

BUILT STRONG FOR
LONG-TERM GROWTH

QUBE



QUBE
HOLDINGS
LIMITED
ANNUAL
REPORT
2017

QUBE'S VISION IS TO BE
AUSTRALIA'S LEADING
PROVIDER OF INTEGRATED
LOGISTICS SOLUTIONS
FOCUSED ON IMPORT AND
EXPORT SUPPLY CHAINS



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Annual General Meeting

The 2017 Annual General Meeting of Qube Holdings Limited will be held at PricewaterhouseCoopers (PwC), Level 15, One International Towers Sydney, Watermans Quay, Barangaroo Sydney on Wednesday 22 November 2017 at 10.00am (Sydney time).

CHAIRMAN'S LETTER



2017 was a very successful year for Qube as the Company completed major strategic acquisitions while still managing to grow earnings and revenue in our core businesses around Australia.

The transformational Moorebank Logistics Park project remains on track with new tenants signing up. Our balance sheet is strong with diversified funding sources and low gearing positioning the Company well for continued growth in the years ahead.

However, before turning to the detail, I must begin by thanking and acknowledging my predecessor Chris Corrigan who stepped

COMPLETED
ACQUISITION
50% INTEREST
IN PATRICK

**Allan
Davies**
Chairman

COMPLETED
ACQUISITION
100%
OWNERSHIP
OF AAT

down as Chairman just prior to the end of the 2017 financial year. As many of you know, it was Chris and our Deputy Chairman Sam Kaplan, who 10 years ago began assembling the assets which would become Qube today.

Under Chris's leadership Qube has grown from a 200 million dollar investment fund to being an ASX-listed top 100 company with a market capitalisation of more than 3.75 billion dollars. I can say confidently that Chris has realised his vision of Qube becoming a major player in the freight logistics market in Australia bringing overdue efficiencies to the import-export supply chain.

As the new Chairman, I know I have big shoes to fill and hopefully I won't disappoint our shareholders and employees. I am well supported by the Board in this job and also welcome our new director Sue Palmer who was appointed on 1 September 2017. Sue brings a wealth of operational and board experience to Qube and we are all looking forward to her contributions to our business.

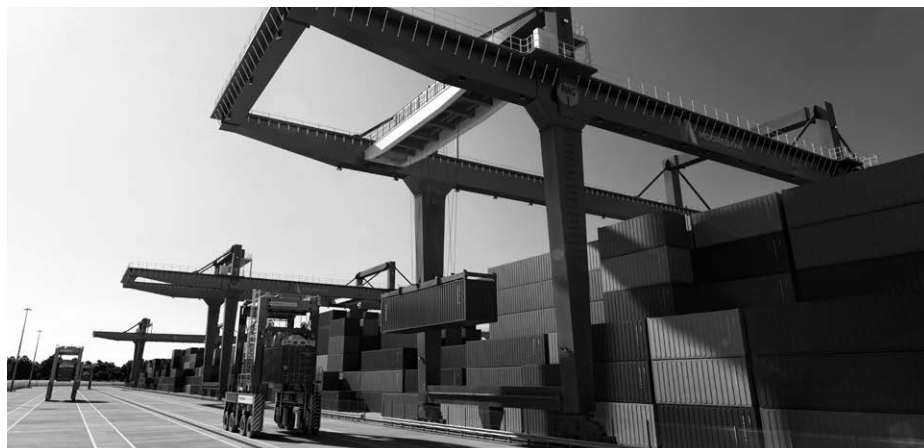
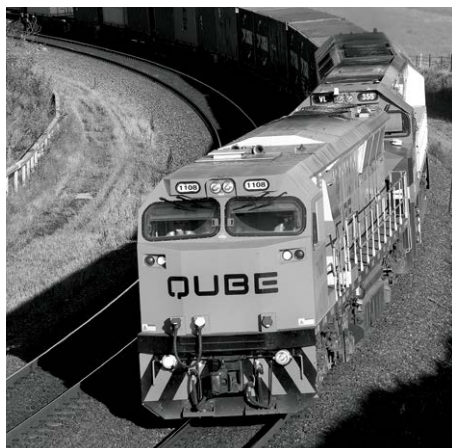
Financial Results

The FY17 financial year saw the completion of several major acquisitions which have substantially enhanced the quality of Qube's asset base and long-term earnings. Qube also significantly strengthened its balance sheet underpinned by an increased and diversified funding capacity.

