any of the Company's employee incentive plans) and any of his Associates; and
  - as proxy by a member of the Key Management Personnel or any of their Closely Related Parties.

  However, the Company need not disregard a vote if it is cast as proxy for a person who is entitled to vote on the Resolution:
  - in accordance with a direction on the proxy form; or
  - by the Chairman of the Meeting as proxy for a member entitled to vote on Resolution 5 pursuant to an authorisation on the proxy form to exercise the proxy as the Chairman of the Meeting sees fit (even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel);
- Resolution 6 (approval of the issue of securities under the Qube Long Term Incentive (SAR) Plan):
  - by Mr. James (being the only Director eligible to participate in any of the Company's employee incentive plans) and any of his Associates; and
  - as proxy by a member of the Key Management Personnel or any of their Closely Related Parties.

However, the Company need not disregard a vote if it is cast as proxy for a person who is entitled to vote on the Resolution:

- in accordance with a direction on the proxy form; or
- by the Chairman of the Meeting as proxy for a member entitled to vote on Resolution 6 pursuant to an authorisation on the proxy form to exercise the proxy as the Chairman of the Meeting sees fit (even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel);

OTHER INFORMATION

Entitlement to vote

For the purpose of determining entitlements to attend and vote at the Meeting, Shares will be taken to be held by the persons who are the registered holders at 7:00pm (Sydney time) on Tuesday, 20 November 2018. Accordingly, Share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.

How to vote

Shareholders entitled to vote at the Meeting may vote:

a) by attending the Meeting and voting in person; or

b) by appointing an attorney to attend the Meeting and vote on their behalf or, in the case of corporate members or a proxy that is a body corporate, a corporate representative to attend the Meeting and vote on its behalf; or

c) by appointing a proxy to attend and vote on their behalf, using the proxy form accompanying this Notice. A proxy may be an individual or a body corporate.

Exercising your right to vote

The vote on each resolution will be decided by a poll, subject to any requirements of the Corporations Act and the Constitution. Each Shareholder present in person or by proxy or attorney has one vote for each Share held.

Voting in person (or by attorney)

Shareholders or their proxies, attorneys or representatives (including representatives of corporate proxies) wishing to vote in person should attend the Meeting and bring a form of personal identification (such as their Driver's Licence).

To attend and vote at the Meeting a corporate member must appoint a person to act as its representative. The appointment must comply with section 250D of the *Corporations Act 2001* (Cth). The written notice of appointment must be received by the Registry before 10:30am (Sydney time) on Tuesday, 20 November 2018 in any of the ways set out below.

To vote by attorney at the Meeting, the Registry must receive the original or a certified copy of the power of attorney or other authority (if any) under which the instrument is signed before 10:30am (Sydney time) on Tuesday, 20 November 2018 in any of the ways set out below:

By post to the Registry:

Computershare Investor Services Pty Limited
GPO Box 242
Melbourne VIC 3001
Australia

By fax to the Registry on:

1800 783 447 from within Australia,
or +61 3 9473 2555 from outside Australia.

To vote in person, you or your proxy, attorney, representative or corporate proxy representative must attend the Meeting to be held at Level 15, PwC, One International Towers Sydney, Watermans Quay, Barangaroo, Sydney on Thursday, 22 November 2018 at 10:30am (Sydney time).

A vote cast in accordance with the appointment of a proxy or power of attorney is valid even if before the vote was cast the appointor:

a) died;

b) became mentally incapacitated;

c) revoked the proxy or power; or

d) transferred the Shares in respect of which the vote was cast,

unless the Company received written notification of the death, mental incapacity, revocation or transfer before the Meeting or adjourned meeting.

Voting by proxy

Shareholders wishing to vote by proxy at the Meeting must:

a) complete and sign or validly authenticate the proxy form, which is enclosed with this Notice, and deliver the signed and completed proxy form to the Company by 10:30am (Sydney time) on Wednesday, 21 November 2018 in accordance with the instructions below; or

b) lodge their proxy form online by 10:30am (Sydney time) on Wednesday, 21 November 2018 in accordance with the instructions below.

A person appointed as a proxy may be an individual or a body corporate.

Undirected and directed proxies

The Company encourages you to actively direct your proxy how to vote on each item of business by marking the appropriate boxes on the proxy form.

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Voting restrictions that may affect your proxy appointment

Due to the voting exclusions that apply to Resolutions 3, 4, 5 and 6, the Company's Key Management Personnel and their Closely Related Parties will not be able to vote your proxy on those Resolutions unless you have directed them how to vote on the proxy form. The Chairman of the Meeting can cast undirected votes on Resolutions 3, 4, 5 and 6 under the authorisation to do so on the proxy form.

If you intend to appoint a member of the Key Management Personnel or one of their Closely Related Parties as your proxy, you are encouraged to direct them how to vote on Resolutions 3, 4, 5 and 6 by marking the proxy form accordingly for those Resolutions.

If you appoint the Chairman of the Meeting as your proxy, you can direct him how to vote by marking the boxes for each item. Alternately, you can decide not to mark any of the boxes and he can cast your votes on each of the Resolutions. The Chairman of the Meeting will vote available proxies on, and in favour of, all of the proposed resolutions.

Default to Chairman

As the vote on each Resolution will be decided on a poll, if:

a) a Shareholder has appointed a proxy (other than the Chairman of the Meeting); and

b) that Shareholder's proxy is either not recorded as attending the Meeting or does not vote on the Resolution,

the Chairman of the Meeting will, before voting on each Resolution closes, be taken to have been appointed as the proxy for the member for the purposes of voting on that Resolution. If the appointment of the proxy does not specify the way the proxy is to vote, subject to the comments set out above, the Chairman of the Meeting will be expressly authorised to vote as he or she sees fit.

Submitting proxy votes

Shareholders wishing to submit proxy votes for the Meeting must return the enclosed proxy form no later than 10:30am (Sydney time) on Wednesday, 21 November 2018 in any of the following ways:

By post to the Registry at:

Computershare Investor Services Pty Limited
GPO Box 242
Melbourne VIC 3001
Australia

By fax to the Registry on:

1800 783 447 from within Australia,
or +61 3 9473 2555 from outside Australia.

Lodged online at:

www.investorvote.com.au.

Shareholders wishing to lodge electronic proxies online may do so online at www.investorvote.com.au.

Note: proxies may not be returned by email.

By order of the Board

William Hara
Company Secretary

Dated 10 October 2018

EXPLANATORY MEMORANDUM

This Explanatory Memorandum sets out further information regarding the proposed Resolutions to be considered by Shareholders of Qube Holdings Limited (**Qube** or **Company**) at the Annual General Meeting of Shareholders to be held at Level 15, PwC, One International Towers Sydney, Watermans Quay, Barangaroo, Sydney on Thursday, 22 November 2018 at 10:30am (Sydney time) and forms part of this Notice of Meeting.

FINANCIAL REPORT AND REPORTS OF THE DIRECTORS AND AUDITORS

This item allows Shareholders the opportunity to consider the Company's Financial Report, Directors' Report and Auditor's Report for the year ended 30 June 2018. Under Section 317 of the Corporations Act, the Company is required to lay these three reports before its members at its Annual General Meeting. These Reports are included in the Company's Annual Report 2018 which has been sent to Shareholders and released to the ASX, and is also available on the Company's website at: https://qube.com.au/investor/asx-media-announcements/.

Neither the Corporations Act nor the Constitution requires a vote of Shareholders on the Reports or statements. However, Shareholders will be given the opportunity to raise questions and make comments on the reports and statements, and on the management of the Company, at the Meeting.

The Chairman will also give Shareholders a reasonable opportunity to ask the Auditor questions relevant to:

a) the conduct of the audit;
b) the preparation and content of the independent Auditor's Report;
c) the accounting policies adopted by the Company in relation to the preparation of the financial statements; or
d) the independence of the Auditor in relation to the conduct of the audit.

Shareholders may submit written questions relevant to these matters to the Auditor. If written questions are received, the question list will be made available to Shareholders attending the Meeting. The Auditor may answer the questions at the Meeting or table written answers. If written answers are tabled, they will be made available to Shareholders after the Meeting.

Please send any written questions for the Auditor by any of the following ways no later than 5.00pm (Sydney time) on Thursday, 15 November 2018:

By post to the Registry at:

Computershare Investor Services Pty Limited
GPO Box 242
Melbourne VIC 3001
Australia

By fax to the Registry on:

1800 783 447 from within Australia,
or +61 3 9473 2555 from outside Australia.

RESOLUTION 1 – RE-ELECTION OF SAM KAPLAN

Resolution 1 provides for the re-election of Mr. Sam Kaplan as Director of the Company in accordance with Rule 6.7 of the Company's Constitution.

Mr. Kaplan was appointed as a Director of the Company on 23 March 2011 and is currently the Deputy Chairman of the Company and the Chair of the Audit and Risk Management Committee.

Mr. Kaplan is Managing Director of Kaplan Funds Management Pty Limited, the investment manager of Qube from its establishment in 2006 until the Qube Restructure in September 2011. Mr Kaplan is one of the founders of Qube.

Mr. Kaplan is a director and member of the Investment Committee of Maritime Super.

Mr. Kaplan was one of the founders of Patrick Corporation Limited and was involved in strategic planning with the Company. During his tenure at Patrick Corporation Limited, Mr Kaplan was involved in a number of acquisitions including Pacific National and Virgin Blue.

Based on the factors considered by the Board set out in Qube's Corporate Governance Statement (available https://qube.com.au/about/corporate-governance/), the Board considers Mr. Kaplan to be an independent Director.

The Directors (other than Mr. Kaplan who, given his interest in the outcome of this Resolution, declines to make a recommendation) unanimously recommend that Shareholders vote in favour of this Resolution.

The Chairman of the meeting intends to vote all available proxies in favour of Resolution 1.

RESOLUTION 2 – RE-ELECTION OF ROSS BURNEY

Resolution 2 provides for the re-election of Mr. Ross Burney as Director of the Company in accordance with Rule 6.7 of the Company's Constitution.

Mr. Burney was appointed as a Director of the Company on 9 September 2011 and is a member of Nomination and Remuneration Committee.

Mr Burney is the Chief Executive of Hume Partners. He has over 25 years' experience as an accountant and investment manager having previously worked for BDO Chartered Accountants, Brierley Investments Limited, Guinness Peat Group and Taverners Group.

Based on the factors considered by the Board set out in Qube's Corporate Governance Statement, the Board considers Mr. Burney to be an independent Director.

The Directors (other than Mr. Burney who, given his interest in the outcome of this Resolution, declines to make a recommendation) unanimously recommend that Shareholders vote in favour of this Resolution.

The Chairman of the meeting intends to vote all available proxies in favour of Resolution 2.

EXPLANATORY MEMORANDUM

RESOLUTION 3 – REMUNERATION REPORT

Resolution 3 provides Shareholders the opportunity to vote on the Company's Remuneration Report. Under section 250R(2) of the Corporations Act, the Company must put the adoption of its Remuneration Report to a vote of Shareholders at the Company's AGM.

The vote on this Resolution is only advisory to the Company and does not bind the Board or the Company.

The Remuneration Report is set out in, and forms part of, the Directors' Report within the 2018 Annual Report.

The Chairman of the Meeting will allow a reasonable opportunity for Shareholders to ask questions about, or make comments on, the Remuneration Report. The Board will consider the outcome of the vote and comments made by Shareholders on the Remuneration Report at this Meeting when reviewing the Company's remuneration policies.

If 25% or more of votes cast are against the adoption of the Remuneration Report at two consecutive AGMs, Shareholders will be required to vote at the second of those AGMs on a resolution (a "spill resolution") that another meeting be held within 90 days at which all of the Directors (other than the Managing Director) must stand for re-election. The Remuneration Report for the 2017 financial year was approved at the 2017 AGM by 89.40% of votes cast on the corresponding resolution to Resolution 3.

The Company encourages all Shareholders to cast their votes on this Resolution.

Message from the Chairman of the Nomination and Remuneration Committee

Qube's remuneration framework is intended to align rewards to management with the achievement of financial and non-financial performance that drives sustainable growth in shareholder value.

Qube reported a strong financial result in FY18. Underlying net profit after tax (NPAT) increased by 4.5% to $106.8 million and underlying net profit after tax before amortisation (adjusted for Qube's share of Patrick amortisation) (NPATA) increased by 6.0% to $122.8 million.

STI

For the purposes of determining bonuses, Qube achieved 108% of the Group NPATA target and 104% of the ROACE target. As the financial hurdles were fully met, the KPI relating to financial measures and for setting the STI pool was fully achieved.

The Managing Director achieved 88% of the non-financial KPIs relating to strategy and growth and 95% of the KPIs relating to business and operations. The main areas of achievement included meeting key objectives relating to the Moorebank project, supporting key initiatives and strategic and financial outcomes for Patrick, improvements in safety outcomes and effective stakeholder management (including shareholders, regulatory authorities, customers and port authorities).

The other KMP achieved an average of 90% of KPIs relating to strategy and growth and 96% of the KPIs relating to business and operations. The main areas of achievement included delivery of target growth from acquisitions and the successful development and leasing of Minto, improvements in safety and delivery of key priorities from Board committees.

The Managing Director received 90% of his target STI opportunity and the other KMP received STI payments of between 88% and 95% of their target STI opportunity.

LTI

In FY18, Qube's statutory NPAT increased by 157.8% to $199.3 million and NPATA increased by 136.6% to $215.3m.

The assessment of the EPS hurdle in Qube's LTI Plans is based on Qube achieving a target annual compound growth in earnings per share over the vesting period. In accordance with the terms of these plans, the earnings are based on statutory earnings excluding certain non-recurring and non-cash items as determined by the Nomination and Remuneration Committee. This is to ensure that the vesting outcomes are consistent with the Committee's objectives and performance based remuneration objectives of the remuneration framework, balancing the interests of shareholders and executives.

The Committee determined that it was appropriate to include the fair value gain on the Minto and Moorebank investment properties in the EPS assessment even though these earnings were non-cash and unrealised until the assets are sold. The Board believes that substantial value can be created for shareholders from developing and holding these strategic property assets.

As there are three tranches of LTI that may vest (FY14, FY15 and FY16), to enable a balanced outcome that takes into account both management's efforts to drive value across both Moorebank and Minto, and continued sustainable shareholder growth, the Board has determined that notwithstanding each of the three grants may vest in FY18 that the appropriate balance for the KMP and other senior executives is to treat each grant in the following way:

LTI Grant	LTI Grant
FY14 – EPS Performance Rights	Fully vested
FY15	Qualified assessment subject to conditions including no material deterioration in the value of Moorebank in FY19
FY16	In addition to the FY15 qualified assessment and conditions, vesting is subject to meeting the EPS hurdle as assessed at the end of FY19

The Board believes that this approach recognises the contribution of management – both in delivering solid financial performance during the reporting period as well as increasing the value of the properties – as well as ensuring shareholders continue to realise the benefit from the increased value of the Moorebank and Minto properties.

Qube's freehold land at Minto has been successfully transformed from an under-utilised and under-rented property to a fully utilised and fully leased motor vehicle logistics hub. The property has undergone significant re-development that was delivered on schedule at target construction cost. In parallel, management secured development approval for rail access into the property and to develop 110,000 square metres of warehousing.

In relation to Moorebank, management's efforts were critical to increase the value of the property through:

- completion of the acquisition of Aurizon's 1/3rd interest in the Moorebank land and project, giving Qube 100% ownership and control of the development, operation, asset and management rights.
- negotiation of a 99 year leasehold interest in an additional 160 hectares of developable area – a 200% increase on its original site.
- establishing an arrangement so the Moorebank Intermodal Company (**MIC**) is committed to pay for the remediation and preparation of their land to accord with the standard of Qube's land, which is expected to further increase the value of MIC's land.
- securing funding on favourable terms including a US debt issuance and a facility from the Clean Energy Finance Corporation reflecting the environmentally positive attributes of the Moorebank project.
- securing the first tenant for new warehousing with an associated new logistics contract.

Board recommendation

The Directors consider that the remuneration policies adopted by the Company are appropriately structured to provide rewards that are linked to the performance of both the Company and the individual. On that basis, the Directors unanimously recommend that Shareholders vote in favour of this advisory Resolution.

The Chairman of the meeting intends to vote all available proxies in favour of Resolution 3.

Voting exclusions

The Company will disregard any votes cast in favour of Resolution 3:

a) by or on behalf of a member of the Key Management Personnel (whose remuneration is disclosed in the Remuneration Report) or any of their Closely Related Parties; and

b) as a proxy by a member of the Key Management Personnel or any of their Closely Related Parties,

unless the vote is cast as a proxy for a person who is entitled to vote on Resolution 3:

c) in accordance with their directions of how to vote on the proxy form; or

d) by the Chairman of the Meeting under the authorisation on the proxy form to exercise the proxy as the Chairman sees fit (even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel).

RESOLUTION 4 – APPROVAL OF FY19 AWARD OF SARS UNDER THE QUBE LONG TERM INCENTIVE (SAR) PLAN TO MAURICE JAMES

The Company is seeking shareholder approval in accordance with ASX Listing Rule 10.14 for the FY19 award of share appreciation rights (**SARs**) to Mr. James pursuant to the Qube Long Term Incentive (SAR) Plan.

If approval is given for the purposes of Listing Rule 10.14, approval is not required under Listing Rule 7.1.

Background

As detailed in last year's Notice of Annual General meeting, Patrick Terminals and the Moorebank Logistics Park are high quality and unique infrastructure assets secured as part of a consistent strategy expected to deliver significant value to shareholders over the long term. The Company is continuing to remain focused on the successful integration and implementation of these assets to maximise their value. The Board considers that if management is successful in executing the Company's strategy to maximise the value of these unique infrastructure assets, this will be reflected in the share price.

Accordingly, from FY17 the Company established a new long-term incentive scheme involving the issue of SARs with vesting subject to a share price increase and a three-year service condition, followed by a further holding lock period of two years (i.e. long-term holding of five years).

A SAR is a right to an acquisition of shares, the number of which is determined by the amount of the appreciation in the share price over the three-year time period.

With SARs, if the share price appreciates, management receive a reward and Shareholders benefit from an increased share price. If the share price does not increase, the management team receives no value.

The Board considers that the LTI (SAR) Plan provides a number of benefits for Shareholders:

- The SAR structure recognises the long-term impact of decisions and the nature of the Company's strategic assets by ensuring that there is a long-term alignment between management and Shareholders. Awards only vest on completion of a three-year service period and vested Shares are then subject to a further two-year trading restriction. Thus even if an executive leaves the Company after satisfying the three-year service condition, he or she will be required to still hold Shares for a further two years.
- SARs have an implicit share price hurdle that directly aligns the rewards received by management with the experience of Shareholders. Executives receive no rewards if there is no appreciation in the Share price and benefit, along with Shareholders, if they deliver on the Board's strategy and materially increase the price at which Shares trade.
- The Company has experienced significant change with the acquisition and development of its strategic assets and this is likely to continue into the immediate future. In view of this,

EXPLANATORY MEMORANDUM

it is particularly challenging to determine appropriate LTI hurdles over a three-year period that both incentivises key management personnel and is also fair to Shareholders.

- The SAR structure does not require the exercise of any discretion by the Board in setting performance hurdles. Rather, these are provided by the market for Shares on ASX. This provides clarity to executives and Shareholders on the outcomes management are expected to achieve in order to generate a reward under the LTI (SAR) Plan.
- The benefit received by a participant in the LTI (SAR) Plan is based on the price at which Shares trade on ASX at the commencement and end of a three-year calculation period. As the base for calculating Share price appreciation in subsequent years is determined by reference to dates that align with the closing price for prior years, there is little incentive for executives to pursue a short-term advantage by seeking to influence the trading price to achieve a greater benefit. The application of a two-year trading restriction post vesting and use of a 30 day trading period to determine the Share price also ameliorates these risks.

FY19 Award under the LTI (SAR) Plan

The LTI (SAR) Plan is a long-term incentive plan introduced by Qube from the 2017 financial year. It is directed at providing participants an opportunity to share in the growth and sustained value of Qube over the long term. It involves the provision of an Award of SARs to participants. An Award entitles a participant to receive Shares at no cost subject to fully satisfying the performance and service conditions of the Award.

The number of SARs granted under an Award is determined by dividing the LTI opportunity by the value of each SAR. For the FY19 award under the LTI (SAR) Plan, the value of each SAR has been independently determined to be 36 cents. This determination was based on an independent valuation reflecting the terms of the LTI (SAR) Plan rules. The valuation takes into account the market price of Qube Shares at the initial share price being $2.68. Several valuation methodologies were applied by the valuer, including the Black-Scholes-Merton model and the Monte Carlo simulation model, and the resulting valuation of the SARs was determined to be the same under the different methodologies. The key inputs used to derive the valuation included the initial price of $2.68, the three-year term of the SARs, the risk-free interest rate, Qube's expected dividend yield over the term, the expected volatility range of the Qube Share price over the term, and the appropriate marketability discount to reflect the mandatory two-year holding period of vested SARs.

Conversion of vested Awards to Shares

Based on a value of each SAR of 36 cents, for an executive to receive the full value of their LTI opportunity, the share price would have to increase by 36 cents over a three year period. This equates to a total return of 13.4% on the initial share price of $2.68 excluding dividends over the three year period. The Board considers this to be an effective incentive for executives and fair to executives and shareholders.

If the face value of $2.68 were used as the value of each SAR, for an executive to receive the full value of their LTI opportunity, the share price would have to double over the three year period. The Board does not consider this is an effective incentive to executives and is unfair to executives and shareholders.

Mr. James' FY19 LTI Award

For the year ending 30 June 2019 (**FY19**), the LTI opportunity for Mr. James is set at $1,529,388.

As soon as practicable after the passage of Resolution 4 and in any event within 12 months of the Meeting subject to Shareholder approval, Mr. James will be granted 4,248,300 SARs under the Award. There is no maximum number of Shares that Mr. James may acquire (subject to satisfying all service conditions) on vesting of an Award. For the purposes of Listing Rule 10.15A.2, the maximum number of Shares that will be issued to Mr. James on vesting is 570,667 Shares. Any additional Shares that Mr. James becomes entitled to receive on vesting of his Award will be satisfied by on-market purchase of Shares.

The number of Shares Mr. James receives if SARs vest is determined by reference to the appreciation in the market price for Shares on ASX (determined by reference to a 30-day volume weighted average price of trades undertaken on ASX (excluding block trades, large portfolio trades, permitted trades during the pre-trading hours period of ASX, permitted post-trading hours period of ASX, out of hours trading and exchange traded option exercises (**VWAP**)) between an initial calculation date and the date all vesting conditions for the Award (**Vesting Date**) are satisfied.

Awards lapse if the 30-day VWAP of Shares at the Vesting Date is below the 30-day VWAP as at the initial calculation date. Vesting is also dependent on the participant's continuing service at the Vesting Date.

The conversion of vested Awards to Shares will be satisfied by the issue of new Shares to Mr. James or delivery of Shares purchased on-market for that purpose or a combination of issue and purchase, at the Board's discretion.

The Award to Mr. James will vest on or about 13 September 2021 and Vested Shares will be issued or transferred by 17 September 2021.

Dividends will not be paid on the Awards. Vested Shares will rank equally with all other Shares for dividends from the date of issue or transfer to the participant.

Trading Restrictions

The Shares Mr. James receives on vesting of SARs may not be traded or disposed of for the restriction period set on grant of the Award (**Restriction Period**). In the case of Mr. James, the Restriction Period is the period of two years after the Vesting Date. Qube will establish a holding lock over Vested Shares for the Restriction Period.

Trading in Vested Shares received under the LTI (SAR) Plan is subject to the Company's Securities Dealing Policy, including trading blackout periods.

Termination of employment

Participants must continue to be employed by a Qube Group Member until the Vesting Date for an Award to vest.

All unvested Awards held by a participant are forfeited if the participant ceases to be employed by a Qube Group Member for any reason. However, the Board maintains an absolute discretion to deal with unvested Awards on cessation of employment as it sees fit. It may, but is not obliged to, allow some or all of a participant's unvested Awards to vest or treat unvested Awards as being held by the participant and subject to the existing vesting conditions as if the participant had not ceased to be employed by a Qube Group Member.

Early vesting of Awards

The early vesting of Awards may be permitted by the Board in other limited circumstances such as a change in control of the Company. On a change of control, the Board may, in its absolute discretion, determine how unvested Awards are treated. This may include determining that some or all unvested Awards immediately vest.

Other terms

No amount is payable by Mr. James upon the grant of this Award or to acquire Vested Shares upon vesting of SARs.

The number of Shares to be delivered on vesting of Awards will be adjusted in the event Qube undertakes a reconstruction of capital, a bonus issue or rights issue of Shares at a discount to the market price.

Shareholder approval

The Company is seeking Shareholder approval to award SARs to Mr. James under the LTI (SAR) Plan and Shares issued on vesting of those SARs.

Under ASX Listing Rule 10.14, the Company must not permit Directors or their Associates to acquire securities (including under an employee incentive schemes such as the LTI (SAR) Plan) without Shareholder approval, unless an exception applies. Shareholder approval is required for the Company to issue new Shares directly to a Director on conversion of vested SARs under the LTI (SAR) Plan.

Details of any Vested Shares issued under the LTI (SAR) Plan will be published in each annual report of the Company relating to a period in which Vested Shares have been issued and that approval for the issue of those Shares was obtained under Listing Rule 10.14. Any additional Directors or their Associates who become entitled to participate in the FY18 Award under the LTI (SAR) Plan after passage of this Resolution (if passed) and who are not named in this notice of meeting will not participate until approval is obtained under Listing Rule 10.14.

Other than Mr. James, no Director (or their Associate) is currently entitled to participate in the LTI (SAR) Plan. Mr. James was also the only Director who was entitled to participate in the LTI (SAR) Plan in respect of FY18. Mr. James received an FY18 Award of 3,486,977 SARs for a nil acquisition price under the LTI (SAR) Plan, as approved at the 2017 AGM. No Shares have yet vested or been issued under the LTI (SAR) Plan. Subject to meeting the conditions under the LTI (SAR) Plan, the FY18 Award to Mr. James will vest on or about 28 September 2020 and Vested Shares will be issued or transferred by 22 November 2020.

Board recommendation

The Directors (other than Mr. James who, given his interest in the outcome of this Resolution, declines to make a recommendation) unanimously recommend that Shareholders vote in favour of this Resolution.

Voting exclusions

The Company will disregard any votes cast in favour of this resolution:

a) by Mr. James (being the only Director eligible to participate in any of the Company's employee incentive plans) and any of his Associates; and

b) as a proxy by a member of the Key Management Personnel or any of their Closely Related Parties.

However, the Company need not disregard a vote if it is cast as proxy for a person who is entitled to vote on this Resolution:

a) in accordance with their directions of how to vote on the proxy form; or

b) by the Chairman of the Meeting as proxy for a member entitled to vote on Resolution 4 pursuant to an authorisation on the proxy form to exercise the proxy as the Chairman of the Meeting sees fit (even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel).

RESOLUTION 5 – APPROVAL OF FY19 AWARD OF RIGHTS TO SHARES UNDER THE QUBE SHORT TERM INCENTIVE PLAN TO MAURICE JAMES

Short Term Incentive (STI) Plan

The Company is seeking shareholder approval in accordance with ASX Listing Rule 10.14 for the grant of rights to receive Shares to Mr James pursuant to the Qube Short Term Incentive Plan (STI Plan).

If approval is given for the purposes of Listing Rule 10.14, approval is not required under Listing Rule 7.1.

For FY19, Mr. James is eligible for a target award opportunity of $1,529,388, and a maximum opportunity of $2,141,143, under the (STI) Plan.

Participants in the STI Plan can elect to receive part or all of their award under the STI Plan either in cash or in rights to receive Shares. It is mandatory that 50% of any STI award is deferred for 12 months. Mr. James has elected to receive 25% of any amount to be provided under the STI in the form of rights to receive Shares, subject to any necessary Shareholder approval. The value of an equivalent number of Shares, based on the STI target opportunity with a VWAP of Shares traded on the ASX over the 15 trading days immediately before and including the date of the full-year results for the year ended 30 June 2018 and the subsequent 15 trading days (being $2.68) and assuming the target award opportunity is achieved is $382,347. Vested rights under the STI Plan entitle Mr. James to receive an equivalent number of Shares and dividends. The conversion of vested rights

EXPLANATORY MEMORANDUM

to Shares will be satisfied by delivery of Shares issued directly or purchased on-market for that purpose, at the Board's discretion.

Mr. James has elected to receive 25% of his FY19 award under the STI Plan in rights to receive Shares. Without taking account of dividends paid prior to vesting, this represents 142,668 rights at the target award opportunity which consist of:

- 71,334 rights with a vesting date of 30 June 2019; and
- 71,334 rights with a vesting date 30 June 2020.

On vesting, conversion of the rights to Shares will include an additional amount for the dividends that would have been paid on the number of vested Shares in respect of the period to the relevant vesting date divided by the above VWAP, rounded to the nearest whole Share, and the balance (if any) will be satisfied by on-market purchase of Shares or in cash. The number of Shares that Mr. James may acquire (subject to satisfying all performance conditions and the service condition) at the target award opportunity is 142,668. Should the target award opportunity be exceeded, the additional award entitlement will be satisfied by the on-market purchase of shares or in cash.

As soon as practicable after the passage of Resolution 5 and in any event within 12 months of the Meeting subject to Shareholder approval, Mr. James will be granted up to 142,668 rights to acquire Shares under the STI Plan.

Performance condition

The vesting of rights is subject to Qube meeting the required financial hurdles and Mr. James meeting non-financial KPIs set by the Board. The number of rights that will vest is according to Mr. James' performance against those targets. If Mr. James does not meet the KPI targets, the number of rights that vest will be reduced accordingly.

Service condition

The vesting of rights is also subject to Mr. James continuing to be an employee of the Company on the relevant vesting date, although the Board retains discretion to reduce the amount of any award payment in circumstances where any STI participant has been involved in a breach of employment contract or a material misstatement in the financial statements of any Qube group member.

Mr. James will have no entitlement to receive any amount in respect of unvested rights if he resigns from employment with the Company for any reason except retirement, or if his employment is terminated on the grounds of:

a) misconduct;

b) gross negligence;

c) material breach of contract;

d) refusal to carry out a lawful and reasonable direction; or

e) any other circumstance justifying immediate termination of employment.

The early vesting of rights may be permitted by the Board in other limited circumstances such as a change in control of the Company, in which case Mr. James will be entitled to convert all rights to Shares.

No amount is payable by Mr. James upon the award of rights under the STI Plan or to acquire Shares on their conversion.

The number of rights held will be adjusted in the event Qube undertakes a rights issue of Shares at a discount to the market price.

Other than Mr. James, no Director (or their Associate) is currently entitled to participate in the STI Plan. The grant of rights to receive up to 208,035 Shares for a nil acquisition price under the FY18 award pursuant to the STI Plan was approved by Shareholders at the 2017 AGM. Of these rights, Mr. James was awarded 68,961 Shares under the STI Plan on 18 September 2018 at a deemed acquisition price of $2.69 per Share.

Board recommendation

The Directors (other than Mr. James who, given his interest in the outcome of this Resolution, declines to make a recommendation) unanimously recommend that Shareholders vote in favour of this Resolution.

Voting exclusions

The Company will disregard any votes cast in favour of this Resolution:

a) by Mr. James (being the only Director eligible to participate in any of the Company's employee incentive plans) and any of his Associates; and

b) as a proxy by a member of the Key Management Personnel or any of their Closely Related Parties.

However, the Company need not disregard a vote if it is cast as proxy for a person who is entitled to vote on this Resolution:

a) in accordance with their directions of how to vote on the proxy form; or

b) by the Chairman of the Meeting as proxy for a member entitled to vote on Resolution 5 pursuant to an authorisation on the proxy form to exercise the proxy as the Chairman of the Meeting sees fit (even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel).

RESOLUTION 6 – APPROVAL OF THE ISSUE OF SECURITIES UNDER THE QUBE LONG TERM INCENTIVE (SAR) PLAN

Background

ASX Listing Rule 7.1 restricts the number of equity securities that a listed company may issue in any 12-month period, without the approval of Shareholders, to 15% of the number of ordinary securities on issue at the start of the period, subject to certain adjustments and permitted exceptions.

Under ASX Listing Rule 7.2 (exception 9), an issue of securities under an employee incentive scheme will not be included for the purposes of Listing Rule 7.1 if, within the three years prior to the issue, Shareholders approve the issue of securities under the scheme as an exception to Listing Rule 7.1.

The approval by Shareholders of this Resolution will provide the Company with flexibility to raise further funds at any time during the next 12 months by issuing up to the full 15% of its issued share capital. Any security issued under the FY18 award under the LTI (SAR) Plan, if approved in accordance with this Resolution, will not be counted towards the calculation of the 15% limit.

LTI (SAR) Plan

The LTI (SAR) Plan terms including a description of the SARs, the service conditions, how Awards convert to Shares, and how termination of employment and early vesting are treated under the Plan are set out above under the heading for Resolution 4 (Approval of award of SARs to Maurice James under the Qube Long Term Incentive (SAR) Plan).

Unless an exemption to the Corporations Act applies, offers under the LTI (SAR) Plan are made in reliance upon ASIC's Class Order CO14/1000 for employee incentive schemes.

The FY18 award under the LTI (SAR) Plan was put to Shareholders for approval under ASX Listing Rule 7.2 (exception 9) at the AGM on 22 November 2017 and, since that approval, 16,412,296 SARs (including those issued to Mr. Maurice James) have been issued as part of the FY18 award under the LTI (SAR) Plan.

Board recommendation

The Directors (other than Mr. James who, given his interest in the outcome of this Resolution, declines to make a recommendation) unanimously recommend that Shareholders vote in favour of this resolution.

Voting exclusions

The Company will disregard any votes cast in favour of this Resolution:

a) by Mr. James (being the only Director eligible to participate in any of the Company's employee incentive plans) and any of his Associates; and

b) as a proxy by a member of the Key Management Personnel or any of their Closely Related Parties.

However, the Company need not disregard a vote if it is cast as proxy for a person who is entitled to vote on this Resolution:

a) in accordance with their directions of how to vote on the proxy form; or

b) by the Chairman of the Meeting as proxy for a member entitled to vote on Resolution 6 pursuant to an authorisation on the proxy form to exercise the proxy as the Chairman of the Meeting sees fit (even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel).

RESOLUTION 7 – APPROVAL OF GRANT OF FINANCIAL ASSISTANCE

Background

In January 2015, a subsidiary of the Company directly acquired all of the shares in ISO Marshalling Pty. Limited (**ISO Marshalling**) as part of the Company's acquisition of New Zealand stevedoring and marshalling company, ISO Limited and its related entities (**ISO Acquisition**).

In December 2017, a subsidiary of the Company acquired all of the shares in D&J Holding Co Pty Limited (**D&J Holding Co**) and thereby indirectly acquired all of the shares in Maritime Container Services Pty. Limited, D&J Subsidiary Co. Pty Limited and Australian Grain Packers Pty Limited which are wholly owned by D&J Holding Co (**MCS Group Companies**). The MCS Group Companies were acquired as part of the acquisition of the Maritime Container Services container park business located near Port Botany, NSW (**MCS Acquisition**).

The ISO Acquisition was funded by borrowings under a syndicated facility agreement dated 11 December 2014 (**Syndicated Facility Agreement**) between, amongst others, members of the Qube Group and its lenders. Members of the Qube Group are guarantors under a Common Terms Deed Poll dated 11 December 2014 and as amended and restated from time to time (**CTDP**) to support the Qube Group's obligations under the Syndicated Facility Agreement.

The borrowings under the Syndicated Facility Agreement have since been refinanced through the entry into of bilateral facility agreements (**Facility Agreements**) with the respective lenders to the Qube Group (**Lenders**). The MCS Acquisition was funded by borrowings under the Facility Agreements.

Notwithstanding the refinancing, the CTDP continues to remain on foot and now supports the obligations of the Qube Group in respect of the Facility Agreements. However, ISO Marshalling and the MCS Group Companies (**Acquisition Companies**) did not at the time of their respective acquisitions become, and have not as yet become, guarantors under the CTDP.

In October 2017, the Company issued and sold senior notes into the US Private Placement market (**Notes**) under a Note Purchase Agreement. As a separate requirement of this agreement, obligations under it are required to be guaranteed by members of the Qube Group who have acceded to the CTDP (**Notes Guarantee**).

Under the terms of the CTDP, the Company is required to ensure that the Acquisition Companies accede to the CTDP as guarantors in order to comply with the prescribed earnings and assets test in the CTDP. In order to comply with this obligation, the Company now seeks to obtain all necessary approvals for the Acquisition Companies to become guarantors under the CTDP and, in turn, the Notes Guarantee. Accordingly, it is proposed that the Acquisition Companies will enter into the same guarantee arrangements and provide the same representations and warranties as have other applicable members of the Qube Group by acceding to the Guarantees. The accession by the Acquisition Companies to the Guarantees will have the effect of each Acquisition Company financially assisting in the acquisition of its own shares for the purposes of section 260A of the Corporations Act.

Financial assistance prohibition

Under section 260A of the Corporations Act, a company may financially assist a person to acquire shares (or units of shares) in the company or a holding company of the company only if:

EXPLANATORY MEMORANDUM

a) giving the assistance does not materially prejudice:
   i. the interests of the company or its shareholders; or
   ii. the company's ability to pay its creditors; or
b) the assistance is approved by shareholders under section 260B; or
c) the assistance is exempted under section 260C.

Under section 260B of the Corporations Act, if immediately after the acquisition, the company will have an Australian listed holding company, the financial assistance must also be approved by a special resolution of that holding company.

As required under s260B(1) of the Corporations Act, the shareholders of each of the Acquisition Companies have approved the companies becoming guarantors under the Guarantees. As the Company is an Australian-listed holding company of the Acquisition Companies, members of the Company are also being requested to approve the Acquisition Companies becoming guarantors under the Guarantees, as required by s260B(2) of the Corporations Act. The purpose of Resolution 7 is to seek this approval.

Effect of becoming guarantors

The major effect of becoming guarantors under the Guarantees is that each Acquisition Company will jointly, in common with the other members of the Qube Group which are party to the Guarantees, guarantee all amounts payable under the Financing Arrangements. Restrictions might also be placed on the operations of the Acquisition Companies by the representations and undertakings given by the Qube Group under the Financing Arrangements.

Becoming guarantors should not, of itself, materially prejudice the interests of each Acquisition Company or its members or the ability of each Acquisition Company to pay its creditors because the liability to the Lenders under the Guarantees is a contingent rather than an actual liability.

Nevertheless, if a default were to occur under the Financing Arrangements (including as a result of the failure to pay principal or interest or otherwise comply with undertakings to a Lender), a Lender would be entitled to enforce the Guarantees against each of the Acquisition Companies.

Any such enforcement would materially prejudice the interests of the Acquisition Companies and their members and might have a negative impact on the financial positions of the Acquisition Companies and their ability to pay their creditors because their cash reserves would be diminished by the amount claimed. In addition, enforcement of the Guarantees might trigger cross-default provisions in other financing documents and permit contract counterparties to terminate those contracts which would materially prejudice the interests of the Acquisition Companies.

The accession by the Acquisition Companies to the Guarantees is consistent with market practice for such financing transactions and is required under the terms of the CTDP and the Note Purchase Agreement.

In addition to becoming guarantors under the Guarantees, each Acquisition Company may, or may be required to:

a) execute, or accede or consent to, any instrument referred to in, or incidental or related to, the Financing Arrangements, and including any document to be entered into at any time for the purpose of amending, varying, replacing, restating, novating or supplementing such instruments;
b) make available directly or indirectly its cash flows or other resources in order to enable the Company and its subsidiaries to comply with their obligations under the Financing Arrangements; and
c) provide additional support (which may include giving new guarantees and incurring additional obligations such as granting negative pledges and undertakings not to acquire or dispose of certain assets) in connection with the Financing Arrangements, including in connection with any refinancing of amounts owing under or in respect of the Financing Arrangements.

The accession by the Acquisition Companies to the Guarantees and entry into of any of the Financing Arrangements or transactions contemplated above (together, **Financial Assistance**) will or may have the effect of each Acquisition Company financially assisting in the acquisition of its own shares for the purposes of section 260A of the Corporations Act.

Reasons for giving the Financial Assistance

The principal advantage to the Company (and, indirectly, each Acquisition Company) in providing the Financial Assistance is that the Qube Group will continue to have the benefit of the Financing Arrangements, and continue to be in compliance with the Qube Group's obligations required under them.

If the Resolution were not passed and the Acquisition Companies did not accede to the CTDP and, in turn the Note Purchase Agreement, as additional guarantors within the agreed timeframes, an event of default under the CTDP and, in turn, the Note Purchase Agreement may occur. Such defaults would enable Lenders to, among other things, cancel the commitments under their respective Facility Agreements and declare all or any loans provided by them as being immediately due and payable.

Information and recommendations given

Shareholders have been informed of the above matters in accordance with s260B(4) of the Corporations Act. The Directors consider that this Explanatory Memorandum contains all material information known to the Company that could reasonably be required by Shareholders in deciding how to vote on Resolution 7, other than information that it would be unreasonable to require the Company to disclose because the Company has previously disclosed the information to its Shareholders. Accordingly, this Explanatory Memorandum does not contain information relating to the financial position, performance or cash flows of the Acquisition Companies (which is disclosed on a consolidated basis in the annual financial report of the company contained in the Annual Report).

Copies of this Notice and Explanatory Memorandum were lodged with the Australian Securities and Investments Commission before being sent to the Shareholders, in accordance with section 260B(5) of the Corporations Act.

The directors of the Acquisition Companies have unanimously agreed to approve the giving of the Financial Assistance by the Acquisition Companies, subject to approval of Shareholders in accordance with s260B(2) of the Corporations Act by the passing of this Resolution.