Highlights for the period include:

- Strong revenue and earnings growth from both the Logistics and Ports & Bulk divisions which were brought together under a Chief Operating Officer for the first time;
- Continued focus on safety with a further 8% improvement in lost time injuries and recordable injuries;
- The completion in August 2016 of the acquisition of a 50% interest in Patrick in conjunction with Brookfield who own the other 50%;
- The completion in November 2016 of the acquisition of an additional 50% interest in AAT giving Qube a 100% ownership interest;
- The completion in December 2016 of the acquisition of Aurizon's 33% interest in the Moorebank land and related project, giving Qube a 100% ownership interest;

COMPLETED THREE STRATEGIC ACQUISITIONS SUBSTANTIALLY ENHANCING THE QUALITY OF QUBE'S ASSETS AND LONG TERM EARNINGS



- The achievement in January 2017 of financial close with the Moorebank Intermodal Company (MIC), effectively being day 1 of the Moorebank Logistics Park project; and
- Successful completion of a range of funding initiatives to ensure that Qube has the funding capacity and structure to support continued growth in the business over the long term.

Since the end of the financial year we have also announced that Target Australia will become a major tenant at Moorebank Logistics Park and negotiations with other potential tenants are well advanced.

DIVIDEND

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

The Board believes this quantum of dividend is appropriate taking into account the increased earnings from the operating divisions, the stability of Qube's EPSA compared to the prior year, the unrealised value creation at Moorebank and Qube's positive long-term outlook.

OUTLOOK

In FY18 Qube expects overall market conditions to remain similar to FY17 with pressure on rates from the ongoing competitive dynamics in Qube's key markets. However, Qube will continue to seek to deliver growth and maintain its strong market positions through its innovative and reliable logistics solutions and strong cost focus.

The Logistics and Ports & Bulk divisions are both expected to deliver underlying organic revenue and earnings growth.

The extent of growth in earnings in the Ports & Bulk division will be influenced by conditions across commodity markets, new passenger vehicle sales as well as any improvement in activity levels in the oil and gas sector.

The earnings from the Logistics division's Sydney operations will be impacted in FY18 by additional interim operational costs as the business waits for the Moorebank Logistics Park's facilities to be developed over the next two years.

It is anticipated that the Sydney operations will commence consolidating some of its existing activities at Moorebank from FY19. As a result, only modest organic earnings growth is currently expected from the Logistics division in FY18.

The earnings from the Strategic Assets division are expected to benefit from a full-period contribution from AAT (albeit with reduced earnings from AAT's Melbourne operations as it exits its lease at the end of 2017) and increased management fees for MIC-funded works at Moorebank Logistics Park.

Modest warehouse rental income is expected from the existing warehouses at Moorebank. The capex from the Strategic Assets division is expected to increase significantly in FY18 as the Moorebank development ramps up.

The contribution from Patrick will depend on several factors, most importantly market sector growth and Patrick's market share (including Patrick's success in securing any available new business) during the period. Management is also focusing on cost reductions and the achievement of the target synergies/cost efficiencies to mitigate the impact of ongoing rate pressures.

At this stage, Patrick is expected to contribute a modest increase in underlying earnings to Qube in FY18 compared to FY17 (being interest income and share of profit after tax).

In FY17, through the acquisitions of 50% of Patrick, Aurizon's Moorebank interests and the other 50% of AAT, Qube has assembled a unique portfolio of high quality and strategic infrastructure assets that will drive efficiencies across the logistics supply chain.

In the shorter term, while Qube is undertaking the investment to develop some of these assets, its earnings will not reflect the substantial value that is being created.

However, despite its significant investment and ongoing competitive market conditions, Qube expects to report an increase in underlying earnings in the 2018 financial year.

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 their contribution to Qube's continued success.

MANAGING DIRECTOR'S REPORT



2017 was a year of acquisition and implementation at Qube. As Managing Director it was pleasing that we were able to complete several very significant acquisitions while still remaining focused on our core businesses.

In brief, both the Logistics and Ports & Bulk divisions performed well with increased revenue and earnings in the face of tough competition and tight market conditions, particularly in the container logistics industry.

UNDERLYING REVENUE GROWTH OF 14.7%



Maurice James
Managing Director

UNDERLYING EBITDA GROWTH OF 6.2%



QUBE COMPLETED STRATEGIC ACQUISITIONS AND PROACTIVELY ADDRESSED FUNDING NEEDS

Funding initiatives undertaken to support growth, diversify funding sources and lengthen debt maturity profile

2016

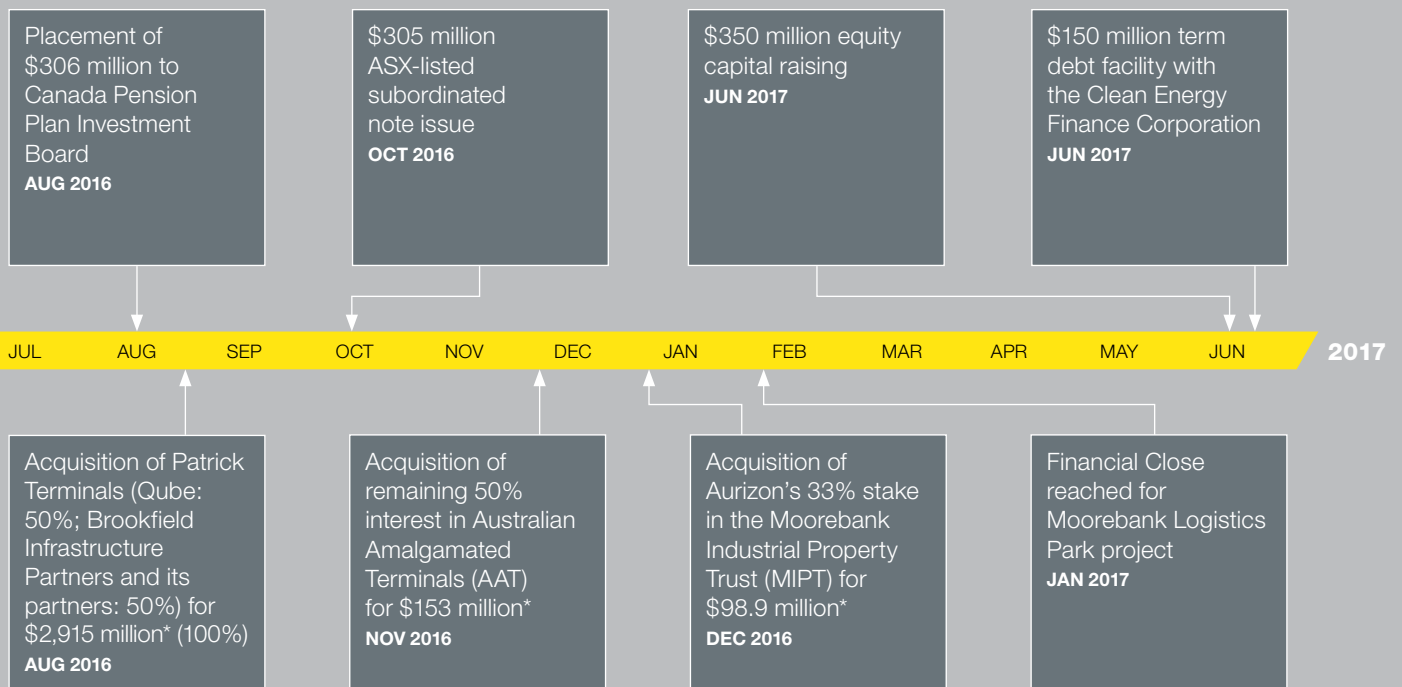
Increased exposure to infrastructure type assets and operations through acquisitions

*Pre transaction costs and completion adjustments

Despite this pressure, the Logistics business did well with increases in revenue and earnings which reflects the success in growing Qube's customer base across a range of sectors including agriculture, retail and resources as well as growth within the existing customer base. The Ports & Bulk division also had a very successful year with pleasing volumes across most areas of the business, high levels of customer retention and success in winning new contracts in both bulk and ports activities.

The Company has realised the benefits of bringing the two divisions together under Chief Operating Officer Paul Digney. The new structure is already delivering synergies with the different parts of Qube now working more closely together and savings have been delivered.