Board recommendation

The Board has considered the giving of the Financial Assistance and unanimously recommends that Shareholders vote in favour of this Resolution. Each Director intends to vote all the Shares controlled by him or her in favour of the Resolution.

GLOSSARY

AGM means an annual general meeting of the Company.

Associate has the meaning given in ASX Listing Rule 19.12.

ASX means ASX Limited.

ASX Listing Rules means the Listing Rules of the ASX.

Auditor means PwC Australia.

Award means an award of SARs under the LTI (SAR) Plan.

Board means the board of Directors of the Company.

Chairman means the chairman of the Meeting.

Closely Related Party means a closely related party of a Key Management Personnel and includes (among others), a spouse, child or dependent of the Key Management Personnel and a company controlled by the Key Management Personnel.

Company means Qube Holdings Limited (ACN 149 723 053).

Constitution means the constitution of the Company.

Corporations Act means the *Corporations Act 2001* (Cth).

Director means a Director of the Company.

Explanatory Memorandum means this explanatory memorandum to the Notice.

Key Management Personnel means those persons having authority and responsibility for planning, directing and controlling the activities of the Group, whether directly or indirectly. The Company's Remuneration Report identifies the Company's key management personnel.

LTI (SAR) Plan means the Qube Long Term Incentive (SAR) Plan which provides for the issue of SARs to executives and other eligible participants.

Meeting means this annual general meeting convened by the Notice.

Notice means this notice of meeting.

Ordinary Resolution means a Resolution on which more than 50% of the votes cast by Shareholders who are entitled to vote on the Resolution are cast in favour of the Resolution.

Qube Group means the Company and each of its controlled entities.

Qube Group Member means a member of the Qube Group.

Registry means Computershare Investor Services Pty Limited.

Resolution means a resolution to be considered at the Meeting as set out in the Notice.

Rule means a rule of the Constitution.

SARs means share appreciation rights awarded under the LTI (SAR) Plan.

Share means an ordinary share in the capital of the Company.

Shareholder means a holder of a Share.

Special Resolution means a Resolution on which at least 75% of the votes cast by Shareholders who are entitled to vote on the Resolution are cast in favour of the Resolution.

STI Plan means the Qube Short Term Incentive Plan.

Vesting Date means the date on which an Award vests in accordance with the rules of the LTI (SAR) Plan.

Vested Shares means Shares delivered under the LTI (SAR) Plan upon conversion of vested SARs.

VWAP means the volume weighted average price of trades in Shares undertaken on ASX (excluding block trades, large portfolio trades, permitted trades during the pre-trading hours period of ASX, permitted post-trading hours period of ASX, out-of-hours trading and exchange traded option exercises).

www.qube.com.au

QUBE
ACN 149 723 053

QUB
MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Lodge your vote:

Online:
www.investorvote.com.au

By Mail:
Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:
(within Australia) 1300 850 505
(outside Australia) +61 3 9415 4000

Proxy Form

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Vote and view the annual report online

- Go to www.investorvote.com.au **or** scan the QR Code with your mobile device.
- Follow the instructions on the secure website to vote.

Your access information that you will need to vote:

Control Number: 999999

SRN/HIN: I9999999999 **PIN: 99999**

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

For your vote to be effective it must be received by 10:30am (Sydney time) on Wednesday, 21 November 2018

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions for Postal Forms

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

GO ONLINE TO VOTE,
or turn over to complete the form ➔

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

☐ **Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with '**X**') should advise your broker of any changes.

I 9999999999 IND

Proxy Form

Please mark ☒ to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

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I/We being a member/s of Qube Holdings Limited hereby appoint

☐ **the Chairman of the Meeting** **OR** ____________________

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of Qube Holdings Limited to be held at Level 15, PriceWaterhouseCoopers (PwC), One International Towers Sydney, Watermans Quay, Barangaroo, Sydney on Thursday, 22 November 2018 at 10:30am (Sydney time) and at any adjournment or postponement of that Meeting.

Chairman authorised to exercise undirected proxies on remuneration related resolutions: Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Items 3, 4, 5 and 6 as the Chairman sees fit (except where I/we have indicated a different voting intention below) even though Items 3, 4, 5 and 6 are connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

Important Note: If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on each Resolution, including on Items 3, 4, 5 and 6 by marking the appropriate box in step 2 below.

STEP 2 Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

		For	Against	Abstain
1	Re-election of Sam Kaplan	☐	☐	☐
2	Re-election of Ross Burney	☐	☐	☐
3	Remuneration Report	☐	☐	☐
4	Approval of FY19 award of SARs under the Qube Long Term Incentive (SAR) Plan to Maurice James	☐	☐	☐
5	Approval of FY19 award of rights to Shares under the Qube Short Term Incentive (STI) Plan to Maurice James	☐	☐	☐
6	Approval of the issue of securities under the Qube Long Term Incentive (SAR) Plan	☐	☐	☐
7	Approval of grant of financial assistance	☐	☐	☐

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1	Securityholder 2	Securityholder 3
Sole Director and Sole Company Secretary	Director	Director/Company Secretary

Contact Name ____________________ **Contact Daytime Telephone** ____________________ **Date** ___ / ___ / ___

QUB 999999A

Computershare

AUSTRALIA'S LEADING INTEGRATED LOGISTICS SOLUTIONS PROVIDER

QUBE HOLDINGS LIMITED
ANNUAL REPORT 2018

INVESTING FOR SUBSTANTIAL LONG-TERM VALUE CREATION

UNDERLYING REVENUE

↑9.1%

TO $1.65 BILLION

UNDERLYING NPAT

↑4.5%

TO $106.8 MILLION ($122.8 MILLION PRE-AMORTISATION)

STATUTORY NPAT

$199.3 MILLION

STATUTORY NPATA

$215.3 MILLION

FULL-YEAR DIVIDEND

5.5 CENTS

PER SHARE FULLY FRANKED AND SPECIAL FULLY FRANKED DIVIDEND OF 2.0 CENTS PER SHARE

Annual General Meeting The 2018 Annual General Meeting of Qube Holdings Limited will be held at PricewaterhouseCoopers (PwC), Level 15, One International Towers Sydney, NSW, on Thursday 22 November 2018 at 10.30am (Sydney time).

CHAIRMAN'S LETTER

Allan Davies
Chairman

2018 was another successful year for Qube with increased earnings and a strong contribution from the company's investment in Patrick allowing the Board to declare a special dividend for shareholders.

I am particularly pleased to report another very strong safety performance. As Chairman I believe workplace safety is critical to a company's success and this year we made great progress towards reaching our goal of Zero Harm.

The company's long-term strategy of diversification of activities and locations meant that Qube was able to deliver solid financial results despite softness in the grain and logistics markets.

Construction of the transformational Moorebank Logistics Park project in south-western Sydney is progressing with work on the new warehousing for Target Australia well underway. Earlier this year the Moorebank project was hailed by the Clean Energy Finance Corporation as representing the future in environmentally sustainable, low-emission transport and freight infrastructure.

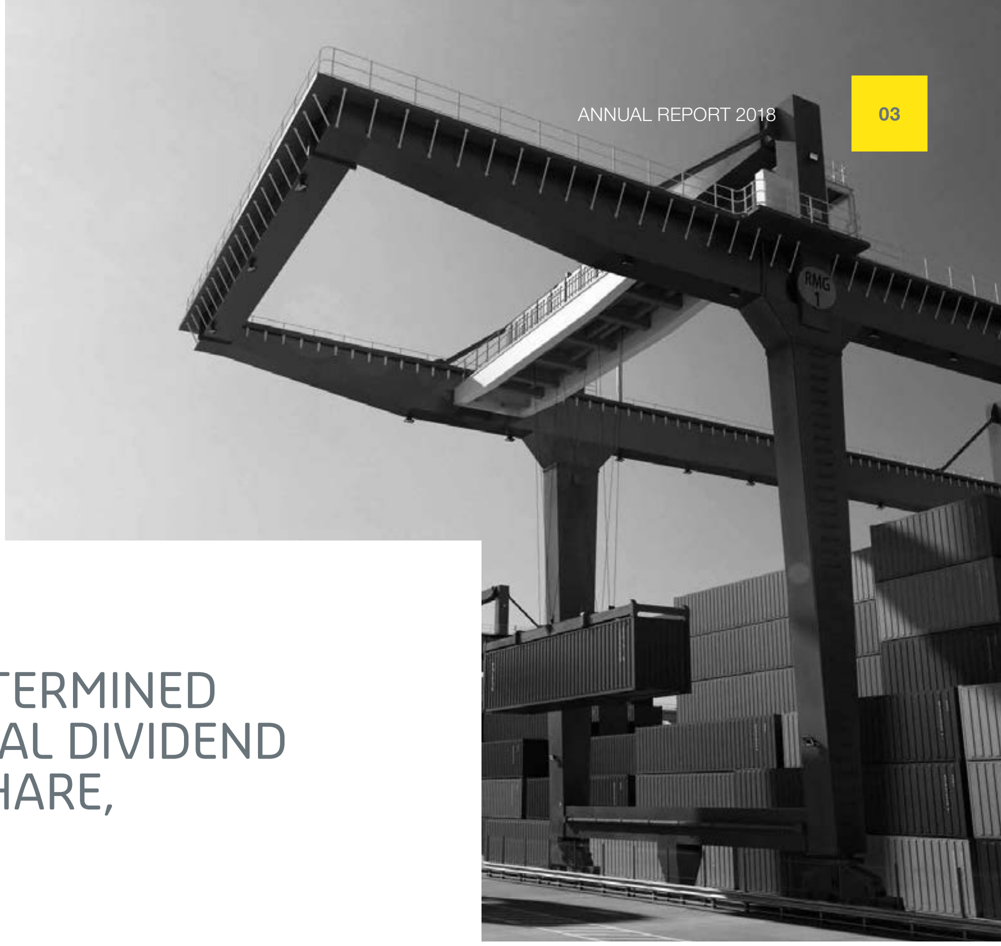
The Qube balance sheet remains strong with low gearing and a wide range of funding sources positioning the company well for growth in the years ahead.

Having now completed my first full year as Chairman, I am confident that the Board and management are strongly aligned to the vision of making Qube Australia's leading provider of integrated logistics services.

FINANCIAL RESULTS

Highlights for the period include:

- The first full-year contribution from Patrick with a $61.6 million cash distribution to Qube allowing Qube's Board to declare a special dividend to shareholders.
- Positive pre-tax revaluations of around 35% for Qube's investment properties at Minto and Moorebank Logistics Park (MLP).
- Record performance from Port activities supported by solid earnings contribution and cash flow from Australian Amalgamated Terminals (AAT) under 100% Qube ownership.
- Considerable interest in MLP leasing and development opportunities with construction of the rail link, Import–Export (IMEX) terminal and new warehousing underway.
- The completion in December 2017 of the acquisition of the Maritime Container Services (MCS) container park business in New South Wales with synergies expected to flow in the FY19 period.
- An outstanding safety performance with a further 67% improvement in the lost time injury frequency rate from an already low base.
- The maintainance of a strong balance sheet with diversified funding sources and a leverage ratio below the bottom end of our long-term target leverage ratio of 30–40%.



THE BOARD HAS DETERMINED TO DECLARE A SPECIAL DIVIDEND OF 2.0 CENTS PER SHARE, FULLY FRANKED.

Dividend

The Board has determined to declare a final dividend of 2.8 cents per share, fully franked, thereby maintaining the full year ordinary dividend at 5.5 cents per share as in the prior year.

In addition, the Board has determined to declare a special dividend of 2.0 cents per share, fully franked. The special dividend reflects the high cash flow being generated by Patrick and distributed to Qube which is above the corresponding earnings contribution to Qube in the period.

Outlook

The 2018 financial year saw Qube maintain its strong market position through delivering reliable, cost-effective logistics solutions. Qube continued to undertake substantial investment in equipment, facilities and technology to support these solutions and deliver a superior value proposition to its customers.

Qube will continue to invest in people and resources across the group in a range of areas including operations, safety, IT/technology and risk management to ensure that Qube continues to deliver on its major development projects and provides superior customer service and sustainable shareholder value.

In FY19, subject to no material change in the domestic or global economic environment, Qube expects broadly similar overall conditions and volumes across most areas of Qube's activities including containerised transport, bulk commodities and forestry products. Qube does not presently expect a significant improvement in grain volumes, and expects a modest decline in imported vehicle volumes given the very strong volumes in FY18 and recent decline in new car sales.

Qube does not anticipate any change in the pricing or competitive pressures in its major markets.

The Operating Division is expected to generate reasonable growth in overall revenue and earnings, reflecting the full-year contribution from MCS (including initial synergy benefits) which is expected to offset continued weakness in grain-related activities and a competitive operating environment. Qube expects strong growth in its Ports activities and modest growth in earnings from the Bulk activities as contract wins and the contribution from prior and current year capex offset further expected volume declines at Utah Point.

The Infrastructure and Property division is expected to report an overall similar underlying contribution to Qube's FY19 earnings as delivered in FY18.

Increased earnings from Minto and MLP are expected to be largely offset by reduced earnings from AAT due to the full-year impact of exiting Webb Dock West in late December 2017 and an expected reduction in vehicles and other cargo through AAT's facilities following a very strong year in FY18. Quattro is expected to report another loss due to expectations of another poor grain harvest.

Qube expects Patrick to continue to make positive progress in delivering on the acquisition case objectives including improving its productivity and increasing market share by delivering customers superior service. The relatively high fixed-cost nature of this business means that if the market continues to grow at expected long-term growth rates of 3–4%, market share gains should result in a strong improvement in profitability.

Qube currently expects a strong increase in earnings from Patrick in FY19 compared to FY18, albeit below the high growth rate achieved in FY18. Qube also expects Patrick's cash-flow will enable it to make regular cash distributions to its shareholders comprising interest income, franked dividends and other distributions, which will be in excess of Patrick's NPAT contribution to Qube.

In FY19, Qube expects to report a solid increase in underlying NPATA and return to earnings per share (pre-amortisation) (EPSA) growth.

In conclusion I would like to thank the Managing Director Maurice James, his management team and the company's thousands of employees and contractors for delivering another successful year for Qube shareholders.

MANAGING DIRECTOR'S REPORT

Maurice James
Managing Director

The 2018 financial year was another successful year of completion and implementation at Qube. The company successfully met the challenge of staying focused on the core businesses in a tough competitive environment.

It was particularly pleasing that the efforts of management in relation to safety in the workplace has resulted in another year where the critical safety KPIs significantly improved again as we continued to invest in safety systems, training and awareness across our operations.

Diversity was our friend with strength in mining, forestry, project cargo and imported vehicles offsetting softness in the grain and logistics sectors.

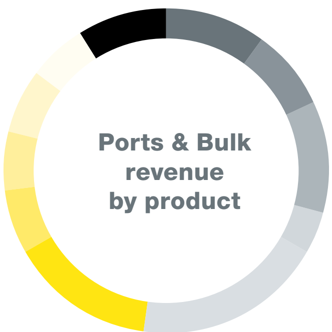
Qube's Operating Division comprises the Ports & Bulk and Logistics divisions. Historically, these were managed and operated on a stand-alone basis with minimal overlap. However, since the appointment of a Chief Operating Officer in FY17, management has focused on achieving cost savings and operational benefits through a more integrated approach to these divisions.

The performance by Patrick was above expectations reflecting high market volumes and improving market share, and Patrick is well on track to achieve the acquisition case synergies. The Moorebank project remains on track despite some delays and a commercial dispute with the Moorebank Intermodal Company (MIC) over some land preparation works undertaken for MIC. This is not expected to have a material impact on the project.

The Moorebank project will be further enhanced by the Commonwealth Government's decision to fund duplication of the rail track to and from Port Botany to meet the modal shift from road to rail from the development of new intermodal terminals.

DIVISIONAL SUMMARY

FY18 Underlying Revenue	FY18 Underlying EBITA
A$840.7m	**A$87.6m**



Iron ore	10.0%
Concentrate	8.2%
Mineral sands (incl lithium)	11.1%
Coal	4.3%
Bulk scrap & others*	18.9%
Forest products	14.4%
Vehicles/machinery/ boat/WHSS	6.2%
Oil & gas	5.9%
Facility operations	6.3%
Ancillary services	6.0%
Other**	8.7%

*Note: "Bulk Scrap & Others" includes cement, manganese, frac sands, talc, limestone, gold, fertilisers and aluminium.

**Note: "Other" include containers, general cargo, metal products and sundry income. Higher proportion in FY18 mainly driven by growth in metal products and containers.

The 12 month period to 30 June 2018 saw Qube continue to benefit from the breadth of the company's operations and logistics capabilities around Australia and New Zealand.

PORTS & BULK

The Ports & Bulk division had another successful year with underlying revenue and earnings (EBITA) increasing by around 13.2% and 19.2% to $840.7 million and $87.6 million respectively on the prior corresponding period.

The division is highly diversified by product and customer with no customer accounting for more than 5% of divisional revenue and the top 3 commodities products, being forestry products (14.4%), mineral sands (11.1%) and iron ore (10.0%) representing around 35.5% of the FY18 divisional revenue and the balance coming from a diverse range of products including copper concentrate, manganese, cement, vehicles, oil and gas, coal and agri foods.

The Ports activities delivered record results due to strong motor vehicle import volumes and forestry export activities, the emergence of new project cargo work, improving bulk commodities volumes, and some improvement in oil and gas-related activities.

Qube's Bulk activities also contributed significantly to Qube's results in the period with new contracts secured with a range of customers including Whitehaven Coal, Tronox and Sibelco, and earnings benefiting from the initial contribution from prior period capex.

DIVISIONAL SUMMARY

FY18 Underlying Revenue	FY18 Underlying EBITA
A$714.3m	**A$62.8m**

Shipping/Terminal	**20.9%**
Retail	**13.2%**
Agriculture	**19.2%**
Food processing	**10.3%**
Mining	**3.6%**
Manufacturing	**22.2%**
Other*	**10.6%**

*Note: "Other" includes freight forwarders as well as infrastructure and project works.

LOGISTICS

The Logistics division delivered a reasonable result given several headwinds that impacted the business in the period. The full-year underlying revenue increased by 7.9% although earnings (EBITA) decreased by around 5.0% over the prior corresponding period to $714.3 million and $62.8 million respectively.

These headwinds included very low volumes of grain which affected both the bulk rail and containerised grain haulage activities and also had a flow-on effect on the empty container park activities, including reduced terminal services revenue at North Dynon, Victoria, following the exit of Aurizon from its interstate operations, and the impact of exiting the Sydney Haulage site in April 2017 at lease term end.

Despite these headwinds and a very competitive operating environment, revenue and earnings growth was delivered in all states other than New South Wales. Qube was successful in securing a number of new customers and delivering further cost savings. Progress was made with the construction of a new warehouse at Altona, Victoria, which is scheduled to be completed and operational by the end of August 2018.

INFRASTRUCTURE AND PROPERTY

During the period the Strategic Assets division was renamed the Infrastructure and Property division. This was done to better reflect the nature of the core activities and operations within this division, which comprises the Moorebank Logistics Park, Minto Properties and AAT, all of which are wholly owned and controlled by Qube. The earlier-stage activities within this division, currently comprising Qube's investments in Quattro and TQ Holdings, are managed within the Strategic Assets division, which are reported within the overall Infrastructure and Property division.

Underlying revenue and earnings (EBITA) were $95.4 million and $33.1 million respectively, an increase of 73.5% and 117.8% respectively over the prior corresponding period.

The substantial increase in underlying revenue and earnings was largely attributable to the inclusion of a full year's contribution from AAT (as Qube only acquired the remaining 50% of AAT in November 2016). AAT experienced strong growth in passenger and mining-related vehicle imports, project and general cargo across its facilities in both Port Kembla, New South Wales and Fisherman Island, Queensland.

The statutory results include pre-tax fair value gains on Qube's Minto and Moorebank investment properties of around $163.2 million.

MOOREBANK LOGISTICS PARK

The MLP project achieved a number of important milestones in FY18 across planning, construction and leasing functions, although there have been some delays in meeting Qube's initial project timeline.

The MLP development is experiencing considerable leasing/tenant interest with prospective tenants attracted to the logistics opportunity that the location and operation of the site presents, particularly given limited alternative competing sites within this area of the Sydney industrial market. However, Qube continues to expect a progressive signing of formal leases with some interested parties expected to wait until the rail terminal and initial warehouses are built and operational, and the expected efficiencies demonstrated.

Qube decided during the period to proceed with the automation of the IMEX rail terminal and appointed Kalmar Global to deliver the equipment and associated operating systems. This contract is a staged delivery expected to start in late-CY19 with the terminal moving from manual to fully autonomous operations by CY22, using similar technology to that adopted by Patrick at its automated container terminals in Brisbane and Sydney.

Progress on the construction of the IMEX terminal has been ongoing. However, completion of the rail link from the Southern Sydney Freight Line to the Moorebank site is now forecast to be mid-CY19 due to delays in receiving regulatory approvals for access and an environmental protection licence. This will delay commencement of rail operations by between 3 and 6 months from the earlier estimate of March 2019.

The rail link is expected to be operational before warehousing operations commence.

DIVISIONAL SUMMARY

PATRICK

Qube was pleased with Patrick's performance in FY18 which exceeded Qube's expectations from a market share, earnings and cash flow perspective. We are delighted with the performance of the Patrick management team under the leadership of CEO Michael Jovicic.

Patrick has successfully increased its volumes through organic growth from existing customers as well as securing several new contracts during the period and two new services secured post year end. Pleasingly, there were no customer losses in the period, and Patrick has now recontracted around 95% of its customer base for FY19.

Qube's underlying post-tax earnings contribution from Patrick in the period was $26.9 million, a 26.9% increase over the prior corresponding period (which only included 10.5 months of ownership).

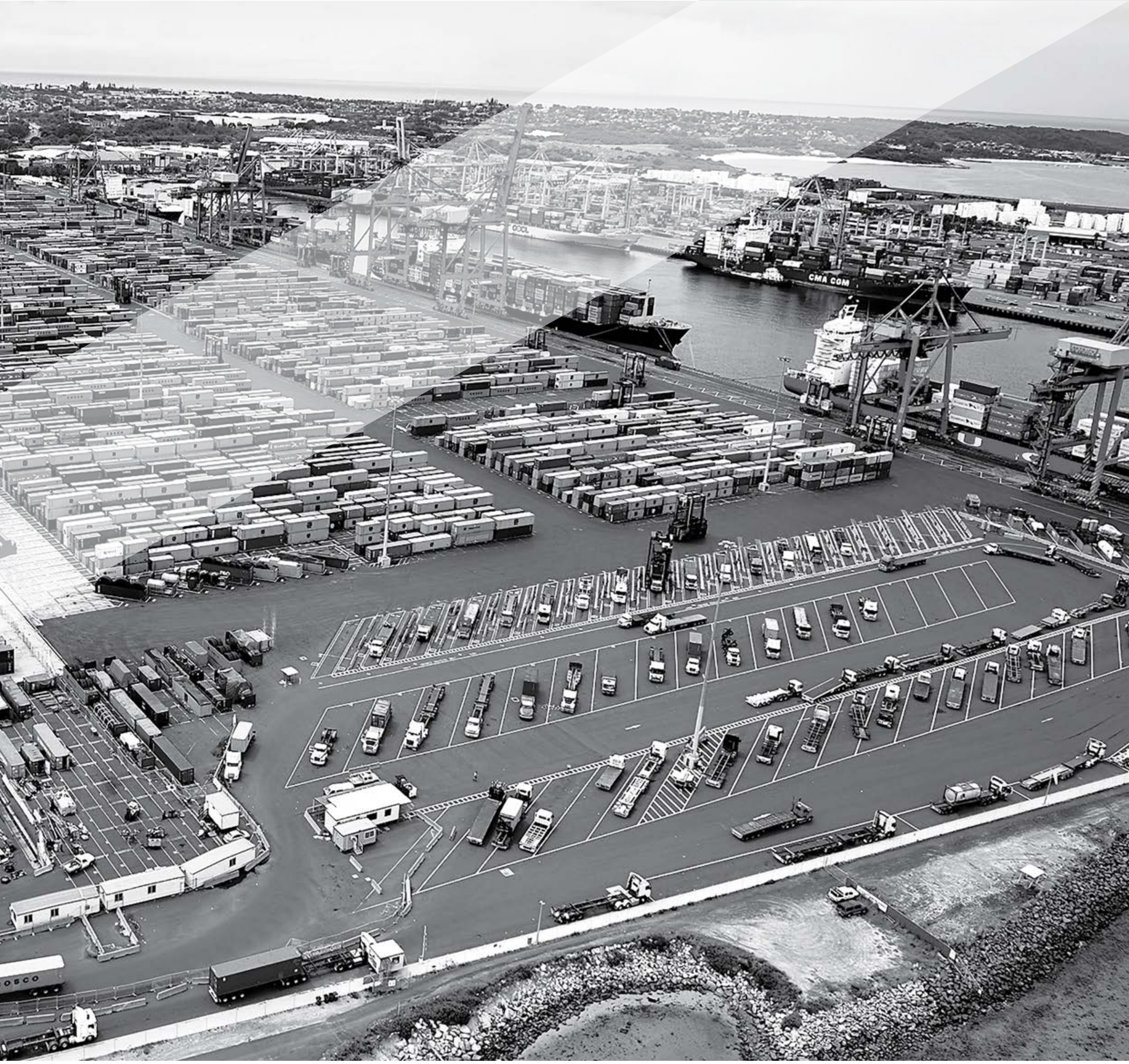
Patrick's result benefited from market growth as well as market share gains in the second half of the year.

Patrick is also progressing planning for the development of an automated rail terminal at Port Botany which will significantly increase the efficiency of rail operations.

Patrick distributed $61.6 million in cash to Qube in the period, which was well above the corresponding earnings contribution to Qube in the period, as a result of the strong cash flow generated by the business and positive earnings outlook.

The strong financial performance and cash flow enabled Patrick to finish with net debt of around $892 million which was after the distribution of $123.2 million to shareholders in the second half of FY18 (Qube share – $61.6 million).

PLEASINGLY, THERE WERE NO CUSTOMER LOSSES IN THE PERIOD, AND PATRICK HAS NOW RECONTRACTED AROUND 95% OF ITS CUSTOMER BASE FOR FY19.



SAFETY, HEALTH AND ENVIRONMENT

Qube's ongoing investment in safety systems, training and awareness continued to achieve results with further improvement in the lost time injury frequency (LTIFR) rate of 66% from 2.2 to 0.8. Other key safety measures such as total recordable injury frequency rates (TRIFR) also improved from 16.2 to 9.3. Key safety initiatives in the period included;

- Delivery of the Driver Excellence Program for truck drivers to minimise rollovers and serious incidents, through the delivery of targeted messaging including toolbox talks and in-cab messaging.
- Development of Fitness for Work Programs (FFW) working collaboratively with Human Resources to create policy and programs, targeting the following areas:
  - Pre-employment medical, improving quality and consistency across the divisions; and
  - Identifying high-risk workers and implementing programs to improve health and wellbeing.
- Introduction of the Fleet Monitoring Centre in Qube Bulk, West Perth. The FMC is a monitoring centre focusing on including real-time fleet reporting, speed, fatigue, pre-start checks and incident management. The FMC creates a transparent environment, monitoring driver behaviours and improved incident management.
- Further advancement of our leadership capabilities through the development of safety, health and environment (SHE) leadership training programs.
- Implementation of QubeCare, a platform to promote a healthy lifestyle for our employees to maintain fitness for work. The QubeCare commitment complements our existing Zero Harm values, through the following initiatives:
  - Health Promotion and Awareness – increased promotion of positive well-being;
  - Early Intervention – preventing and minimising the impact of illness or injury and providing early intervention mechanisms; and
  - Monitoring and Prevention – developing mechanisms and processes to monitor and prevent illness and injury through reducing risk and enhancing protective factors.
- Implementation of critical risk reviews. The reviews are undertaken to verify the SHE management systems by reviewing individual critical controls to ensure systems are properly designed and implemented

DIVERSITY

Qube understands that diversity is an economic driver of competiveness for companies, contributing to business success and shareholder value.

Qube is committed to creating an environment in which equity and diversity are recognised as being essential to the high performance of the Qube Group and incorporated into day-to-day business. The key principles to promote diversity, are included in the Group's Diversity Policy.

Qube's Workplace Behaviour Standard similarly underpins Qube's diversity and inclusion priorities by promoting a workplace that is inclusive and free from discrimination, harassment, bullying and victimisation. Ensuring employees understand what is appropriate workplace behaviour and encouraging them to speak up if they see inappropriate behaviour supports Qube building a positive and productive workplace environment.

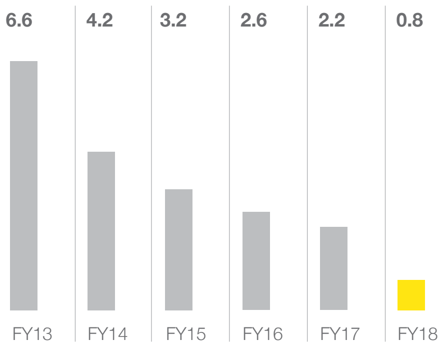
Qube has continued to strengthen its diversity and inclusion platform through the following initiatives:

Women in Logistics

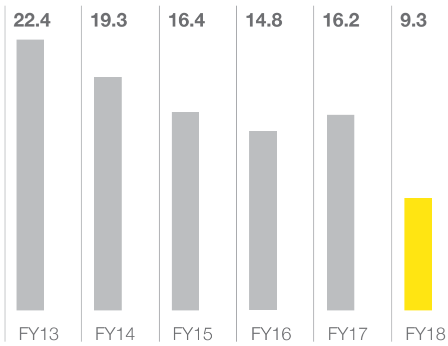
Qube is a major sponsor of the Wayfinder Program, an initiative with Deakin University's Centre for Supply Chain and Logistics, financially supported by 11 industry foundation sponsors. The program is a new diversity and inclusion program designed to improve the talent pipeline in supply chain operations, management and education.

Wayfinder aims to increase the number of women and girls in supply chain and logistics education, training, jobs and careers. It also seeks to encourage employers to consider their retention and succession strategies so they address the specific needs of women in their organisations.

Lost Time Injury Frequency Rate



Total Recordable Injury Frequency Rate



CASE STUDY

EAST TIMOR – TRAINING & EDUCATION

Matilde Da Conceicao Gusmao

Matilde is a young female who was raised in Dili with five siblings. Matilde previously completed undergraduate studies in Petroleum Management at the Dili Institute of Technology in 2013 and following her studies she gained some related experiences as an intern with BCTL in Timor-Leste.

Matilde is fluent in Indonesian, and has very good English and Portuguese language skills. She is a member of the Petroleum Management Student Association (PMSA) and East Timor Petroleum Engineering Forum (ETPEF).

Indigenous Partnerships

Qube partners nationally with the Clontarf Foundation, which exists to improve the education, discipline, life skills, self-esteem and employment opportunities for young Aboriginal men.

Qube currently supports the program through workplace visits, work experience and employment opportunities.

The program has a real impact on the lives of some of the most vulnerable young people in Australia. Qube has been able to witness first hand that through resilience and structure there is a chance to break the cycle and explore their true potential. The Clontarf Program is incredibly worthwhile. We can make a real difference to these young men's life.

COMMUNITY

Qube has an open and constructive approach to community engagement and investment. We know that our economic and social contribution is critical to maintaining Qube's licence to operate and ensuring that communities see lasting benefits from Qube's operations.

The community initiatives are primarily delivered via programs that have been agreed with site operations and local communities. Our operations teams are responsible for building and maintaining close relationships with local communities and relevant stakeholders.

Some of the programs include:

- **School-based awareness programs:** focusing on pedestrian safety for school children. Ensuring the communities that we travel through understand safety around trucks (road trains) and the necessity to ensure that road safety rules are explained to school children in these local regions.
- **Sponsorship of local sporting clubs** in the communities in which we work. e.g. Bunbury, Pilbara, Barry Beach (Vic) and regional New South Wales.
- **Training and Education in East Timor.** Qube Energy offers supply base services in Darwin. The logistics supply base is conveniently located 5 kilometres from the wharf. In collaboration on behalf of ConocoPhillips, Qube commenced our capability development programs for Timor-Leste nationals, with the objective of investing in people and getting them employment ready.
- Involving a series of six courses, Qube's capability development program develops skills, competencies and experience that are applicable across a broad range of industries including transport, logistics and warehousing. Each course includes both theoretical and practical training elements making it relevant to workplace expectations, aligned to Australian recognised qualifications.

CASE STUDY

OUR GRADUATE

Dominic Hearne Clontarf Kempsey Academic Graduate

Dom is a transport operator, and commenced work in November 2017 at Qube Logistics, West Melbourne. "Working here is good because it's a friendly environment full of opportunities and good people. You can make friends and the money and hours are great."

His advice to other young people is: "Finish school, you will regret it if you don't, always do your homework and assessments and don't skip class. Try your hardest, respect others the way you would like to be respected and have fun while doing it all."

SAFETY, HEALTH AND ENVIRONMENT

Qube and its suppliers and contractors are committed to enhancing the environment in a sustainable manner through innovative approaches to the development and operations of assets across each business unit.

Qube has made a commitment to improving its economic, social and environmental performance throughout construction and operations at Moorebank Logistics Park (MLP).

A 'cradle to grave' approach has been adopted to sustainable construction practices and effective management of materials consumption resulting in minimising consumption of precious resources, optimising resource efficiency and reducing the environmental impacts of our infrastructure projects.

MLP presents an exciting opportunity to examine and potentially utilise innovative and low-carbon materials during its construction, dramatically reducing the carbon footprint of our activities.

The MLP's operation will aim to minimise the emission of green house gases either by reducing the quantity of materials required, using alternate material types with a lower embodied emissions content or by the beneficial reuse of waste materials produced from the demolition of the existing buildings and structures on site. A key recycling process within the current program of works at MLP involves the demolition of the existing building structures, with the segregation of concrete for processing to be beneficially reused in the new IMEX terminal pavement infrastructure.

CASE STUDY

SUSTAINABILITY – MOOREBANK LOGISTICS PARK

Moorebank Logistics Park aims to reap the benefits of built-in efficient technologies throughout its useful life and demonstrates possibilities for the next generation in low-emissions transport and freight facilities, demonstrated through:

- Installation of automated stacking cranes (gantry cranes). A portion of the energy from these cranes can be converted back from kinetic energy to electric power during the lowering of containers and braking of the cranes. In traditional solutions this energy is dissipated in resistors on board the crane. This equates to an annual saving of 830,000 kWh/pa or a reduction of 1,400 tonnes of CO_2e (carbon dioxide equivalent) emissions.
- Installation of intelligent lighting control systems which incorporate the use of one or more central computing devices to intelligently monitor and turn off areas of the buildings not in use. An efficiency improvement of 15% has been assessed as a result of the use of intelligent lighting control systems.

- Embedded Solar Network. Installation of a solar photovoltaic cell network on the expansive roof space available of 850,000m^2 of warehousing across the Moorebank precinct will generate 65,000 MWh/year of electricity – enough to power 10,000 homes.
- Historically, a draw-back to the use of electric forklifts, particularly for use in 24 hour operations, is the time requirement for battery recharge (typically up to 8 hours of charge time would be required). This compares to LPG forklifts, where a fuel tank can be instantly refilled, and can minimise major disruptions to normal operations. As battery technology progresses, 'rapid charge' batteries are now available. These rapid-charge batteries allow for 24 hour use of electric forklifts, without requiring substantial charge time. Batteries can be charged at shift change, during lunch break or toilet breaks, and charge sufficiently to allow for ongoing use of the forklift.
- The Moorebank Logistics Park will reduce the number of emissions-intensive trucks on Australian roads by increasing the use of rail networks to distribute containerised freight to and from Port Botany. The project will switch the movement of 1.55 million freight containers from road to rail, with an estimated annual abatement of more than 110,000 tCO_2e in transport-related emissions.

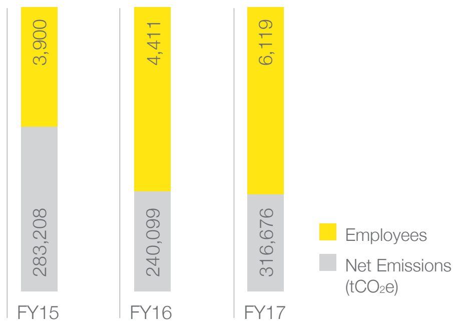
The Target warehouse being constructed at MLP Moorebank is registered for a 4 Star Green Star rating. This rating provides an independent verification that a building or community project is sustainable. The rating assesses the sustainable design, construction and operation of buildings, fitouts and communities. Choosing Green Star can help our tenants financially, create a healthy place for workers, minimise the environmental footprint and build a more sustainable precinct.

Emissions

Qube Group emissions are now higher than in our baseline year, the upward pressure resulting from business growth on emissions with an increase of 11% since 2015. Employee numbers have also increased by 56% contributing to this result. Despite the increase in net emissions, emissions per employee has decreased by 28.7% since 2015.

	2015	2016	2017	vs2015
Net emissions (tCO_2e)	283,208	240,099	316,676	↑11%
Employees	3,900	4,411	6,119	↑56%
Intensity (tCO_2e per employee)	72.6	54.4	51.7	↓28.7

Qube Net Emissions 2015–17



FINANCIAL INFORMATION

QUBE HOLDINGS LIMITED
ABN 14 149 723 053
for the year ended
30 June 2018

Qube Holdings Limited
Directors' Report
for the year ended 30 June 2018

Directors' Report

Your directors present their report on the consolidated entity consisting of Qube Holdings Limited and the entities it controlled ('Qube') at the end of, or during, the year ended 30 June 2018.

Directors

The following persons were directors of Qube Holdings Limited during the financial year and up to the date of this report, unless otherwise stated, as detailed below:

Name	Position	Appointed
Allan Davies	Non-executive Chairman	26 August 2011
Sam Kaplan	Non-executive Deputy Chairman	23 March 2011
Maurice James	Managing Director	23 March 2011
Ross Burney	Non-executive Director	9 September 2011
Peter Dexter	Non-executive Director	1 September 2011
Alan Miles	Non-executive Director	1 April 2013
Sue Palmer	Non-executive Director	1 September 2017
Åge Holm	Alternate Director to Peter Dexter	7 November 2011

Principal Activities

During the financial year the principal continuing activities of the Group consisted of providing comprehensive logistics solutions across multiple aspects of the import-export supply chain.

In addition, the Group is involved in the management, development and operation of strategic properties with future development potential into logistics facilities.

Dividends provided or paid by the Company on ordinary shares during the financial year:

	Cents per share	Total $M	Franked percentage	Payment date
Paid during the 2018 financial year				
2017 Final dividend	2.8¢	44.9	100%	12 October 2017
2018 Interim dividend	2.7¢	43.3	100%	5 April 2018
Paid during the 2017 financial year				
2016 Final dividend	2.8¢	40.5	100%	11 October 2016
2017 Interim dividend	2.7¢	39.2	100%	5 April 2017
Dividends declared by the Company after year end				
2018 Final dividend	**2.8¢**	**44.9**	**100%**	**19 October 2018**
2018 Special dividend	**2.0¢**	**32.1**	**100%**	**19 October 2018**

Review of Operations

Overview

In FY18, Qube delivered pleasing financial results and continued to make solid progress with the development of its strategic assets.

Qube's underlying revenue in the year to 30 June 2018 was around $1.65 billion (up 9.1%) and underlying earnings (EBITA) were around $164.8 million (up 3.6%).

Qube's underlying net profit after tax (NPAT) increased by 4.5% to $106.8 million and underlying net profit after tax before amortisation (adjusted for Qube's share of Patrick's amortisation) (NPATA) increased by 6.0% to $122.8 million.

Qube's underlying earnings per share pre-amortisation (adjusted for Qube's share of Patrick's amortisation) (EPSA) was 7.7 cents, a decrease of around 3.8% on the prior corresponding period.

The prior year's earnings included a net $22.2 million EBITA and $15.5 million NPATA contribution from the dividend received and loss on sale of Qube's Asciano shareholding which was acquired and subsequently sold as part of the broader transaction to secure a 50% interest in Patrick. The decline in EPSA is mainly due to the inclusion of these earnings in the prior year's earnings as well as the dilutionary impact of the capital raising completed at the end of FY17 to fund the Moorebank development and other growth capex.

The contribution to Qube's earnings from its investment in Patrick is comprised of interest income and Qube's share of profit from associates which is not reflected in Qube's revenue or EBITA. Patrick was acquired in August 2016 and therefore the prior period only included a 10.5 months contribution from Patrick.

The underlying results reflect Qube's diversification strategy with the strength in the mining, forestry, project cargo and imported vehicle activities (predominantly Ports & Bulk, Australian Amalgamated Terminals (AAT) and Northern Stevedoring Services (NSS)) and above average market growth in container volumes through the ports (Patrick) mitigating the low grain volumes and very competitive domestic transport environment (Quattro and Logistics).

Qube's statutory NPAT increased by 157.8% to $199.3 million and NPATA increased by 136.6% to $215.3 million. Statutory diluted earnings per share was 12.4 cents or 13.4 cents pre-amortisation. The statutory results are materially higher than the underlying results mainly due to the positive revaluation of two freehold properties at Culverston Road, Minto (Minto Properties) and Qube's 99 year leasehold interest in the land at Moorebank to be used to develop an estimated 850,000 m^2 of warehousing (Warehouse Trust).

The valuation gains reflect Qube's substantial progress in the planning, development, leasing and funding of these strategic assets, as well as continued strengthening overall in the demand for, and value of, industrial land in South West Sydney where these properties are located.