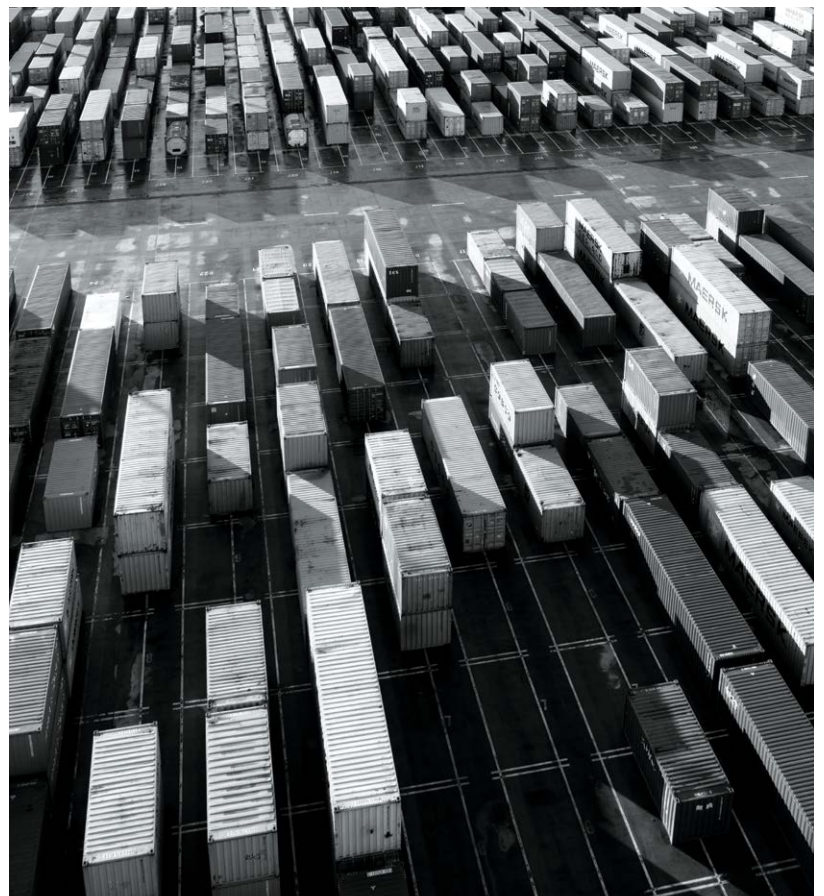
It was particularly pleasing to see our continued focus on safety generate a further 8% reduction in lost time injuries and recordable injuries throughout the FY17 year. This improvement was a genuinely great result reflecting the commitment to working safely by all Qube employees and contractors.



Financial Strength

Qube undertook several funding initiatives during the year including:

- The completion in August 2016 of the \$306 million placement to the Canada Pension Plan Investment Board (CPPIB) to support the investment in Patrick;
- The issuance of \$305 million in 7-year, ASX-listed subordinated notes in October 2016 which was heavily oversubscribed. The issue further diversified Qube's funding sources and extended the average tenor of its debt;
- The completion of a \$350 million equity raising in June 2017 to support Qube's growth;
- The finalisation of a \$150 million 7-year bilateral term debt facility with the Clean Energy Finance Corporation (CEFC) in late June 2017; and
- Post the end of the financial year, Qube priced a US inaugural capital markets issue securing commitments of US\$150 million in the US Private Placement market across 7, 10 and 12-year tenors in an oversubscribed tender process. The funds received from this issue will be used to pay down existing debt.



DIVISIONAL SUMMARY

Logistics

Underlying revenue	Underlying EBITDA
A\$662.0m	A\$66.1m

The full-year underlying revenue and earnings (EBITA) from the Logistics division increased by around 11.4% and 7.1% over the prior corresponding period to \$662.0 million and \$66.1 million respectively. The increase in revenue reflects the success in growing Qube's customer base across a range of sectors including agriculture, retail and resources as well as growth within the existing customer base. The decline in margin was largely attributable to costs arising from the illegal industrial dispute at Patrick's Port Botany facility in May–June which impacted Qube's rail operations and reduced underlying earnings by an estimated \$2.2 million, as well as ongoing pressure on rates as a result of the competitive environment.

Ports & Bulk

Underlying revenue	Underlying EBITDA
A\$742.9m	A\$73.5m

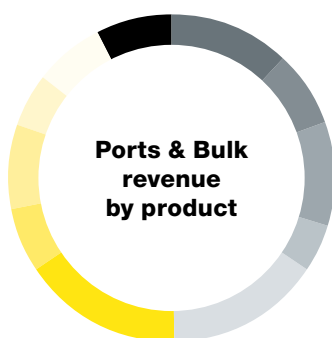
The full-year underlying revenue and earnings (EBITA) from the Ports & Bulk division increased by around 9.9% and 17.2% to \$742.9 million and \$73.5 million respectively on the prior corresponding period.

Key highlights include successful entry into the Esperance Port with multiple customers contracted, expansion of logistics services into supply chain management and government services, along with growth in volumes handled and/or stevedored by Qube across a range of products including fertiliser, forestry products, grains, scrap metal, bulk commodities and motor vehicles.

Activity in Qube's oil and gas related areas remained weak and is not expected to improve in the short-to-medium term. Accordingly, Qube impaired the carrying value of its Dampier Transfer facility and barge by \$8.1 million as these assets predominantly service oil and gas production related activities.



Container handling & terminal services	19.3%
Retail/Imports	13.2%
Agriculture	21.4%
Food processing	9.6%
Mining	3.9%
Manufacturing	22.9%
Other	9.7%



Iron Ore	12.0%
Concentrate	7.7%
Mineral sand	10.1%
Coal	4.8%
Bulk scrap & others	15.3%
Forest Products	15.8%
Vehicles/Machinery/Boat/WHSS	6.5%
Oil & Gas	8.3%
Facility Operations	5.1%
Ancillary Services	7.0%
Other	7.4%





QUBE'S
INVESTMENT
IN PATRICK ALSO
EXTENDS QUBE'S
SUPPLY CHAIN
CAPABILITY
TO THE PORT

PATRICK

Underlying post-tax earnings	Profit after tax
A\$21.2m	A\$5.7m

2017 saw the completion of the acquisition of Patrick Stevedores by the Qube/Brookfield consortium with Qube taking a 50% interest.

Qube continues to view Patrick as the most efficient, lowest average cost national container terminal operator. This is due in large measure to its two automated terminals in Brisbane and Sydney, with superior sites nationally, and an experienced management team and Board.

A new management team was appointed under the leadership of CEO Michael Jovicic which delivered an improved performance while lowering costs across the business.

Patrick's short-term earnings are likely to be affected by the additional capacity created by third entrants in Brisbane, Sydney and more recently Melbourne and competitive conditions which have impacted stevedoring rates across the industry.

However, Qube believes that the long-term outlook is positive given both the structural tailwinds for container volumes through Australia's ports, limited capacity to create additional port berths, and as Patrick's favourable competitive market positioning.

Pleasingly, towards the end of the period, Patrick successfully extended contracts with several of its major customers representing around 85% of its volumes.

In addition to being a strategic long-term asset, Qube's investment in Patrick also extends Qube's supply chain capability to the port. This enhances Qube's ability to provide efficient logistics solutions to its customers which is particularly important in maximising the efficiency of rail to and from the port which will be beneficial for Qube's Moorebank Logistics Park project.

Qube's underlying post-tax earnings from Patrick in the 10.5 months of ownership in the period was \$21.2 million comprising interest income on shareholder loans of around \$22.1 million (\$15.5 million post-tax) and share of profit after tax of around \$5.7 million.

MOOREBANK LOGISTICS PARK

Economic benefits
over the next 30 years
A\$11 billion

Financial close was reached with the Commonwealth on the transformational Moorebank Intermodal Project in south-western Sydney in January 2017. The project, which has been branded Moorebank Logistics Park, attracted very significant interest across the property, warehousing and logistics sectors.

Initial planning and development approvals have been received and work is now well underway on the 243 hectare site which will ultimately see development of up to 850,000 square metres of warehousing.

Qube has reached agreement with Target Australia to be the first tenant to have purpose-built facilities at Moorebank which will become Australia's largest logistics development. The agreement is for a 10-year lease (plus options) for the new warehouse and associated hardstand.

Qube Logistics also reached agreement on a new 5-year (plus options) logistics contract with Target Australia covering the transport of freight by rail from Port Botany to Moorebank.

Critical to the success of Moorebank will be integration with the Import-Export (IMEX) rail shuttle which will run non-stop to Port Botany.

The IMEX rail terminal and the first warehouse are due for completion in Q1 of 2019. A new warehouse for Qube Logistics will also be constructed along the same timelines.

An interstate rail terminal servicing regional NSW and interstate is due for completion in late 2020 with the total 850,000 sqm of warehousing delivered in stages over a 10-year period based on demand and uptake.

At full capacity, the Moorebank Logistics Park will:

- Create around \$11 billion in economic benefits over 30 years, including \$120 million a year for the economy of south-western Sydney. This will be achieved through the improvements to productivity as well as reduced business costs, reduced road congestion and better environmental outcomes;
- Create 6,800 jobs;
- Cut more than 3,000 heavy truck movements every day from Sydney's roads between Moorebank and Port Botany;
- Reduce the distance travelled by container trucks on Sydney's road network by 150,000 kilometres every day and the distance travelled by long distance interstate freight trucks by 93,000 kilometres every day;
- Reduce truck emissions by a total of more than 110,000 tCO₂e (tonnes of carbon dioxide equivalent) per year;
- Deliver net annual carbon emissions savings equivalent to removing 11,000 vehicles from the road for a full year or burning 25,000 tonnes of coal; and
- Generate 65,000 MWh/year from renewable energy sources installed on site. This is equivalent to powering over 10,000 homes.