Minto Properties and Warehouse Trust are classified as investment properties as Qube generates (or is expected to generate) passive rental income from leasing these assets to third parties. The accounting standards require Qube to undertake a valuation of these properties each reporting period with any change in valuation (net of additional capital expenditure in the period) being reflected in Qube's statutory earnings. As the accounting standards only require the periodic revaluation of investment properties but not other properties or assets owned by Qube that are used within Qube's operations, the valuation of Warehouse Trust does not include any value for the rail terminals or logistics activities to be undertaken as part of the Moorebank project. Additionally, Qube has significant other property holdings that are used by Qube within its operations and these properties are valued at cost (including any capital expenditure) less accumulated depreciation and are not revalued each accounting period.

Although Qube believes that these assets would be attractive to a broad range of prospective purchasers, Qube has no present intention of selling these assets and believes that the continued development and operation of these assets will deliver further long term shareholder value.

Consistent with past practice, the valuation gains from Qube's investment properties are included in Qube's statutory results but are not reflected in Qube's underlying results as they are non-cash and unrealised.

The underlying financial information is based on the statutory information and excludes certain non-recurring and non-cash items in order to more clearly reflect the underlying earnings of the business.

A reconciliation between statutory and underlying results is provided in note 2 to these financial statements.

Qube Holdings Limited
Directors' Report
for the year ended 30 June 2018
(continued)

Review of Operations (continued)

Balance sheet strength maintained with substantial funding capacity

Qube finished the period with net assets of around $2.75 billion and net debt of approximately $862 million. Qube's leverage ratio (net debt / net debt plus equity) was 23.9% which remains below the bottom end of Qube's long term target leverage ratio of 30%-40%.

Qube completed several important funding initiatives during the period to increase its available funding, diversify its funding sources and extend the tenor of its debt.

This included establishing new 5 year bilateral debt facilities with an enlarged bank group on favourable terms and pricing to replace Qube's syndicated debt facility and some of its existing bilateral debt facilities. Additionally, Qube completed its inaugural US Private Placement (USPP) issuance in October 2017, raising US$150 million of funding across 7, 10 and 12 year tranches. The combined effect of these initiatives and Qube's strong cashflow, enabled Qube to finish the period with cash and available, undrawn debt facilities of around $780 million. The average tenor of Qube's debt facilities at 30 June 2018 is 4.9 years, with no debt facilities maturing during FY19.

Dividend

The Board has determined to declare a final dividend of 2.8 cents per share fully franked, thereby maintaining the full year ordinary dividend at 5.5 cents per share as in the prior year.

In addition, the Board has determined to declare a special dividend of 2.0 cents per share, fully franked. The special dividend reflects the high cashflow being generated by Patrick and distributed to Qube in the period which is above the corresponding earnings contribution to Qube in the period. Patrick is expected to continue to make regular cash distributions to its shareholders in FY19 and beyond supported by earnings growth and lower capital expenditure requirements than previously expected in relation to the acquisition case synergies. The special dividend is also supported by Qube's sound financial position, strong balance sheet and increasing value of its strategic assets which are not yet fully reflected in underlying earnings.

Operational Overview

The twelve month period to 30 June 2018 saw Qube continue to benefit from its diversified operations and breadth of logistics capabilities.

Operating Division

Qube's operating division comprises its Ports & Bulk and Logistics divisions. Historically, these were managed and operated on a stand-alone basis with minimal overlap. However, since the appointment of a Chief Operating Officer in FY17, management has focussed on achieving cost savings and operational benefits through a more integrated approach to these divisions. This has included centralising the finance and more recently IT function, as well as redeploying equipment and management between the divisions in order to deliver the best overall operational and financial outcomes. Additionally, the heavy haulage logistics activities have been transferred from the Ports area to the Logistics division in Queensland and stevedoring activities in Western Australia from the Ports area to the Bulk area.

Accordingly going forward, Qube will be presenting the Logistics and Ports & Bulk divisions as a single segment being the Operating Division to reflect how the business is being managed and reported internally.

Ports & Bulk

The Ports & Bulk division had another successful year with underlying revenue and earnings (EBITA) increasing by around 13.2% and 19.2% to $840.7 million and $87.6 million respectively on the prior corresponding period.

The division is highly diversified by product and customer with no customer accounting for more than 5% of divisional revenue and the top 3 commodities/products, being forestry products (14.4%), mineral sands (11.1%) and iron ore (10.0%) representing around 35.5% of FY18 divisional revenue and the balance coming from a diverse range of products including copper concentrate, lithium, manganese, cement, vehicles, oil and gas, coal and agri foods.

In FY18, the ports activities delivered record results. This was attributable mainly to strong motor vehicle import volumes and forestry export activities, emergence of new project cargo work (which is typically higher margin but relatively short term in nature), improving bulk commodities volumes and some improvement in oil and gas related activities. The strong result was achieved despite some industrial action that impacted productivity at Qube's Melbourne facility during the period which has now been resolved.

Review of Operations (continued)

During the period, Qube commenced oil and gas related activities in Bintan Indonesia on the back of requests from Qube's customers. Qube (70%), along with its joint venture partner Singatac Offshore Pte Ltd (30%), has commenced the development of 12 hectares of lay down area at the Bintan Offshore Marine Centre (BOMC). Qube's initial investment for the first stage of the development is around S$18 million. Discussions with multiple customers are well advanced and Qube expects this facility to contribute to Qube's earnings in FY19 and beyond.

Qube's bulk activities also contributed significantly to Qube's results in the period despite some areas of weakness. Highlights included new contracts with a range of customers including Whitehaven Coal, Tronox and Sibelco, and earnings benefitted from the initial contribution from prior period capex. These positive outcomes were partly offset by a reduction of around 16% in volumes at Utah Point to approximately 19.9 million tonnes due to the end of mine life of a customer's mine. These volumes are expected to decline further in FY19.

Qube also constructed two bulk storage lithium facilities during the year for new customers in both the Pilbara and Esperance Port in Western Australia and also secured new contracts with several lithium customers. Qube expects these contracts and facilities to contribute to Qube's earning in FY19 and beyond. Qube also commenced stevedoring operations at Whyalla Port in South Australia in July 2018 which is also expected to assist future earnings growth.

<u>Logistics</u>

The Logistics division delivered a reasonable result given several headwinds that impacted the business in the period. The full year underlying revenue increased by 7.9% although earnings (EBITA) decreased by around 5.0% over the prior corresponding period to $714.3 million and $62.8 million respectively.

These headwinds included very low volumes of grain which affected both the bulk rail and containerised grain haulage activities and also had a flow on effect on the empty container park activities, reduced terminal services revenue at North Dynon, Victoria, following the exit of Aurizon from its interstate operations, and the impact of exiting the Sydney Haulage site in April 2017 at lease term end.

Despite these headwinds and a very competitive operating environment, revenue and earnings growth was delivered in all states other than New South Wales. Qube was successful in securing a number of new customers and delivering further cost savings. Progress was made with the construction of a new warehouse at Altona, Victoria, which is scheduled to be completed and operational by the end of August 2018.

Reported revenue and earnings reflects the continued competitive environment, and margins were also impacted by an increase in the number of low or no margin "pass-through" revenue items such as stevedoring infrastructure levies and increasing road tolls which Qube collects from its customers and pays to third parties, resulting in nil or minimal margin on these revenue items.

The MCS acquisition was completed in late December 2017 and has assisted in delivering improved operational efficiencies and financial performance in New South Wales. However, as Qube only commenced the integration process of this acquisition from April 2018 following the completion of the ACCC review of the transaction, the expected synergies from this acquisition (which were a key part of the acquisition rationale) will only be realised from FY19 onwards.

In December 2017, Qube sold the Austrans business back to the original vendors. Qube only acquired this business in April 2017 as part of its strategy to progressively expand into interstate intermodal rail. During the period, Qube identified some inconsistencies with certain representations that had been made as part of the sales process. Accordingly, Qube reached agreement to sell the business back to the vendors for total consideration approximately equal to Qube's purchase price.

In the medium to long term, Qube believes that the scale and breadth of its logistics capabilities, combined with Qube's ownership or long term access to strategic locations near ports and key rail terminals, should position the business to continue to generate growth. Importantly, the development of the Moorebank project, combined with an increasing focus by port owners and governments to facilitate modal shift to rail, are expected to be beneficial for Qube's rail and broader logistics activities.

Infrastructure and Property Division (formerly Strategic Assets)

During the period the Strategic Assets division was renamed the Infrastructure and Property division. This was done to better reflect the nature of the core activities and operations within this division, which comprises the Moorebank Logistics Park (MLP), Minto Properties and AAT, all of which are wholly owned and controlled by Qube. The earlier stage activities within this division, currently comprising Qube's investments in Quattro and TQ Holdings, are managed within the Strategic Assets division, which are reported within the overall Infrastructure and Property division.

The financial and non-financial achievements from the Infrastructure and Property division were another highlight during the period.

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(continued)

Review of Operations (continued)

Underlying revenue and earnings (EBITA) were $95.4 million and $33.1 million respectively, an increase of 73.5% and 117.8%, respectively over the prior corresponding period.

The substantial increase in underlying revenue and earnings were largely attributable to the inclusion of a full year's contribution from AAT (as Qube only acquired the remaining 50% of AAT in November 2016). AAT experienced strong growth in passenger and mining related vehicle imports, project and general cargo across its facilities, in both Port Kembla, New South Wales and Fisherman Island, Queensland.

The Minto and Moorebank assets also contributed to the underlying result although management fee income on the Moorebank related works was below expectations due to delays and a commercial dispute regarding the works undertaken for the Moorebank Intermodal Company (MIC) on its site on the western side of Moorebank Avenue.

As noted, the statutory results include pre-tax fair value gains on Qube's Minto and Moorebank investment properties of around $163.2 million.

Moorebank

The MLP project achieved a number of important milestones in FY18 across planning, construction and leasing functions although there have been some delays in meeting Qube's initial project timeline.

Progress was made during the period on leasing activity with a new Agreement for Lease signed with Target Australia in October 2017. As announced in February 2018, Qube is well progressed in finalising the terms of a reservation deed and related Agreement over 150,000 m^2 of land (which would indicatively support a warehouse of around 75,000 m^2 - 100,000 m^2) with a major prospective tenant. The counterparty, who requires their identity to remain confidential at this time, is an ideal tenant for the site due to the volumes of import freight they control. Qube will receive a fee to reserve a portion of the development site with the intention to enter into an agreement for Qube to fund and build a large distribution centre. Qube's preparedness to reserve this area for up to seven years reflects Qube's confidence that the party is likely to exercise its right to enter into a formal lease agreement.

The MLP development is experiencing considerable leasing/tenant interest with prospective tenants attracted to the logistics opportunity that the location and operation of the site presents, particularly given limited alternative competing sites within this area of the Sydney industrial market. However, Qube continues to expect a progressive signing of formal leases with some interested parties expected to wait until the rail terminal and initial warehouses are built and operational, and the expected efficiencies demonstrated.

From a planning perspective, approval for Moorebank Precinct East (MPE) Stage 2 SSD was granted in Q1 CY18. This provides Qube with the ability to construct and lease up to 300,000 m^2 of new warehousing. Qube had submitted a planning application at around the same time for Moorebank Precinct West (MPW) Stage 2 SSD which will enable Qube to construct and lease an additional 215,000 m^2 of warehousing. This process has been delayed through the statutory processes associated with voluntary planning approvals and approval is currently expected to be received by Q1 CY19 following finalisation of road access, construction and funding arrangements with Roads and Maritime Services (RMS) and MIC.

Reflecting Qube's confidence in the medium term tenant demand for Moorebank, Qube decided during the period to proceed with the automation of the Import- Export (IMEX) rail terminal and appointed Kalmar Global to deliver the equipment and associated operating systems. This contract is a staged delivery expected to start in late CY 19 with the terminal moving from manual to fully autonomous operations by CY22, using similar technology to that adopted by Patrick at its automated container terminals in Brisbane and Sydney. The automated equipment includes the terminal handing equipment, transfer equipment to the warehouse as well as automated terminal operating systems. Once implemented and operating at scale, the automated terminal will enable very efficient operations at a low cost. It was determined that it would deliver a superior operational outcome and minimise operational disruptions to move to an automated terminal earlier rather than once the terminal already had significant volumes.

The minimum expected cost of the Moorebank project over the first 5 years (FY17 to FY21) is now expected to be around $642 million compared to Qube's previous estimate of $400 million. The increase from the previous estimate mainly reflects the decision by Qube to fund the construction of the first two warehouses and to accelerate the timing of the automation of the IMEX rail terminal. At 30 June 2018, approximately $197 million of this total has already been spent.

The minimum expected expenditure includes funding for the enabling infrastructure and precinct works, the manual and automated stages of the IMEX rail terminal, the manual first stage of the interstate terminal and the Target Australia and Qube Logistics warehouses. The additional expected expenditure for these items beyond FY21 is expected to be around $150 million.

Major additional capex beyond the amount and timing stated above will relate to additional warehousing which will be driven by tenant demand and Qube's funding requirement will depend on whether or not new warehouses are funded by Qube. Qube will continue to assess a range of funding and ownership options for the different components of the Moorebank project to maximise the value for Qube shareholders.

Review of Operations (continued)

Progress on the construction of the IMEX terminal has been good. However, completion of the rail link from the Southern Sydney freight line to the Moorebank site is now forecast to be mid CY19 due to delays in receiving regulatory approvals for access and an environmental protection licence. This will delay commencement of rail operations by between three and six months from the earlier estimate of March 2019 which is not expected to have a material impact on the project's returns. The rail link is expected to be operational before warehousing operations commence.

A commercial dispute exists between Qube and MIC regarding some land preparation works undertaken for MIC on its site on the western side of Moorebank Avenue where Qube has incurred expenditure of around $40 million. In order to continue to progress the overall development of the project, Qube may fund some additional expenditure on Moorebank Avenue works. In addition, post the end of the period Qube has entered into a contract with BMD for Moorebank Avenue works required for the project. Qube will be seeking reimbursement for the amounts that Qube has funded.

Minto

The development of Qube's Minto site was completed on time and on budget towards the end of the financial year. This site has been successfully transformed from an underutilised site into a fully occupied automotive logistics hub with quality tenants including Mazda, Ceva and Prixcar. Revenue from the new leases will result in increased earnings in FY19. Over the longer term, the size (30 hectares) and strategic location adjacent to the dedicated rail freight line, means this high quality site will provide expansion potential once the MLP reaches full occupancy.

AAT

The contribution from AAT benefitted from strength in passenger and mining related vehicle imports, project cargo as well as general cargo to support major infrastructure projects underway in both New South Wales and Queensland. AAT exited from the Webb Dock facility in Melbourne in late December 2017 and quickly established operations at Appleton Dock for handling bulk and general cargo in Melbourne and to maintain its Melbourne operating presence.

During the period, AAT successfully extended its Fisherman Island (Queensland) lease to 2041 (by virtue of two lease extension options).

Patrick

Qube was pleased with Patrick's performance in FY18 which exceeded Qube's expectations from a market share, earnings and cashflow perspective. Qube's underlying post-tax earnings contribution from Patrick in the period was $26.9 million, a 26.9% increase over the prior corresponding period (which only included 10.5 months of ownership). Qube's profit comprised interest income on the shareholder loans of around $24.4 million ($17.1 million post-tax) and share of Patrick's profit after tax of around $9.8 million. Patrick's total underlying after-tax contribution to Qube's earnings, excluding Qube's share of Patrick's amortisation, was $34.8 million, a 28.4% increase on the prior corresponding period. Patrick distributed $61.6 million in cash to Qube in the period, which was well above the corresponding earnings contribution to Qube in the period, as a result of the strong cashflow generated by the business and positive earnings outlook.

Patrick's result benefitted from market growth as well as market share gains in the second half of the year. In the 12-month period to June 2018, market volumes (TEU) increased by around 8.3% while Patrick's volumes (TEU) increased by around 7.8% in this period. However, in the six months to June 2018, Patrick's volumes (TEU) increased by around 15.6% compared to market growth of 8.4%. The prior 12 month period for Patrick included four months of the sizeable A3 contract that was lost in October 2016 and therefore Patrick has been successful in growing its market share in the second half of the period. Patrick has successfully increased its volumes through organic growth from existing customers as well as securing several new contracts during the period and two new services secured post year end. Pleasingly, there were no customer losses in the period, and Patrick has now recontracted around 95% of its customer base for FY19.

Patrick continues to make good progress in achieving the acquisition case synergies, and presently expects to exceed the original targets with the required capex to achieve the upper-end of the synergy targets being lower than expected.

The strong financial performance and cashflow enabled Patrick to finish with net debt of around $892 million which was after the distribution of $123.2 million to shareholders in the second half of FY18 (Qube share - $61.6 million).

Importantly, Patrick remains the lowest cost, most efficient provider of customer service across all terminals with industry leading vessel performance and truck turnaround times. Patrick's solid financial performance was achieved despite the highly competitive industry dynamics as a result of surplus terminal capacity and continued consolidation of shipping lines which have resulted in further price pressures. This has been compounded by increasing cost pressures including labour, rent and power.

During the period, Patrick progressed planning for the development of an automated rail terminal within its Port Botany facility. This will significantly increase the efficiency of rail operations and volumes of containers to be handled on rail.

Review of Operations (continued)

Qube is pleased that during the period, the Commonwealth Government announced that it would fund the duplication of the rail track to/from Port Botany to support the anticipated modal shift to rail from the development of new intermodal terminals. This supports both Patrick's and Qube's strategies and is expected to be particularly positive for the Moorebank project.

The negotiations on rent reviews and lease extension at Port of Melbourne are progressing well.

In early May 2018, the Fremantle Port Authority (FPA) announced that it would proceed with a public Expression of Interest process for the North Quay at the Fremantle Port (which includes the Patrick terminal) for a new seven year lease term with two seven year options at the FPA's sole discretion. Patrick has been advised that it has been selected to progress to the next stage of the process. Patrick's current Fremantle lease expires in June 2019. Patrick is currently the largest stevedore in Fremantle, with an estimated market share of around 70% which reflects the quality of Patrick's service delivery. Patrick believes that its demonstrated track record of customer service, operational efficiency and investment positions it well to secure an extension of its lease at Fremantle.

Other Associates

Qube's associates (excluding Patrick) delivered a disappointing overall result in the period despite a better contribution from NSS, with the weaker overall result largely reflecting low grain volumes (Quattro) and a slower than anticipated turnaround for Prixcar. Qube's associates (excluding Patrick) contributed an overall loss of approximately $2.7 million to Qube's underlying NPAT compared to a profit in the prior corresponding period of $3.3 million (which included a five month contribution from AAT as Qube's 50% equity interest in AAT was equity accounted prior to consolidation on 1 December 2016).

In December 2017, Qube impaired the carrying value of its investment in Prixcar by $6.0 million reflecting its continued weak financial performance and outlook. In June 2018, Qube impaired this investment by a further $3.3 million. Although Prixcar has installed a new senior management team and its financial performance is beginning to stabilise and improve, there is still a high level of risk regarding Prixcar's turnaround and timing of achieving its medium term forecasts.

Risk management

Qube's framework for risk management involves an ongoing assessment of the key risks facing the business having regard to the following two key criteria:

- The likelihood of a particular risk occurring; and
- The impact on Qube if the risk did occur.

Qube's risk management plan is focussed on trying to reduce both the likelihood of risks occurring and mitigate the financial and operational impact on Qube if it does.

Major risks to Qube's earnings identified include:

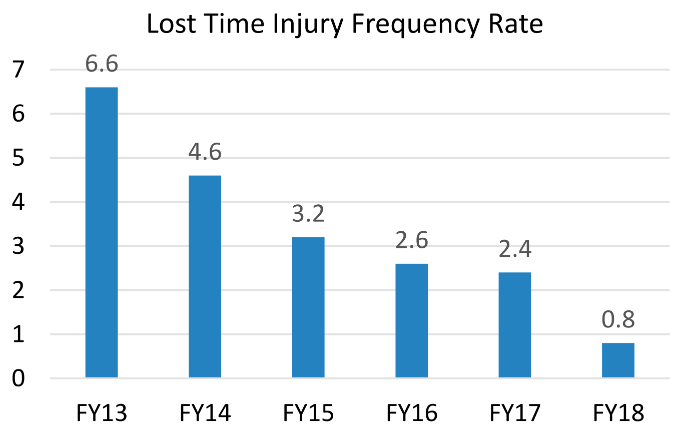
- Economic growth
- Demand for commodities
- Oil and gas activity (production and new projects)
- New vehicle sales
- Container volumes
- Equipment failure
- Agri volumes/weather
- Interest rates
- Australian dollar
- Cyber security threats.

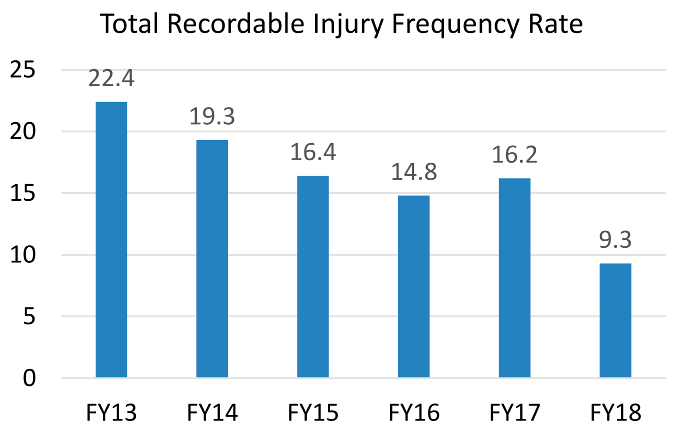
Review of Operations (continued)

Safety, Health and Environment

Qube's ongoing investment in safety systems, training and awareness continued to achieve results with further improvement in the lost time injury frequency rate (LTIFR) of 67% from 2.4 to 0.8, and total recordable injury frequency rate (TRIFR) also improved from 16.2 to 9.3. Key safety initiatives in the period included;

- Delivery of Driver Excellence Program for truck drivers to minimise rollovers and serious incidents, through the delivery of targeted messaging i.e. toolbox talks, in-cab messaging
- Development of Fitness for Work working collaboratively with Human Resources to create policy and programs, targeting the following areas;
    - Pre-employment medical, improving quality and consistency across the divisions
    - Identifying high risk workers and implement programs to improve fitness, health and wellbeing
- Introduction of Fleet Monitoring Centre (FMC) in Qube Bulk West Perth for 24/7 monitoring of national operations. The FMC is a monitoring centre focusing on real-time fleet reporting, this includes speed, fatigue, pre-start checks and incident management. The FMC creates a transparent environment, monitoring driver behaviours and improved incident management.
- Implementation of QubeCare, a platform to promote healthy lifestyle for our employees to maintain fitness for work.
- Implementation of critical risk reviews - the reviews are undertaken to verify the SHE management systems by reviewing individual critical controls to ensure systems are properly designed and implemented





Note: LTIFR is the number of Lost Time Injuries for every million hours worked. TRIFR is the combined number of recordable Medical Treatment Injuries and Lost Time Injuries for every million hours worked.

<u>People & Diversity</u>

Qube understands that diversity is an economic driver of competiveness for companies, contributing to business success and shareholder value.

Qube is committed to creating an environment in which equity and diversity are recognised as being essential to the high performance of the Qube Group and incorporated into day to day business. The key principles to promote diversity, are included in Qube Group's Diversity Policy.

Qube's Workplace Behaviour Standard similarly underpins Qube's diversity and inclusion priorities by promoting a workplace that is inclusive and free from discrimination, harassment, bullying and victimisation. Ensuring employees understand what is appropriate workplace behaviour and encouraging them to speak up if they see inappropriate behaviour supports Qube building a positive and productive workplace environment.

Review of Operations (continued)

Qube has continued to strengthen its diversity and inclusion platform, including through the following initiatives:

- Qube is a major sponsor of the Wayfinder Program, an initiative with Deakin's Centre for Supply Chain and Logistics, financially supported by eleven industry foundation sponsors. The program is a new diversity and inclusion program designed to improve the talent pipeline in supply chain operations, management and education.

  Wayfinder aims to increase the number of women and girls in supply chain and logistics education, training, jobs and careers. It also seeks to encourage employers to consider their retention and succession strategies so they address the specific needs of women in their organisations.

- Qube partners nationally with the Clontarf Foundation. The Clontarf Foundation exists to improve the education, discipline, life skills, self-esteem and employment opportunities for young aboriginal men.

  Qube currently supports the program through workplace visits, work experience and employment opportunities.

- Training and Education in East Timor Qube Energy offers supply base services in Darwin. The logistics supply base conveniently located 5 kilometres from the Wharf. In collaboration on behalf of ConocoPhillips, Qube commenced our capability development programs for Timor-Leste nationals, with the objective of investing in people and getting them employment ready.

- Qube fully supports the recent initiative of Patrick's to initiate a graduate program for ten female cadets across its four terminals and National Operations Centre.

Environment

Qube and its suppliers and contractors are committed to enhancing the environment in a sustainable manner through the innovative approaches to the development and operations of our assets across our businesses.

Qube has made a commitment to improving our economic, social and environmental performance throughout construction and operations at the Moorebank Logistics Park.

A 'cradle to grave' approach to sustainable construction practices and effective management of materials consumption results in minimising consumption of precious resources, optimising resource efficiency and reducing the environmental impacts of our infrastructure projects. The MLP presents an exciting opportunity to examine and potentially utilise innovative and low carbon materials during its construction, dramatically reducing the carbon footprint of our activities.

The MLP is striving to minimise the emission of greenhouse gas either by reducing the quantity of materials required, by using alternate material types with a lower embodied emissions content or by the beneficial reuse of waste materials produced from the demolition of the existing buildings and structures on site. A key recycling process within the current program of works at MLP involves the demolition of the existing building structures, the segregation of concrete for processing to be beneficially reused in the new IMEX terminal pavement infrastructure.

The MLP project will ensure that Qube and the environment benefit from low emissions transport and freight facilities, including through the following initiatives:

- Installation of Automated Stacking Cranes (Gantry Cranes) – When gantry cranes are in motion they consume a large amount of electricity. A portion of that energy can be converted back from kinetic energy to electric power during the lowering of containers and braking of the cranes. In traditional solutions this energy is dissipated in resistors on board the crane.

- This equates to an annual saving of 830,000 kwh/pa or a reduction of 1,400 tonnes of CO2e (carbon dioxide equivalent) emissions.

- Installation of intelligent lighting control systems which incorporate the use of one or more central computing devices to intelligently monitor and turn off areas of the buildings not in use. An efficiency improvement of 15 per cent has been assessed as a result of the use of intelligent lighting control.

- Embedded Solar Network – Installation of a solar photovoltaic cell network on the expansive roof space available of 850,000 m^2 of warehousing across the Moorebank precinct. This would generate 65,000 MWh per year of electricity – enough to power 10,000 homes.

- The MLP will reduce the number of emissions intensive trucks on Australian roads by increasing the use of rail networks to distribute containerised freight to and from Port Botany. The project will switch the movement of 1.55 million freight

Review of Operations (continued)

containers from road to rail, with an estimated annual abatement of more than 110,000 tCO2e in transport-related emissions.

Qube has registered the Target Australia warehouse in Moorebank for a five Green Star rating, which provides independent verification that a building or community project is sustainable. The rating assesses the sustainable design, construction and operation of buildings, fitouts and communities.

Summary and Outlook

The 2018 financial year saw Qube maintain its strong market positions through delivering reliable, cost effective logistics solutions. Qube continued to undertake substantial investment on equipment, facilities and technology to support these solutions and deliver a superior value proposition to its customers. This enabled Qube to deliver a solid overall financial performance in FY18.

Qube will continue to invest in people and resources across the group in a range of areas including operations, safety, IT/technology and risk management to ensure that Qube continues to deliver on its major development projects and provides a superior customer service and sustainable shareholder value.

In FY19, subject to no material change in the domestic or global economic environment, Qube expects broadly similar overall conditions and volumes across most areas of Qube's activities including containerised transport, bulk commodities and forestry products. Qube does not presently expect a significant improvement in grain volumes, and expects a modest decline in imported vehicle volumes given the very strong volumes in FY18 and recent decline in new car sales. Qube does not anticipate any change in the pricing or competitive pressures in its major markets. Qube will seek to mitigate these factors through its scale, diversification, further cost reductions where possible, and ongoing benefits of its investment.

The Operating Division is expected to generate reasonable growth in overall revenue and earnings, reflecting the full year contribution from MCS (including initial synergy benefits) which is expected to offset continued weakness in grain related activities and a competitive operating environment. Qube expects strong growth in its ports activities including an initial contribution from the BOMC offshore operation (mainly in the second half of the year), and modest growth in earnings from the bulk activities as contract wins and the contribution from prior and current year capex offset further expected volume declines at Utah Point. The Ports & Bulk Associates (NSS and Prixcar) are expected to deliver a modest overall improvement in earnings in FY19 compared to FY18.

The Infrastructure and Property division is expected to report an overall similar underlying contribution to Qube's FY19 earnings as delivered in FY18.

Increased earnings from Minto and MLP are expected to be largely offset by reduced earnings from AAT due to the full year impact of exiting Webb Dock West in late December 2017 and an expected reduction in vehicles and other cargo through AAT's facilities following a very strong year in FY18. Quattro is expected to report another loss due to expectations of another poor grain harvest.

Qube expects Patrick to continue to make positive progress in delivering on the acquisition case objectives including improving its productivity and increasing market share by delivering a superior customer value proposition. The relatively high fixed cost nature of this business means that if the market continues to grow at expected long term growth rates of 3-4%, market share gains should result in a strong improvement in profitability. The actual level of earnings will depend on a range of factors including the level of market growth and timing of securing new services or customers. Qube currently expects a strong increase in earnings from Patrick in FY19 compared to FY18, albeit below the high growth rate achieved in FY18. Qube also expects Patrick's cashflow will enable it to make regular cash distributions to its shareholders comprising interest income, franked dividends and other distributions, that will be in excess of Patrick's NPAT contribution to Qube.

Qube currently expects total capital expenditure of around $350 million to $450 million in FY19, comprising around 20% maintenance capex and 80% growth capex. The actual level of capital expenditure could vary materially from this range as it will depend on the timing of the Moorebank development expenditure and the number and size of other investment opportunities that meet Qube's strategic, financial and risk criteria.

In FY19, Qube expects to report a solid increase in underlying NPAT (pre-amortisation) and return to earnings per share (pre-amortisation) growth.

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(continued)

Review of Operations (continued)

Significant changes in state of affairs

Other than as stated above, no other matter or circumstance has arisen that has significantly affected the Group's operations, results or state of affairs during the period.

Matters subsequent to the end of the financial year

Except as noted above no matter or circumstance has arisen since the end of the financial year that has significantly affected, or may significantly affect the Group's operations, the results of those operations or the Group's state of affairs in future financial years.

Likely developments and expected results of operations

The Group will continue to pursue its policy of investing in and developing strategic logistics businesses focused on the import and export supply chains that can deliver a sustainable increase in earnings over the medium to long term.

Environmental regulation

The Group is subject to various state and federal environmental regulations in Australia and New Zealand.

The directors are not aware of any material non-compliance with environmental regulations pertaining to the operations or activities during the period covered by this report.

All Qube businesses continue to operate an integrated Safety, Health and Environment Management System ensuring that non-compliance risks and opportunities for environmental improvement are identified, managed and reported accordingly.

Information on directors

Allan Davies *GAICD Chairman - Non-executive Director*

Experience and expertise

Mr Davies has over 40 years' mining experience in the Australian and international coal and metalliferous mining industries having worked in operational roles up to executive director.

From 2000 until early 2006, Mr Davies also worked for Patrick Corporation Limited as Director Operations. This position included responsibility for Patrick's interest in Pacific National, Patrick Shipping, Patrick General Stevedoring and Patrick Autocare.

Mr Davies was a director of Pacific National from its initial acquisition by Toll and Patrick in 2001 until 2006.

Mr Davies was also a director of Queensland Rail and then QR National (predecessor to Aurizon) from 1 October 2008 until 13 December 2011.

Mr Davies was appointed a director of Qube on 26 August 2011 and Chairman on 23 June 2017.

Directorships of listed companies held during the last three years:

- Non-executive Director of King Island Scheelite Limited from 30 September 2013 to current

Special responsibilities for Qube

Chair of Safety, Health and Environment Committee

Member of Nomination and Remuneration Committee

Sam Kaplan *Deputy Chairman – Non-executive Director*

Experience and expertise

Mr Kaplan is Managing Director of Kaplan Funds Management Pty Limited, the investment manager of Qube from its establishment in 2006 until the Qube Restructure in September 2011. Mr Kaplan is one of the founders of Qube.

Mr Kaplan is a director and member of the Investment Committee of Maritime Super.

Mr Kaplan was one of the founders of Patrick Corporation Limited and was involved in strategic planning with the Company. During his tenure at Patrick Corporation Limited, Mr Kaplan was involved in a number of acquisitions including Pacific National and Virgin Blue.

Mr Kaplan was appointed a director of Qube on 23 March 2011.

Directorships of listed companies held during the last three years:

None

Special responsibilities for Qube

Chair of Audit and Risk Management Committee

Information on directors (continued)

Maurice James *Managing Director*

Experience and expertise

Mr James has over 30 years' extensive experience in engineering, ports and logistics industries.

His early career was spent at the Port of Melbourne Corporation initially as an engineer then through various roles to head of Commercial Operations.

Mr James was an integral part of the executive team of Patrick Corporation Limited between 1994 and 2006. His last position at Patrick was that of Executive Director Ports which included responsibility for Patrick's container terminals and port logistics businesses.

Since 2007 Mr James has had various roles in the Qube-related group of companies and on 23 March 2011, was appointed a Director of Qube. Upon corporatisation of the Company on 1 September 2011, he became Managing Director.

Mr James is a Director on the Board of the Australian Logistics Council and also sits on the NSW, Victorian and WA Freight Advisory Councils. In March 2017, Mr James was appointed to the Australian Government's National Freight and Supply Chain Expert Panel for an Inquiry into National Freight and Supply Chain Priorities which was released by the Government in May 2018.

He holds a Bachelor of Engineering (Civil) and a Master of Business Administration.

Mr James was appointed as a director of Qube on 23 March 2011.

Directorships of listed companies held during the last three years:

None

Special responsibilities for Qube

Managing Director

Member of Safety, Health and Environment Committee

Ross Burney *Non-executive Director*

Experience and expertise

Mr Burney is the Chief Executive of Hume Partners. He has over 25 years' experience as an accountant and investment manager previously having worked for BDO Chartered Accountants, Brierley Investments Limited, Guinness Peat Group and Taverners Group.

Mr Burney was appointed as a director of Qube on 9 September 2011.

Directorships of listed companies held during the last three years:

- Ruralco Holdings Limited – from September 2014 to February 2016

Special responsibilities for Qube

Member of Nomination and Remuneration Committee

Information on directors (continued)

Peter Dexter *AM, FAICD Non-executive Director*

Experience and expertise

Mr Dexter has over 40 years' experience in the maritime and logistics industries in Australia and internationally.

Mr Dexter is the Chairman of the Australian National Maritime Museum and a director of Wilh. Wilhelmsen Investments Pty Ltd.

Prior to his non-executive roles, Mr Dexter was Regional Director and a member of the global management team of Wallenius Wilhelmsen Logistics.

Mr Dexter was appointed as a director of Qube on 1 September 2011.

Directorships of listed companies held during the last three years:

- Non-executive Director of Royal Wolf Holdings Limited – from April 2011 to November 2017.

Special responsibilities for Qube

Member of Safety, Health and Environment Committee

Chair of Nomination and Remuneration Committee

Alan Miles *Non-executive Director*

Experience and expertise

Mr Miles is Managing Director of "K" Line (Australia) Pty Limited. Mr Miles has more than 35 years' experience in the Australian shipping industry, including management roles of Bulk, Liner and PCC Shipping.

Mr Miles is also currently the Chairman of Prixcar Services Pty Limited and a director of Kawasaki Australia. He also is a director of other affiliated Kawasaki companies in Australia and a member of the Policy Council of Shipping Australia.

Mr Miles was appointed as a director of Qube on 7 November 2011.

Directorships of listed companies held during the last three years:

None

Special responsibilities for Qube

Member of Safety, Health and Environment Committee

Member of Audit and Risk Management Committee

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(continued)

Information on directors (continued)

Sue Palmer *Non-executive Director*

Experience and expertise

Ms Palmer has more than 30 years of financial and commercial experience a range of industry sectors, including construction, mining, energy, infrastructure and agriculture.

She has held senior executive roles with companies across Australia and Asia, included Incitec, CS Energy, Leighton Contractors, and Thiess Pty Limited, a subsidiary of CIMIC (formerly Leighton Holdings), where she served as Chief Financial Officer.

Ms Palmer is also currently Non-executive Director and Audit Committee Chair of ASX-listed RCR Tomlinson Limited, Charter Hall Retail REIT and New Hope Corporation Limited, and a member of Brisbane Grammar School's Board of Trustees.

Ms Palmer is a Chartered Accountant and Fellow of the Institute of Company Directors.

Ms Palmer was appointed as a director on 1 September 2017.

Directorships of listed companies held during the last three years:

RCR Tomlinson Limited from 21 August 2014 to current.

Charter Hall Retail REIT from 10 November 2015 to current.

New Hope Corporation Limited from 1 November 2012 to current.

Special responsibilities for Qube

Member of Audit and Risk Management Committee

Åge Holm *Alternate Non-executive Director*

Experience and expertise

Mr Holm is Vice President Investments and IR at Wilh. Wilhelmsen Holding ASA, a global provider of maritime services, transportation and logistics solutions based in Norway.

Mr Holm has 30 years' experience from shipping and automotive logistics, including serving as CFO of Wallenius Wilhelmsen Logistics AS and as Non-executive Director of Group CAT and other European based vehicle logistics companies.

Mr Holm was appointed as an alternate director of Qube on 7 November 2011.

Directorships of listed companies held during the last three years:

None

Special responsibilities for Qube

Alternate Director to Peter Dexter

Interest in shares

The relevant interests of each director in the shares of the Company are disclosed in the Remuneration Report on page 28.

Chief Financial Officer

The Chief Financial Officer is Mr Paul Lewis. He has been involved with Qube since its establishment in 2006, responsible for managing the commercial and financial aspects of Qube's interests. Prior to Qube, Mr Lewis was a senior executive at Patrick Corporation Limited where he was responsible for investments and acquisitions.

Company Secretary

The Company Secretary and General Counsel is Mr William Hara. Prior to joining Qube, Mr Hara worked as General Counsel and Company Secretary at Patrick Corporation Limited and Lend Lease. In June 2016, Mr Hara was also appointed as Director Strategic Assets Division.

Meetings of directors

The number of meetings of the Company's board of directors and of each board committee held during the year and the number of meetings each director attended were:

	Full meetings of directors		Meetings of committees					
			Audit and Risk Management		Nomination and Remuneration		Safety, Health and Environment	
	A	B	A	B	A	B	A	B
Allan Davies	8	8			4	4	4	4
Sam Kaplan	8	8	7	7				
Maurice James[1]	8	8					4	3
Ross Burney	8	7	3	3	4	3		
Peter Dexter	8	8	-	1*	4	4	4	4
Alan Miles	8	8	7	7			4	3
Sue Palmer	7	7	4	4				
Åge Holm (alternate)	-	2**						

A = Number of meetings held during the time the director held office (Including acting as an alternate director) or was a member of the committee during the year

B = Number of meetings attended

[1] Executive director

*Meetings attended as an invitee of the committee

** Meetings attended by an alternate director as an invitee

Not a member of the committee during the year

During the year the following appointments/resignations occurred:

- Allan Davies resigned as Chair of the Nomination and Remuneration Committee effective 23 November 2017;
- Ross Burney resigned from the Audit and Risk Management Committee effective 23 November 2017;
- Peter Dexter was appointed as Chair of the Nomination and Remuneration Committee effective 23 November 2017 (note was on Committee all year); and
- Sue Palmer was appointed to the board of directors effective 1 September 2017, and appointed to the Audit and Risk Management Committee effective 23 November 2017

In addition to the above formal meetings, strategy and briefing sessions were held for directors during the year.

Remuneration Report

Contents

1. Message from the Nomination and Remuneration Committee

The Nomination and Remuneration Committee presents the Qube Remuneration Report for the year ended 30 June 2018 (FY18). This report has been audited in accordance with section 308(3C) of the *Corporations Act 2001*.

The Committee's objective is to ensure that Qube's remuneration framework provides the foundation for retaining and incentivising talented employees to deliver the Group's strategy and that it is aligned with shareholder wealth creation.

The Committee aims to communicate the remuneration outcomes with full transparency, demonstrate that the Qube Group's remuneration platform is both market competitive and fair to all stakeholders, and has performance measures aligned to the achievement of Qube's strategic objectives.

The Committee noted investor feedback on last year's report and has included further detail on the link between executive remuneration, performance and strategy, and simplified the report as much as practicable.

Qube delivered pleasing financial and operational performance in FY18 with solid earnings per share growth of 131% and significant progress and value uplift in Qube's strategic assets. The remuneration outcomes for the KMP reflect management's performance in achieving this result and the relatively high proportion of remuneration for these individuals that is at-risk.

2. Key Management Personnel

This remuneration report sets out remuneration information for Qube's non-executive directors, the Managing Director and other key management personnel (KMP) for FY18. Directors and executives disclosed in this report are as follows:

Non-executive Directors	**Position**
Allan Davies	Chairman, Non-executive Director
Sam Kaplan	Deputy Chairman, Non-executive Director
Ross Burney	Non-executive Director
Peter Dexter	Non-executive Director
Alan Miles	Non-executive Director
Sue Palmer	Non-executive Director (Appointed 1 September 2017)
Åge Holm	Alternate Director to Peter Dexter
Executive Directors	
Maurice James	Managing Director
Other key management personnel	
Paul Digney	Chief Operating Officer
William Hara	Director Strategic Assets Division, General Counsel and Company Secretary
Paul Lewis	Chief Financial Officer
Greg Pauline	Director, Infrastructure and Property Assets (Commenced 4 December 2017)

3. Remuneration Summary

Principles used to determine the nature and amount of executive remuneration

Qube's remuneration strategy is to position total remuneration (fixed and at-risk pay) so that its executives can, upon meeting stretch performance hurdles, achieve the 75th percentile of their peer group.

The executive remuneration framework consists of fixed remuneration, cash short-term incentives (with a deferral component) and long-term incentives.

Component	Objective	Performance condition	Link to Qube's Strategy
Fixed remuneration	Reflects the market value of the role and the executive's skills and experience.	Reviewed annually following individual performance review.	Remuneration set at competitive levels to attract, retain and engage key executives
Short term incentive – at risk (STI)	Incentive for achievement of financial and non-financial objectives for the financial year.	Executives participate in an STI plan which assesses performance against financial and non-financial KPI's over the financial year. Financial Performance measures: 70% Group underlying net profit after tax (pre-amortisation) (NPATA) and 30% return on average capital employed (ROACE). Non-Financial measures: Achievement or out performance of individual KPIs – refer to section 5 of this Report. 50% of any STI payment is deferred for 1 year.	Rewards executives for Group financial performance outcomes. This drives performance to achieve and exceed the Group's financial targets for the year. Rewards executives for out-performance in their role where they achieve or exceed individual KPI's. This drives performance to achieve the Group's objectives in areas of strategy and growth, business and operations.
Long term incentive – at risk (LTI)	Incentive for long term shareholder value creation and to assist in retention of key executives.	LTIs are in the form of share appreciation rights (SARs) that do not vest earlier than 3 years. The key performance conditions are as follows: • Awards only vest on completion of a 3 year service period and vested shares are then subject to a further 2 year trading restriction. • The benefit received by a participant in the LTI (SAR) Plan is based on the price at which shares trade on ASX at the commencement and end of a 3 year calculation period. The awards only have value if the share price has increased over that period. • SARs have an implicit share price hurdle that directly aligns the value created for Shareholders to the rewards received by management.	The Company's strategy to invest in high quality infrastructure assets including the Moorebank Intermodal Project, Patrick Terminals and Australian Amalgamated Terminals is expected to deliver significant value to shareholders over the long term. The LTI (SAR) plan rewards executives for the successful integration, implementation and operation of these assets.

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4. Take home pay of Managing Director and other KMP

The following table sets out details of the take home pay of Qube's Managing Director and other KMP i.e. the gross salary package and actual incentives paid in FY18. This table has been included to give shareholders a better understanding of the amounts the Managing Director and other KMP actually received (or were entitled to receive) for each component of remuneration during FY18. This information is not compliant with International Financial Reporting Standards ('IFRS') and is unaudited. The full statutory remuneration table (which is prepared in accordance with the accounting standards) can be found in section 10 of this report.

Name	Fixed annual remuneration ($)[1]	Current year STI non deferred component ($)[2]	Prior year STI deferred component ($)[2]	Vested long-term incentives ($)[3]	Total take home pay ($)	Performance related remuneration (%)
Managing Director						
Maurice James						
FY18	**1,285,200**	**674,650**	**661,500**	**571,150**	**3,192,500**	**60%**
Other key management personnel						
Paul Digney						
FY18	**714,000**	**301,950**	**309,000**	**282,436**	**1,607,386**	**56%**
William Hara[4]						
FY18	**559,522**	**263,500**	**254,500**	**235,365**	**1,312,887**	**57%**
Paul Lewis						
FY18	**575,975**	**251,950**	**247,000**	**227,519**	**1,302,444**	**56%**
Greg Pauline[4]						
FY18	**321,516**	**118,900**	**-**	-	**440,416**	**27%**

1. Fixed annual remuneration is based on current gross salary package, which includes base salary, superannuation contributions and the value of non-monetary benefits provided to the executive (inclusive of all taxes) but excludes accrued leave and adjusted for leave taken without pay.
2. Current year STI non deferred component represents the actual STI to be paid in September 2018 being 50% of the FY18 STI award. The remaining 50% of the FY18 STI award is deferred and will be paid around September 2019. The prior year STI deferred component represents 50% of the FY17 STI award and will be paid in September 2018.
3. Vested long-term incentives represents the value of the equity instruments at the date of the grant of the long-term incentives which have vested in the year. Refer to section 6 of this report for more detail.
4. During the period, the responsibility for the Strategic Assets division was restructured and this division was renamed the Infrastructure and Property Division. Mr Pauline joined Qube and was appointed on 4th December 2017 with responsibility for the Infrastructure and Property investments in the division and Mr Hara continued to have responsibility for the associates within this division (now known as Strategic Assets) as well as his General Counsel and Company Secretary duties.

5. Executive remuneration framework

The executive remuneration framework has three components:

- fixed remuneration comprising base pay and benefits including superannuation;
- short-term incentives; and
- long-term incentives.

Senior Executives have a higher proportion of their remuneration 'at risk'. The combination of these comprises an executive's total remuneration and is set out below.

Remuneration mix

The Group's remuneration strategy is to position total remuneration so that its executives can, upon meeting stretch performance hurdles, achieve the 75th percentile of their peer group. For FY18, the proportions of remuneration that are fixed and those that are linked to performance (at target) are unchanged from FY17 and are as follows:

Name	Fixed remuneration	At risk – STI	At risk – LTI
Managing Director			
Maurice James	30.0%	35.0%	35.0%
Other key management personnel			
Paul Digney	35.0%	32.5%	32.5%
William Hara	35.0%	32.5%	32.5%
Paul Lewis	35.0%	32.5%	32.5%
Greg Pauline	35.0%	32.5%	32.5%

Fixed remuneration

Executives receive base pay comprising the fixed component of pay including contributions to superannuation plans. Base pay for executives reflects the market value of the role and is reviewed annually following an individual performance review.

Short-term incentives (STIs)

Eligible executives have a target STI opportunity depending on the responsibilities of the role and their ability to impact organisation or business unit performance.

The target STI opportunity for the Managing Director is 117% of Fixed Remuneration ("FR") and for significant Group financial out performance the maximum STI opportunity is 140% of the target STI opportunity.

For the other Key Management Personnel, the target STI opportunity is 93% of Fixed Remuneration and the maximum STI opportunity is 140% of the target STI opportunity.

The objectives of the STI plan are to reward executives for:

- Group financial performance outcomes for underlying net profit after tax (pre-amortisation) (NPATA) (70% weighting) and return on average capital employed (ROACE) (30% weighting); and
- out-performance in their role where they achieve or exceed individual KPI's

NPATA is the Group's NPAT adjusted for Qube's amortisation and Qube's share of Patrick's amortisation.

If Group financial performance outcomes for underlying NPATA and ROACE are below 90% of target NPATA and ROACE, no STI is payable.

Any STI payment is made 50% in cash and 50% deferred for 1 year. At the start of the relevant financial period executives can elect to take all or part of an STI payment in shares for that period.

There is provision to clawback a deferred STI payment if there has been a material misstatement in the financial accounts.

If an executive resigns during the financial year, the full STI grant for that financial year is forfeited and the deferred component of the prior year STI may be forfeited.

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5. Executive remuneration framework (continued)

Short-term incentives (STIs) (continued)

Managing Director:

KPI & weighting %	Measure	Rationale
Group Financial Performance – Used to determine Group STI Pool. Refer to Note i)	• Achieve and exceed Group targets for underlying NPATA and ROACE.	These financial targets were chosen because Group profit and ROACE should drive dividends and share price growth over time.
Divisional Financial Performance – Used to determine Divisional STI Pool. Refer to Note ii)	• N/A	N/A
Strategy & Growth (70%)	• Achievement of major strategic objectives.	To ensure the Managing Director is focussed on a range of objectives that underpin the growth of the Group.
Business & Operations (30%)	• Operational targets such as driving improvements and delivery against key priorities for Board committees including but not limited to SHE performance.	To ensure the Managing Director is focussed on a range of objectives that underpin the sustainability of the Group's business and operations including safety and leadership.

Other key management personnel:

KPI	Measure	Rationale
Group Financial Performance –Refer to Note i)	• Achieve and exceed Group targets for underlying NPATA ROACE.	These financial targets were chosen because Group profit and ROACE should drive dividends and share price growth over time.
Divisional Financial Performance – Used to determine Divisional STI Pool. Refer to Note ii)	• Achieve and exceed financial targets applicable to the Division such as underlying NPATA, ROACE, revenue growth and margin	Financial targets relevant to the Divisional profitability are chosen which should drive dividends and share price growth over time
Strategy & Growth (70-80% for division management, 30% for corporate roles)	• Achievement of objectives from major capital investment projects, and acquisitions: • Ensure adequate funding to support growth • Deliver target cost savings from integration of divisions	To ensure the key management personnel are focussed on a range of objectives that underpin the growth of the Group.
Business & Operations (20- 30% for division management, 70% for corporate roles)	• Role related operational targets such as driving improvements and delivery against key priorities from Board committees including but not limited to SHE performance.	To ensure the key management personnel are focussed on a range of objectives that underpin the sustainability of the Group's business and operations including safety and leadership.

Notes:

i) The total size of the group STI Pool is determined by reference to Qube's performance against these financial targets. There is a threshold requirement that Qube must achieve at least 90% of the Group financial target for underlying NPATA and ROACE before any STI is payable (subject to Board discretion).

ii) The calculated STI Pool referred to in Note i) is allocated across the divisions based on the relative contribution of each division to Qube's performance during the period (taking into consideration both the financial contribution compared to the divisional target as well as any significant contributions that are not reflected in the current year's financial performance).

5. Executive remuneration framework (continued)

Long-term incentives (LTIs)

During FY17 Qube changed its Long-Term Incentives (LTIs) Plan to Share Appreciation Rights (SARs) to retain and reward executives for the successful integration, operation and development of Qube's assets. SARs are strongly aligned with the interests of shareholders and only have value if the share price appreciates over an approximately three-year period. The value of any share appreciation is delivered to the participant in shares issued at the Vesting Price noted below, that are subject to trading restriction for a further two years, continuing the alignment between management and shareholders' interests. The issue of any vested shares under the FY17 LTI (SAR) Plan was approved by Shareholders at the Annual General Meeting in November 2016.

In FY18, Qube made a further grant of LTIs in the form of SARS. The issue of any vested shares under the FY18 LTI (SAR) Plan was approved by Shareholders at the Annual General Meeting in November 2017. The LTI opportunity for the Managing Director is 117% of fixed remuneration and for other key management personnel is 93% of fixed remuneration.

The key terms and conditions for the FY18 grant are described below:

Participation	The Managing Director, other KMP and other executives who can directly influence the performance of Qube.
Grant date	29 September 2017
Initial price	$2.56 being the VWAP of Qube shares calculated over the 15 trading days before the date of release of Qube's FY17 result (on 23 August 2017) and the subsequent 15 trading days.
Instrument	Share appreciation rights (SARs) SARs will entitle the holder to receive a certain number of Qube shares subject to satisfaction of the Service condition. The number of shares the holder will receive is determined by multiplying the number of SARs awarded by the appreciation in the Qube share price divided by the VWAP of Qube shares calculated over the 15 trading days before the Vesting Date and the subsequent 15 trading days (Vesting Price). The appreciation in the Qube share price will be determined by subtracting the initial price (being $2.56) from the Vesting Price. If the Vesting Price is lower than the Initial price, the SARs will lapse and no shares will be issued.
Performance condition	Implicit share price hurdle. SARS will only have value if Qube's share price increases and the value delivered to management will be directly proportional to the value delivered to shareholders through the increased share price. This ensures strong and transparent alignment between management remuneration and shareholder value creation.
Service condition	Eligible executives must continue to be employed by a Qube Group member until the Vesting date.
Performance period	2.9 years to on or around 22 August 2020.
Vesting date	the date of release of the audited financial statements for Qube in respect of the financial year ended 30 June 2020, presently expected to be on or around 22 August 2020 (with a further trading restriction (holding lock) period of 2 years from the Vesting date).
Dividends	Dividends will not be paid on SARs.
Termination	If the participant resigns during the vesting period, the SARs are forfeited. In the event of termination for redundancy etc. (i.e. good leaver) the SARs are reduced pro rata to the date of termination.

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6. Linking rewards, performance and strategy

Performance of Qube

Qube's remuneration framework is intended to align rewards to management with the achievement of financial and non-financial performance that drives sustainable growth in shareholder value.

The following table highlights the key performance indicators for the Group now and their trajectory over the last five years:

	30 June 2018 $'m	30 June 2017 $'m	30 June 2016 $'m	30 June 2015 $'m	30 June 2014 $'m
Revenue from sales and services	1,577.9	1,418.1	1,264.8	1,393.3	1,173.7
Profit for the year attributable to owners of Qube Holdings Limited	199.3	77.3	82.0	85.9	87.9
Underlying profit for the year attributable to owners of Qube Holdings Limited	106.8	102.2	86.5	105.2	88.6
Ordinary dividend per share (cents)	5.5¢*	5.5¢	5.5¢	5.5¢	5.1¢
Underlying dividend payout ratio (%)	82%	78%	72%	55%	55%

* In addition to the ordinary dividend, the Board resolved to pay a fully franked special dividend of 2.0 cents per share.

Short term incentive outcomes

In FY18, the Group achieved 108% of the Group NPATA target and 104% of the ROACE target. As the financial hurdles were fully met, the KPI relating to financial measures and for setting the STI pool was fully achieved.

The Managing Director achieved 88% of the non-financial KPIs relating to strategy and growth and 95% of the KPIs relating to business and operations. The main areas of achievement included meeting key objectives relating to the Moorebank project, supporting key initiatives and strategic and financial outcomes for Patrick, improvements in safety outcomes and effective stakeholder management (including shareholders, regulatory authorities, customers and port authorities).

The other KMP achieved an average of 90% of KPIs relating to strategy and growth and 96% of the KPIs relating to business and operations. The main areas of achievement included delivery of target growth from acquisitions and the successful development and leasing of Minto, improvements in safety and delivery of key priorities from Board committees.

The Managing Director received 90% of his target STI opportunity and the other KMP received STI payments of between 88% and 95% of their target STI opportunity.

Long term incentive outcomes

The FY14 – FY16 LTI grants each had a potential vesting date during FY18. Each LTI grant had two performance hurdles, being cumulative earnings per share (EPS) growth and relative total shareholder return (TSR) among the ASX 200. The EPS component represented 75% of the total LTI and the TSR component represented 25%. For full details of the grants, refer to section 10.

TSR

The relative TSR hurdle for the FY15 LTI was not met in FY18 and the FY15 TSR Performance Rights lapsed.

EPS

The assessment of the EPS hurdle in Qube's LTI Plans is based on Qube achieving a target annual compound growth in earnings per share over the vesting period. In accordance with the terms of these plans, the earnings are based on statutory earnings excluding certain non-recurring and non-cash items as determined by the Nomination and Remuneration Committee. This is to ensure that the vesting outcomes are consistent with the Committee's objectives and performance based remuneration objectives of the remuneration framework, balancing the interests of shareholders and executives.

The Committee determined that it was appropriate to include the fair value gain on the Minto and Moorebank investment properties in the EPS assessment even though these earnings were non cash and unrealised. The Committee recognised that these gains reflected the substantial value that has been created by management over a number of years through

6. Linking rewards, performance and strategy (continued)

the negotiation, acquisition, funding, planning, development and leasing of these assets, as well as increasing land and property values in the growth region of Southwest Sydney where these properties are located.

Qube's freehold land at Minto (Minto Properties) has been successfully transformed from an underutilised and under rented property to a fully utilised motor vehicle logistics hub. The property has undergone significant re-development that was delivered on schedule at target construction cost. The property is now fully leased to major car importers and pre-delivery inspection operators. In parallel, management secured development approval for rail access into the property and approval to develop up to 110,000 square metres of warehousing. In the future, Minto could be redeveloped into another intermodal terminal after Moorebank is fully developed.

During the LTI performance period (FY14 to FY18), management has significantly contributed to the increase in value of the Moorebank project in a number of ways. Management successfully negotiated and completed the acquisition of Aurizon's 1/3rd interest in the Moorebank land and project, giving Qube 100% ownership and control of the development, operation, asset and management rights. Management also negotiated a comprehensive transaction with the Moorebank Intermodal Company that secured Qube a 99 year leasehold interest in an additional 160 hectares of developable area – a 200% increase on its original site. In that deal negotiated by management, the Moorebank Intermodal Company is obliged to pay for the remediation and preparation of their land to a benching requirement suitable for development and to a comparable standard to Qube's Moorebank property – further increasing the value of the land. Funding for the project has been secured from a diverse range of sources on favourable terms including US debt issuance and from the Clean Energy Finance Corporation, reflecting the environmentally positive attributes of the Moorebank project. Management secured its first tenant for warehousing at an attractive market rent and this too has contributed to the value creation from this project.

Importantly, these outcomes have been achieved while still enabling Qube to deliver strong earnings and cashflow from its operating business and invest in high quality assets such as AAT and Patrick.

Qube's solid financial performance in the period, including the substantial value and earnings delivered from the strategic Minto and Moorebank investment properties, resulted in the full achievement of the EPS hurdle for Qube's FY14 LTI Plan.

Although the EPS hurdle for the FY15 LTI and FY16 LTI would also have been achieved, the Committee determined that it was appropriate to qualify the achievement of the LTI vesting for the FY15 LTI and FY16 LTI for certain members of Qube's senior management team including those who are primarily responsible for the Moorebank project. This decision recognised the fact that although there was objectively substantial value that had been delivered which was therefore appropriate to include in the vesting assessment, it was important in aligning the interests of shareholders and management to ensure that this value was sustainable.

Therefore, for those executives, the Performance Rights/Options with an EPS hurdle for the FY15 LTI and FY16 LTI will be subject to additional assessment in the future before vesting occurs. The main condition for the FY15 Performance Rights with an EPS hurdle to vest is that the assessed value of the Moorebank project is not materially lower at the end of FY19 compared to FY18. In addition to that requirement, for the FY16 LTI Performance Rights/Options with an EPS hurdle to vest in the future, the EPS hurdle for the FY16 LTI must also be achieved. The other terms of the LTI Plans, including continued employment with Qube, will also continue to apply to the FY15 LTI and FY16 LTI for these executives.

The Board believes that this outcome is very positive for shareholders as it encourages retention of the senior management team and ensures remuneration outcomes are consistent with maintaining and growing the value and earnings of Moorebank and the broader business.

7. Employment conditions

Service agreements

The terms of employment for the Managing Director and the other key management personnel are formalised in service agreements. Each of these agreements provide for participation, when eligible, in Qube's STI and LTI plans.

The service agreements for the key management personnel (other than the Managing Director) may be terminated by either party with notice as detailed below. The service agreement for the Managing Director provides for 6 months' notice by the executive and 12 months' notice by the Company.

Name	Term of agreement	Fixed remuneration including superannuation*	Termination Notice Period**
Maurice James, Managing Director	On-going commencing 1 September 2011	$1,285,200 per annum	12 months
Paul Digney, Chief Operating Officer	On-going commencing 1 September 2011	$714,000 per annum	6 months
William Hara, Company Secretary and General Counsel and Director Strategic Assets	On-going commencing 21 January 2013	$570,000 per annum***	6 months ****
Paul Lewis, Chief Financial Officer	On-going commencing 1 September 2011	$571,200 per annum***	6 months
Greg Pauline, Director Infrastructure & Property	On-going commencing 4 December 2017	$550,000 per annum***	6 months

* Fixed Remuneration quoted is for FY18; they are reviewed annually by the Committee.

** Upon early termination by the Company, other than for gross misconduct, a termination payment in lieu of notice is payable.

*** Excludes non-monetary benefits.

**** The Company has agreed to amend Mr Hara's contract in respect of notice to provide for a minimum term of employment until 31 December 2019 and may only terminate Mr Hara's employment on 9 months' notice at any time from 1 April 2019. From 1 January 2020 onwards, Mr Hara's employment may be terminated by the Company on 6 months' notice.

8. Non-executive directors

On appointment to the Board, all non-executive directors enter into a service agreement with the Company in the form of a letter of appointment. The letter summarises the Board policies and terms, including compensation, relevant to the office of director.

To maintain their independence and impartiality, non-executive directors' rewards do not have any at-risk components. Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Committee.

Directors' fees

Non-executive director fees comprise a base fee plus additional fees for directors who chair, or are a member of, a committee.

Non-executive directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. At the 2016 AGM, shareholders approved the fee pool of $1,400,000 per annum.

The allocation of fees for FY18 based on responsibility per non-executive director are as follows:

				Board Committee Fees						
	Board Fees			Audit and Risk Management		Safety, Health and Environment		Nomination and Remuneration		
Name	Chair	Deputy Chair	Base Director	Chair	Member	Chair	Member	Chair	Member	Total
	$	$	$	$	$	$	$	$	$	$
Allan Davies	213,675	-	-	-	-	27,750	-	10,000	8,325	259,750
Sam Kaplan	-	161,700	-	35,000	-	-	-	-	-	196,700
Ross Burney	-	-	98,175	-	7,000	-	-	-	13,875	119,050
Peter Dexter	-	-	98,175	-	-	-	13,875	15,000	5,550	132,600
Alan Miles	-	-	98,175	-	17,500	-	13,875	-	-	129,550
Sue Palmer			81,813		10,500		-	-	-	92,313
Åge Holm	-	-	-	-	-	-	-	-	-	-
	213,675	**161,700**	**376,338**	**35,000**	**35,000**	**27,750**	**27,750**	**25,000**	**27,750**	**929,963**

Sue Palmer was appointed on 1 September 2017.

Retirement allowances for non-executive directors

Where appropriate, superannuation contributions required under the Australian Superannuation Guarantee Legislation are included in the directors' overall fee entitlements.

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8. Non-executive directors (continued)

Total remuneration for non-executive directors

Details of remuneration for each non-executive director and the figures for the corresponding period are set out in the table below:

	Primary		Post-employment benefits	
Name	**Cash salary and fees $**	**Non-monetary benefits $**	**Superannuation $**	**Total Remuneration $**
Non-executive Directors				
Allan Davies				
2018	**239,701**	**-**	**20,049**	**259,750**
2017	131,050	-	12,450	143,500
Sam Kaplan				
2018	**179,635**	**-**	**17,065**	**196,700**
2017	172,603	-	16,397	189,000
Ross Burney				
2018	**108,721**	**-**	**10,329**	**119,050**
2017	105,404	-	10,013	115,417
Peter Dexter				
2018	**121,096**	**-**	**11,504**	**132,600**
2017	108,219	-	10,281	118,500
Alan Miles				
2018	**118,310**	**-**	**11,240**	**129,550**
2017	112,785	-	10,715	123,500
Sue Palmer				
2018	**84,304**	**-**	**8,009**	**92,313**
2017	-	-	-	-
Åge Holm				
2018	-	-	-	-
2017	-	-	-	-

9. Director's interests

The relevant interests of each director in the shares of the Company during the financial year as notified to the ASX are as follows:

Name	Opening balance as at 1 July 2017	Dividend reinvestment	Disposed	Other changes	Balance as at 30 June 2018	Balance as at date of this report
Allan Davies	3,416,659	-	-	-	3,416,659	3,416,659
Sam Kaplan	6,469,244[1]	-	(3,546,000)	-	2,923,244	2,923,244
Maurice James	7,685,073	-	(1,500,000)	163,304	6,348,377	6,348,377
Ross Burney	-	-	-	-	-	-
Peter Dexter[2]	244,534	-	-	-	244,534	244,534
Alan Miles[2]	38,855	-	-	-	38,855	38,855
Sue Palmer	-	-	-	45,000	45,000	45,000
Åge Holm	-	-	-	-	-	-

This includes shares held in the name of spouse, superannuation fund, nominee and/or other controlled entities and deemed relevant interests.

[1] Includes shares in which Mr Kaplan has only deemed relevant interest under the Corporations Act from which Mr Kaplan may receive no economic benefit.

[2] The opening balance has been adjusted for Mr Dexter and Mr Miles to include shares held by a spouse.

The relevant interests of each director in the listed debt securities of the Company during the financial year as notified to the ASX are as follows:

Name	Opening balance as at 1 July 2017	Disposed	Other changes	Balance as at 30 June 2018	Balance as at date of this report
Allan Davies	5,154	-	-	5,154	5,154
Sam Kaplan[1]	3,000	-	-	3,000	3,000
Maurice James	6,000	-	-	6,000	6,000
Ross Burney	2,500	(2,500)	-	-	-
Peter Dexter	1,000	-	-	1,000	1,000
Alan Miles	-	-	-	-	-
Sue Palmer	-	-	-	-	-
Åge Holm	-	-	-	-	-

[1] Includes securities in which Mr Kaplan has only deemed relevant interest under the Corporations Act from which Mr Kaplan may receive no economic benefit.

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10. Statutory remuneration disclosures

Total KMP remuneration

Details of the remuneration of key management personnel of the Group is set out in the following table:

	Short-term employee benefits				Post-employment benefits	Long-term benefits			
Name	**Cash salary and fees**	**Bonus (cash and shares)***	**Patrick STI**	**Non-monetary benefits**	**Super-annuation**	**Long service leave**	**LTI Standard**	**LTI Moorebank**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Executive Directors									
Maurice James									
FY18	**1,260,200**	**1,342,725**	**-**	**-**	**25,000**	**35,017**	**1,222,416**	**199,081**	**4,084,439**
FY17	1,225,980	1,092,250	1,000,000	-	34,020	21,662	852,188	179,150	4,405,250
Other key management personnel									
Paul Digney									
FY18	**689,000**	**607,425**	**-**	**-**	**25,000**	**31,989**	**473,226**	**126,085**	**1,952,725**
FY17	670,000	527,250	50,000	-	30,000	52,244	322,958	113,462	1,765,914
William Hara									
FY18	**534,698**	**522,500**	**-**	**4,775**	**20,049**	**33,979**	**445,902**	**199,081**	**1,760,984**
FY17	596,298	433,000	1,000,000	5,002	19,616	-	286,646	179,150	2,519,712
Paul Lewis									
FY18	**546,200**	**501,425**	**-**	**4,775**	**25,000**	**24,415**	**409,606**	**125,900**	**1,637,321**
FY17	530,000	420,500	1,000,000	5,002	30,000	9,516	272,441	114,709	2,382,168
Greg Pauline									
FY18	**307,100**	**178,350**	**-**	**2,721**	**11,695**	**-**	**41,774**	**-**	**541,640**
FY17	-	-	-	-	-	-	-	-	-

* Bonus represents 25% of the FY17 STI, plus 75% of the approved FY18 STI; the remaining 25% of the FY18 STI will be recognised in FY19 subject to certain conditions being met.

Of the cash bonuses to KMP awarded in FY18, 50% are to be paid in September 2018. The remaining 50% is deferred for one year.

10. Statutory remuneration disclosures (continued)

Equity settled compensation

STI bonuses and rights to equity settled compensation

In FY18 Qube offered eligible senior executives the option to elect to take all or any portion of their FY18 STI payment in Qube shares. Eligible senior executives were required to make this election shortly after the offer was made.

To determine the maximum number of STI share rights to be granted under the STI to eligible senior executives, the maximum value of the STI subject to the election, was divided by $2.5226, being the volume weighted average price of Qube shares calculated over the 20 trading days prior to the final election date.

At the end of the financial year the actual STI to be awarded to the executive is calculated as a percentage of the maximum STI grant. Of the total STI share rights awarded 50% are subject to a service condition and the allocation is deferred until 12 months after the amount of the STI is determined.

Under the terms of the plan the eligible senior executives are also entitled to receive an amount equal to any dividends accrued on the vested shares over the period from the grant date to vesting date.

The value of the STI actually received by the eligible senior executives is therefore dependent on the Qube share price plus any dividends that have accrued on the shares over the period.

Name	Election Date	Total Target STI opportunity ($)	Target STI Forfeited %	Value of STI award ($)	Expensed during the year ($)*	Award vested %	Value yet to vest ($)
Executive Directors							
Maurice James	**Sep-17**	**1,499,400**	**10%**	**1,349,300**	**1,342,725**	**50%**	**674,650**
	Sep-16	1,470,000	10%	1,323,000	1,092,250	50%	661,500
Other key management personnel							
Paul Digney	**Sep-17**	**663,000**	**9%**	**603,900**	**607,425**	**50%**	**301,950**
	Sep-16	650,000	5%	618,000	527,250	50%	309,000
William Hara	**Sep-17**	**596,700**	**12%**	**527,000**	**522,500**	**50%**	**263,500**
	Sep-16	585,000	13%	509,000	433,000	50%	254,500
Paul Lewis	**Sep-17**	**530,400**	**5%**	**503,900**	**501,425**	**50%**	**251,950**
	Sep-16	520,000	5%	494,000	420,500	50%	247,000
Greg Pauline	**Sep-17**	**256,438**	**7%**	**237,800**	**178,350**	**50%**	**118,900**
	Sep-16	-	-	-	-	-	-

* Comprises 75% of current year and 25% of prior year STI award

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10. Statutory remuneration disclosures (continued)

Equity settled compensation (continued)

STI bonuses and rights to equity settled compensation (continued)

Details of STI share rights provided as remuneration to Qube directors and KMP are set out below.

Name	Rights may vest	STI award taken as rights		Value per right	Total no. of rights taken as STI award	No. of rights vested during the year
		Current %	Deferred %	($)		
Executive Directors						
Maurice James	**Sept 18 – Sept 19**	**25%**	**25%**	**2.52**	**133,722**	**131,938**
	Sept 17 - Sept 18	25%	25%	2.56	130,154	156,246
Other key management personnel						
Paul Digney	**Sept 18 - Sept 19**	-	-	-	-	-
	Sept 17 - Sept 18	-	-	-	-	58,120
William Hara	**Sept 18 - Sept 19**	**100%**	**100%**	**2.52**	**208,912**	**204,604**
	Sept 17 - Sept 18	-	100%	2.56	100,148	46,724
Paul Lewis	**Sept 18 - Sept 19**	**-**	**100%**	**2.52**	**99,877**	**97,197**
	Sept 17 - Sept 18	-	100%	2.56	97,197	22,792
Greg Pauline	**Sept 18 - Sept 19**	**20%**	**20%**	**2.52**	**18,854**	**9,427**
	Sept 17 - Sept 18	-	-	-	-	-

Notes:
1. Figures exclude entitlement relating to dividends earned on shares over the vesting period.
2. Vesting of rights shown above are based on the anticipated position at the 29 September 2018 vesting date which is consistent with the STI accrual in the financial statements.
3. Comprises 50% of current year and 50% of prior year STI award.
4. Adjusted for the impact of the entitlement offer.
5. Number of vested rights during the year comprise the current year non-deferred and the prior year deferred STI components

LTI Plans – Share Appreciation Rights (SARS)

In FY17 and FY18 Qube made a grant of Share Appreciation Rights (SARS) to eligible senior executives. The terms and conditions of the grants affecting remuneration in the current or future reporting periods are as follows:

Grant date	Vesting date	Expiry date*	Initial price	Value per right at grant date	Target hurdle for 100% vesting	Performance achieved	% Vested
24 Nov 2016	25 Aug 2019	24 Aug 2021	$2.56	$0.34	Completion of service requirement over the vesting period.	-	-
29 Sept 2017	28 Sept 2020	27 Sept 2022	$2.58	$0.34	Completion of service requirement over the vesting period.	-	-

* End of holding lock period.

The assessed fair value at the date SARS were granted to the individual is allocated over the period from grant date to the vesting date, and the amount is included in the remuneration tables above. Fair values at grant date are independently determined in accordance with AASB 2 Share-based Payment using a Monte Carlo simulation based model.

10. Statutory remuneration disclosures (continued)

Equity settled compensation (continued)

LTI Plans – Performance Rights and Options

Prior to the introduction of LTI Plans in the form of SARS, Qube made grants of Performance Rights and Options to eligible senior executives. No further grants will be made under the previous schemes listed below. The terms and conditions of the previous LTI grants of Performance Rights and Options affecting remuneration in the current or future reporting periods are as follows:

Grant date	Earliest Vesting date	Expiry date**	Issue price	Value per right/option at grant date	Target hurdle for 100% vesting*	% Vested
FY16 LTI Performance Rights and Options issue						
TSR hurdle – 25% of issue						
3 Sept 15	3 Sept 18	3 Sept 18 3 Dec 20	$2.244	$1.156 – PR $0.298 - Option	TSR ranking at or above the 75th percentile at the end of the vesting period.	-
EPS hurdle – 75% of issue						
3 Sept 15	3 Sept 18	3 Sept 20 3 Dec 20	$2.244	$2.069– PR $0.369- Option	Compound Annual Growth Rate (CAGR) over the vesting period in EPS of 6%.	100% except for certain senior executives
FY15 LTI Performance Rights issue						
TSR hurdle – 25% of issue						
5 Sept 14	5 Sept 17	5 Sept 17	$2.39	$1.62 – PR	TSR ranking at or above the 75th percentile at the end of the vesting period.	-
EPS hurdle – 75% of issue						
5 Sept 14	5 Sept 17	5 Sept 19	$2.39	$2.50 – PR	Compound Annual Growth Rate (CAGR) over the vesting period in EPS of 9%.	100% except for certain senior executives*
FY14 LTI Performance Rights issue						
TSR hurdle – 25% of issue						
9 Sept 13	9 Sept 16	9 Sept 16	$1.87	$1.22 – PR	TSR ranking at or above the 75th percentile at the end of the vesting period.	75%
EPS hurdle – 75% of issue						
9 Sept 13	9 Sept 16	9 Sept 18	$1.87	$1.96 – PR	Compound Annual Growth Rate (CAGR) over the vesting period in EPS of 9%.	100%
For the EPS hurdle it is for the financial year ended 30 June.						
FY16 Moorebank Performance Rights and Options issue						
ASR hurdle – 50% of issue						
3 Sept 15	3 Sept 18	3 Sept 20 3 Dec 20	$2.244	$1.073 – PR $0.333 - Option	Qube achieving a cumulative 4.5% compound ASR over the vesting period.	-
KPI hurdle – 50% of issue						
3 Sept 15	3 Sept 18	3 Sept 20 3 Dec 20	$2.244	$2.069 – PR $0.369 - Option	Exceed overall Moorebank Project targets - refer to Annexure 1 of this Report for more detail.	-

* Refer section 6. above

** Last possible vesting date.

The assessed fair value at the date the Performance Rights and Options were granted to the individual is allocated over the period from grant date to the vesting date, and the amount is included in the remuneration tables above. Fair values at grant date are independently determined in accordance with AASB 2 *Share-based Payment* and are as follows:

10. Statutory remuneration disclosures (continued)

Equity settled compensation (continued)

<u>TSR & ASR Performance Rights and Options & EPS Performance Rights</u>

For the TSR & ASR Performance Rights and Options & EPS Performance Rights a Monte Carlo simulation based model has been used to test the likelihood of attaining the relevant hurdle against the comparator group of entities (that is the constituents of the S&P ASX 200 Index). The Monte Carlo simulation model incorporates the impact of this market condition on the value of the relevant Performance Right or Option.

<u>EPS Options & KPI Performance Rights and Options</u>

For the EPS Options & KPI Performance Rights and Options the Black-Scholes-Merton model has been used to estimate the value at the valuation date. Consistent with the requirements of AASB 2, the development or application of an estimate indicating the likelihood of achieving the EPS and KPI Hurdle has not been included in the Black-Scholes-Merton calculation.

A summary of the key terms and conditions of these grants is set out in Annexure 1.

10. Statutory remuneration disclosures (continued)

Equity settled compensation (continued)

Details of each type of equity settled compensation provided as remuneration under the various LTI plans to Qube directors and KMP is set out below:

Granted	LTI Plan	Total LTIs granted	Total value of grant** ($)	Value per right ($)	No. of LTIs vested during year
Executive Directors					
Maurice James					
Sept 2017	Share Appreciation Rights	3,486,977	976,354	0.28	-
Sept 2016	Share Appreciation Rights	3,442,357	875,163	0.254	-
Sept 2015*	Performance Rights & Options	2,193,542	652,900	0.298	-
Sept 2015*	Performance Rights & Options (M)	1,645,155	558,618	0.34	-
Sept 2014*	Performance Rights	642,352	1,313,889	2.045	-
Sept 2013*	Performance Rights	298,107	571,150	1.916	298,107
		11,708,490	4,948,074		298,107
Other key management personnel					
Paul Digney					
Sept 2017	Share Appreciation Rights	1,541,860	431,721	0.28	-
Sept 2016	Share Appreciation Rights	1,522,131	386,977	0.254	-
Sept 2015*	Performance Rights & Options	822,577	244,838	0.298	-
Sept 2015*	Performance Rights & Options (M)	1,041,933	353,793	0.34	-
Sept 2014*	Performance Rights	218,399	446,724	2.045	-
Sept 2013*	Performance Rights	147,415	282,436	1.916	147,415
		5,294,315	2,146,488		147,415
William Hara					
Sept 2017	Share Appreciation Rights	1,387,674	388,549	0.28	-
Sept 2016	Share Appreciation Rights	1,369,917	348,279	0.254	-
Sept 2015*	Performance Rights & Options	786,020	233,956	0.298	-
Sept 2015*	Performance Rights & Options (M)	1,645,155	558,618	0.34	-
Sept 2014*	Performance Rights	184,141	376,648	2.045	-
Sept 2013*	Performance Rights	122,846	235,365	1.916	122,846
		5,495,753	2,141,415		122,846
Paul Lewis					
Sept 2017	Share Appreciation Rights	1,233,488	345,377	0.28	-
Sept 2016	Share Appreciation Rights	1,217,704	309,581	0.254	-
Sept 2015*	Performance Rights & Options	786,020	233,956	0.298	-
Sept 2015*	Performance Rights & Options (M)	822,349	356,013	0.34	-
Sept 2014*	Performance Rights	175,576	359,129	2.045	-
Sept 2013*	Performance Rights	118,752	227,519	1.916	118,752
		4,353,889	1,831,575		118,752
Greg Pauline					
Sept 2017	Share Appreciation Rights	596,368	166,983	0.28	-

* Adjusted for entitlement offer.

** Value adjusted for actual and expected service and vesting outcomes.

(M) Relates to the Moorebank Project Long Term Incentive Plan.

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10. Statutory remuneration disclosures (continued)

Equity settled compensation (continued)

Granted	Vested (%)	Vested number*	Forfeited (%)	Financial years in which rights may vest**	Value yet to vest ($)	Amount expensed during the year ($)
Executive Directors						
Maurice James						
Sept 2017	0%	-	0%	FY21	976,354	244,256
Sept 2016	0%	-	0%	FY20	875,163	318,479
Sept 2015	0%	-	0%	FY19-FY21	652,900	194,042
Sept 2015(M)	0%	-	0%	FY19-FY21	558,618	199,081
Sept 2014	0%	-	25%	FY18-FY20	1,059,588	206,938
Sept 2013	100%	298,107		FY17–FY19	0	258,702
		298,107			4,122,623	1,421,498
Other key management personnel						
Paul Digney						
Sept 2017	0%	-	0%	FY21	431,721	108,004
Sept 2016	0%	-	0%	FY20	386,977	140,824
Sept 2015	0%	-	0%	FY19-FY21	244,838	72,766
Sept 2015(M)	0%	-	0%	FY19-FY21	353,793	126,085
Sept 2014	0%	-	25%	FY18-FY20	360,261	70,359
Sept 2013	100%	147,415		FY17–FY19	0	81,273
		147,415			1,777,590	599,311
William Hara						
Sept 2017	0%	-	0%	FY21	388,549	97,204
Sept 2016	0%	-	0%	FY20	348,279	126,742
Sept 2015	0%	-	0%	FY19-FY21	233,956	69,532
Sept 2015(M)	0%	-	0%	FY19-FY21	558,618	199,081
Sept 2014	0%	-	25%	FY18-FY20	303,748	59,322
Sept 2013	100%	122,846		FY17–FY19	0	93,103
		122,846			1,833,150	644,983
Paul Lewis						
Sept 2017	0%	-	0%	FY21	345,377	86,403
Sept 2016	0%	-	0%	FY20	309,581	112,659
Sept 2015	0%	-	0%	FY19-FY21	233,956	69,532
Sept 2015(M)	0%	-	0%	FY19-FY21	356,013	125,900
Sept 2014	0%	-	25%	FY18-FY20	289,620	56,563
Sept 2013	100%	118,752		FY17–FY19	0	84,449
		118,752			1,534,547	535,506
Greg Pauline						
Sept 2017	0%	-	0%	FY21	166,983	41,774

* Adjusted for entitlement offer.

** Rights and Options with EPS and ASR hurdle are able to be retested for two years post vesting date.

(M) Relates to the Moorebank Project Long Term Incentive Plan.

10. Statutory remuneration disclosures (continued)

Equity instruments held by key management personnel

The tables below and on the following pages show the number of:

(a) options and rights over ordinary shares in the Company, share appreciation rights and

(b) shares in the Company

that were held during the financial year by key management personnel of the Group, including their close family members and entities related to them.

(a) Options and rights

Options

2018 Name	Balance at the start of the year	Granted as compensation (Standard) LTI	Lapsed	Exercised	Other changes*	Balance at the end of the year	Unvested
Maurice James	3,563,348	-	-	-	-	3,563,348	3,563,348
Paul Digney	1,730,770	-	-	-	-	1,730,770	1,730,770
William Hara	2,256,787	-	-	-	-	2,256,787	2,256,787
Paul Lewis	1,408,371	-	-	-	-	1,408,371	1,408,371
Greg Pauline	-	-	-	-	-	-	-

Performance Rights

2018 Name	Balance at the start of the year*	Granted as compensation (Standard) STI**	Lapsed	Exercised	Other changes*	Balance at the end of the year	Unvested
Maurice James	1,436,482	-	(160,588)	(163,304)	7,706	1,120,296	822,189
Paul Digney	557,674	-	(54,600)	(61,261)	3,141	444,954	297,539
William Hara	627,747	-	(46,035)	(49,249)	3,023	535,486	412,640
Paul Lewis	613,831	-	(43,894)	(24,024)	1,716	547,629	428,877
Greg Pauline	-	-	-	-	-	-	-

* Includes adjustment for entitlement offer.