● AAT	78%
● Moorebank	14%
● Minto	8%

ARTIST'S IMPRESSION ONLY

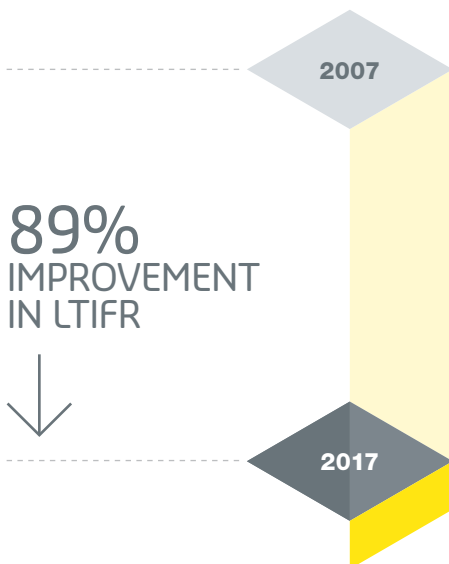




243 HECTARE
SITE WITH UP TO
850,000 SQUARE
METRES OF
WAREHOUSING

SAFETY, HEALTH AND ENVIRONMENT

Qube has achieved an improvement in operational safety metrics in FY2017: an 8% improvement in LTIFR (lost time injury frequency rate), (89% improvement in LTIFR since Qube's establishment in 2007) and a 12% improvement in our recordable injury rates across our Australian operations. As part of our commitment to Zero Harm, Qube continues to identify opportunities to provide a safe work environment for its employees.



This improvement has been driven by targeted initiatives designed and implemented in the following key risk areas:

- A focus on critical risks and significant incidents rather than aggregate injury statistics. Qube has developed safety metrics that focus on Serious Incident Frequency Rate (# Actual/Potential Class 4, 5 per million hours), to measure our significant injuries or significant potential incidents;
- Implementation of a Fitness for Work (FFW) program. This is an important element of a safe work environment and incorporates a number of key areas including drugs and alcohol, fatigue, mental health and general wellness, to name just a few;
- Qube's Board and senior management continue to focus on our value of Zero Harm undertaking leadership walks by board, executive and senior managers focusing on critical risks and behaviours;
- Installation of innovative telematics technology in cabs. This provides real-time information on driver and vehicle performance, as well as the ability to proactively monitor fatigue, speed and braking events reducing the risk of rollovers;

This non-intrusive, in-cab solution alerts operators the instant that they stop paying sufficient attention to vehicle operation. The number of serious heavy vehicle incidents has been reduced since its installation;
- Our health and wellbeing approach assists the organisation to support our employees' physical and mental wellbeing by focusing on early injury intervention, fitness for work and encouraging a proactive approach to health and wellbeing;
- Initiatives to date include enhancement of our approach to Fitness for Work (FFW) by working collaboratively with the divisions, targeting pre-employment medicals and health of truck drivers.



Innovation and automation

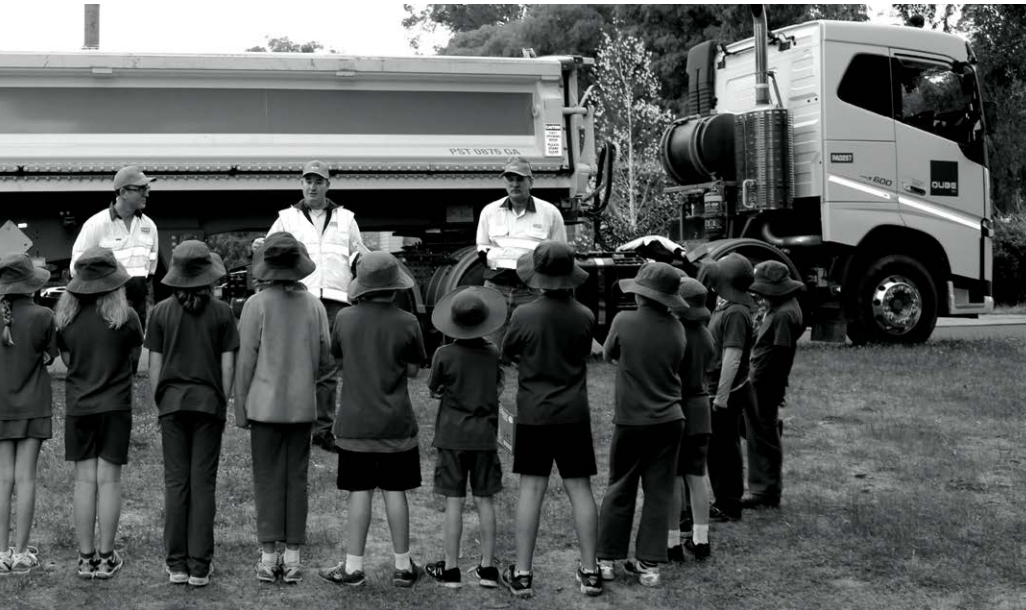
The Moorebank Logistics Park will deliver tangible safety solutions by mitigating the number of interactions between people and machines, reducing manual handling injuries and offering effective and efficient engineering controls through the introduction of automated stacking cranes (gantry cranes) and automated guided vehicles (AGVs).