** FY18 STI taken in shares not included as rights are granted in September 2018. FY17 STI taken in shares is included in opening balance.

Share Appreciation Rights

2018 Name	Balance at the start of the year*	Granted as compensation (Standard) LTI	Lapsed	Exercised	Other changes	Balance at the end of the year	Unvested
Maurice James	3,442,357	3,486,977	-	-	-	6,929,334	6,929,334
Paul Digney	1,522,131	1,541,860	-	-	-	3,063,991	3,063,991
William Hara	1,369,917	1,387,674	-	-	-	2,757,591	2,757,591
Paul Lewis	1,217,704	1,233,488	-	-	-	2,451,192	2,451,192
Greg Pauline	-	596,368	-	-	-	596,368	596,368

* Includes adjustment for entitlement offer.

All vested options are exercisable at the end of the year.

Qube Holdings Limited
Directors' Report
Remuneration Report
for the year ended 30 June 2018
(continued)

10. Statutory remuneration disclosures (continued)

(b) Ordinary share holdings

2018 Name	Balance at the start of the year	Received during the year as part of an LTI scheme*	Received during the year as part of an STI scheme*	Other changes during the year	Balance at the end of the year
Maurice James	7,685,073	-	163,304	(1,500,000)	6,348,377
Paul Digney	347,660	-	61,261	-	408,921
William Hara	1,743,461	-	49,249	-	1,792,710
Paul Lewis	161,075	-	24,024	(87,099)	98,000
Greg Pauline	-	-	-		-

* - Figures include dividend entitlement and adjustments for bonus element of entitlement offers under scheme, but exclude shares to be allocated under the FY14 EPS LTI's which have vested but were not allocated at 30 June 2018.

Loans to key management personnel

Details of loans made to directors of Qube Holdings Limited and other key management personnel of the Group, including their personally related parties, are set out below. These loans related to the FY13 ELTIP scheme which has concluded and all loans have been repaid at 30 June 2018.

(i) *Key management personnel with loans above $100,000 during the financial year*

2018 Name	Balance at the start of the year $	Loans granted during the year $	Loans repaid during the year $	Interest paid/payable for the year $	Interest not charged $	Balance at the end of the year $	Highest indebtedness during the year $
Maurice James	3,089,600	-	(3,089,600)	56,000	-	-	3,089,600
Paul Digney	-	-	-	-	-	-	-
William Hara	1,513,500	-	(1,513,500)	28,000	-	-	1,513,500
Paul Lewis	90,000	-	(90,000)	1,680	-	-	90,000
Greg Pauline	-	-	-	-	-	-	-
Total	**4,693,100**	**-**	**(4,693,100)**	**85,680**	**-**	**-**	**4,693,100**

ELTIP Loans

- Interest rate: The loan bears interest in an amount equal to the dividend paid on Plan Shares acquired with that loan, excluding any dividend characterised as a special dividend by the Board. Interest is payable within 3 business days of the date of payment of each dividend.
- Maturity date: No loan in relation to the Plan Shares is repayable until the earlier of: (a) 2 years after the final vesting date for the relevant ELTIP issue, (b) settlement of the sale of the ELTIP shares, and (c) 3 months after written notice by the Company to repay the loan (in respect of vested shares). The loan is a limited recourse loan with the amount to be repaid limited to the lesser of the principal advanced and the price realised on sale of the Plan Shares.

No write-downs or allowances for doubtful receivables have been recognised in relation to any loans made to key management personnel.

(b) Subordinated debt securities

Name	Opening balance as at 1 July 2017	Disposed	Other changes	Balance as at 30 June 2018	Balance as at date of this report
Maurice James	6,000	-	-	6,000	6,000
William Hara	19,000	-	-	19,000	19,000

Annexure 1 – Previous Long Term Incentive Scheme

Long-term incentives (LTIs)

Prior to the introduction of LTIs in the form of SARS in FY17, Qube granted LTIs in the form of Performance Rights and Options. No further grants will be made under this scheme.

The grant dates, performance conditions of the grants are described in section 10 of this report. Other key terms and conditions for the grants are described below:

Participation	The Managing Director, other KMP and other executives who can directly influence the performance of Qube.
Instrument	Performance Right or Option (representing an entitlement to one ordinary Qube share) on achievement of certain performance conditions.
Performance condition	25% of Performance Rights and Options are subject to a Total Shareholder Return Hurdle (TSR Performance Rights and Options) and 75% are subject to an Earnings Per Share Hurdle (EPS Performance Rights and Options).
Performance period	3 years (with retesting annually for any EPS Performance Rights and Options that have not vested and tested over the extended period).
Vesting date	3 years from date of grant (with retesting annually for EPS Performance Rights and Options only).
Expiry date	TSR Performance Rights and Options: 3 years from grant date EPS Performance Rights and Options: 5 years from grant date
Dividends	The holder is entitled to an amount equal to the dividends that would have been paid on the vested Performance Rights (as if they held Qube shares) for the period from the grant date to the Vesting date. This amount is settled in Qube shares. No amount is payable for Performance Rights that do not vest.
TSR Hurdle	The TSR Performance Rights and Options will vest depending upon Qube's total shareholder return during the relevant performance period. The TSR Hurdle is based on Qube's relative TSR performance as compared to the other companies in the S&P ASX 200 Index. The vesting schedule is as follows: • Nil – if Qube's TSR ranks less than the 50th percentile • 50% – if Qube's TSR is equal to the 50th percentile • Pro-rated between 50% and 100% – if Qube's TSR ranks greater than the 50th percentile but less than the 75th percentile • 100% – if Qube's TSR ranks at the 75th percentile or higher
EPS Hurdle	The EPS Performance Rights and Options will vest depending upon Qube's EPS performance during the relevant performance period. If Qube's CAGR in EPS for the relevant performance period (based on the respective 30 June reported financial results) is: • less than the minimum EPS target, no EPS Performance Rights and Options will vest; • equal to, or greater than, the EPS target, 100% of the EPS Performance Rights and Options will vest; or • greater than the minimum EPS target but less than the EPS target, the percentage of EPS Performance Rights and Options that vest will be pro-rated on a straight-line basis between 0% and 100%. If any of the EPS Performance Rights and Options have not vested at the end of three years, they will be carried forward to the following year and retested based on a four year period. Any EPS Performance Rights and Options that remain unvested then will be carried forward and retested on the basis of a five year period. Any unvested EPS Performance Rights and Options will lapse at the end of the five years.

Qube Holdings Limited
Directors' Report
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for the year ended 30 June 2018
(continued)

Annexure 1 – Previous Long Term Incentive Scheme (continued)

Long-term incentives (LTIs) (continued)

During FY16 Qube also granted a Moorebank specific Long-Term Incentive in the form of Performance Rights and Options. No further grants will be made under this scheme.

The key terms and conditions for the FY16 Moorebank LTI grant are described below:

Participation	The Managing Director, other KMP and other executives who can directly influence the outcome of the Moorebank Project.
Valuation date	3 September 2015
Grant date	3 September 2015
Instrument	Performance Right or Option (representing an entitlement to one ordinary Qube share) on achievement of certain performance conditions.
Performance condition	50% of Performance Rights and Options are subject to an Annual Shareholder Return Hurdle (ASR Performance Rights and Options) and 50% are subject to a Key Performance Indicator (KPI Performance Rights and Options).
Exercise price	Performance Rights - Nil Options - $2.244 which is the 20 day VWAP up to and including 2 September 2015.
Performance period	3 years to 3 September 2018 (with retesting annually to 3 September 2020 for any ASR Performance Rights and Options that have not vested and tested over the extended period).
Vesting date	3 September 2018 (with retesting annually to 3 September 2020 for ASR Performance Rights and Options only).
Expiry date	ASR and KPI Performance Rights: 3 September 2020 ASR and KPI Options: 3 September 2022
Dividends	The holder is entitled to an amount equal to the dividends that would have been paid on the vested Performance Rights (as if they held Qube shares) for the period from the Grant date to the Vesting date. This amount is settled in Qube shares. No amount is payable for Performance Rights that do not vest.
ASR Hurdle	Vesting of the ASR Performance Rights and Options is subject to Qube achieving a cumulative 4.5% compound ASR over the relevant Performance Period. ASR is the annual shareholder return and is measured by both the growth in Share price from the Award Date to the end of the relevant Performance Period and any dividends paid during this time. The Share price will be based on the VWAP of a Share over the 20 trading days up to and including the day of the start and the end of the relevant Performance Period.
KPI Hurdle	Achievement of the Moorebank Targets is to be assessed by the Board as a package. In assessing the overall achievement of the Moorebank Targets, the Board will have regard to the base case financial and operating models taking into account deviations (known and unknown). The Moorebank targets include a number of non-market based hurdles. Vesting of the Moorebank Performance Rights and Options will be assessed by the Board based on overall achievement of the Moorebank Targets as follows: 1. Overall did not meet Moorebank Targets: zero vesting 2. Overall met Moorebank Targets: 75% of the Moorebank Performance Rights and Options will vest 3. Overall exceeded Moorebank Targets: 100% of the Moorebank Performance Rights and Options will vest.

This concludes the Remuneration Report

Loans to directors and executives

Information on loans to directors and executives, including amounts, interest rates and repayment terms are set out on page 37.

Insurance of officers

During the financial year, Qube Holdings Limited paid a premium to insure the directors and secretaries of the Company and its Australian-based controlled entities, and the general managers of each of the divisions of the Group against liabilities that are permitted to be covered by Section 199B of the *Corporations Act 2001*. It is a condition on the insurance contract that its limits of indemnity, the nature of the liability and the amount of the premium not be disclosed.

Indemnity of auditors

The Company has not indemnified the auditor under certain circumstances as permitted in the *Corporations Act 2001.*

Proceedings on behalf of the Company

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

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

Non-audit services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group are important.

Details of the amounts paid or payable to the auditor (PwC) for non-audit services provided during the year are set out below.

The board of directors has considered the position and, in accordance with advice received from the Audit and Risk Management Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001.* The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Audit and Risk Management Committee to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

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

	2018	2017
Taxation services	**$'000**	$'000
PwC Australian firm:		
Tax compliance services	**137.1**	119.4
Tax consulting services	**90.2**	632.3
Total remuneration for taxation services	**227.3**	751.7
Other services		
Due diligence services	**131.0**	167.0
Other services	**235.2**	254.4
Total remuneration for non-audit services	**593.5**	1,173.1

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 42.

Qube Holdings Limited
Directors' Report
for the year ended 30 June 2018
(continued)

Rounding of amounts

The Group is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Report) Instruments 2016/191, issued by the Australian Securities and Investments Commission, relating to the ''rounding off'' of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that ASIC Corporations Instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Auditor

PwC continues in office in accordance with section 327 of the *Corporations Act 2001.*

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

Allan Davies
Director

SYDNEY
22 August 2018

pwc

Auditor's Independence Declaration

As lead auditor for the audit of Qube Holdings Limited for the year ended 30 June 2018, I declare that to the best of my knowledge and belief, there have been:

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

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

A partner in the lead audit engagement office held an immaterial investment in Qube Holdings Limited. The investment was immediately disposed of when the matter was identified. The partner did not provide any services to Qube Holdings Limited and the audit team were not aware of the investment. On this basis I do not believe this matter has impacted the objectivity of PricewaterhouseCoopers in relation to the audit.

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

JReilly

Jane Reilly
Partner
PricewaterhouseCoopers

Sydney
22 August 2018

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Qube Holdings Limited
Consolidated statement of comprehensive income
for the year ended 30 June 2018

Consolidated statement of comprehensive income

	Notes	2018 $m	2017 $m
Revenue from continuing operations			
Revenue from sales and services	3	**1,577.9**	1,418.1
Other income	3	**192.2**	94.7
		1,770.1	1,512.8
Direct transport and logistics costs		**(424.4)**	(370.1)
Repairs and maintenance costs		**(81.1)**	(88.7)
Employee benefits expense	4	**(617.5)**	(557.0)
Fuel, oil and electricity costs		**(98.5)**	(83.5)
Occupancy and property costs		**(92.9)**	(81.4)
Depreciation and amortisation expense	4	**(116.0)**	(113.4)
Professional fees		**(7.7)**	(10.3)
Loss on disposal of available-for-sale financial assets		**-**	(26.1)
Impairment of non-current assets	4	**(9.3)**	(26.4)
Other expenses		**(25.5)**	(16.0)
Total expenses		**(1,472.9)**	(1,372.9)
Finance income		**26.2**	23.9
Finance costs	4	**(41.2)**	(36.5)
Net finance costs		**(15.0)**	(12.6)
Share of net profit/(loss) of associates accounted for using the equity method		**4.6**	(22.6)
Profit before income tax		**286.8**	104.7
Income tax expense	13	**(87.8)**	(27.4)
Profit for the year		**199.0**	77.3
Other comprehensive income net of tax:			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations	18(a)	**(2.4)**	-
Change in fair value of cash flow hedges	18(a)	**-**	-
Change in value of available-for-sale financial assets	18(a)	**-**	(7.0)
Share of other comprehensive income of joint venture	18(a)	**1.0**	-
Total comprehensive income for the year		**197.6**	70.3
Profit for the year is attributable to:			
Owners of Qube Holdings Limited		**199.3**	77.3
Non-controlling interests		**(0.3)**	-
		199.0	77.3
Total comprehensive income for the year is attributable to:			
Owners of Qube Holdings Limited		**197.9**	70.3
Non-controlling interests		**(0.3)**	-
		197.6	70.3
Earnings per share for profit attributable to the ordinary equity holders of the Company:		**Cents**	Cents
Basic earnings per share	5	**12.5**	5.4
Diluted earnings per share	5	**12.4**	5.3

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

Consolidated balance sheet

	Notes	2018 $m	2017 $m
ASSETS			
Current assets			
Cash and cash equivalents	20(a)	**103.9**	190.8
Trade and other receivables	6	**320.7**	296.3
Inventories		**2.4**	2.0
Current tax receivable	13(c)	**-**	4.4
Derivative financial instruments	29	**0.4**	-
Total current assets		**427.4**	493.5
Non-current assets			
Loans and receivables	7	**328.8**	344.4
Investment in equity accounted investments	23	**716.8**	757.7
Property, plant and equipment	8	**1,006.7**	906.6
Investment properties	9	**701.6**	394.5
Intangible assets	10	**833.6**	782.2
Derivative financial instruments	29	**1.5**	-
Other assets		**18.6**	3.2
Total non-current assets		**3,607.6**	3,188.6
Total assets		**4,035.0**	3,682.1
LIABILITIES			
Current liabilities			
Trade and other payables	11	**144.8**	156.0
Borrowings	19	**1.7**	0.8
Current tax payable	13(c)	**17.9**	-
Derivative financial instruments	29	**0.2**	0.2
Provisions	12	**80.2**	72.0
Total current liabilities		**244.8**	229.0
Non-current liabilities			
Trade and other payables	11	**0.4**	4.8
Borrowings	19	**964.3**	801.1
Deferred tax liabilities	15	**64.8**	25.4
Derivative financial instruments	29	**0.9**	0.5
Provisions	12	**9.7**	8.7
Total non-current liabilities		**1,040.1**	840.5
Total liabilities		**1,284.9**	1,069.5
Net assets		**2,750.1**	2,612.6
EQUITY			
Contributed equity	17	**2,454.9**	2,450.5
Reserves	18	**18.7**	(3.0)
Retained earnings	18	**276.8**	165.1
Capital and reserves attributable to owners of Qube		**2,750.4**	2,612.6
Non-controlling interests	25	**(0.3)**	-
Total equity		**2,750.1**	2,612.6

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

Qube Holdings Limited
Consolidated statement of changes in equity
for the year ended 30 June 2018

Consolidated statement of changes in equity

		Attributable to owners of Qube					
	Notes	Contributed equity $m	Reserves $m	Retained earnings $m	Total $m	Non-controlling interests $m	Total equity $m
Balance at 30 June 2016		1,782.2	(9.6)	166.5	1,939.1	98.2	2,037.3
Profit for the year		-	-	77.3	77.3	-	77.3
Other comprehensive income		-	(7.0)	-	(7.0)	-	(7.0)
Total comprehensive income for the year		-	(7.0)	77.3	70.3	-	70.3
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs and tax	17(a)	667.6	-	-	667.6	-	667.6
Issue of treasury shares to employees	17 (b)	3.2	-	-	3.2	-	3.2
Fair value movement on allocation and vesting of securities	17(b)	(1.4)	-	-	(1.4)	-	(1.4)
Acquisition of treasury shares	17(b)	(1.1)	-	-	(1.1)	-	(1.1)
Transactions with non-controlling interests		-	(0.7)	-	(0.7)	(98.2)	(98.9)
Dividends provided for or paid		-	-	(78.7)	(78.7)	-	(78.7)
Employee share scheme	18(a)	-	14.3	-	14.3	-	14.3
		668.3	13.6	(78.7)	603.2	(98.2)	505.0
Balance at 30 June 2017		**2,450.5**	**(3.0)**	**165.1**	**2,612.6**	**-**	**2,612.6**
Profit for the year		**-**	**-**	**199.3**	**199.3**	**(0.3)**	**199.0**
Other comprehensive income		**-**	**(1.4)**	**-**	**(1.4)**	**-**	**(1.4)**
Total comprehensive income for the year		**-**	**(1.4)**	**199.3**	**197.9**	**(0.3)**	**197.6**
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs and tax	17(a)	**2.8**	**-**	**-**	**2.8**	**-**	**2.8**
Issue of treasury shares to employees	17 (b)	**1.6**	**-**	**-**	**1.6**	**-**	**1.6**
Dividends provided for or paid		**-**	**-**	**(87.6)**	**(87.6)**	**-**	**(87.6)**
Employee share scheme	18(a)	**-**	**23.1**	**-**	**23.1**	**-**	**23.1**
		4.4	**23.1**	**(87.6)**	**(60.1)**	**-**	**(60.1)**
Balance at 30 June 2018		**2,454.9**	**18.7**	**276.8**	**2,750.4**	**(0.3)**	**2,750.1**

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

Consolidated statement of cash flows

	Notes	2018 $m	2017 $m
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**1,720.4**	1,537.0
Payments to suppliers and employees (inclusive of goods and services tax)		**(1,490.5)**	(1,337.2)
		229.9	199.8
Dividends and distributions received		**9.1**	56.6
Interest received		**39.0**	10.2
Other revenue		**0.5**	0.1
Interest paid		**(46.2)**	(34.0)
Income taxes paid		**(26.0)**	(27.7)
Net cash inflow from operating activities	30(a)	**206.3**	205.0
Cash flows from investing activities			
Payment for acquisition of businesses, net of cash acquired	22	**(92.2)**	(98.2)
Payments for property, plant and equipment		**(195.4)**	(96.5)
Payments for investment property development expenditure		**(120.9)**	(26.8)
Payment for investment in equity accounted investments		**(1.2)**	(150.4)
Payments for the acquisition of non-controlling interests		**-**	(98.9)
Loans to related entities		**(5.8)**	(372.6)
Loan repayments from related entities		**14.9**	26.0
Proceeds from the disposal of available-for-sale financial assets		**-**	1.0
Proceeds from reduction in capital from equity accounted investments		**28.0**	-
Proceeds from sale of property, plant and equipment		**9.2**	19.6
Net cash outflow from investing activities		**(363.4)**	(796.8)
Cash flows from financing activities			
Proceeds from issue of shares	17(a)	**-**	656.6
Share issue transaction costs		**(3.5)**	(14.7)
Payment for treasury shares	17(b)	**-**	(1.1)
Proceeds from borrowings		**629.6**	1,439.1
Repayment of borrowings		**(470.0)**	(1,306.0)
Finance lease payments		**(1.5)**	(9.7)
Dividends paid to Company's shareholders		**(84.1)**	(57.4)
Distributions paid to non-controlling interests		**-**	(0.8)
Net cash inflow from financing activities		**70.5**	706.0
Net (decrease)/increase in cash and cash equivalents		**(86.6)**	114.2
Cash and cash equivalents at the beginning of the financial year		**190.8**	76.6
Effects of exchange rate changes on cash and cash equivalents		**(0.3)**	-
Cash and cash equivalents at end of year		**103.9**	190.8
Non-cash investing and financing activities	30(b)	**3.4**	528.9

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

Notes to the consolidated financial statements

1. About this report

Qube Holdings Limited is a for-profit company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange. The consolidated financial statements, comprising the Company, Qube Holdings Limited (referred to as the 'Company' or 'parent entity') and its subsidiaries (collectively referred to as the 'Group' or 'Qube'), for the year ended 30 June 2018 were authorised for issue in accordance with a resolution of the directors on 22 August 2018. The directors have the power to amend and reissue the financial statements.

The consolidated financial statements are general purpose financial statements which:

- have been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB);
- have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through profit or loss and investment property;
- are presented in Australian dollars, which is Qube's functional and presentation currency, with all amounts rounded to the nearest hundred thousand dollars, unless otherwise indicated, in accordance with ASIC Corporations Instrument 2016/191;
- adopts all new and amended Accounting Standards and interpretations issued by the AASB that are relevant to the Group and effective for reporting periods beginning on or before 1 July 2017. Refer to note 37(d) for further details; and
- equity accounts for associates listed at note 23.

The notes to the consolidated financial statements

The notes include information which is required to understand the financial statements and is material and relevant to the operations, financial position and performance of the Group. Information is considered material and relevant if, for example:

- the amount in question is significant because of its size or nature;
- it is important for understanding the results of the Group;
- it helps to explain the impact of significant changes in the Group's business;
- it relates to an aspect of the Group's operations that is important to its future performance.

In preparing these consolidated financial statements the notes have been grouped under the following sections and where relevant, include the accounting policies applied in producing these notes together with any critical judgements and estimates used:

- ***Financial results for the year***: segment information, revenue & other income, expenses and earnings per share;
- ***Operating assets and liabilities***: key balance sheet items;
- ***Income taxes***: income tax expense and deferred tax balances;
- ***Capital and borrowings***: shareholder returns, equity and reserves and debt funding of the Group;
- ***Risk management***: the Group's exposure to various financial risks, their effect on the Group and how they are managed;
- ***Group structure***: business combinations, equity accounted investments and details of subsidiaries;
- ***Unrecognised items***: items that are not recognised in the financial statements but could potentially have a significant impact on the Group's financial position and performance; and
- ***Other notes***: items requiring disclosure to comply with Australian Accounting Standards and other regulatory pronouncements but are not considered critical in understanding the financial performance or position of the Group.

Critical accounting judgements and estimates

The preparation of financial statements requires the use of certain critical accounting estimates and also requires management to exercise its judgement in the process of applying the Group's accounting policies. These judgements and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements include impairment of goodwill, deferred income tax, fair value of investment properties, impairment of equity accounted investments and impairment of property, plant and equipment, and are disclosed separately in the relevant notes.

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FINANCIAL RESULTS FOR THE YEAR

This section provides information on the financial results of the Group, including the performance at a segmental level, disclosures relevant to income and expenditure and earnings per share, along with the relevant accounting policies applied.

2. Segment information

Qube's Board assesses the performance of the operating segments on a measure of underlying revenue, EBITDA and EBITA, NPAT and NPATA which excludes certain non-cash and non-recurring items from the statutory results to reflect core earnings. This reflects the way the operating businesses are managed and assessed from a profit and loss perspective by the chief operating decision maker.

(a) Description of segments

Management has determined the operating segments based on the reports used by the Board to make strategic decisions. From 1 July 2018 onwards, Qube will be presenting the Logistics and Ports & Bulk divisions as a single combined segment being the Operating Division, to reflect how the business is being managed and reported internally. For the current year, results continue to be reported in the way previously presented.

Logistics

The Logistics division provides a broad range of services relating to the import and export of mainly containerised cargo. The services currently provided include the physical and documentary processes and tasks of the import/export supply chain such as road and rail transport of containers to and from ports, operation of container parks, customs and quarantine services, warehousing, intermodal terminals, international freight forwarding and bulk rail haulage for rural commodities. The business operates nationally with strategic locations near the ports in key capital cities.

Ports & Bulk

This division has two core activities comprising port logistics and bulk logistics. It provides a range of logistics services relating to the import and export of mainly non-containerised freight, with a major focus on automotive, bulk and break bulk products. The main operations are located in Western Australia and Queensland with significant operations in New Zealand.

Qube's port logistics activities are focused on the provision of an integrated logistics solution for the automotive industry, covering a range of activities including stevedoring, processing and delivery. This division also provides stevedoring and related logistics services for the oil and gas industry, forestry products and project and general cargo.

Qube's bulk logistics activities are aimed at offering customers a comprehensive logistics solution from mine-to-ship covering activities including transport, stockpile management, storage facilities and stevedoring. Qube handles a diverse range of commodities including iron ore, copper, nickel concentrate and mineral sands.

Infrastructure & Property (including Strategic Assets)

This division currently comprises the Moorebank Logistics Park Project, AAT, the Minto properties and the Strategic Assets division which comprises a non-controlling interest in the Quattro Grain joint venture (41.5%) and TQ Holdings Pty Limited, a 50% joint venture with Japanese petroleum group JXTG Group. ('Tonen').

The Moorebank Logistics Park Project is a 243 hectare parcel of land owned by Qube and the Commonwealth Government which is leased by Qube for 99 years to be developed into an intermodal hub. Qube will manage the development and operations of the overall project. This development will include port-shuttle and interstate rail terminals as well as substantial warehousing development targeting tenants that will also benefit from efficient rail and logistics services. Qube acquired Aurizon's 33% interest in the Moorebank Logistics Park Project in December 2016 giving Qube 100% ownership of the project.

AAT is a multi-user facility provider to the Australian stevedoring industry, operating terminals with facilities for importing and exporting motor vehicles and general cargo. Qube reported its 50% interest in AAT as an associate in the Ports & Bulk division up until it acquired the remaining 50% on 30 November 2016, from which time AAT's results have been reported in the Infrastructure & Property division.

The Minto properties comprise strategically located property at Minto in Sydney's south west.

The Quattro Grain joint venture operates a grain storage and handling facility at Port Kembla on land that is leased from Qube's subsidiary AAT.

TQ Holdings is progressing the analysis and approvals for the construction and operation of a fuel storage facility at Port Kembla on land leased from NSW Ports.

Patrick

Patrick is one of two established national operators providing container stevedoring services in the Australian market with operations in the four largest container terminal ports in Australia. Given the material nature of this investment to Qube, this joint venture is being reported as a separate segment. Qube acquired its 50% interest in Patrick on 18 August 2016.

Corporate and Other

Corporate and Other is the only non-operating segment reported to the Board. The primary focus of the corporate head office is to provide strategic, commercial and treasury support to the divisions as well as to develop and manage new growth opportunities that do not fall within one of the existing divisions. It also includes managing a broad range of reporting, safety, health and environment, corporate governance and other functions of the Group. Costs relating to certain development projects in the planning and analytical phase are also reported within this segment.

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(a) Segment information provided to the Board

2018	Logistics	Ports & Bulk	Infrastructure & Property	Corporate & Other	Patrick*	Total
	$m	$m	$m	$m	$m	$m
Revenue and other income	**714.3**	**840.7**	**214.8**	**0.3**	**-**	**1,770.1**
Intercompany trading	-	-	45.7	-	-	45.7
Fair value gains	-	-	(163.2)	-	-	(163.2)
Other adjustments	-	-	(1.9)	-	-	(1.9)
Underlying revenue	**714.3**	**840.7**	**95.4**	**0.3**	**-**	**1,650.7**

A reconciliation of net profit/(loss) before income tax to underlying net profit after tax attributable to members is as follows:

	Logistics	Ports & Bulk	Infrastructure & Property	Corporate & Other	Patrick*	Total
Net profit/(loss) before income tax	**57.4**	**110.8**	**144.3**	**(58.8)**	**33.1**	**286.8**
Share of (profit)/loss of equity accounted investments	-	1.7	2.4	-	(8.7)	(4.6)
Finance (income) / cost	(0.1)	0.6	0.2	38.7	(24.4)	15.0
Depreciation and amortisation	32.0	73.9	9.9	0.2	-	116.0
EBITDA	**89.3**	**187.0**	**156.8**	**(19.9)**	**-**	**413.2**
Impairment of investment in associate	-	9.3	-	-	-	9.3
Fair value gains	-	-	(163.2)	-	-	(163.2)
Intercompany trading	-	(45.7)	45.7	-	-	-
Share based payment expense adjustment	1.0	1.4	-	1.0		3.4
Acquisition costs (stamp duty & deferred earn out)	0.7	3.8	-	-	-	4.5
Other	1.6	-	-	0.4	-	2.0
Underlying EBITDA	**92.6**	**155.8**	**39.3**	**(18.5)**	**-**	**269.2**
Depreciation	(29.8)	(68.2)	(6.2)	(0.2)	-	(104.4)
Underlying EBITA	**62.8**	**87.6**	**33.1**	**(18.7)**	**-**	**164.8**
Amortisation	(2.2)	(5.7)	(3.7)	-	-	(11.6)
Underlying EBIT	**60.6**	**81.9**	**29.4**	**(18.7)**	**-**	**153.2**
Underlying net Interest income/(expense)	0.1	(0.6)	0.1	(35.2)	24.4	(11.2)
Share of profit/(loss) of equity accounted investments	-	(1.7)	(2.4)	-	8.7	4.6
Underlying adjustments:						
Other non-recurring transaction & restructure costs	-	1.4	-	-	2.2	3.6
Prima facie tax adjustment	-	-	-	-	(1.1)	(1.1)
Underlying share of profit/(loss) of equity accounted investments	**-**	**(0.3)**	**(2.4)**	**-**	**9.8**	**7.1**
Underlying net profit/(loss) before income tax	**60.7**	**81.0**	**27.1**	**(53.9)**	**34.2**	**149.1**
Underlying income tax expense	(18.2)	(24.4)	(8.9)	16.2	(7.3)	(42.6)
Underlying net profit/(loss) after tax	**42.5**	**56.6**	**18.2**	**(37.7)**	**26.9**	**106.5**
Underlying non-controlling interests	-	0.3	-	-	-	0.3
Underlying net profit/(loss) after tax attributable to members	**42.5**	**56.9**	**18.2**	**(37.7)**	**26.9**	**106.8**
Underlying net profit/(loss) after tax before amortisation attributable to members**	**44.0**	**60.9**	**20.8**	**(37.7)**	**34.8**	**122.8**
Underlying diluted earnings per share (cents per share)						**6.7**
Underlying diluted earnings pre- amortisation (cents per share)						**7.7**
Total segment assets	**870.5**	**1,089.2**	**1,079.9**	**25.0**	**970.4**	**4,035.0**
Total assets include:						
Investments in associates and joint ventures	-	30.3	44.9	-	641.6	716.8
Loans and receivables	-	-	-	8.2	328.8	337.0
Additions to non-current assets (other than financial assets and deferred tax)	131.8	117.6	187.2	0.4	-	437.0
Total segment liabilities	**85.8**	**146.4**	**30.0**	**1,022.7**	**-**	**1,284.9**

(b) Segment information provided to the Board (continued)

2017	**Logistics**	**Ports & Bulk**	**Infrastructure & Property**	**Corporate & Other**	**Patrick***	**Total**
	$m	**$m**	**$m**	**$m**	**$m**	**$m**
Revenue and other income	**662.0**	**742.9**	**54.1**	**53.8**	**-**	**1,512.8**
Intercompany trading	-	-	23.3	-	-	23.3
Fair value gains	-	-	(22.4)	-	-	(22.4)
Underlying revenue	**662.0**	**742.9**	**55.0**	**53.8**	**-**	**1,513.7**

A reconciliation of net profit/(loss) before income tax to underlying net profit after tax attributable to members is as follows:

	Logistics	Ports & Bulk	Infrastructure & Property	Corporate & Other	Patrick*	Total
Net profit/(loss) before income tax	**61.7**	**64.9**	**11.7**	**(29.8)**	**(3.8)**	**104.7**
Share of (profit)/loss of equity accounted investments	-	(1.7)	(1.6)	-	25.9	22.6
Finance (income) / cost	(0.4)	1.1	(0.1)	34.1	(22.1)	12.6
Depreciation and amortisation	34.5	71.8	6.9	0.2	-	113.4
EBITDA	**95.8**	**136.1**	**16.9**	**4.5**	**-**	**253.3**
Impairment of investment in associate	-	18.3	-	-	-	18.3
Impairment of property, plant & equipment	-	8.1	-	-	-	8.1
Fair value gains	-	-	(22.4)	-	-	(22.4)
Intercompany trading	-	(23.3)	23.3	-	-	-
Stamp duty	-	-	1.9	-	-	1.9
Other	1.9	0.4	-	-	-	2.3
Underlying EBITDA	**97.7**	**139.6**	**19.7**	**4.5**	**-**	**261.5**
Depreciation	(31.6)	(66.1)	(4.5)	(0.2)	-	(102.4)
Underlying EBITA	**66.1**	**73.5**	**15.2**	**4.3**	**-**	**159.1**
Amortisation	(2.8)	(5.8)	(2.4)	-	-	(11.0)
Underlying EBIT	**63.3**	**67.7**	**12.8**	**4.3**	**-**	**148.1**
Underlying net Interest income/(expense)	0.4	(1.1)	0.1	(36.5)	22.1	(15.0)
Share of profit/(loss) of equity accounted investments	-	1.7	1.6	-	(25.9)	(22.6)
Underlying adjustments:						
Stamp duty	-	-	-	-	26.0	26.0
Other non-recurring transaction & restructure costs	-	-	-	-	9.2	9.2
Prima facie tax adjustment	-	-	-	-	(3.6)	(3.6)
Underlying share of profit/(loss) of equity accounted investments	**-**	**1.7**	**1.6**	**-**	**5.7**	**9.0**
Underlying net profit/(loss) before income tax	**63.7**	**68.3**	**14.5**	**(32.2)**	**27.8**	**142.1**
Underlying income tax expense	(19.1)	(20.0)	(3.9)	9.7	(6.6)	(39.9)
Underlying net profit/(loss) after tax attributable to members	**44.6**	**48.3**	**10.6**	**(22.5)**	**21.2**	**102.2**
Underlying net profit/(loss) after tax before amortisation attributable to members**	**46.6**	**52.4**	**12.3**	**(22.5)**	**27.1**	**115.9**
Underlying diluted earnings per share (cents per share)						**7.0**
Underlying diluted earnings pre- amortisation (cents per share)						**8.0**
Total segment assets	**763.6**	**1,019.3**	**750.6**	**136.7**	**1,011.9**	**3,682.1**
Total assets include:						
Investments in associates and joint ventures	-	43.3	46.9	-	667.5	757.7
Loans and receivables	-	-	-	-	344.4	344.4
Additions to non-current assets (other than financial assets and deferred tax)	33.3	49.8	273.9	-	-	357.0
Total segment liabilities	**103.9**	**116.9**	**21.0**	**827.7**	**-**	**1,069.5**

*A reconciliation of the Patrick underlying contribution to the Qube results can be found in note 23.
**Underlying net profit/(loss) after tax pre-amortisation, includes an adjustment for Qube's proportionate share of Patrick amortisation net of tax.

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Underlying Information is determined as follows:

Underlying revenues and expenses are statutory revenues and expenses adjusted to exclude certain non-cash and non-recurring items in order to more accurately reflect the underlying performance of Qube. Income tax expense is based on a prima-facie 30% tax charge on profit before tax and associates and applying a 30% tax rate to the NPBT for each of Qube's associates.

(b) Other segment information

Qube operates principally in Australia and has no single external customer for which revenues amount to 10% or more of total revenue.

(i) Segment assets

The amounts provided to the Board with respect to total assets are measured in a manner consistent with that of the consolidated financial statements. These assets are allocated based on the operations of the segment and the location of the asset.

(ii) Segment liabilities

The amounts provided to the Board with respect to total liabilities are measured in a manner consistent with that of the consolidated financial statements. These liabilities are allocated based on the operations of the segment.

The Group's borrowings (excluding finance leases and New Zealand denominated debt facilities for ISO) are not considered to be segment liabilities but rather managed centrally by the treasury function.

ACCOUNTING POLICY

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments has been identified as the Board of Directors.

3. Revenue and Other income

	2018 $m	2017 $m
Revenue		
Sales revenue - transport and logistics services rendered	**1,577.9**	1,418.1
Other income		
Rental and property related income	**14.1**	10.2
Fair value gains on investment property	**163.2**	22.4
Dividend income	**-**	53.3
Net gain on disposal of property, plant & equipment	**3.1**	1.3
Development management fees	**7.2**	4.3
Other	**4.6**	3.2
	192.2	94.7

ACCOUNTING POLICY

Recognition and measurement

Revenue

Revenue is measured at the fair value of the consideration received or receivable and is recognised (net of discounts, allowances and disbursements) as follows:

(i) Revenue earned from the provision of services is recognised on delivery of those services.

(ii) Revenue earned from provision of storage is recognised either on a per day or per week stored basis.

Rental income

Rent from investment property and lease income from operating leases are recognised in the statement of comprehensive income on a straight-line basis over the lease term. Rent not received at balance sheet date is reflected in the balance sheet as a receivable or if paid in advance, as rents in advance. Lease incentives granted are recognised over the lease term, on a straight-line basis, as a reduction of rent.

Qube Holdings Limited
Notes to the consolidated financial statements
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4. Expenses

	2018	2017
	$m	$m
Profit before income tax includes the following specific expenses:		
Depreciation		
Buildings	**3.0**	2.8
Plant and equipment	**90.8**	88.5
Leasehold improvements	**10.6**	11.1
Total depreciation *(refer note 8)*	**104.4**	102.4
Amortisation		
Customer contracts	**7.9**	8.6
Port concessions	**3.7**	2.2
Operating rights	**-**	0.2
Total amortisation *(refer note 10)*	**11.6**	11.0
Total depreciation and amortisation expense	**116.0**	113.4
Finance expense		
Interest and finance charges paid/payable	**46.4**	39.6
Finance lease charges expensed	**0.5**	0.4
Total interest and finance charges expense	**46.9**	40.0
Interest capitalised	**(6.1)**	(1.0)
Fair value adjustments – derivative instruments	**0.4**	(2.5)
Total finance costs expense	**41.2**	36.5
Rental expense relating to operating leases		
Property	**75.2**	65.0
Motor vehicles	**2.1**	1.5
Plant and equipment	**32.3**	36.2
Total rental expense relating to operating leases	**109.6**	102.7
Employee benefits expense		
Defined contribution superannuation expenses	**36.1**	32.7
Share-based payment expenses *(refer note 34 c)*	**9.7**	6.9
Other employee benefits expense	**571.7**	517.4
Total employee benefits expense	**617.5**	557.0
Other expenses includes:		
Impairment of property, plant and equipment *(refer note 8)*	**-**	8.1
Impairment of investment in associate (*refer note 23)*	**9.3**	18.3
	9.3	26.4

ACCOUNTING POLICY

Borrowing costs

Borrowing costs are expensed over the life of the borrowing facility less amounts which have been capitalised in the cost of qualifying assets.

Rental expense

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases (note 27). Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease.

Employee benefits

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

Liabilities for wages and salaries, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in provisions in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Long service leave

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

(iii) Superannuation

Superannuation is paid to employees based on statutory rates or employment contracts where applicable. Staff who are members of a defined contribution fund receive fixed contributions from the Group and the Group's legal or constructive obligation is limited to these contributions.

(iv) Bonus plans

The Group recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created or likely to create a constructive obligation.

(v) Employee benefit on-costs

Employee benefit on-costs are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities. On-costs include payroll tax, worker's compensation and superannuation where payment is expected.

(vi) Share-based payments

Share-based compensation benefits are provided to certain senior management via the Group's executive long-term incentive plans (LTIs) and, if the eligible employee elects to do so, via the Group's short-term incentive plan (STI). The LTIs include both performance and service based hurdles. The fair value of the benefits under these schemes is expensed to the profit and loss over the period over which the employee incentive vests, with a corresponding increase in other equity reserves.

The STI plan includes both performance and service based hurdles and is expensed through the profit or loss over the relevant vesting period.

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5. Earnings per share

	2018	2017
(a) Basic earnings per share	**Cents**	Cents
Total basic earnings per share attributable to the ordinary equity holders of the Company	**12.5**	5.4
(b) Diluted earnings per share		
Total diluted earnings per share attributable to the ordinary equity holders of the Company	**12.4**	5.3
(c) Earnings used in calculating earnings per share	$m	$m
Profit attributable to the ordinary equity holders of the Company used in calculating basic and diluted earnings per share	**199.3**	77.3
(d) **Weighted average number of shares used as the denominator**	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating:		
Basic earnings per share	**1,597,357,172**	1,442,999,902
Diluted earnings per share	**1,604,218,845**	1,450,829,684

ACCOUNTING POLICY

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

OPERATING ASSETS AND LIABILITIES

This section provides information about key balance sheet items, including the accounting policies applied and the critical judgements and estimates used, which are relevant to understanding these items.