We are committed to constantly challenging our health and safety performance so that it aligns with our commitment to Zero Harm and remains effective across the sectors and markets in which Qube operates.

Indigenous

Qube is proud to announce that we have committed to partner nationally with the Clontarf Foundation for another 3 years. 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 in WA, NSW and VIC through workplace visits, work experience and employment opportunities.

The program has significant impact on the lives of some of the most vulnerable young people in Australia, making a real and tangible improvement to these men, their families and communities.



Sustainability

Sustainability is central to Qube's business strategy. Environmental, social and economic factors are integral to creating and sustaining value and to manage risk.

This is evidenced by Qube's commitment to the Moorebank Logistics Park which 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 Moorebank 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 tCO₂e in transport-related emissions.

Moorebank Logistics Park will reap the benefits of built-in efficient technologies throughout its useful life demonstrating what is possible for the next generation in low emissions transport and freight facilities. This includes:

- 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/year or a reduction of 1,400 tonnes of CO₂e (carbon dioxide equivalent) emissions;
- 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;
- An embedded solar network will be installed as a solar photovoltaic cell network on the expansive roof space available of 850,000 sqm of warehousing across the Moorebank precinct. This is expected to generate 65,000 MWh/year of electricity – enough to power 10,000 homes; and
- Given the sheer size of the Moorebank site and the fact every component of the project has been looked at for both cost and environmental efficiencies, the carbon emission reduction savings over the life of the facility are expected to be significant.





FY17
NPAT
\$102.2M



QUBE DELIVERED
AN IMPROVED
FINANCIAL
PERFORMANCE
IN THE YEAR TO
30 JUNE 2017

OPERATIONAL SUMMARY

OVERVIEW

Qube delivered an improved financial performance in the year to 30 June 2017 with underlying revenue growth of around 14.7% to \$1.5 billion and underlying earnings (EBITA) growth of 3.5% to \$159.1 million. Qube's underlying net profit after tax (NPAT) increased by 18.2% to \$102.2 million and underlying net profit after tax before amortisation (including Qube's share of Patrick's amortisation) (NPATA) increased by 24.9% to \$115.9 million.

Qube's underlying earnings per share pre-amortisation (including Qube's share of Patrick's amortisation) (EPSA) was 8.0 cents, a decrease of around 1.2% on the prior corresponding period mainly reflecting the dilutionary impact of the capital raisings completed during the second half of FY16 and in FY17.

Qube's statutory NPAT decreased by 5.7% to \$77.3 million and NPATA increased by 3.1% to \$91.0 million. Statutory diluted earnings per share was 5.3 cents or 6.3 cents pre-amortisation. The statutory results are lower than the underlying results mainly due to significant transaction and other non-recurring costs associated with the Patrick and AAT acquisitions that have been excluded from the calculation of the underlying results.

The financial results reflect organic growth in earnings from both operating divisions. Pleasingly, the creation of a new position of Chief Operating Officer in the prior year to oversee and coordinate Qube's operating divisions has enabled Qube to achieve further synergies and secure new business, leveraging the respective expertise and assets of each division.

The full-year results also benefited from the acquisition of the other 50% of Australian Amalgamated Terminals (AAT) on 30 November 2016, the initial earnings from Qube's 50% ownership of Patrick

container terminals (Patrick) following the completion of the acquisition in August 2016 and a significant contribution from Qube's Asciano shareholding that was realised in the period as part of the completion of the Patrick acquisition.

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 the financial statements contained in the Financial Information section of this report.

DIVIDEND

The Board determined to declare a final dividend of 2.8 cents per share fully franked, thereby maintaining the full-year dividend at 5.5 cents per share as in the prior year. The Board believes this quantum of dividend is appropriate taking into account the increased earnings from the operating divisions, the stability of Qube's EPSA compared to the prior year, the unrealised value creation at Moorebank and Qube's positive long-term outlook.

COMPLETION OF STRATEGIC ACQUISITIONS

The FY17 financial year realised the completion of several major acquisitions that have substantially enhanced the quality of Qube's asset base and long-term earnings. These include:

- The completion in August 2016 of the acquisition of a 50% interest in Patrick in conjunction with Brookfield Infrastructure Partners Limited and its partners (who own the other 50%);
- The completion in November 2016 of the acquisition of an additional 50% AAT giving Qube a 100% ownership interest;
- The completion in December 2016 of the acquisition of Aurizon Holdings Limited's 33% interest in the Moorebank land and related project, giving Qube a 100% ownership interest; and
- The achievement in January 2017 of financial close with the Moorebank Intermodal Company (MIC), effectively being day 1 of the Moorebank Logistics Park project.