6. Trade and other receivables

Current	**2018 $m**	2017 $m
Trade receivables	**255.5**	220.1
Provision for impairment of receivables (a)	**(8.5)**	(8.2)
	247.0	211.9
Prepayments	**24.8**	17.1
Accrued revenue	**36.3**	32.2
Interest receivable	**0.8**	13.6
Return of capital – TQ Holdings Pty Limited	**-**	8.7
Other	**11.8**	12.8
	320.7	296.3

(a) Impaired trade receivables

As at 30 June 2018 current trade receivables of the Group with a nominal value of $8.5 million (2017: $8.2 million) were impaired. The amount of the provision was $8.5 million (2017: $8.2 million). The Group expects that a portion of the receivables may be recovered. The individually impaired receivables are mainly the result of a difficult global and domestic economic environment that has impacted Qube's customers.

	2018 $m	2017 $m
The ageing of these receivables is as follows:		
Up to 3 months	**-**	-
3 months and greater	**(8.5)**	(8.2)
	(8.5)	(8.2)

	2018 $m	2017 $m
Movements in the provision for impairment of receivables are as follows:		
Carrying amount at start of year	**(8.2)**	(9.7)
Provision for impairment recognised during the year	**(3.6)**	(1.2)
Receivables written off during the year as uncollectible	**3.3**	2.7
Carrying amount at end of year	**(8.5)**	(8.2)

(b) Past due but not impaired

As at 30 June 2018, current trade receivables of $61.3 million (2017: $39.9 million) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2018	2017
	$m	$m
Up to 3 months	**57.6**	37.6
3 months and greater	**3.7**	2.3
	61.3	39.9

The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due. The Group does not hold any collateral in relation to these receivables.

(c) Fair value

For current trade receivables, due to the short-term nature, their carrying amount is assumed to approximate their fair value. The fair values of non-current receivables approximate their carrying values.

ACCOUNTING POLICY

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method (where discounting is material), less provision for impairment.

Receivables may include amounts for dividends, interest and trust distributions. Dividends and trust distributions are accrued when the right to receive payment is established. Interest is accrued at the reporting date from the time of last payment. Trade receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing their carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

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

7. Loans and Receivables

	2018 $m	2017 $m
Loans and receivables	**328.8**	344.4

The Group has provided a related party loan to Patrick as part of the acquisition of its 50% interest the balance of which is $328.8 million at 30 June 2018t. The loan is for a fixed term of 10 years, subordinated to all creditors, with an effective interest rate of 7.3% and no conversion rights.

(a) Fair value

The credit quality of all loans and receivables, including those neither past due nor impaired, is assessed and monitored on an ongoing basis. To determine the necessity of whether an impairment provision is required for any given financial year, the Group considers how economic and market conditions will affect the creditworthiness of certain entities. The Group does not believe impairment is required at 30 June 2018 based on the current forecasts provided by Patrick. On this basis the fair value of loans and receivables approximates their carrying values.

ACCOUNTING POLICY

Loans and receivables are carried at amortised cost using the effective interest method, which applies the interest rate that discounts estimated future cash receipts over the term of the loans and receivables. Cash flows relating to short term trade and other receivables are not discounted if the effect of discounting is immaterial. The discount, if material, is then recognised as revenue over the remaining term. The Group considers the impact of discounting immaterial.

A provision for impairment of loans and receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the loans and receivables. The amount of the provision is the difference between the asset's carrying amount and its fair value, which is estimated as the present value of estimated future cash flows, discounted at the effective interest rate where relevant. The amount of the provision is recognised in the Income Statement.

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(continued)

8. Property, plant and equipment

	Land and buildings $m	Plant and equipment $m	Leasehold improvements $m	Total $m
Year ended 30 June 2017				
Opening net book amount	143.9	529.1	155.3	828.3
Acquisition of business	-	14.2	63.1	77.3
Additions	0.9	93.9	1.7	96.5
Disposals	-	(8.8)	(8.2)	(17.0)
Exchange rate differences	-	(0.1)	-	(0.1)
Reclassification from investment property	-	32.1	-	32.1
Impairment loss (b)	-	(3.5)	(4.6)	(8.1)
Depreciation charge	(2.8)	(88.5)	(11.1)	(102.4)
Closing net book amount	142.0	568.4	196.2	906.6
At 30 June 2017				
Cost	161.5	969.2	257.5	1,388.2
Accumulated depreciation	(19.5)	(400.8)	(61.3)	(481.6)
Net book amount	142.0	568.4	196.2	906.6
Year ended 30 June 2018				
Opening net book amount	**142.0**	**568.4**	**196.2**	**906.6**
Acquisition of business	**0.9**	**9.1**	**5.1**	**15.1**
Additions	**25.8**	**173.1**	**0.1**	**199.0**
Disposals	**-**	**(9.5)**	**-**	**(9.5)**
Exchange rate differences	**-**	**(2.2)**	**-**	**(2.2)**
Reclassification from investment property	**1.0**	**-**	**1.1**	**2.1**
Depreciation charge	**(3.0)**	**(90.8)**	**(10.6)**	**(104.4)**
Closing net book amount	**166.7**	**648.1**	**191.9**	**1006.7**
At 30 June 2018				
Cost	**191.0**	**1,124.6**	**249.6**	**1,565.2**
Accumulated depreciation	**(24.3)**	**(476.5)**	**(57.7)**	**(558.5)**
Net book amount	**166.7**	**648.1**	**191.9**	**1,006.7**

(a) Leased assets

Plant and equipment includes the following amounts where the Group is a lessee under a finance lease:

	2018 $m	2017 $m
Leased equipment		
Cost	**9.5**	3.9
Accumulated depreciation	**(5.0)**	(1.9)
Net book amount	**4.5**	2.0

These assets are pledged as security for the finance leases (refer note 19(a)).

(b) Impairment loss

In the prior year Qube impaired the carrying value of its Dampier Transfer facility and related barge by approximately $8.1 million. The prior year impairment position remains unchanged in the current year based on the latest budgets and medium term forecast. It was therefore decided not to further impair the asset or reverse the impairment.

ACCOUNTING POLICY

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Land is not depreciated. Leasehold improvements are depreciated over the shorter of the useful life of the asset and the lease term.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation on other assets is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives or as follows:

• Buildings	2.5% to 10.0%
• Leasehold improvements	2.5% to 10.0%
• Furniture, fittings and equipment	10.0% to 20.0%
• Plant and equipment	5.0% to 33.3%

The asset’s residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

Leased assets

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease’s inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in borrowings. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset’s useful life and the lease term.

Impairment

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

Estimated impairment of property, plant and equipment

In accordance with the accounting policy stated above, the Group reviews the carrying values and remaining useful lives of items of property, plant and equipment to confirm they remain appropriate. Where indictors of impairment are present, the Group conducts assessments based on value-in-use calculations, where this is considered the highest and best use of the asset which require the use of assumptions. These assumptions can include: a suitable discount rate, cash flows expected to be generated from the use of these assets and the associated capital expenditures expected over the useful life of the asset. Alternatively a fair value less cost to sell valuation is applied to ascertain the recoverable amount.

9. Investment properties

	2018 $m	2017 $m
Opening balance at 1 July	**394.5**	367.7
Capitalised subsequent expenditure	**138.7**	27.7
Net gain from fair value adjustments	**163.2**	22.4
Transfer from intangible assets	**-**	4.5
Reclassification to property, plant & equipment	**(2.1)**	(32.1)
Finance lease asset	**2.1**	3.3
Capitalised interest	**4.9**	1.0
Straight-lining of operating lease rental income	**0.3**	-
Closing balance at 30 June	**701.6**	394.5

(a) Measuring investment property at fair value

Investment properties, principally land and property held at strategic locations at Moorebank and Minto are currently either in development or held for rental yield. Neither property is occupied by the Group. They are carried at fair value in accordance with the Qube's accounting policy.

(b) Amounts recognised in profit or loss for investment properties

	2018 $m	2017 $m
Rental income	**9.1**	7.0
Direct operating expenses from property that generated rental income	**(5.0)**	(0.9)
Direct operating expenses from property that did not generate rental income	**-**	(2.9)

(c) Leasing arrangements

Investment properties are leased to tenants under operating leases with rentals payable monthly. Minimum lease payments receivable on leases of investment properties are as follows:

	2018 $m	2017 $m
Minimum lease payments not recognised in the financial statements under non-cancellable operating leases of investment properties are receivable as follows:		
Within one year	**12.7**	2.6
Later than one year but not later than 5 years	**34.6**	3.0
Later than 5 years	**-**	-
	47.3	5.6

ACCOUNTING POLICY

Investment properties principally comprise land and buildings that are either presently leased or in development and are not occupied by the Group. Investment properties which are presently leased are carried at fair value, based on active market prices, adjusted if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices in less active markets or discounted cash flow projections. Changes in fair values are recorded in the profit or loss as part of other income.

Industrial assets, such as the warehousing component of the Moorebank Logistics Park which are currently under development are classified as investment properties and stated at their fair value at each balance date. Fair value is assessed with reference to reliable estimates of future cash flows, status of the development and the associated risk profile. Finance costs incurred on this project are capitalised and included in the cost of the development.

As at 30 June 2018, the fair value for the warehousing component of the Moorebank Logistics Park development has been assessed by the Directors after considering the latest valuations and subsequent capital works-in-progress. An independent valuation of the property will be undertaken each year for completed stages of the development.

CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

Estimated fair values of investment properties

The Group obtains independent valuations at least annually or as otherwise required. At the end of each reporting period, the directors update their assessment of the fair value of each property, taking into account the most recent independent valuations. The key assumptions used in this determination are set out in note 21.

10. Intangible assets

	Goodwill $m	Operating rights $m	Port Concessions $m	Customer contracts $m	Total $m
Year ended 30 June 2017					
Opening net book amount	592.9	4.7	-	33.1	630.7
Acquisition of business	53.5	-	113.5	-	167.0
Transfer to investment property	-	(4.5)	-	-	(4.5)
Amortisation charge	-	(0.2)	(2.2)	(8.6)	(11.0)
Closing net book amount	646.4	-	111.3	24.5	782.2
At 30 June 2017					
Cost	646.4	7.6	113.5	67.4	834.9
Accumulated amortisation and impairment	-	(7.6)	(2.2)	(42.9)	(52.7)
Net book amount	646.4	-	111.3	24.5	782.2
Year ended 30 June 2018					
Opening net book amount	**646.4**	**-**	**111.3**	**24.5**	**782.2**
Acquisition of business	**71.8**	**-**	**-**	**-**	**71.8**
Sale of business	**(8.0)**	**-**	**-**	**-**	**(8.0)**
Exchange differences	**(0.7)**	**-**	**-**	**(0.1)**	**(0.8)**
Amortisation charge	**-**	**-**	**(3.7)**	**(7.9)**	**(11.6)**
Closing net book amount	**709.5**	**-**	**107.6**	**16.5**	**833.6**
At 30 June 2018					
Cost	**709.5**	**-**	**113.5**	**67.3**	**890.3**
Accumulated amortisation and impairment	**-**	**-**	**(5.9)**	**(50.8)**	**(56.7)**
Net book amount	**709.5**	**-**	**107.6**	**16.5**	**833.6**

(a) Allocation of goodwill to CGUs

Goodwill is allocated to the Group's cash generating units (CGUs) identified according to operating segments as presented below. The carrying amount of goodwill allocated to each CGU was recoverable at year end.

	2018 $m	2017 $m
Logistics	**294.4**	230.6
Ports & Bulk	**368.8**	369.5
Infrastructure & Property	**46.3**	46.3
	709.5	646.4

(b) Impairment tests for goodwill

The recoverable amount of a CGU is determined based on cash flow projections based on financial budgets and forecasts prepared by management typically covering a three year period. Cash flows beyond a three year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the business for which the CGU operates.

ACCOUNTING POLICY

(i) Goodwill

Goodwill on acquisitions of businesses is included in intangible assets and is measured as described in note 22. Goodwill is not amortised. Instead, goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to CGUs for the purpose of impairment testing. The allocation is made to those CGUs or group of CGUs that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segments (note 2).

(ii) Customer contracts

Customer contracts acquired as part of a business combination are recognised separately from goodwill. The customer contracts are carried at their fair value at the date of acquisition less accumulated amortisation and impairment losses. Amortisation is calculated based on the timing of projected cash flows of the contracts over their estimated useful life which is between 4 to 11 years.

(iii) Port Concessions

Tenancy agreements (Port Concessions) with port authorities acquired as part of a business combination are recognised separately from goodwill. The Port Concessions are carried at their fair value at the date of acquisition less accumulated amortisation and impairment losses. Amortisation is calculated based on the length of the tenancy agreement (including options) which is between 24 to 30 years.

Impairment

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

Estimated impairment of goodwill

The CGU cash flow projections used for impairment testing assume no material adverse change to economic conditions for the 2019 to 2022 period. No significant changes to the methodology of the underlying models and assumptions have been made, with the exception of the valuation methodology adopted for AAT which is now the fair value less costs to sell methodology as opposed to a value-in-use methodology previously used.

Terminal values after year four (or after year five in the case of AAT) have been determined using a stable growth model, having regard to post-tax discount rates and long-term growth rates. The equivalent pre-tax discount rate has been disclosed below. Management determined budgeted and forecast EBITDA margins based on past performance and its expectations for the future.

	Long-term growth rate		**Discount rate**	
CGU	**2018**	2017	**2018**	2017
	%	%	**%**	%
Logistics	**2.5**	2.5	12.3	12.5
Ports & Bulk	**2.5**	2.5	12.2	12.4
Infrastructure & Property (AAT)	**2.5**	2.5	11.3	11.3

Impact of possible changes in critical assumptions

The base case long-term growth and discount rates used in the impairment testing of goodwill for each CGU where goodwill has been identified have been disclosed above. If the discount rate increased by 0.5% or the EBITDA decreased by 5% in each year of the valuation and all other assumptions used in the valuation assessment remained unchanged, it would not result in an impairment of goodwill for any of the Logistics, Ports & Bulk or the Infrastructure & Property divisions.

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11. Trade and other payables

	2018 $m	2017 $m
Current		
Trade payables and accruals	**137.7**	149.5
GST payable	**7.1**	6.5
	144.8	156.0
Non-current		
Trade payables and accruals	**0.4**	0.3
Deferred consideration	**-**	4.5
	0.4	4.8

ACCOUNTING POLICY

These amounts represent unsecured liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Trade and other payables are recognised as current liabilities unless payment is not due within 12 months from the reporting date. They are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method where the impact is material.

12. Provisions

	2018			2017		
	Current $m	Non-current $m	Total $m	Current $m	Non-current $m	Total $m
Employee benefits	**79.8**	**9.7**	**89.5**	70.0	8.7	78.7
Onerous contract (property lease)	**-**	**-**	**-**	1.2	-	1.2
Other	**0.4**	**-**	**0.4**	0.8	-	0.8
	80.2	**9.7**	**89.9**	72.0	8.7	80.7

(a) Movements in provisions

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

2018	Onerous contract $m	Other $m	Total $m
Carrying amount at beginning of year	**1.2**	**0.8**	**2.0**
Charged/(credited) to profit or loss			
• additional provisions recognised	**-**	**-**	**-**
• unused amounts reversed	**-**	**-**	**-**
Amounts used during the year	**(1.2)**	**(0.4)**	**(1.6)**
Carrying amount at end of year	**-**	**0.4**	**0.4**

(b) Amounts not expected to be settled within the next 12 months

The current provision for employee benefits includes accrued annual leave, vesting sick leave and long service leave. For long service leave it covers all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The amount of the provision where the Group does not have an unconditional right to defer settlement for any of these obligations is presented as current.

However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. The following amounts reflect leave that is not expected to be taken or paid within the next 12 months:

	2018	2017
	$m	$m
Leave obligations expected to be settled after 12 months	**15.9**	16.4

ACCOUNTING POLICY

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of each reporting period.

The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in a provision due to the passage of time is recognised as interest expense.

Provisions are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

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INCOME TAXES

This section provides information on the income tax charge for the year along with the reconciliation of the effective tax rate to the standard corporate tax rate, details of the deferred tax balances and movements in these balances during the year, including the relevant accounting policies applied and critical judgements and estimates used.

13. Income tax expense

	2018 $m	2017 $m
(a) Income tax expense		
Current tax	**47.5**	24.7
Deferred tax assets	**(9.5)**	(0.5)
Deferred tax liabilities	**51.0**	3.4
Adjustments for deferred tax of prior periods (Note13 (f))	**(2.1)**	-
Adjustments for current tax of prior periods	**0.9**	(0.2)
	87.8	27.4
Deferred income tax expense included in income tax expense comprises:		
Decrease / (Increase) in deferred tax assets	**(9.5)**	(0.5)
(Decrease) / Increase in deferred tax liabilities	**48.9**	3.4
	39.4	2.9
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit before income tax expense	**286.8**	104.7
Tax at the Australian tax rate of 30% (2017: 30%)	**86.0**	31.4
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Non-assessable equity accounted (profit)/loss	**(1.4)**	6.8
Deferred tax not recognised on investment properties fair value gain	**(2.1)**	(1.1)
Deferred tax not recognised on impairment of an associate	**2.8**	5.4
Rebatable dividends	**-**	(16.0)
Share-based payments	**0.1**	0.2
Net deferred consideration paid	**0.7**	-
Losses not recognised in overseas jurisdictions	**0.5**	-
Prior year adjustments	**0.9**	-
Sundry items	**0.3**	0.7
Income tax expense	**87.8**	27.4
(c) Numerical reconciliation of prima facie tax payable to income tax payable/(receivable)		
Income tax expense	**87.8**	27.4
Movement in deferred tax	**(41.4)**	(2.1)
PAYG Instalments paid	**(28.5)**	(29.7)
Income tax payable / (receivable)	**17.9**	(4.4)

	2018	2017
(d) Amounts recognised directly in equity	**$m**	$m
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly debited or credited to equity:		
Net deferred tax – debited directly to equity	**0.2**	4.4

(e) Effective tax rates

Australian accounting consolidated group effective tax rate	**31%**	26%

The above effective tax rate has been calculated as income tax expense divided by accounting profit for the Australian accounting consolidated group.

(f) Change to prior year comparatives

The financial statements for the year ended 30 June 2017 have been restated to reflect a correction in the treatment of the deferred tax accounting for the Moorebank investment property. The correction had the effect of changing the deferred tax assets relating to the timing difference of available capital losses as well as the deferred tax liability for the Moorebank property. There were no other material impacts to the financial statements including the FY17 profits. The prior year balances have been restated for the correction as noted.

14. Deferred tax assets

	2018	2017
	$m	$m
The balance comprises temporary differences attributable to:		
Employee benefits	**26.7**	23.7
Plant and equipment	**15.5**	14.8
Capital losses (note13(f))	**5.4**	1.1
Other	**11.7**	10.2
Total deferred tax assets	**59.3**	49.8
Set-off of deferred tax assets/liabilities pursuant to set-off provisions	**(59.3)**	(49.8)
Net deferred tax assets	**-**	-
Deferred tax assets expected to be recovered within 12 months	**40.0**	36.8
Deferred tax assets expected to be recovered after more than 12 months	**19.3**	13.0
	59.3	49.8

Movements in deferred tax assets:	**Employee benefits**	**Plant and equipment**	**Capital Losses**	**Other**	**Total**
	$m	**$m**	**$m**	**$m**	**$m**
At 1 July 2016	21.2	7.2	-	10.6	39.0
Credited/(charged)					
• to profit or loss	2.3	2.5	1.1	(5.4)	0.5
• directly to equity	-	-	-	4.4	4.4
Acquisition of subsidiary	0.2	5.1	-	0.6	5.9
At 30 June 2017	23.7	14.8	1.1	10.2	49.8
Credited/(charged)					
• to profit or loss	**2.8**	**0.7**	**4.3**	**1.7**	**9.5**
• to other comprehensive income	**-**	**-**	**-**	**-**	**-**
• directly to equity	**-**	**-**	**-**	**0.2**	**0.2**
Acquisition of subsidiary	**0.2**	**-**	**-**	**(0.4)**	**(0.2)**
At 30 June 2018	**26.7**	**15.5**	**5.4**	**11.7**	**59.3**

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15. Deferred tax liabilities

	2018 $m	2017 $m
The balance comprises temporary differences attributable to:		
Plant and equipment	**24.7**	22.4
Intangible assets	**37.0**	40.5
Investment property (note13(f))	**61.3**	11.3
Other provisions	**1.1**	1.0
	124.1	75.2
Set-off of deferred tax assets/liabilities pursuant to set-off provisions	**(59.3)**	(49.8)
Net deferred tax liabilities	**64.8**	25.4
Deferred tax liabilities expected to be settled within 12 months	**0.4**	6.6
Deferred tax liabilities expected to be settled after more than 12 months	**123.7**	68.6
	124.1	75.2

Movements in deferred tax liabilities:	**Plant and equipment $m**	**Intangible assets $m**	**Investment property $m**	**Other provisions $m**	**Total $m**
At 1 July 2016	20.5	9.7	4.3	6.0	40.5
Charged/(credited)					
• to profit or loss	1.9	(3.3)	7.0	(2.2)	3.4
• directly to equity	-	-	-	(2.8)	(2.8)
Acquisition of subsidiaries	-	34.1	-	-	34.1
At 30 June 2017	22.4	40.5	11.3	1.0	75.2
Charged/(credited)					
• to profit or loss[1]	**2.3**	**(3.5)**	**50.0**	**0.1**	**48.9**
• to other comprehensive income	**-**	**-**	**-**	**-**	**-**
• directly to equity	**-**	**-**	**-**	**-**	**-**
Acquisition of subsidiaries	**-**	**-**	**-**	**-**	**-**
At 30 June 2018	**24.7**	**37.0**	**61.3**	**1.1**	**124.1**

[1] Includes a prior year adjustment of $2.1 million (note13(f))

ACCOUNTING POLICY

The income tax expense or benefit for the consolidated entity for the year is the tax payable on the current year's taxable income based on the notional tax rate for each jurisdiction. This can also be adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and by unused tax losses.

Deferred income tax is determined using the liability method, being the temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. However, deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The deferred tax liabilities in relation to investment properties that are measured at fair value is determined assuming the property will be recovered entirely through sale.

The consolidated entity may incur withholding tax imposed by certain countries on investment income. Such income is recorded gross of withholding tax in the statement of comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Qube Holdings Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Investment allowances and similar tax incentives

Companies within the Group may be entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure. The Group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense. A deferred tax asset is recognised for unclaimed tax credits that are carried forward as deferred tax assets.

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CAPITAL AND BORROWINGS

This section provides information on shareholder returns, equity and reserves, and debt funding including all relevant accounting policies applied.

16. Dividends

(a) Ordinary shares

	2018 $m	2017 $m
Final dividend for the year ended 30 June 2017 of 2.8 cents per fully paid share paid on 12 October 2017 (2016: 2.8 cents per share paid on 11 October 2016)		
Fully franked based on tax paid at 30%	**44.9**	40.5
Interim dividend for the year ended 30 June 2018 of 2.7 cents per fully paid share paid on 5 April 2018 (2017: 2.7 cents per share paid on 5 April 2017)		
Fully franked based on tax paid at 30%	**43.3**	39.2
	88.2	79.7

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

	2018 $m	2017 $m
In addition to the above dividends, since the financial year end the directors have recommended the payment of a final dividend of 2.8 cents per fully paid ordinary share, (2017: 2.8 cents) fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 19 October 2018 (2017: 12 October 2017) out of retained earnings at 30 June 2018, but not recognised as a liability at the end of the year, is	**44.9**	44.9
Since the financial year end the directors have recommended the payment of a special dividend of 2.0 cents per fully paid ordinary share fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 19 October 2018 out of retained earnings at 30 June 2018, but not recognised as a liability at the end of the year, is	**32.1**	-

(c) Franked dividends

The franked portions of the final dividends recommended after the financial year end will be franked out of existing franking credits or out of franking credits arising from the payment of income tax for the year ended 30 June 2018.

	Consolidated		Parent entity	
	2018 $m	2017 $m	**2018 $m**	2017 $m
Franking credits available for subsequent financial years based on a tax rate of 30% (2017: 30%)	**126.1**	116.3	**126.1**	116.3

The above amounts represent the balance of the franking account as at the end of the reporting period, adjusted for:

(i) franking credits that will arise from the payment of the amount of the provision for income tax;
(ii) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and
(iii) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

The consolidated amounts include franking credits that would be available to the parent entity if distributable profits of non-wholly owned subsidiaries were paid as dividends. The impact on the franking account of the dividend recommended by the directors since the end of the reporting period, but not recognised as a liability at the end of each reporting period, will be a reduction in the franking account.

ACCOUNTING POLICY

Provision is made for any dividend declared that is appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

17. Contributed equity

Share capital	Notes	2018 Shares	2017 Shares	2018 $m	2017 $m
Ordinary shares					
Fully paid	(a)	**1,604,988,151**	1,603,556,503	**2,472.0**	2,469.2
Less: Treasury shares	(b)	**(6,861,673)**	(7,566,410)	**(17.1)**	(18.7)
Total contributed equity		**1,598,126,478**	1,595,990,093	**2,454.9**	2,450.5

(a) Movements in ordinary shares:

Date	Details	Number of shares	Issue price	$m
1 July 2016	Opening balance	1,303,662,847		1,801.6
2 August 2016	CPPIB Placement	143,243,753	$2.1400	306.5
11 October 2016	Dividend reinvestment plan	5,007,534	$2.2379	11.2
5 April 2017	Dividend reinvestment plan	4,192,783	$2.3975	10.1
13 June 2017	Institutional placement	50,362,239	$2.4200	121.9
29 June 2017	Institutional and retail entitlement offer	97,087,347	$2.3500	228.2
	Less: Transaction costs arising on share issues, net of tax			(10.3)
30 June 2017	Closing balance	1,603,556,503		2,469.2
12 October 2017	Dividend reinvestment plan	**674,190**	**$2.5234**	**1.7**
5 April 2018	Dividend reinvestment plan	**757,458**	**$2.3117**	**1.7**
	Less: Transaction costs arising on share issues, net of tax			**(0.6)**
30 June 2018	Closing balance	**1,604,988,151**		**2,472.0**

(b) Movements in treasury shares:

Date	Details	Number of shares	Average purchase price	$m
1 July 2016	Opening balance	(8,500,479)		(19.4)
	Transfer of treasury shares	1,406,970	$2.288	3.2
	Treasury shares purchased	(472,901)	$2.350	(1.1)
	Fair value movement on allocation and vesting of securities	-	-	(1.4)
1 July 2017	Opening balance	(7,566,410)		(18.7)
	Transfer of treasury shares	**710,131**	**$2.291**	**1.6**
	Treasury shares purchased	**(5,394)**	**$1.514**	**-**
	Fair value movement on allocation and vesting of securities	**-**	**-**	**-**
30 June 2018	Closing Balance	**(6,861,673)**	**$2.487**	**(17.1)**

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(c) Ordinary Shares

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

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

(d) Dividend reinvestment plan

The Company has established a dividend reinvestment plan under which holders of ordinary shares may elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares rather than by being paid in cash. Shares issued under the plan may be at a discount (which is determined by the Board) to the market price.

(e) Treasury shares

Treasury shares are shares in Qube Holdings Limited held by the Qube Employee Share Trust for the purpose of allocating shares that vest under the Performance Rights scheme. Details of the plans are set out in note 34.

(f) Capital risk management

The role of capital risk management at Qube is to support the creation of shareholder value having regard to risk. Qube's capital risk management strategy, therefore, is to establish a framework that supports and facilitates the pursuit of Qube's business strategy while minimising Qube's costs of funding having regard to appropriate business risks.

Specifically, the components of Qube's financial strategy are to:

- Optimise the capital structure to reduce the cost of capital;
- Provide sufficient financial flexibility to enable Qube to develop its businesses;
- Maintain access to a broad range of funding sources and diversifying the tenor; and
- Subject to the above, raise funds in the most cost effective manner possible.

Qube continues to maintain a conservative approach to its capital structure with a long-term target gearing range of 30-40%.

Qube monitors its net debt and available funding capacity through a range of measures including interest cover ratio and other gearing ratios.

Qube maintains adequate headroom to its covenant levels to provide it with financial flexibility to take advantage of opportunities and the ability to manage an unexpected downturn in earnings which is important given Qube's leverage to economic activity.

ACCOUNTING POLICY

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases the Company's equity instruments, for example as the result of a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of Qube Holdings Limited as treasury shares until the shares are cancelled or reissued.

Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects is included in equity attributable to the owners of Qube Holdings Limited.

Shares held by Qube Employee Share Accumulation Plan Pty Limited (Qube Employee Share Trust) are disclosed as treasury shares and deducted from contributed equity.

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18. Reserves and retained earnings

	2018 $m	2017 $m
Reserves		
Business combination reserve	**28.4**	28.4
Share-based payments reserve	**31.8**	8.7
Transactions with non-controlling interests reserve	**(40.2)**	(40.2)
Foreign currency translation reserve	**(2.3)**	0.1
Cash flow hedging reserve	**-**	-
Share of other comprehensive income of joint venture	**1.0**	-
	18.7	(3.0)

(a) Movements in reserves:

	2018 $m	2017 $m
Share-based payments reserve		
Balance 1 July	**8.7**	(5.6)
Loans repaid	**13.4**	7.4
Employee share plan expense	**9.7**	6.9
Balance 30 June	**31.8**	8.7
Transactions with non-controlling interests reserve		
Balance 1 July	**(40.2)**	(39.5)
Acquisition of non-controlling interest – excess consideration	**-**	(0.7)
Balance 30 June	**(40.2)**	(40.2)
Foreign currency translation reserve		
Balance 1 July	**0.1**	0.1
Currency translation differences, net of tax	**(2.4)**	-
Balance 30 June	**(2.3)**	0.1
Cash flow hedging reserve		
Balance 1 July	**-**	-
Cumulative (gain)/loss arising on changes in fair value of hedging instruments		
• Forward exchange contracts	**0.4**	-
• Cross currency interest rate swaps	**(0.4)**	-
Deferred tax arising on cash flow hedges	**-**	-
Balance 30 June	**-**	-
Available-for-sale financial asset reserve		
Balance 1 July	**-**	7.0
Disposal of investment	**-**	(7.0)
Balance 30 June	**-**	-
Share of other comprehensive income of joint venture		
Balance 1 July	**-**	-
Share of Patrick’s other comprehensive income	**1.0**	-
Balance 30 June	**1.0**	-

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Nature and purpose of reserves

(i) Business combination reserve

The business combination reserve represents the difference between the consideration paid to acquire a non-controlling interest in a subsidiary, versus the carrying value of the shares acquired.

(ii) Share-based payments reserve

The share-based payments reserve is used to recognise the loans and value of share-based payments provided to employees under share-based payment schemes. The initial fair value of the benefit provided is recognised on a straight-line basis over the vesting period.

(iii) Transactions with non-controlling interests reserve

This reserve is used to record the differences which may arise as a result of transactions with non-controlling interests that do not result in a loss of control.

(iv) Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income as described in note 37 and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

(v) Cash flow hedging reserve

The hedging reserve is used to record gains or losses on hedging instruments that are designated cash flow hedges and are recognised in other comprehensive income, as described in note 29. Amounts are recognised to profit or loss when the associated hedged transaction affects profit or loss.

Retained earnings

Movements in retained earnings were as follows:	**2018** **$m**	2017 $m
Balance 1 July	**165.1**	166.5
Net profit for the year	**199.3**	77.3
Dividends paid	**(87.6)**	(78.7)
Balance 30 June	**276.8**	165.1

19. Borrowings

	2018 $m	2017 $m
Current		
Secured		
Finance lease liabilities (note 27b(ii))	**1.7**	0.8
Total current borrowings	**1.7**	0.8
Non-current		
Unsecured		
Bank loans	**320.6**	352.0
Other financiers	**150.0**	150.0
Medium term notes	**191.5**	-
Subordinated notes	**305.0**	305.0
Less capitalised establishment costs	**(10.9)**	(9.5)
	956.2	797.5
Secured		
Finance lease liabilities ((note 27b(ii))	**8.1**	3.6
Total non-current borrowings	**964.3**	801.1

Bank and other facilities

The following table provides details of components of the borrowing facilities:

		2018		2017	
Facility	**Maturity**	**Facility**	**Utilised***	Facility	Utilised
Bank Loans		**$m**	**$m**	$m	$m
Syndicated revolving facility	Dec-19	**-**	**-**	750.0	265.0
Bilateral revolving facility	Mar-19	**-**	**-**	150.0	-
Bilateral revolving facility	May-19	**-**	**-**	90.0	-
Bilateral term facility	Jul-19	**50.0**	**50.0**	50.0	50.0
Bilateral revolving facility (NZD)**	Dec-19	**38.5**	**35.6**	40.0	37.0
Bilateral revolving facilities	Aug-22	**938.4**	**235.0**	-	-
Other Financiers					
Bilateral term facility	Jun-24	**150.0**	**150.0**	150.0	150.0
US Private Placement					
Medium term notes (USD)**	Oct-24	**51.5**	**51.5**	-	-
Medium term notes (USD)**	Oct-27	**102.2**	**102.2**	-	-
Medium term notes (USD)**	Oct-29	**37.8**	**37.8**	-	-
Subordinated notes	Oct-23	**305.0**	**305.0**	305.0	305.0

* Excludes bank guarantees drawn totaling $32.7 million (2017: $28.9 million) drawn under the Bilateral Revolving Facilities.

** Australian dollar equivalent.

During the year Qube completed several funding initiatives consistent with its strategy of diversifying its funding sources, extending the tenor of its debt and ensuring that it maintains adequate liquidity to fund suitable growth opportunities. This included establishing new five year bilateral debt facilities to replace existing bilateral and syndicated debt facilities and the issuance of US$150 million fixed coupon notes in the US Private Placement (USPP) market across 7, 10 and 12 year maturities. The notes issued in United States dollars (USD) have been converted back to Australian dollar (AUD) principal and AUD floating coupons through cross currency interest rate swaps (CCIRS). The CCIRS have been designated as cash flow and fair value hedges as described in note 29.

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(a) Secured liabilities and assets pledged as security

	2018	2017
	$m	$m
The total secured liabilities (current and non-current) are as follows:		
Finance lease liabilities	**9.8**	4.4
Total secured liabilities	**9.8**	4.4

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

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

	2018	2017
	$m	$m
Finance lease		
Plant and equipment (note 8(a))	**4.5**	2.0

(b) Compliance with loan covenants

The Group has complied with the financial covenants of its borrowing facilities during the 2018 and 2017 reporting periods.

(c) Fair value

The carrying amounts and fair values of borrowings at the end of reporting period are:

	2018		2017	
	Carrying amount	Fair value*	Carrying amount	Fair value
	$m	$m	$m	$m
On-balance sheet				
Non-traded financial liabilities				
Bank loans	**316.4**	**320.6**	348.8	352.0
Other financiers	**149.1**	**150.0**	149.0	150.0
Medium term notes	**190.1**	**191.5**	-	-
Subordinated notes	**300.6**	**305.0**	299.7	305.0
Finance lease liabilities	**9.8**	**9.8**	4.4	4.4
	966.0	**976.9**	801.9	811.4

* Fair value excludes capitalised establishment fees offset against loan carrying amounts.

ACCOUNTING POLICY

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities which are material and not an incremental cost relating to the actual draw down of the facility, are offset against the loan and amortised on a straight-line basis over the term of the facility.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

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

RISK MANAGEMENT

This section provides information on the Group's exposure to various financial risks, explains how they affect the Group's financial position and performance and how the Group manages these risks.

20. Financial risk management

The Group has exposure to a variety of financial risks including credit risk, market risk (interest rate risk and foreign exchange risk) and liquidity risk arising from the financial instruments it holds.

The board of directors is tasked with the risk management process for Qube. The risk management process involves a detailed analysis of cash flows and forecasts. The board of directors undertakes a continuous review of the performance and prospects of Qube. This includes consideration of overall gearing levels and the impact of adverse movements in interest rates, the level and predictability of cash flows to meet debt obligations and capital expenditure, as well as any change in strategy that changes the underlying risk profile of the Group.

The carrying amounts of Qube's financial assets and liabilities at the balance sheet date approximate their fair value.

(a) Credit risk

Credit risk is the risk that a counterparty will fail to perform contractual obligations, either in whole or in part, under a contract.

Qube is exposed to credit risk as a result of its deposits with banks and money market securities. Qube mitigates credit risk arising from these investments by investing only in term deposits with the major banks. In relation to trade receivables, where possible, Qube only transacts with credit worthy customers and then continually reviews the outstanding amounts for impairment as set out in note 6.

Other than as set out in notes 6 and 32(f) no financial assets are impaired nor past due but not impaired at 30 June 2018 (30 June 2017: Nil).

There was no significant credit risk to counterparties at 30 June 2018 or 30 June 2017.

The carrying amounts of cash and cash equivalents, receivables and inventories best represent the maximum credit risk exposure at the balance sheet date. The credit quality of these securities is set out in the table below.

	2018	2017
	$m	$m
Cash and cash equivalents		
AA-	**103.9**	190.8

(b) Market risk

(i) Interest rate risk

Qube's primary interest rate risk relates to its variable rate borrowings and cash held on deposit, which expose the Group to interest rate risk. Qube's operating businesses are leveraged to the economy such that movements in interest rates, which typically reflect changes in economic conditions and outlook, are likely to correlate with movements in Qube's earnings. The primary objectives of Qube's interest rate risk management strategy therefore are to protect against adverse movements in interest rates which Qube cannot fully or largely offset through its earnings. However for debt used to fund assets with passive income streams (such as warehouse rental) that are not leveraged to the economy and have limited to no ability to increase revenues beyond the set annual increases, Qube aims to hedge between 70-100% subject to an overall cap on hedging of 60% of gross debt.

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Qube's exposure to interest rate risk is set out in the following table:

	2018	2017
	$m	$m
Borrowings (excluding finance leases and capitalised establishment costs)	**967.1**	807.0
Less: Fixed rate loans	**(200.0)**	(200.0)
Cash	**(103.9)**	(190.8)
Net exposure to interest rate risk	**663.2**	416.2
Interest rate hedging in place*	**290.0**	185.7

* Includes forward start hedges totalling $155 million (2017: $70 million)

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Qube's exposure to fair value interest rate risk relates primarily to interest rate hedging instruments referred to above.

(ii) Sensitivity analysis

The following table summarises the sensitivity of Qube's after tax operating profit and net assets attributable to shareholders to interest rate risk. The Group analyses its interest rate exposure on a dynamic basis. The analysis is based on the assumption that interest rates changed +/- 100 basis points (2017 +/- 100 basis points) from the year end rates with all other variables held constant.

The reasonably possible movements in the risk variables have been determined based on management's best estimate, having regard to a number of factors, including historical levels of changes in interest rates and market volatility. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of the economies and markets in which Qube invests. As a result, historic variations in risk variables are not a definitive indicator of future variations in the risk variables.

	Interest rate risk			
	-100 bps		**+100 bps**	
	Profit	Equity	Profit	Equity
2018	$m	$m	$m	$m
Total increase/(decrease)	**3.7**	**3.7**	**(4.5)**	**(4.5)**
2017				
Total increase/(decrease)	2.2	2.2	(2.4)	(2.4)

(iii) Foreign exchange risk

Foreign exchange risk arises from commercial transactions and recognised liabilities that are denominated in or related to a currency that is not the Group's functional currency. The Group's foreign exchange exposure relates largely to the USD denominated medium term note borrowings issued in October 2017. The Group also has exposure to movements in foreign currency exchange rates through anticipated purchases of parts and equipment in relation to the Moorebank IMEX rail terminal automation.

To mitigate the risk of adverse movements in foreign exchange and interest rates in relation to the USD denominated medium term notes, the Group has entered into CCIRS agreements through which it replaces the related foreign currency principal and interest liability payments with Australian Dollar principal and interest payments. The CCIRS have been designated as cash flow and fair value hedges in order to reduce the volatility in the Groups reported earnings.

The Group utilised forward exchange contracts to manage its foreign exchange risk arising from purchases of parts and equipment in relation to the Moorebank IMEX rail terminal automation. These contracts are hedging highly probable forecast foreign currency exposures. The forward contracts are designated as cash flow hedges and are timed to mature when foreign currency payments are scheduled to be made.

As at the reporting date, the Group's exposure to foreign exchange risk after taking into consideration hedges in relation to the USD medium term notes and the forecast foreign currency transactions is not considered material.

(c) Liquidity risk

Liquidity risk is the risk that Qube will experience difficulty in either realising assets or otherwise raising sufficient funds to satisfy commitments associated with financial instruments.

The Group manages liquidity risk by maintaining adequate cash reserves, banking facilities and undrawn borrowing facilities and by continuously monitoring forecast and actual cash flows, and where possible matching the maturity profiles of financial assets and liabilities. Set out below is a listing of undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

Financing arrangements

The Group has access to the following undrawn borrowing facilities at the end of the reporting period:

	2018	2017
Floating rate	$m	$m
Expiring within one year	-	-
Expiring beyond one year*	673.6	699.1
	673.6	699.1

* Undrawn facilities are adjusted for $32.7 million in bank guarantees (2017: $28.9 million) drawn under the working capital facilities.

Subject to the continuance of satisfactory covenant compliance, the borrowing facilities may be drawn down at any time and have an average maturity of 4.9 years (2017: 3.0 years).

Maturity of financial liabilities

The table below analyses Qube's financial liabilities into relevant maturity groupings based on the remaining period to the earliest possible contractual maturity date at the financial year end date. The amounts in the table are contractual undiscounted cash flows including interest.

	Less than 1 month $m	1-6 months $m	6-12 months $m	Greater than 1 year $m
Consolidated as at 30 June 2018				
Trade and other payables	136.5	-	-	-
Financial liabilities at fair value through profit or loss	-	-	0.1	2.2
Borrowings	6.1	13.5	17.5	1,148.6
Total financial liabilities	142.6	13.5	17.6	1,150.8
Consolidated as at 30 June 2017				
Trade and other payables	149.9	-	-	-
Financial liabilities at fair value through profit or loss	-	-	0.2	1.3
Borrowings	5.9	9.1	11.4	956.2
Total financial liabilities	155.8	9.1	11.6	957.5

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21. Fair value measurement

(a) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments and non-financial assets that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments and non-financial assets into the three levels prescribed under the Accounting Standards. An explanation of each level follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table presents the Group's financial and non-financial assets and liabilities measured and recognised at their fair value at 30 June 2018 on a recurring basis:

	Level 1	Level 2	Level 3	Total
At 30 June 2018	**$m**	**$m**	**$m**	**$m**
Recurring fair value measurements				
Assets				
Investment properties	**-**	**-**	**701.6**	**701.6**
Derivatives designated as hedges	**-**	**1.9**	**-**	**1.9**
Total assets	**-**	**1.9**	**701.6**	**703.5**
Liabilities				
Derivatives not designated as hedges	**-**	**1.1**	**-**	**1.1**
Total liabilities	**-**	**1.1**	**-**	**1.1**
At 30 June 2017				
Recurring fair value measurements				
Assets				
Investment properties	-	-	394.5	394.5
Total assets	-	-	394.5	394.5
Liabilities				
Deferred consideration payable	-	-	4.5	4.5
Derivatives used for hedging	-	0.9	-	0.9
Total liabilities	-	0.9	4.5	5.4

There were no transfers between levels 1 and 2 for recurring fair value measurements during the financial year. For transfers in and out of level 3 measurements see (c(iv)) below.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. The Group did not measure any assets or liabilities at fair value on a non-recurring basis as at 30 June 2018 or 30 June 2017.

(b) Valuation techniques used to determine fair values

Financial instruments

Specific valuation techniques used to value financial instruments include:

- CCIRS, interest rate swaps and collars - Present value of the estimated future cash flows using an appropriate market based yield curve, which is independently derived. Yield curves are sourced from readily available market data quoted for all major currencies.
- Forward exchange contracts - Quoted forward exchange rates at reporting date for contracts with similar maturity profiles.
- Other techniques, such as discounted cash flow analysis are used to determine fair value for the remaining financial instruments such as contingent consideration.

All of the resulting fair value estimates are included in levels 1 and 2 except for contingent consideration payable explained in (c) below.

Non-financial assets

The Group obtains independent valuations for its investment properties at least annually and makes appropriate adjustments for the factors as set out in (c)(vi) below. At the end of each reporting period, the directors update their assessment of the fair value of each property, taking into account the most recent valuations performed by an independent valuer who holds a recognised and relevant qualification and any other relevant factors. The directors determine a property's value within a range of reasonable fair value estimates.

The best evidence of fair value is current prices in an active market for similar properties. Where such information is not available the directors consider information from a variety of sources including independent valuations prepared by third party valuers. These valuations typically include information such as:

- Current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences;
- Term and reversion calculations which reflect the certainty of income to lease expiry, the nature of any current property improvements and any deferred underlying land value and underlying re-development of a property;
- Capitalised income projections based upon a property's estimated net market income, and a capitalisation rate derived from an analysis of market evidence; and
- Discounted cash flow projections based on reliable estimates of future cash flows.

In relation to properties under development for future use as investment property, where reliably measurable, fair value is determined based on the market value of the asset on the assumption it had already been completed at the valuation date (using the methodology as outlined in (c)(vi) below).

The primary valuation methodology for the Group's Minto investment property was the discounted cash flow and capitalisation approaches, which resulted in fair value estimate for this property being included in level 3. As the Moorebank Logistics Park is considered investment property in development, it is also included in level 3.

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(c) Fair value measurements using significant unobservable inputs (level 3)

Financial instruments

(i) Transfers between levels 2 and 3 and changes in valuation techniques

There were no transfers between the levels of the fair value hierarchy for financial instruments in year ended 30 June 2018 (30 June 2017: Nil).

Further, in the current year there were also no changes made to any of the valuation techniques applied as of 30 June 2017.

(ii) Valuation inputs and relationships to fair value

Contingent consideration

Actual consideration payable is contingent on certain future conditions including financial results, warranty periods and volume related targets. No such amounts are payable over the relevant period.

(iii) Valuation processes

The finance department of the Group performs the valuations of non-property assets required for financial reporting purposes, including level 3 fair values. This team reports directly to the Chief Financial Officer (CFO). Discussions of valuation processes and results are held between the CFO and the Audit and Risk Management Committee at least once every six months, in line with the Group's reporting dates.

The main level 3 inputs used by the Group in measuring the fair value of financial instruments are derived and evaluated as follows:

- Discount rates: these are determined using the weighted average cost of capital model to calculate a post-tax rate that reflects current market assessments of the time value of money and the risks specific to the underlying business.
- Contingent consideration payable – expected cash outflows: these are estimated based on the terms of the sale contract, the entity's knowledge of the business, assessment of the likelihood of reaching any financial hurdles and how the current economic environment is likely to impact it.

Material changes in level 2 and 3 fair values are analysed at each reporting date during the half yearly valuation discussion between the CFO, and the Audit and Risk Management Committee. As part of this discussion the CFO presents a report that explains the reason for the fair value movements.

Non-financial assets

(iv) Transfers between levels 2 and 3 and changes in valuation techniques

There were no transfers between the levels of the fair value hierarchy for the year ended 30 June 2018.

(v) Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements. See below for the valuation techniques adopted:

Description	Fair value at 30 June 2018 $m	Unobservable inputs	Range of inputs (probability – weighted average)	Relationship of unobservable inputs to fair value
Investment property	**701.6**	Discount rate	**6.8% – 8.0%**	The higher the discount rate and terminal yield, the lower the fair value
		Terminal yield	**6.3%**	
		Capitalisation rate	**5.8% - 6.3%**	The higher the capitalisation rate and expected vacancy rate, the lower the fair value
		Current vacancy rate	**-**	
		Rental growth rate	**3.2%**	The higher the rental growth rate, the higher the fair value
		Land rate (per sqm)	**$550 - $595**	The land rate is the market land value per sqm of fully serviced and benched developable site area for the property (i.e. freehold land value).

(vi) Valuation processes

For level 3 assets being independently valued the Group engages external, independent and qualified valuers to determine the fair value at least annually.

The main level 3 inputs used by the Group are derived and evaluated as follows: Property assets – discount rates, terminal yields, expected vacancy rates and rental growth rates are estimated by an independent valuer or management based on comparable transactions and industry data.

For level 3 assets currently under development such as the Moorebank Logistics Park, an internal valuation is performed by management using a static valuation approach based on an independent valuation leveraging relevant market comparable data including capitalisation and land rate per square metre information. This value is then adjusted for factors including the NPV of ground rental payments, cost to complete, contingencies and developer margin. Qube's interest in the Land Trust is independently valued.

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GROUP STRUCTURE

This section provides information on the Group structure and helps users understand how changes in the Group structure affect the financial position and performance of the Group, including relevant accounting policies applied and critical judgements and estimates used.

22. Business combinations

On 27 December 2017 Qube acquired 100% of the issued capital of Maritime Container Services Pty Ltd (MCS) for a total purchase consideration of $92.3m.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	$'m
Purchase consideration	
Purchase price	**92.5**
Completion adjustments	**(0.2)**
Total purchase consideration	**92.3**

The fair values of the assets and liabilities recognised as a result of the acquisition are as follows:	Fair value $'m
Cash	**4.1**
Trade receivables	**9.1**
Inventories	**0.1**
Other receivables and prepayments	**3.3**
Property, plant and equipment	**15.1**
Deferred tax asset	**0.4**
Trade payables	**(4.4)**
Provision for employee benefits	**(2.6)**
Borrowings	**(4.6)**
Net identified assets acquired	**20.5**
Add: goodwill	**71.8**
Net assets acquired	**92.3**

The goodwill is attributable to the strategic advantages and market positioning this acquisition will provide Qube. None of the goodwill is expected to be deductible for tax purposes.

(i) Acquisition related costs

Acquisition related costs of $1.0 million are included in the consolidated statement of comprehensive income.

(ii) Acquired receivables

The trade and other receivables of $9.1 million have all been recovered.

(iii) Revenue and profit contribution

The acquired business contributed revenues of $29.6 million and net profit after tax of $1.1 million to the Group for the period from 27 December 2017 to 30 June 2018. If the acquisition had occurred on 1 July 2017, consolidated revenue and net profit after tax for the year ended 30 June 2018 would have increased by $63.1 million and $3.3 million respectively.

Purchase consideration – cash outflow

	$'m
Outflow of cash to acquire subsidiary, net of cash acquired*	
Cash consideration	**92.3**
Less: Cash balances acquired	**(4.1)**
Net cash consideration	**88.2**
Other acquisition costs not related to MCS	**4.0**
Outflow of cash – investing activities	**92.2**

ACCOUNTING POLICY

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary.

Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interests in the acquiree either at fair value or at the non-controlling interests' proportionate share of the acquiree's net identifiable assets.

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

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

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

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Notes to the consolidated financial statements
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23. Investment in equity accounted investments

(a) Movements in carrying amounts

Set out below are the associates and joint ventures of the Group as at 30 June 2018. The entities listed below have share capital/units consisting solely of ordinary shares/units, which are held directly by the Group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held. All entities are accounted for using the equity method.

		% ownership interest		Carrying amount	
	Place of business/country of	**2018**	2017	**2018**	2017
Name of entity	**incorporation**	**%**	%	**$m**	$m
Patrick[1]	Australia	**50**	50	**641.6**	667.5
Other equity accounted investments				**75.2**	90.2
				716.8	757.7

1. The Group's 50% investment in Patrick is held through PTH No. 1 Pty Ltd. The carrying amount above excludes shareholder loans provided by Qube to PTH No.1 of $328.8 million ($344.4 million in June 2017) which also forms part of Qube's total investment in Patrick.

(b) Joint operations

A subsidiary of the Group has a 34.67% interest in a joint arrangement called Precinct Land Trust (Land Trust) which was set up as a trust together with Moorebank Intermodal Company (MIC) to hold a leasehold interest in the precinct land at Moorebank contributed by Qube and MIC. Qube retains its residual freehold interest in the MIPT land at the end of the 99 year lease period and will enter into leases with Land Trust over time to get use of the combined precinct.

The principal place of business of the joint operation is in Australia.

The joint venture agreements in relation to Land Trust require unanimous consent from all parties for all relevant activities. As Qube will be providing substantially all of the cash inflows of Land Trust through lease payments and because there is joint control over Land Trust, it is accounted for a joint operation from Qube's perspective.

(c) Summarised financial information of joint ventures

The tables below provide summarised statutory financial information for those joint ventures that are material to the Group. The information disclosed reflects the amounts presented in the financial statements of the relevant joint ventures and not Qube Holdings Limited's share of those amounts. They have been amended to reflect the adjustments made by the entity when using the equity method, including fair value adjustments and modifications for differences in accounting policy where material.

	PTH No. 1 Pty Ltd (Patrick)	
	30 June 2018	**30 June 2017**
	$m	**$m**
Summarised balance sheet		
Current assets		
Cash and cash equivalents	**101.3**	79.6
Other current assets	**97.2**	158.8
Total current assets	**198.5**	238.4
Non-current assets	**2,848.6**	2,917.5
Current liabilities		
Financial liabilities*	**-**	-
Other current liabilities	**109.1**	107.5
Total current liabilities	**109.1**	107.5
Non-current liabilities		
Financial liabilities*	**993.4**	989.3
Shareholder loans	**659.2**	716.4
Other non-current liabilities	**129.2**	133.5
Total non-current liabilities	**1,781.8**	1,839.2
Net Assets	**1,156.2**	1,209.2

* - (excluding trade payables)

	PTH No. 1 Pty Ltd (Patrick)	
	30 June 2018	**30 June 2017**
	$m	**$m**
Reconciliation to carrying amounts		
Opening net assets	**1,209.2**	1,270.8
Profit/(loss) for the period	**17.4**	(51.8)
Dividends	**(12.6)**	-
Return of capital	**(57.2)**	(12.8)
Movement in reserves	**(0.6)**	3.0
Closing net assets	**1,156.2**	1,209.2
Group's share in %	**50%**	50%
Group's share in $	**578.1**	604.6
Goodwill	**63.5**	62.9
Carrying amount	**641.6**	667.5
Summarised statement of comprehensive income		
Revenue	**576.1**	475.6
Interest Income	**5.1**	2.7
Depreciation & amortisation	**(91.0)**	(79.7)
Interest expense	**(87.4)**	(76.9)
Income tax (expense)/benefit	**(6.2)**	2.3
Profit/(loss) for the period	**17.4**	(51.8)
Other comprehensive income	**2.0**	-
Total comprehensive income	**19.4**	(51.8)

A reconciliation of the underlying trading performance of Patrick to Qube's share of underlying net profit after tax per note 2 is included in the table below for the year ended 30 June 2018 and the period from the date of acquisition 18 August 2016 to 30 June 2017.

Patrick underlying contribution reconciliation (100%) **For the ended 30 June 2018**	**Statutory** **$m**	**Underlying Adjustments[2]** **$m**	**Underlying** **$m**
Revenue	**576.1**	**-**	**576.1**
EBITDA	**196.8**	**4.4**	**201.2**
EBITA	**128.4**	**4.4**	**132.8**
EBIT	**105.8**	**4.4**	**110.2**
Interest expense (net) - External	**(33.5)**	**-**	**(33.5)**
Interest expense - Shareholders	**(48.7)**	**-**	**(48.7)**
Net profit before tax	**23.6**	**4.4**	**28.0**
Tax (@ 30%)	**(6.2)**	**(2.2)**	**(8.4)**
Net profit after tax	**17.4**	**2.2**	**19.6**
Net profit after tax pre-amortisation	**33.2**	**2.2**	**35.4**
Qube share (50%) of net profit after tax	**8.7**	**1.1**	**9.8**
Qube interest income net of tax from Patrick[1]	**17.1**	**-**	**17.1**
Qube net profit after tax from Patrick	**25.8**	**1.1**	**26.9**
Qube share (50%) of net profit after tax pre-amortisation	**16.6**	**1.1**	**17.7**
Qube net profit after tax pre-amortisation from Patrick (50%)	**33.7**	**1.1**	**34.8**

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Patrick underlying contribution reconciliation (100%) For the ended 30 June 2017	**Statutory $m**	**Underlying Adjustments[2] $m**	**Underlying $m**
Revenue	475.6	-	475.6
EBITDA	99.8	70.3	170.1
EBITA	37.2	70.3	107.5
EBIT	20.1	70.3	90.4
Interest expense (net) - External	(30.1)	-	(30.1)
Interest expense - Shareholders	(44.1)	-	(44.1)
Net profit before tax	(54.1)	70.3	16.2
Tax (@ 30%)	2.3	(7.2)	(4.9)
Net (loss)/ profit after tax	(51.8)	63.1	11.3
Net (loss)/ profit after tax pre-amortisation	(39.8)	63.1	23.3
Qube share (50%) of net (loss)/profit after tax	(25.9)	31.6	5.7
Qube interest income net of tax from Patrick[1]	15.5	-	15.5
Qube net (loss)/profit after tax from Patrick	(10.4)	31.6	21.2
Qube share (50%) of net (loss)/profit after tax pre-amortisation	(19.9)	31.6	11.7
Qube net (loss)/profit after tax pre-amortisation from Patrick (50%)	(4.5)	31.6	27.1

1. Qube's share of shareholder interest income is subject to a prima facie 30% tax charge by Qube, whereas Qube's share of profit from Patrick trading results has already been tax effected.
2. For the year ended 30 June 2018 underlying adjustments included $4.4 million in other non-recurring separation and set-up costs. The prior year underlying adjustments include $52.0 million in stamp duty plus $18.3 million in transaction and restructuring related costs.

(d) Impairment

Qube has recognised an impairment charge of $9.3 million against the carrying value of its investment in Prixcar which is held through its 50% ownership of K Line Auto Logistics Pty Ltd (Prixcar). In recent years, the business has been facing significant changes in its customer base following the decline in domestic vehicle manufacturing. The business is in the early stages of a restructure with a complete change of the senior management team undertaken during FY18. The impairment reflects weaker than expected FY18 results as well as uncertainty around timing of the turnaround of the business currently underway and led by the new management team, due to a highly competitive market.

The recoverable amount of Prixcar was determined based on a value-in-use calculation using a post-tax discount rate of 12.1% and cash flow projections based on financial budgets and forecasts covering a five year period with a terminal value.

(e) Individually immaterial associates

In addition to the interests disclosed above, the Group also has interests in a number of individually immaterial associates[1] that are accounted for using the equity method.

	2018 $m	2017 $m
Aggregate carrying amount of individually immaterial associates	**75.2**	90.2
Aggregate amounts of the Group's share of:		
Profit/(loss) for the year	**(4.1)**	4.8
Other comprehensive income	**-**	-
Total comprehensive income	**(4.1)**	4.8

[1] Prixcar Services Pty Ltd, Northern Stevedoring Services Pty Ltd, Quattro Grain Trust, TQ Holdings Pty Ltd and Southern Export Terminals Pty Ltd

(f) Contingent liabilities of associates

Qube's share of the contingent liabilities of its associates has been disclosed in note 26.

ACCOUNTING POLICY

Under AASB 11 *Joint Arrangements* investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has both joint operations and joint ventures.

Joint operations

Qube recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the financial statements under the appropriate headings. Details of the joint operation are set out in (b) above.

Joint ventures

Interests in joint ventures are accounted for using the equity method, after initially being recognised at cost in the consolidated balance sheet.

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

The Group's share of its joint arrangements and associates' post acquisition profits or losses is recognised in profit or loss and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. The cumulative post acquisition movements are adjusted against the carrying amount of the investment. Dividends received or receivable from joint arrangements or associates are recognised as reduction in the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint arrangement or associate.

Unrealised gains on transactions between the Group and its joint arrangements and associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of joint arrangements and associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

Estimated impairment of investments accounted for using the equity method
Where indicators of impairment exist, the Group has undertaken a valuation of its investments accounted for using the equity method based on its proportionate ownership of these businesses. The recoverable amount of each investment is determined using a discounted cash flow model which requires the use of assumptions that may be subject to change. The general valuation assumptions also include an average post tax discount rate of 9.6% (excluding Patrick (8.8%) and Prixcar (12.10%)).

Indicators of impairment were identified for Qube’s investments in Prixcar and Quattro, however only Qube’s investment in Prixcar was found to be impaired. Qube’s investment in Quattro had lower forecast medium term earnings during the forecast period following the drought impacting NSW which has been assumed to continue to impact Quattro’s results in FY19. Lower forecast cash flows in the medium term are also resulting from Qube’s management taking a conservative approach regarding the take-or-pay commitments from certain unitholders given the ongoing dispute and until the outcome of the court case is finalised. However, in the absence of material change to the long term outlook for the business, the investment was determined to not be impaired. The valuation model for Quattro used a terminal growth rate of 2.5% and a post-tax discount rate of 9.60%.

If the discount rate increased by 0.5% or the EBITDA margin decreased by 5% in each year of the valuation and all other assumptions used in the valuation assessment remained unchanged, it would result in an impairment of the carrying value of Qube’s investment in Quattro. The investment will continue to be closely monitored.

Significant judgement: consolidation of entities with 50% ownership
The directors have concluded that where the Group holds 50% of the voting rights of an entity that this does not in itself confer that the Group has control of that entity. To establish whether control exists, the Group determines whether it is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. In the case of PTH No.1 Pty Ltd, Northern Stevedoring Services Pty Ltd, ’K’ Line Auto Logistics Pty Ltd, TQ Holdings Pty Limited, Southern Export Terminals Pty Ltd and Quattro Grain Trust the Group does not have the ability to affect returns of these entities without the prior consent of the remaining shareholders.

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24. Significant investments in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries:

Name of entity	Country of incorporation	Class of shares/units	Equity holding 2018 (%)	Equity holding 2017 (%)
Qube Holdings Limited*	Australia	Ordinary		
Qube Terminals Pty Ltd*	Australia	Ordinary	**100**	100
Qube Employee Share Accumulation Plan Pty Ltd	Australia	Ordinary	**100**	100
Qube Terminals Investments Pty Ltd	Australia	Ordinary	**100**	100
Qube Property Management Services Pty Ltd*	Australia	Ordinary	**100**	100
Qube RE Services Pty Ltd*	Australia	Ordinary	**100**	100
Qube Properties Pty Ltd*	Australia	Ordinary	**100**	100
Qube Logistics Trust*	Australia	Ordinary	**100**	100
Qube Equity Ltd*	Australia	Ordinary	**100**	100
Qube Agri Investments Pty Ltd*	Australia	Ordinary	**100**	100
Qube Bulk Liquids Pty Ltd*	Australia	Ordinary	**100**	100
KIL Property Investments Pty Ltd*	Australia	Ordinary	**100**	100
KFM Property Logistics 1 Pty Ltd*	Australia	Ordinary	**100**	100
Minto Properties Pty Ltd*	Australia	Ordinary	**100**	100
Moorebank Industrial Property Trust*	Australia	Ordinary	**100**	100
KW Auto Logistics Pty Ltd*	Australia	Ordinary	**100**	100
K-NSS Pty Ltd*	Australia	Ordinary	**100**	100
Oversea & General Stevedoring Co Pty Ltd*	Australia	Ordinary	**100**	100
K-AA Terminals Pty Ltd*	Australia	Ordinary	**100**	100
P&O Wharf Management Pty Ltd*	Australia	Ordinary	**100**	100
Jingle SPV1 Pty Ltd	Australia	Ordinary	**100**	100
Jingle SPV2 Pty Ltd	Australia	Ordinary	**100**	100
Qube RE Services (No.2) Pty Ltd*	Australia	Ordinary	**100**	100
Qube MB Warehousing Pty Ltd*	Australia	Ordinary	**100**	100
Moorebank Industrial Hold Trust*	Australia	Ordinary	**100**	100
Moorebank Industrial Investment Trust*	Australia	Ordinary	**100**	100
Qube Moorebank Warehousing Trust*	Australia	Ordinary	**100**	100
Moorebank Industrial Warehouse Hold Trust*	Australia	Ordinary	**100**	100
Moorebank Industrial Warehouse Trust*	Australia	Ordinary	**100**	100
Moorebank Industrial Terminals Asset Hold Trust*	Australia	Ordinary	**100**	100
Moorebank Industrial Terminals Asset Trust*	Australia	Ordinary	**100**	100
Moorebank Industrial Terminals Operations Hold Trust*	Australia	Ordinary	**100**	100
Moorebank Industrial Terminals Operations Trust*	Australia	Ordinary	**100**	100
Qube (AU) Moorebank Holding Pty Ltd*	Australia	Ordinary	**100**	100
Qube (AU) Moorebank Pty Ltd*	Australia	Ordinary	**100**	100
Qube (AU) Moorebank Investment Pty Ltd*	Australia	Ordinary	**100**	100
Qube (AU) Moorebank Unit Trust*	Australia	Ordinary	**100**	100
Qube (AU) Moorebank Intermodal Hold Trust*	Australia	Ordinary	**100**	100
Qube (AU) Moorebank Intermodal Trust*	Australia	Ordinary	**100**	100
Qube (AU) Moorebank Warehouse Hold Trust*	Australia	Ordinary	**100**	100
Qube (AU) Moorebank Warehouse Trust*	Australia	Ordinary	**100**	100
Qube (AU) Moorebank Warehouse Lot Hold Trust*	Australia	Ordinary	**100**	100
Qube (AU) Moorebank Terminals Assets Hold Trust*	Australia	Ordinary	**100**	100

Name of entity	Country of incorporation	Class of shares/units	Equity holding 2018 (%)	Equity holding 2017 (%)
Qube (AU) Moorebank Terminals Assets Trust*	Australia	Ordinary	**100**	100
Qube (AU) Moorebank Terminals Operations Hold Trust*	Australia	Ordinary	**100**	100
Qube (AU) Moorebank Terminals Operations Trust*	Australia	Ordinary	**100**	100
Australian Automotive Terminals Pty Ltd*	Australia	Ordinary	**100**	100
Australian Amalgamated Terminals Pty Ltd*	Australia	Ordinary	**100**	100
AAT Port Kembla Pty Ltd*	Australia	Ordinary	**100**	100
Cargo Marshalling Services Pty Ltd*	Australia	Ordinary	**100**	100
Qube Ports & Bulk:				
K-POAGS Pty Ltd*	Australia	Ordinary	**100**	100
KFM Logistics Investments 2 Pty Ltd*	Australia	Ordinary	**100**	100
Qube Ports Pty Ltd*	Australia	Ordinary	**100**	100
Qube Ports & Bulk subsidiaries:				
Qube Ports (No 1) Pty Ltd*	Australia	Ordinary	**100**	100
Qube Bulk Pty Ltd*	Australia	Ordinary	**100**	100
Qube Energy Pty Ltd*	Australia	Ordinary	**100**	100
Markhaven Pty Ltd*	Australia	Ordinary	**100**	100
Qube Defence Logistics Pty Ltd*	Australia	Ordinary	**100**	100
Stonecrest Enterprises Pty Ltd*	Australia	Ordinary	**100**	100
Giacci Holdings Pty Ltd*	Australia	Ordinary	**100**	100
Giacci Port Services Pty Ltd*	Australia	Ordinary	**100**	100
Giacci Limestone Pty Ltd*	Australia	Ordinary	**100**	100
Giacci Group Operations Pty Ltd*	Australia	Ordinary	**100**	100
Giacci SA Pty Ltd*	Australia	Ordinary	**100**	100
Giacci Bros. Pty Ltd*	Australia	Ordinary	**100**	100
Giacci Management Services Pty Ltd*	Australia	Ordinary	**100**	100
Giacci NT Pty Ltd*	Australia	Ordinary	**100**	100
Giacci Contracting Pty Ltd*	Australia	Ordinary	**100**	100
Jamlewin Enterprises Pty Ltd*	Australia	Ordinary	**100**	100
Qube Learning Pty Ltd	Australia	Ordinary	**100**	100
W Qube Port of Dampier Pty Ltd*	Australia	Ordinary	**100**	100
Beaumont Transport Pty Ltd*	Australia	Ordinary	**100**	100
BBH Services Pty Ltd*	Australia	Ordinary	**100**	100
Latot Pty Ltd*	Australia	Ordinary	**100**	100
Norsea Qube Logistics Pty Ltd	Australia	Ordinary	**100**	100
Oztran Aust Pty Ltd*	Australia	Ordinary	**100**	100
Oztran Assets Pty Ltd*	Australia	Ordinary	**100**	100
Stanton Oztran Pty Ltd*	Australia	Ordinary	**100**	100
Australian Heavy Logistics Pty Ltd*	Australia	Ordinary	**100**	100
ISO Marshalling Pty Limited*	Australia	Ordinary	**100**	100
NZ Bidco Ltd	New Zealand	Ordinary	**100**	100
ISO Ltd	New Zealand	Ordinary	**100**	100
Marshalling Solutions LLC	United States	Ordinary	**-**	100
ISO Transport Limited	New Zealand	Ordinary	**-**	100
ISO Logistics Limited	New Zealand	Ordinary	**-**	100
ISO Warehousing Limited	New Zealand	Ordinary	**-**	100
Qube International Pte Ltd	Singapore	Ordinary	**100**	100

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Name of entity	Country of incorporation	Class of shares/units	Equity holding 2018 (%)	Equity holding 2017 (%)
Continental Freight Employees Unit Trust	Australia	Ordinary	**100**	100
Qube Energy Sdn BHD	Malaysia	Ordinary	**100**	100
BOMC Pte Ltd	Singapore	Ordinary	**70**	-
BOMC Services Pte Ltd**	Singapore	Ordinary	**70**	-
PT Bintan Offshore Marine Centre**	Indonesia	Ordinary	**70**	-
Qube Logistics:				
K-POTA Pty Ltd*	Australia	Ordinary	**100**	100
Qube Logistics (Aust) Pty Ltd*	Australia	Ordinary	**100**	100
Qube Logistics subsidiaries:				
Qube Logistics (Qld) Pty Ltd*	Australia	Ordinary	**100**	100
Qube Logistics (Global) Pty Ltd*	Australia	Ordinary	**100**	100
Qube Logistics (NZ) Limited	New Zealand	Ordinary	**100**	100
Qube Logistics (SB) Pty Ltd *	Australia	Ordinary	**100**	100
Qube Logistics (NSW) Pty Ltd*	Australia	Ordinary	**100**	100
Qube Logistics (QldT) Pty Ltd*	Australia	Ordinary	**100**	100
Qube Logistics (QldT1) Pty Ltd*	Australia	Ordinary	**100**	100
Qube Logistics (QldT2) Pty Ltd*	Australia	Ordinary	**100**	100
Qube Logistics (QldT3) Pty Ltd*	Australia	Ordinary	**100**	100
Qube Logistics (QldT4) Pty Ltd*	Australia	Ordinary	**100**	100
Qube Logistics (QldT5) Pty Ltd*	Australia	Ordinary	**100**	100
Qube Logistics (QldT6) Pty Ltd*	Australia	Ordinary	**100**	100
Qube Logistics (Vic) Pty Ltd*	Australia	Ordinary	**100**	100
Qube Logistics (WA) Pty Ltd*	Australia	Ordinary	**100**	100
Qube Logistics (WA1) Pty Ltd*	Australia	Ordinary	**100**	100
Qube Logistics (H&S) Pty Ltd*	Australia	Ordinary	**100**	100
Qube Logistics (Rail) Pty Ltd*	Australia	Ordinary	**100**	100
Qube Logistics (SA) Pty Ltd*	Australia	Ordinary	**100**	100
Qube Logistics (SA1) Pty Ltd*	Australia	Ordinary	**100**	100
Macarthur Intermodal Shipping Terminal Pty Ltd*	Australia	Ordinary	**100**	100
Independent Railways of Australia Pty Ltd*	Australia	Ordinary	**100**	100
Independent Railroad of Australia Pty Ltd*	Australia	Ordinary	**100**	100
Rail Equipment Leasing Pty Ltd*	Australia	Ordinary	**100**	100
Bowport All Roads Transport Pty Ltd*	Australia	Ordinary	**100**	100
Indy Equipment Pty Ltd*	Australia	Ordinary	**100**	100
Qube Logistics (WA2) Pty Ltd*	Australia	Ordinary	**100**	100
Qube Logistics (SL)Pty Ltd*	Australia	Ordinary	**100**	100
D&J Holding Co Pty Ltd	Australia	Ordinary	**100**	-
D&J Subsidiary Co Pty Ltd	Australia	Ordinary	**100**	-
Maritime Container Services Pty Ltd	Australia	Ordinary	**100**	-
Australian Grain Packers Pty Ltd	Australia	Ordinary	**100**	-
Vermile Pty Ltd t/a Austrans	Australia	Ordinary	**-**	100

* These subsidiaries have taken advantage of relief from the necessity to prepare financial reports in accordance with ASIC Corporations instrument 2016/785 issued by the Australian Securities and Investments Commission. For further information refer to note 35.

**Qube's economic interest in these entities is 70% due to its holding in BOMC Pte Ltd (holding company of the BOMC group)

ACCOUNTING POLICY

Principles of consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

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

The acquisition method of accounting is used to account for business combinations by the Group (refer to note 22).

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

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and balance sheet respectively.

Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Qube.

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss. If the ownership interest in an associate is reduced, but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

25. Non-controlling interests

(a) Non-controlling interests ('NCI') share of equity

	2018 $m	2017 $m
Interest in:		
Share capital	**-**	-
Reserves	**-**	-
Retained losses	**(0.3)**	-
	(0.3)	-

Retained losses in FY18 are in relation to PT Bintan Offshore Marine Centre.

In December 2016, the Group acquired an additional 33.3% of the units in Moorebank Industrial Property Trust from Aurizon Holdings Limited and all its interests in the Moorebank Project. The effect on the equity attributable to the owners of Qube Holdings Limited during the prior year is summarised as follows:

	2018 $m	2017 $m
Carrying amount of non-controlling interests acquired	**-**	98.2
Consideration paid to non-controlling interests	**-**	(98.9)
Excess of consideration paid recognised in the transactions with non-controlling interests reserve within equity	**-**	(0.7)

Qube Holdings Limited
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UNRECOGNISED ITEMS

The section provides information about items that are not recognised in the financial statements but could potentially have a significant impact on the Group's financial position and performance.

26. Contingencies

Contingent liabilities

Guarantees

The parent entity has provided unsecured bank guarantees amounting to $32.8 million (2017: $34.2 million).

In the prior year Qube provided a guarantee on behalf of Northern Stevedoring Services Pty Limited for the lower of $6 million or 50% of the funds advanced to them. This is not applicable in the current year.

27. Commitments

(a) Capital commitments

Capital expenditure contracted for at the end of each reporting period but not recognised as liabilities is as follows:

	2018	2017
	$m	$m
Payable:		
Within one year	**268.1**	38.2
Later than one year but not later than five years	**67.2**	-
Later than five years	**-**	-
	335.3	38.2

The above balance comprises capital expenditure required for contracted works and new items of plant and equipment.

Under its contractual commitments with MIC, Qube is required to construct an interstate rail terminal and an IMEX rail terminal and will also have to invest in enabling infrastructure such as roads, power and site subdivision to enable the development of warehousing on the site. The total expected quantum of this investment is around $640 million over the first 5 years of the project of which around $197 million has already been spent.

Qube is also required to enter into leases and make ground lease rental payments to Precinct Land Trust (of which Qube owns around 34.37% and MIC owns 65.63%) with leases being executed and payments commencing 12 months after Qube has signed a binding lease agreement with a tenant (and payable only in respect of the land area to be utilised for that particular tenant). However, irrespective of whether or not Qube has secured tenants for the relevant area, it must pay ground rent on 50% of the total developable area 10 years after financial close (which occurred in January 2017) and on 100% of the total developable area 15 years after financial close. The net present value of the minimum expected lease payments assuming 50% of ground rent payable at year 10 and 100% at year 15 (after allowing for cpi escalation) is around $190 million, or around $125 million after adjusting for Qube's entitlement to 34.37% of the lease payments.

It is noted that Qube's financial analysis for the Moorebank project assumed that it would have developed most of the developable area within approximately 10 years from financial close.

(b) Lease commitments – Group as lessee

(i) Non-cancellable operating leases

The Group has non-cancellable operating leases in relation to plant, equipment and motor vehicles expiring within one to five years. The leases have varying terms including fully-maintained or non-maintained, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

It also has non-cancellable operating leases in relation to land, warehouses, rail terminals and offices expiring within one to twenty five years. The leases have varying terms, escalation clauses and renewal rights. Limited excess occupancy spaces are sub-let to third parties also under non-cancellable operating leases or on a casual rental basis.

	2018	2017
	$m	$m
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**91.4**	81.6
Later than one year but not later than five years	**245.9**	197.7
Later than five years	**253.1**	110.1
	590.4	389.4
Sub-lease payments		
Future minimum lease payments expected to be received in relation to non-cancellable sub-leases of operating leases	**44.3**	38.7

(ii) Finance leases

The Group leases various property, plant and equipment with a carrying amount of $4.5 million (2017: $2.0 million) under finance leases expiring within three to five years. Under the terms of the leases, the Group has the option to acquire the leased assets for an agreed residual value on expiry of the leases.

	2018	2017
	$m	$m
Commitments in relation to finance leases are payable as follows:		
Within one year	**2.0**	0.8
Later than one year but not later than five years	**3.9**	0.9
Later than five years	**34.6**	21.9
Minimum lease payments	**40.5**	23.6
Future finance charges	**(30.7)**	(19.2)
Total lease liabilities	**9.8**	4.4
The present value of finance lease liabilities is as follows (note 19):		
Current - within one year	**1.7**	0.8
Non-current - later than one year but not later than five years	**3.5**	0.8
Non-current - later than five years	**4.6**	2.8
Present value of minimum lease payments	**9.8**	4.4

There are no other outstanding contingent assets and liabilities or commitments as at 30 June 2018 (2017: Nil).

Qube Holdings Limited
Notes to the consolidated financial statements
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28. Events occurring after the reporting period

Matters subsequent to the end of the financial year

Except as outlined in the Directors' report or noted above no matter or circumstance has arisen since the end of the financial year that has significantly affected, or may significantly affect the Group's operations, the results of those operations or the Group's state of affairs in future financial years.

OTHER NOTES

This section includes items requiring disclosure to comply with Australian Accounting Standards and other regulatory pronouncements but are not considered critical in understanding the financial performance or position of the Group, including relevant accounting policies applied, as well as other accounting policies applied which are not covered elsewhere in the notes to the financial statements.

29. Derivative Financial Instruments

The Group enters into derivative financial instruments in the normal course of business in order to hedge its interest rate and foreign currency risk exposure in accordance with the Group's financial risk management policies (refer to note 20). Derivatives are only used for economic hedging purposes and not as speculative investments. The following table shows the notional value of the derivative instruments held by the Group, the nature of the hedge relationship with the underlying debt instrument and their fair value as at the reporting date.

Year ended 30 June 2018

Derivative Instrument	**Nature of Hedge**	**Notional amount**	**Asset**	**Liability**
		$m	**$m**	**$m**
Cross-currency interest rate swaps	Cash flow hedge	189.6	12.6	-
	Fair value hedge	189.6	(11.1)	-
Forward exchange contracts	Cash flow hedge	34.3	0.4	
Interest rate swaps	Not hedge accounted	25.0	-	0.2
Interest rate collars	Not hedge accounted	265.0	-	0.9
Current			**0.4**	**0.2**
Non-current			**1.5**	**0.9**

Year ended 30 June 2017

Interest rate swaps	Not hedge accounted	25.0	-	0.1
Interest rate collars	Not hedge accounted	150.0	-	0.6
Current			**-**	**0.2**
Non-current			**-**	**0.5**

Cross currency interest rate swap (CCIRS)
The Group's medium term notes create both an interest rate and a foreign currency risk exposure. The Group's policy is to minimise its exposure to both USD interest rate and exchange rate movements. Accordingly, the Group has entered into a series of CCIRS which cover 100% of the USPP principals outstanding and are timed to expire when each USPP loan matures. These swaps also swap the obligation to pay fixed USD interest to floating AUD interest. If the swaps held are no longer effective in hedging the interest rate and foreign currency risk exposure, management will reassess the value in continuing to hold the swap.

In accordance with the accounting policy, these CCIRS have been designated as fair value and cash flow hedges with movements in fair value recognised through profit or loss together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk for fair value hedges or in equity in the cash flow hedge reserve for cash flow hedges, whilst they are still in an effective hedge relationship.

Interest rate swap and collar
Borrowings of the Group (excluding finance leases) currently bear an average interest rate of 5.0% on drawn debt and total facilities in place at year end, including margin, commitment and establishment fees. The Group manages cash flow interest rate risk by using interest rate swaps and collars.

Hedging instruments in place including forward starting hedges cover approximately 37.9% (2017: 30.6%) of the variable loan principal outstanding and have a weighted average minimum and maximum base rate of 2.20% and 3.81% respectively. Due to some forward starting hedges the current weighted average base rate of the hedges is 2.18%. Hedges with a notional principal totalling $155 million have forward start dates commencing in FY20 and FY21. Excluding these forward starts, hedging covered approximately 17.6% of the floating rate loan principal.

As the Group has not designated these derivative as hedging instruments for accounting purposes, the changes in the fair value of are recognised immediately in profit or loss.

Forward exchange contracts
The Group has exposure to movements in foreign currency exchange rates through anticipated purchases of parts and equipment. There has been no material hedge ineffectiveness during the period between designation of these forward exchange rate contracts and the reporting dates. The movement in fair value has been deferred in the cash flow hedge reserve and will be released when the anticipated transactions occur.

Qube Holdings Limited
Notes to the consolidated financial statements
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ACCOUNTING POLICY

Derivatives that qualify for hedge accounting
During the period, Qube entered into derivative financial instruments to hedge its exposure to fluctuations in interest and foreign exchange rates. At the inception of the transaction, Qube designated and documented these derivative instruments into a hedging relationship with the applicable hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions.

Qube documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

Fair value hedges
A fair value hedge is a hedge of the exposure to changes in fair value of an asset or liability that is attributable to a particular risk.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk

Hedge accounting is discontinued when the hedging instrument matures or is sold, terminated or exercised, no longer qualifies for hedge accounting, or when Qube revokes designation. Any adjustment between the carrying amount and the face value of a hedged financial instrument is amortised to profit or loss using the effective interest rate method. Amortisation begins when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

Cash flow hedge
A cash flow hedge is a hedge of the exposure to variability in cash flows attributable to a particular risk associated with an asset, liability or highly probable forecast transaction that could affect profit or loss.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the cash flow hedge reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within finance income or expense.

When the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously in the cash flow hedge reserve are transferred from equity and included in the initial measurement of the cost of the asset or liability

Hedge accounting is discontinued when the hedging instrument matures or is sold, terminated or exercised, no longer qualifies for hedge accounting, or when Qube revokes designation. Any cumulative gain or loss recognised in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was recognised in equity is recognised immediately in profit or loss.

Derivatives that do not qualify for hedge accounting
Changes in the fair value of any derivatives that do not qualify for hedge accounting are recognised immediately in the profit or loss.

30. Reconciliation of profit after income tax to net cash inflow from operating activities

	2018 $m	2017 $m
(a) Net cash inflow from operating activities		
Profit for the year	**199.0**	77.3
Depreciation and amortisation	**116.0**	113.4
Non-cash employee benefits expense – share-based payments	**9.7**	6.9
Fair value adjustment to investment properties	**(163.2)**	(22.4)
Fair value losses/(gains) on financial assets at fair value through profit or loss	**0.4**	(2.5)
Loss on disposal of available-for-sale financial assets	**-**	31.0
Impairments of non-current assets	**9.3**	26.4
Profit on sale of property plant and equipment	**(2.2)**	(1.3)
Share of loss/(profit) of associates (net of dividends received)	**4.5**	24.5
Capitalised debt establishment costs and interest	**(7.5)**	1.0
Finance costs on finance lease	**0.3**	-
Acquisition earn out cost	**3.8**	-
Rental straight lining adjustment	**(0.7)**	-
Change in operating assets and liabilities, net of effects from purchase of controlled entities:		
Increase in trade debtors and other receivables	**(41.9)**	(72.5)
Increase in inventories	**(0.1)**	(0.1)
Increase in deferred tax assets	**(5.0)**	(6.8)
Increase in trade creditors	**5.4**	9.1
Increase in other operating liabilities	**4.0**	16.5
Increase/(Decrease) in provision for income taxes payable	**22.4**	(3.5)
Increase in deferred tax liabilities	**44.4**	2.4
Increase in other provisions	**7.7**	5.6
Net cash inflow from operating activities	**206.3**	205.0

(b) Non-cash investing and financing activities

	2018 $m	2017 $m
The following items were financed through the issue of Qube shares:		
Dividend reinvestment plan	**3.4**	21.3
The following items were financed through the sale of Qube's Asciano shareholding:		
Purchase of interest in PTH No.1 Pty Ltd (Patrick)	**-**	507.6
	3.4	528.9

Qube Holdings Limited
Notes to the consolidated financial statements
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(c) Net debt reconciliation

The table below details changes in the Group's net debt arising from financing activities, including both cash and non-cash changes.

			Non-cash changes			
	Net debt at 30 June 2017	Financing cash flows	Acquisition of subsidiary	New finance leases**	Fair value adjustments*	**Net debt at 30 June 2018**
	$'m	$'m	$'m	$'m	$'m	**$'m**
Bank Loans	**352.0**	(30.0)			(1.4)	**320.6**
Other financiers	**150.0**	-	-	-	-	**150.0**
Medium term notes	**-**	189.6	-	-	1.9	**191.5**
Subordinated notes	**305.0**	**-**	**-**	**-**	**-**	**305.0**
Finance lease liabilities	**4.4**	**(1.5)**	**4.6**	**2.3**	**-**	**9.8**
Cash	**(190.8)**	**86.6**	**-**	**-**	**0.3**	**(103.9)**
Net debt	**620.6**	**244.7**	**4.6**	**2.3**	**0.8**	**873.0**

*Includes adjustments in relation to foreign exchange.
** Includes interest capitalised to finance leases (Not due for payment at year end).

31. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	2018	2017
	$'000	$'000
(a) PwC Australia		
(i) Audit and other assurance services		
- Audit and review of financial statements	**705.6**	705.6
- Audit of other subsidiary financial statements	**-**	50.0
Total remuneration for audit and other assurance services	**705.6**	755.6
(ii) Taxation services		
- Tax compliance services	**137.1**	119.4
- Tax advisory services	**90.2**	632.3
Total remuneration for taxation services	**227.3**	751.7
(iii) Other services		
- Due diligence services	**131.0**	167.0
- Other services	**235.2**	254.4
Total remuneration for other services	**366.2**	421.4
Total remuneration of PwC Australia	**1,299.1**	1,928.7
(b) Non-PwC audit firms		
(i) Audit and other assurance services – audit and review of financial statements	**49.5**	46.6
(ii) Taxation services – tax compliance services	**-**	14.1
(iii) Other assurance services – other services	**-**	311.8
Total remuneration of non-PwC audit firms	**49.5**	372.5
Total auditors' remuneration	**1,348.6**	2,301.2

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32. Related party transactions

(a) Parent entity

The ultimate parent entity and ultimate controlling party of the Group is Qube Holdings Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in note 24.

(c) Key management personnel

Disclosure relating to key management personnel are set out in note 33.

(d) Transactions with other related parties

The following transactions occurred with related parties:

	2018	2017
	$m	$m
Stevedoring services		
received from other related entities	**-**	36.2
paid to associates	**13.7**	6.9
Fuel services		
paid to associates	**-**	25.1
Rental income		
from associates	**2.1**	4.9
Dividend income		
from associates	**9.1**	3.2

(e) Outstanding balances arising from sales/purchases of goods and services

The following balances are outstanding at the end of each reporting period in relation to transactions with related parties:

	2018	2017
	$m	$m
Current receivables (provision of services)		
Associates and other related parties	**8.8**	4.5
Current payables (payment for services)		
Associates and other related parties	**1.4**	-

(f) Loans to related parties

	2018	2017
	$m	$m
Loans from Qube Holdings Limited to key management personnel		
Beginning of the year	**4.7**	8.0
Loans repaid	**(4.7)**	(3.3)
Interest charged	**0.1**	0.3
Interest paid	**(0.1)**	(0.3)
End of year	**-**	4.7

Loans to other associated entities totalled $337.0 million (2017:$ 348.2 million) during the year. Included in this total is $328.8 million (2017: $344.4 million) in shareholder loans provided to PTH No. 1 Pty Ltd (Patrick). Refer to note 7 for further information in relation to the loan with Patrick. Other loans to associates have been classified within other assets on the Balance Sheet.

Loan repayments of $17.2 million (2017: Nil) were received from associated entities during the year. The loan repayments included a cancellation of a $26 million promissory note to Patrick of which $15.6 million was applied against the loan with Patrick with the balance reducing Qube's investment in Patrick.

There is no allowance account for impaired receivables in relation to any outstanding balances.

(g) Terms and conditions

Transactions relating to dividends and subscription for new ordinary shares were on the same terms and conditions that applied to other shareholders.

All other transactions were made on normal commercial terms and conditions and at market rates.

Qube Holdings Limited
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33. Key management personnel disclosures

(a) Key management personnel compensation

	2018 $'000	2017 $'000
Short-term employee benefits	**6,501.9**	8,555.3
Post-employment benefits	**106.7**	113.6
Long-term benefits	**125.4**	83.4
Share-based payments	**3,243.1**	2,320.7
	9,977.1	11,073.0

Detailed remuneration disclosures are provided in the Remuneration Report.

(b) Equity instrument disclosures relating to key management personnel

The numbers of ordinary shares in the Company held during the financial year by each director of Qube Holdings Limited and other key management personnel of the Group, including their personally related parties, are set out below.

2018	Balance at the beginning of the year	Received during the year as part of remuneration	Other changes during the year	Balance at the end of the year
Directors of Qube Holdings Limited[1]	**17,854,365**	**163,304**	**(5,001,000)**	**13,016,669**
Other key management personnel of the Group	**2,252,196**	**134,534**	**(87,099)**	**2,299,631**
2017				
Directors of Qube Holdings Limited	24,461,265	312,736	(6,985,771)	17,788,230
Other key management personnel of the Group	3,387,932	351,791	(1,487,527)	2,252,196

[1] The opening balance has been adjusted for Mr Dexter and Mr Miles to include shares held by a spouse.

(c) Loans to key management personnel

Aggregates of loans made to directors of Qube Holdings Limited and other key management personnel of the Group, including their personally related parties, are set out below.

	Balance at the beginning of the year $'000	Loans granted during the year $'000	Loans repaid during the year $'000	Interest paid and payable for the year $'000	Interest not charged $'000	Balance at the end of the year $'000	Number in Group at the end of the year
2018	**4,693.1**	**-**	**(4,693.1)**	**85.7**	**-**	**-**	**-**
2017	7,999.2	-	(3,306.1)	299.8	-	4,693.1	4

34. Share-based payments

(a) Share Appreciation Rights

During FY18 Qube issued Share Appreciation Rights (SARs) to incentivise and retain key executives to achieve share value based objectives that are subject to performance conditions tied directly to shareholder wealth creation.

The key terms and conditions for the FY18 grant are described below:

Participation	The Managing Director, other KMP and other executives who can directly influence the performance of Qube.
Valuation date/Grant date	29 September 2017
Issue price	$2.58
Instrument	Share appreciation rights (SARs) SARs will entitle the holder to receive a certain number of Qube shares subject to satisfaction of the Service condition. The number of shares the holder will receive is determined by multiplying the number of SARs awarded by the appreciation in the Qube share price divided by the VWAP of Qube shares calculated over the 15 trading days before the Vesting Date and the subsequent 15 trading days (Vesting price). The appreciation in the Qube share price will be determined by subtracting the initial price (being $2.58) from the Vesting price. If the Vesting price is lower than the Initial price, the SARs will lapse and no shares will be issued.
Performance condition	None.
Service condition	Eligible executives must continue to be employed by a Qube Group member until the Vesting date.
Exercise price	Nil
Performance period	2.9 years to on or around 22 August 2020 (with a further trading restriction (holding lock) period of 2 years from the Vesting date).
Vesting date	the date of release of the audited financial statements for Qube in respect of the financial year ended 30 June 2020, presently expected to be on or around 28 September 2020.
Dividends	Dividends will not be paid on SARs.
Termination	If the participant resigns during the vesting period, the SARs are forfeited. In the event of termination for redundancy etc. (i.e. good leaver) the SARs are reduced pro rata to the date of termination.

Set out below is a summary of SARS granted under the scheme:

Grant date	Last possible vesting date	Issue price ($)	Balance at the start of the year (number)	Granted during the year (number)	Vested/ transferable during the year (number)	Forfeited during the year (number)	Balance at end of year (number)	Vested and transferable at the end of the year (number)
29 Sep 17	22 Aug 20	2.58	-	16,412,296	-	-	16,412,296	-
24 Nov 16	25 Aug 19	2.56	15,590,126	-	-	-	15,590,126	-

Fair value of Rights granted

The fair value at grant date is independently determined in accordance with AASB 2 Share-based Payment using a Monte Carlo simulation based model.

The model inputs for SARS expensed during the year ended 30 June 2018 included:

Vesting date	28 September 2020	23 August 2019
Grant date	29 September 2017	24 November 2016
Share price at grant date ($)	$2.47	$2.36
Initial price ($)	$2.58	$2.56
Time to vesting date (years)	2.9	2.7
Volatility (%)	28%	28%
Risk free rate (%)	2.11%	1.89%
Dividend yield (%)	2.2%	2.5%

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(b) Performance Rights and Options

During FY14-FY16, Qube granted Performance Rights and Options to incentivise and retain key executives. Qube also granted a Moorebank specific Long-Term Incentives (LTIs) in the form of Performance Rights and Options. No further grants are expected under these schemes.

The key terms and conditions for the LTIs are described below:

Participation	The Managing Director, other KMP and other executives who can directly influence the performance of Qube.
Instrument	Performance Right or Option (representing an entitlement to one ordinary Qube share) on achievement of certain performance conditions.
Performance condition	25% of Performance Rights and Options are subject to a Total Shareholder Return Hurdle (TSR Performance Rights and Options) and 75% are subject to an Earnings Per Share Hurdle (EPS Performance Rights and Options). **Moorebank specific:** 50% of Performance Rights and Options are subject to an Annual Shareholder Return Hurdle (ASR Performance Rights and Options) and 50% are subject to a Key Performance Indicator (KPI Performance Rights and Options).
Exercise price	Nil Options - 20 day VWAP up to and including one day prior to issue.
Performance period/vesting date	3 years after grant date (with retesting annually for another two years for any EPS Performance Rights and Options that have not vested over the extended period). **Moorebank specific:** 3 years after grant date (with retesting annually for another two years for any ASR Performance Rights and Options that have not vested and tested over the extended period).
Expiry date	TSR Performance Rights: 3 years after grant date. EPS Performance Rights: 3 years after grant date (with retesting for another 2 years). **Moorebank specific:** ASR and KPI Performance Rights: 3 years after grant date ASR and KPI Options: 3 years after grant date (with retesting for another 2 years).
Dividends	The holder is entitled to an amount equal to the dividends that would have been paid on the vested Performance Rights (as if they held Qube shares) for the period from the Grant Date to the Vesting Date. This amount is settled in Qube shares. No amount is payable for Performance Rights that do not vest.
TSR Hurdle	The TSR Performance Rights will vest depending upon Qube's total shareholder return (share price increase and dividend) during the relevant performance period. The TSR Hurdle is based on Qube's relative TSR performance as compared to the other companies in the S&P ASX 200 Index. The vesting schedule is as follows: • Nil – if Qube's TSR ranks less than the 50th percentile • 50% – if Qube's TSR is equal to the 50th percentile • Pro-rated between 50% and 100% – if Qube's TSR ranks greater than the 50th percentile but less than the 75th percentile • 100% – if Qube's TSR ranks at the 75th percentile or higher
EPS Hurdle	The EPS Performance Rights will vest depending upon Qube's EPS performance during the relevant performance period. For both the FY14 and FY15 grants under the plan the maximum vesting opportunity was a CAGR of 9% (the FY16 grant was 6%) in EPS. If Qube's CAGR in EPS for the relevant performance period (based on the respective 30 June reported financial results) is: • less than the minimum EPS target, no EPS Performance Rights will vest; • equal to, or greater than, the EPS target, 100% of the EPS Performance Rights will vest; or • greater than the minimum EPS target but less than the EPS target, the percentage of EPS Performance Rights that vest will be pro-rated on a straight-line basis between 0% and 100%. If any of the EPS Performance Rights have not vested at the end of three years, they will be carried forward to the following year and retested based on a four year period. Any EPS Performance Rights that remain unvested then will be carried forward and retested on the basis of a five year period. Any unvested EPS Performance Rights will lapse at the end of the five years.

Moorebank specific hurdles:

ASR Hurdle

Vesting of the ASR Performance Rights and Options is subject to Qube achieving a cumulative 4.5% compound ASR over the relevant Performance Period.

ASR is the annual shareholder return and is measured by both the growth in Share price from the Award Date to the end of the relevant Performance Period and any dividends paid during this time.

The Share price will be based on the VWAP of a Share over the 20 trading days up to and including the day of the start and the end of the relevant Performance Period.

KPI Hurdle

Achievement of the Moorebank Targets is to be assessed by the Board as a package.
In assessing the overall achievement of the Moorebank Targets, the Board will have regard to the base case financial and operating models taking into account deviations (known and unknown). The Moorebank targets include a number of non-market based hurdles.

Vesting of the Moorebank Performance Rights and Options will be assessed by the Board based on overall achievement of the Moorebank Targets as follows:

1. Overall did not meet Moorebank Targets: zero vesting
2. Overall met Moorebank Targets: 75% of the Moorebank Performance Rights and Options will vest
3. Overall exceeded Moorebank Targets: 100% of the Moorebank Performance Rights and Options will vest.

Set out below are summaries of Performance Rights and Options granted under the schemes:

Grant date	Last possible vesting date	Issue price ($)	Balance at the start of the year (number)	Vested/ transferable during the year (number)	Forfeited during the year (number)	Balance at end of year (number)	Vested and transferable at the end of the year (number)
9 Sept 2013	9 Sept 2018	1.87	2,200,258	-	(2,394)	2,197,864	2,197,864
5 Sept 2014	5 Sept 2019	2.39	4,030,177	-	(1,007,531)	3,022,646	1,439,962
3 Sept 2015	3 Sept 2020	2.24	1,745,262	-	(17,870)	1,727,392	1,162,574
3 Sept 2015	3 Sept 2020	0.44*	12,773,927	-	-	12,773,927	6,054,464
3 Sept 2015	3 Sept 2020	2.24	1,281,805	-	-	1,281,805	-
3 Sept 2015	3 Sept 2020	0.44*	10,964,371	-	-	10,964,371	-

* Options

Fair value of Plan Shares granted

The fair value at grant date is independently determined taking into account the following:

TSR & ASR Performance Rights and Options & EPS Performance Rights

For the TSR & ASR Performance Rights and Options & EPS Performance Rights a Monte Carlo simulation based model has been used to test the likelihood of attaining the relevant hurdle against the comparator group of entities (that is the constituents of the S&P ASX 200 Index). The Monte Carlo simulation model incorporates the impact of this market condition on the value of the relevant Performance Right or Option.

EPS Options & KPI Performance Rights and Options

For the EPS Options & KPI Performance Rights and Options the Black-Scholes-Merton model has been used to estimate the value at the valuation date. Consistent with the requirements of AASB 2, the development or application of an estimate indicating the likelihood of achieving the non-market EPS and KPI Hurdles has not been included.

Qube Holdings Limited
Notes to the consolidated financial statements
for the year ended 30 June 2018
(continued)

The model inputs for Performance Rights and Options expensed during the year ended 30 June 2018 included:

	TSR condition Performance Rights	TSR condition Options	EPS condition Performance Rights	EPS condition Options
Vesting date	3 Sept 2018	3 Sept 2018	3 Sept 2020	3 Sept 2020
Grant date	3 Sept 2015	3 Sept 2015	3 Sept 2015	3 Sept 2015
Share price at grant date ($)	$2.08	$2.08	$2.08	$2.08
Exercise price ($)	$0.00	$2.24	$0.00	$2.24
Volatility of share (%)	26.5%	26.5%	26.5%	26.5%
Distribution yield (%)	2.45%	2.45%	2.45%	2.45%
Risk free rate (%)	1.75%	1.75%	1.91%	1.91%
Performance Right fair value at grant date ($)	$1.16	$0.30	$2.07	$0.37
Expected life (years)	3.0	3.0	3.0	3.0
Probability of achievement	90%	90%	67%	67%

The model inputs for Moorebank specific Performance Rights and Options expensed during the year ended 30 June 2018 included:

	ASR condition Performance Rights	ASR condition Options	KPI condition Performance Rights	KPI condition Options
Vesting date	3 Sept 2020	3 Sept 2020	3 Sept 2018	3 Sept 2018
Grant date	3 Sept 2015	3 Sept 2015	3 Sept 2015	3 Sept 2015
Share price at grant date ($)	$2.08	$2.08	$2.08	$2.08
Exercise price ($)	$0.00	$2.24	$0.00	$2.24
Volatility of share (%)	26.5%	26.5%	26.5%	26.5%
Distribution yield (%)	2.45%	2.45%	2.45%	2.45%
Risk free rate (%)	1.91%	1.91%	1.75%	1.75%
Performance Right fair value at grant date ($)	$1.07	$0.33	$2.07	$0.37
Expected life (years)	3.0	3.0	3.0	3.0
Probability of achievement	90%	90%	67%	67%

(c) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	2018 **$m**	2017 $m
Equity-based compensation – expensed		
Share appreciation rights	**2.6**	0.7
Performance Rights	**3.7**	4.3
Options	**2.7**	1.9
Executive long-term incentive plan (ELTIP)	**0.7**	-
	9.7	6.9

Note the FY18 expense above includes a $3.3 million additional expense to adjust for actual and expected service and vesting outcomes for the ELTIP and FY14-16 LTI plans.

35. Deed of cross guarantee

The parent entity and the companies noted in note 24 are parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and director's report under ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 issued by the Australian Securities and Investments Commission. The above companies represent a 'closed group' for the purposes of the Class Order, and as there are no other parties to the deed of cross guarantee that are controlled by the parent entity, they also represent the 'extended closed group'.

(a) Consolidated income statement, statement of comprehensive income and summary of movements in consolidated retained earnings for the year ended 30 June 2018 of the closed group

Consolidated income statement	**2018**	2017
	$m	$m
Revenue from continuing operations		
Revenue from sales and services	**1,444.1**	1,297.9
Other income	**190.9**	74.6
	1,635.0	1,372.5
Direct transport and logistics costs	**(398.8)**	(372.7)
Repairs and maintenance costs	**(72.3)**	(78.8)
Employee benefits expense	**(561.5)**	(500.0)
Fuel, oil and electricity costs	**(92.7)**	(78.5)
Occupancy and property costs	**(82.9)**	(62.8)
Depreciation and amortisation expense	**(103.9)**	(95.3)
Professional fees	**(5.4)**	(8.7)
Loss on disposal of available-for-sale financial assets	**-**	(31.0)
Impairment of non-current assets	**(9.3)**	(26.4)
Other expenses	**(18.4)**	(13.8)
Total expenses	**(1,345.2)**	(1,268.0)
Finance income	**26.0**	23.8
Finance costs	**(39.5)**	(36.1)
Net finance costs	**(13.5)**	(12.3)
Share of net profit of associates accounted for using the equity method	**4.6**	(21.2)
Profit before income tax	**280.9**	71.0
Income tax expense	**(84.3)**	(18.7)
Profit for the year	**196.6**	52.3
Other comprehensive income net of tax:		
Change in the fair value of cash flow hedges	**-**	-
Share of other comprehensive income of joint venture	**1.0**	-
Change in value of available-for-sale financial assets	**-**	(7.0)
Total comprehensive income for the year	**197.6**	45.3
Total comprehensive income attributable to:		
Owners of Qube	**197.6**	45.3
Non-controlling interests	**-**	-
	197.6	45.3
Summary of movements in consolidated retained earnings		
Retained earnings at the beginning of the financial year	**107.4**	134.1
Profit for the year	**196.6**	52.3
Dividends provided for or paid	**(84.3)**	(79.0)
Entities joining the closed group	**45.5**	-
Retained earnings at the end of the financial year	**265.2**	107.4

Qube Holdings Limited
Notes to the consolidated financial statements
for the year ended 30 June 2018
(continued)

(b) Consolidated balance sheet as at 30 June 2018 of the closed group

	2018 $m	2017 $m
ASSETS		
Current assets		
Cash and cash equivalents	**82.8**	174.0
Trade and other receivables	**292.6**	272.3
Inventories	**2.2**	1.9
Current tax receivable	**-**	9.4
Derivative financial instruments	**0.4**	-
Total current assets	**378.0**	457.6
Non-current assets		
Loans and receivables	**328.8**	344.4
Investments in equity accounted associates	**716.8**	757.7
Property, plant and equipment	**928.1**	716.9
Investment properties	**701.6**	86.8
Intangible assets	**812.7**	601.8
Other financial assets	**98.3**	402.7
Deferred tax assets	**-**	7.5
Derivative financial instruments	**1.5**	-
Other	**20.6**	177.3
Total non-current assets	**3,608.4**	3,095.1
Total assets	**3,986.4**	3,552.7
LIABILITIES		
Current liabilities		
Trade and other payables	**133.3**	150.7
Borrowings	**0.2**	0.8
Current tax payable	**14.6**	-
Derivative financial instruments	**0.2**	0.2
Provisions	**75.4**	68.5
Total current liabilities	**223.7**	220.2
Non-current liabilities		
Trade and other payables	**0.4**	4.8
Borrowings	**926.4**	760.7
Deferred tax liability	**62.7**	-
Derivative financial instruments	**0.9**	0.5
Provisions	**9.7**	8.4
Total non-current liabilities	**1000.1**	774.4
Total liabilities	**1,223.8**	994.6
Net assets	**2,762.6**	2,558.1
EQUITY		
Contributed equity	**2,475.6**	2,452.2
Reserves	**21.8**	(1.5)
Retained earnings	**265.2**	107.4
Total equity	**2,762.6**	2,558.1

36. Parent entity financial information

(a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	2018	2017
	$m	$m
Balance sheet		
Current assets	**32.2**	134.2
Total assets	**3,634.8**	3,486.3
Current liabilities	**16.6**	16.5
Total liabilities	**938.8**	778.1
Shareholders' equity		
Issued capital	**2,615.3**	2,612.5
Reserves – share-based payments	**(2.9)**	(23.1)
Retained earnings	**83.6**	118.8
	2,696.0	2,708.2
Profit for the year	**53.0**	73.2
Total comprehensive income	**53.0**	73.2

(b) Guarantees entered into by the parent entity

There are cross guarantees given by the parent entity and the companies noted in note 24. No deficiencies of assets exist in any of these companies. No liability was recognised by the parent entity or the consolidated entity in relation to this guarantee given the low likelihood of it being called.

ACCOUNTING POLICY

The financial information for the parent entity has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of the parent entity. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

(ii) Tax consolidation legislation

The parent entity and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The parent entity and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a standalone taxpayer in its own right.

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

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate the parent entity for any current tax payable assumed and are compensated by parent entity for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to the parent entity under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the parent entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the Group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

37. Summary of other accounting policies

(a) Other Income

(i) Asset sales

The gain or loss on disposal of assets is recognised when title has transferred on the assets.

(ii) Interest income

Interest income is recognised in the statement of comprehensive income for all debt instruments using the effective interest method. Interest income on assets held at fair value through profit or loss is included in the statement of comprehensive income.

The effective interest rate method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, Qube estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

(iii) Dividends

Dividend income is recognised on the ex-dividend date with any related foreign withholding tax recorded as an expense.

(b) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

(iii) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

Income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

All resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(c) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(d) Adoption of standards

(i) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 July 2017:

- AASB 2016-1 *Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses*
- AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107*
- AASB 2017-2 *Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle*

The adoption of these standards did not have a material impact on the current period or any prior period and is not likely to affect future periods.

(ii) Early adoption of standards

The Group has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2017. The amendments to AASB 107 require disclosure of changes in liabilities arising from financing activities, refer to note 30 (c).

(e) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2018 reporting period and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 9 Financial Instruments

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities and sets out new rules for hedge accounting. The Group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 July 2018.

- Loans and receivables held by the Group meet the conditions for classification at amortised cost under AASB 9. Accordingly, the Group does not expect the new guidance to affect the classification and measurement of these financial assets.

- There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss. The Group only has hedging derivatives designated at fair value through profit or loss which is not impacted by the new requirements.

- The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. It is expected, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. The Group has confirmed that its current hedge relationships will qualify as continuing hedges upon the adoption of AASB 9.

Qube Holdings Limited
Notes to the consolidated financial statements
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(continued)

- The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under the existing standard. It applies to financial assets classified at amortised cost, trade debtors and lease receivables. Based on the assessments undertaken to date, the Group is not expecting a significant change in the loss allowance for trade debtors and no change in relation to financial assets held at amortised cost.

  It should be noted that the above is based on factors (Actual and forecasted) that existed at the time of the assessment. As the ECL is required to be assessed on regular basis going forward this position may change due to a number of variables such as a change in economic conditions.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

(ii) AASB 15 Revenue from contracts with customers

AASB 15 *Revenue from contracts with customers* which replaces AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts, addresses the recognition of revenue. The new standard is required to be applied for the financial year commencing on 1 July 2018.

The core principle of AASB 15 is that an entity recognises revenue related to the transfer of promised goods or services when control of the goods or services passes to customers. The amount of revenue recognised should reflect the consideration to which the entity expects to be entitled in exchange for those goods or services. In FY18, a review of contracts and an analysis of the revenue streams was undertaken. No material measurement differences have been identified between AASB 118, the current revenue recognition standard, and AASB 15. This was in line with expectations as the revenue cycles within the Group are predominantly short term, high volume and low value in nature.

(iii) AASB 16 Leases

AASB 16 will result in almost all leases being recognised on the Balance Sheet, as the distinction between operating and finance leases is removed. The new standard is required to be applied for the financial year commencing on 1 July 2019.

Under the new standard, a lessee is in essence required to:

- Recognise all right of use assets and lease liabilities, with the exception of short term (under 12 months) and low value leases, on the balance sheet. The liability is initially measured at the present value of future lease payments for the lease term. This includes variable lease payments that depend on an index or rate but excludes other variable lease payments. The right of use asset reflects the lease liability, initial direct costs, any lease payments made before the commencement date of the lease, less any lease incentives and, where applicable, provision for dismantling and restoration.

- Recognise depreciation of right of use assets and interest on lease liabilities in the income statement over the lease term.

- Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest portion (which the Group presents in operating activities) in the cash flow statement.

This standard will have a material impact on the Group's earnings and shareholders' funds at transition and in future years. At a high level the impact of the new standard in the initial part of a lease is to reduce net profit as the depreciation and finance expense exceed the rental expense (i.e. the cash payment is lower than the accounting expense). This effect reverses in the latter stages of the lease as the finance costs become lower (i.e. the cash payment is higher than the accounting expense). This will have the additional impact of increasing EBITDA in future years at the rental expense will no longer be included within EBITDA.

It must be implemented retrospectively, either with the restatement of comparatives or with the cumulative impact of application recognised as at 1 July 2019 under the modified retrospective approach.

AASB 16 contains a number of practical expedients, one of which permits the classification of existing contracts as leases under current accounting standards to be carried over to AASB 16. Under the modified retrospective approach, on a lease-by-lease basis, the right of use of an asset may be deemed to be equivalent to the liability at transition or calculated retrospectively as at inception of the lease.

Under AASB 16 the present value of the Group's operating lease commitments as defined under the new standard, excluding low value leases and short term leases, will be shown as right of use assets or investment property and as lease liabilities on the balance sheet. Information on the undiscounted amount of the Group's operating lease commitments under AASB 117, the current leasing standard, is disclosed in note 27.

The Group is considering the available options for transition. To date, work has focused on the identification of the provisions of the standard which will most impact the Group. In calendar 2018, work on these issues and their resolution will continue and work on the detailed review of contracts and financial reporting impacts will commence as well as assessment of likely changes to systems.

Directors' declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 14 to131 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 30 June 2018 and of its performance for the financial year ended on that date; and

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

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in note 24 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 35.

Note 1 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the chief executive officer and chief financial officer required by 295A of the *Corporations Act 2001*.

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

Allan Davies
Director
SYDNEY
22 August 2018

Independent auditor's report

To the members of Qube Holdings Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Qube Holdings Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated balance sheet as at 30 June 2018
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia, other than as set out in the Auditor's Independence Declaration dated 22 August 2018. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.

Qube is one of Australia's largest providers of integrated import and export logistics services targeting freight moving to and from ports. An overview of its operations is provided in Note 2 Segment information.

For the purpose of our audit we used overall Group materiality of $7.4 million, which represents approximately 5% of the Group's profit before tax, adjusted for the impact of items as described below.

We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.

We chose Group profit before tax because, in our view, it is the benchmark against which the performance of the Group is most commonly measured. We adjusted for the fair value gains on investment property, impairment losses and other one off transactions.

We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

Audit Scope

Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.

The Group operates across Australia and New Zealand, with its key segments being Ports & Bulk, Logistics, Infrastructure and Property (excluding associates, and previously known as Strategic Assets) and a 50% interest in Patrick Terminals. These divisions are supported by a corporate function in Sydney, Australia. Our work was performed mainly in Sydney, and we visited a number of the Group's significant operations in developing our plan.

We decided the nature, timing and extent of work that needed to be performed by us and component auditors operating under our instruction. We then structured our audit approach as follows:

- We performed audit procedures over the financial information of Qube Logistics, Qube Ports & Bulk and Infrastructure and Property (excluding associates) given their financial significance. The operational structure is shown in note 2 of the financial report, Segment information. Procedures were performed by component auditors on Qube Ports & Bulk New Zealand operations.
- A component team performed audit procedures in relation to the financial information of Patrick Terminals (Patrick) under instructions sent by us.
- We performed further audit procedures at a Group level, including over the consolidation of the Group's reporting units and the preparation of the financial report.

In cases where the work was performed by component auditors, we decided on the level of involvement required from us to be able to conclude whether sufficient appropriate audit evidence had been obtained. Our involvement included written instructions to and reporting from component auditors, discussions with component auditors to understand their audit approach and clarify findings and further discussions with component management, where required.

Our team included experts in treasury, taxation and valuations.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matters to the Audit and Risk Committee.

Key audit matter	*How our audit addressed the key audit matter*
Impairment assessment of goodwill *(Refer to note 10)*	

Goodwill is not amortised and is required by Australian Accounting Standards to be tested at least annually for impairment.
 	
The Group performed assessments relating to goodwill by preparing a discounted cash flow model to support the carrying value and concluded that no impairment charge needed to be recognised during the year. Goodwill has been allocated to Ports & Bulk, Logistics and Infrastructure and Property.
 	
We considered the impairment tests of goodwill to be a key audit matter given the significant judgement and estimates involved in assessing whether goodwill should be impaired, in particular the sensitivity involved in determining the key assumptions of discount rates and EBITDA margins.
	In considering the impairment tests prepared by the Group to support the carrying value of goodwill, amongst other procedures, we:
	
	• Tested the mathematical accuracy of the discounted cash flow model supporting the carrying value of goodwill.
	
	• Compared the key budget assumptions (such as revenue and expenses) used in the model to the Board approved budget.
	
	• Evaluated management's ability to forecast future results for the business by comparing budgets with reported actual results for previous financial years.
	
	• Applied a range of reasonably possible scenarios (or sensitivities) assuming different terminal growth rates and discount rates, all of which showed no impairment.
	
	• Together with PwC valuation experts, we:
	
	  • Considered the appropriateness of key assumptions, in particular the discount rate and terminal growth rates, by comparing to our independently calculated acceptable ranges.
	
	  • Considered whether the methodology used was in accordance with the requirements of Australian Accounting Standards.

Key audit matter	*How our audit addressed the key audit matter*
Impairment assessment of investments in joint ventures and associates *(Refer to note 23)* The Group has performed impairment assessments of its associates by preparing discounted cash flow models to support the carrying value relating to these investments. As a result of the Group's assessment, an impairment charge of $9.3m was recognised against Prixcar. No impairment charge was recognised against Qube's other investments. The impairment test of the carrying value of equity accounted investments was a key audit matter given the significant judgement and estimates involved in assessing whether investments should be impaired, in particular the sensitivity involved in determining the key assumptions of discount rates, EBITDA margins, terminal growth rates or terminal multiples.	In considering the impairment tests prepared by the Group to support the carrying value of investments, amongst other procedures, we: • Met with relevant members of management and discussed the specifics of the investments, including amongst other things, current year trading performance, trading performance against budget, long term outlook and capital expenditure requirements. • Tested the mathematical accuracy of the discounted cash flow models supporting the carrying value of the investments. • Compared the key budget assumptions (such as revenue and expenses) used in the models to Board approved budgets for the investments. • Evaluated the joint venture or associate's ability to forecast future results for the investments by comparing budgets with reported actual results for previous periods where applicable. • Applied a range of reasonably possible scenarios (or sensitivities) assuming different discount rates, EBITDA margins, and terminal multiple rates or terminal growth rates. • Together with PwC valuation experts, we: • Considered the appropriateness of key assumptions, being the discount rates, terminal growth rates and implied multiples, by comparing them to our independently calculated acceptable ranges. • Considered whether the methodology used was in accordance with the requirements of Australian Accounting Standards.

Key audit matter	*How our audit addressed the key audit matter*
Valuation of investment properties *(Refer to note 9)* Qube accounts for its investment properties in accordance with its expected manner of recovery, being: • Property, plant and equipment held at cost, which will be used by Qube to operate the intermodal and interstate terminal at Moorebank, NSW; and • Investment property held at fair value, which will be held for deriving rental income and capital appreciation. The Group engaged an external valuations expert to determine the fair value of its two properties at Moorebank and Minto. The Minto property has been valued using the external expert's valuation. As Moorebank is under development, a Directors' valuation has been adopted. The Directors valuation is established using an external valuation expert's fully serviced developable site land value adjusted for the expected cost of works remaining to deliver the project and expected rental payments, plus Qube's interest in Moorebank Precinct Land Trust which is established through an independent valuation. This was a key audit matter because of the: • Size of the investment property and related valuation movements. • Inherent subjectivity of the key assumptions that underpin the valuations.	To test the fair value of investment properties, amongst other procedures we: • Assessed the competency, qualifications, experience and objectivity of the Group's valuation experts. When inspecting the valuation report, we also considered other factors such as caveats or limitations identified in the report that may have influenced the outcomes. • Met with management and discussed the specifics of each property, including, amongst other things, property status, lease commitments, capital expenditure and vacancy rates. For all investment property we tested a sample of capitalised costs (including capitalised interest) by comparing the amounts and details to relevant supporting evidence. For the Moorebank property, amongst other procedures we: • Checked the mathematical accuracy of the models supporting the Directors' valuation at 30 June 2018. • Agreed significant inputs to supporting data, including; • gross completed land value to an independent valuation assessment for the fully serviced developable site • rental rates and rental escalations in the Moorebank Precinct Land Trust valuation to supporting evidence • the present value of ground lease payments to the Moorebank Precinct Land Trust valuation • compared the remaining forecast costs of development to management's initial forecasts. • evaluated management's ability to forecast future expected costs by comparing the

Key audit matter	*How our audit addressed the key audit matter*
	original estimates against a sample of actual costs incurred • Together with PwC valuation experts for the Directors valuation, the independent land valuation and the valuation of Moorebank Precinct Land Trust, we: ○ considered if the valuation methodologies adopted were in line with Australian Accounting Standards ○ considered the appropriateness of the land value per square meter to recent comparable market transactions, and discount rates adopted by comparing them to our independently calculated acceptable ranges. For the investment property in Minto NSW, we: • Agreed significant inputs in the external expert's valuation to supporting documentation such as new lease agreements. • Compared key non-tenant inputs, specifically market capitalisation rates, discount rate and terminal yield to external market data such as market reports prepared by external valuation firms. • Considered the valuation approach adopted compared to other commonly accepted valuation approaches for investment properties.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon. Prior to the date of this auditor's report, the other information we obtained included the Directors' Report and the Review of Operations. We expect the remaining other information to be made available to us after the date of this auditor's report, including the Chairman's Letter, Managing Director's Report, Operating Review and the Safety Health and Environment Report.

Our opinion on the financial report does not cover the other information and we do not and will not express an opinion or any form of assurance conclusion on this.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the other information not yet received as identified above, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action to take.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:
http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 29 to 51 of the directors' report for the year ended 30 June 2018.

In our opinion, the remuneration report of Qube Holdings Limited for the year ended 30 June 2018 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of *the Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

Jane Reilly
Partner

Sydney
22 August 2018

SHAREHOLDER INFORMATION

TOP 20 SHAREHOLDERS

As at 25 September 2018, the top 20 Shareholders of Qube were as follows:

Rank	Name	Number of shares	% of capital
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	465,832,169	29.02
2	J P MORGAN NOMINEES AUSTRALIA LIMITED	149,266,939	9.30
3	TAVERNERS NO 10 PTY LTD	67,628,438	4.21
4	NATIONAL NOMINEES LIMITED	64,645,334	4.03
5	PATTERSON CHENEY INVESTMENTS PTY LTD	57,840,030	3.60
6	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	42,485,077	2.65
7	AUSTRALIAN FOUNDATION INVESTMENT COMPANY LIMITED	34,961,910	2.18
8	BNP PARIBAS NOMS PTY LTD <DRP>	32,536,115	2.03
9	CITICORP NOMINEES PTY LIMITED	26,187,539	1.63
10	FORSYTH BARR CUSTODIANS LTD <FORSYTH BARR LTD-NOMINEE A/C>	19,270,500	1.20
11	MR PETER GIACCI <P L GIACCI FAMILY A/C>	13,943,388	0.87
12	LADDARA PTY LTD	7,986,493	0.50
13	MILTON CORPORATION LIMITED	6,054,013	0.38
14	MIRRABOOKA INVESTMENTS LIMITED	5,229,107	0.33
15	BKI INVESTMENT COMPANY LIMITED	5,111,664	0.32
16	MR MAURICE ALAN JAMES	4,984,012	0.31
17	NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	4,829,731	0.30
18	CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	4,631,944	0.29
19	UBS NOMINEES PTY LTD	4,556,969	0.28
20	IOOF INVESTMENT MANAGEMENT LIMITED <IPS SUPER A/C>	4,422,150	0.28
	Total	**1,022,403,522**	**63.70**

SUBSTANTIAL SHAREHOLDERS

As at 25 September 2018, Qube had received notification regarding the following substantial holders:

Substantial shareholder	Number of shares (as at notice date)	Notice date	% of capital (as at notice date)
Perpetual Limited (and its subsidiaries)	138,265,991	8 June 2018	8.61%
Cooper Investors Pty Limited	90,454,194	12 April 2017	6.21%
Canada Pension Plan Investment Board (and its controlled entities)	143,243,753	2 August 2016	9.89%

UNMARKETABLE PARCELS

As at 25 September 2018, details of parcels of Qube shares with a value of less than $500 were as follows:

	Minimum parcel size	Holders	Shares
Minimum $500 parcel at $2.58 per share	194	492	14,236

DISTRIBUTION SCHEDULE

As at 25 September 2018, the distribution of holdings of Qube shares was as follows:

Range	Total holders	Shares	% of capital
1 – 1,000	2,501	1,271,944	0.08
1,001 – 5,000	9,500	28,719,662	1.79
5,001 – 10,000	6,874	51,293,096	3.20
10,001 – 100,000	10,587	278,000,026	17.32
100,001 and over	695	1,245,703,423	77.61
Total	**30,157**	**1,604,988,151**	**100.00**

VOTING RIGHTS

Each ordinary share carries with it one vote.

RESTRICTED SECURITIES

Qube does not have any restricted securities.

UNQUOTED SECURITIES

12,257,549 unlisted options that have vested to 61 holders.

CURRENT ON-MARKET BUY-BACKS

There are no current on-market buy-backs of shares in Qube.

QUBE SUBORDINATED NOTES

On 5 October 2016, Qube issued 3,050,010 subordinated notes which commenced trading on the ASX on 6 October 2016 under ASX code ‘QUBHA’.

CORPORATE GOVERNANCE STATEMENT

Qube’s 2018 Corporate Governance Statement and Appendix 4G may be accessed via Qube’s website at:
http://qube.com.au/investor/reports-presentations/

CORPORATE DIRECTORY

DIRECTORS

Allan Davies (Chairman)

Sam Kaplan (Deputy Chairman)

Maurice James (Managing Director)

Ross Burney

Peter Dexter

Alan Miles

Susan Palmer

Åge Holm (Alternate Director to Peter Dexter)

SECRETARIES

William Hara

Adam Jacobs

PRINCIPAL REGISTERED OFFICE IN AUSTRALIA

Level 27, 45 Clarence Street
Sydney NSW 2000
T: (02) 9080 1900

SECURITY EXCHANGE LISTING

Qube Holdings Limited shares and subordinated notes are listed on the Australian Securities Exchange (ASX)

WEBSITE ADDRESS

www.qube.com.au

SHARE REGISTRY

Computershare Investor Services Pty Limited

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