INCREASED FUNDING CAPACITY AND STRENGTHENED BALANCE SHEET

Qube successfully undertook a number of funding initiatives in FY17 to ensure that it has the funding capacity and structure to support continued growth in the business including:

- The completion in August 2016 of the \$306 million placement to the Canada Pension Plan Investment Board (CPPIB) to support the investment in Patrick;
- The issuance of \$305 million in 7-year ASX-listed subordinated notes in October 2016 which was heavily oversubscribed. The issue opened up another source of funding for Qube, further diversifying Qube's funding sources and extending the average tenor of its debt;
- The completion of a \$350 million equity raising in June 2017 to support Qube's growth;
- The finalisation of a \$150 million 7-year bilateral term facility with the Clean Energy Finance Corporation in late June 2017; and
- Post the end of the financial year, Qube's priced its inaugural US capital markets issue securing commitments of US\$150 million in the US Private Placement market across 7, 10 and 12-year tenors. The funds received from this issue will be used to pay down existing debt.

At 30 June 2017, Qube had net debt (being bank loans (pre-deduction of capitalised establishment costs) and finance lease liabilities less cash on hand) of approximately \$621 million (2016: \$601 million). Qube's leverage ratio (net debt/net debt plus equity) was 19% and Qube had available undrawn debt facilities (adjusted for bank guarantees) and cash of around \$890 million.



DIVISIONAL SUMMARY

Logistics

The full-year underlying revenue and earnings (EBITA) from the Logistics division increased by around 11.4% and 7.1% over the prior corresponding period to \$662.0 million and \$66.1 million respectively.

The increase in revenue reflects the success in growing Qube's customer base across a range of sectors including agriculture, retail and resources as well as growth within the existing customer base.

The decline in margin was largely attributable to costs arising from the illegal industrial dispute at Patrick's Port Botany facility in May–June which impacted Qube's rail operations and reduced underlying earnings by an estimated \$2.2 million, as well as ongoing pressure on rates as a result of the competitive environment.

Ports & Bulk

The Ports & Bulk division had a very successful year with pleasing volumes across most areas of the business, high levels of customer retention and success in winning new contracts in both bulk and ports activities.

The full-year underlying revenue and earnings (EBITA) from the Ports & Bulk division increased by around 9.9% and 17.2% to \$742.9 million and \$73.5 million respectively on the prior corresponding period.

Key highlights in the period include successful entry into Esperance Port with multiple customers contracted, expansion

of logistics services into supply chain management and government services, along with growth in volumes handled and/or stevedored by Qube across a range of products including fertiliser, forestry products, grains, scrap metal, bulk commodities and motor vehicles.

Activity in Qube's oil and gas related areas remained weak and is not expected to improve in the short-to-medium term. Accordingly, Qube impaired the carrying value of its Dampier Transfer facility and barge by \$8.1 million as these assets predominantly service oil and gas production-related activities.

Strategic Assets

Underlying revenue and earnings (EBITA) from the Strategic Assets division were \$55.0 million and \$15.2 million respectively, an increase in revenue of 34.5% and decrease in EBITA of 54.6% over the prior corresponding period.

The increase in revenue in the period was due to the consolidation of AAT from 1 December 2016 (Qube's 50% equity accounted interest being previously recognised in the Ports & Bulk business). AAT has generated strong revenue, earnings and cash flow in the period post acquisition on the back of high volumes of roll-on-roll-off vehicles, bulk and general cargoes through its facilities.

The decline in earnings for the division is due to the reduction in property rental income from Qube's Moorebank Logistics Park property as the prior year included

almost 6 months rental income plus a significant lease termination payment in respect of Qube's 83 hectare Moorebank property. The early exit of the tenant from Qube's property in the prior year was necessary for the Moorebank Logistics Park to commence. This development is expected to create significant long-term value and earnings for Qube.

Post year end, Qube also announced that it had reached agreement on a 10-year lease (plus options) with Target Australia for a new warehouse at the park. Qube Logistics also reached agreement on a new 5-year (plus options) logistics contract with Target Australia covering the transport of freight by rail from Port Botany to Moorebank.

Qube's wholly-owned properties at Minto also contributed rental income for the period from Prixcar and Ceva Logistics although the current year income was reduced due to Prixcar exiting part of the site in December 2016. Qube has recently finalised a new 10 year lease agreement with Mazda Australia which will add to Qube's earnings once the lease commences which is expected to be in July 2018 after the required capex on a vehicle storage and processing facility has been completed.

The statutory results include fair value gains on the value of Qube's Moorebank and Minto investment properties of \$22.4 million. This has been excluded from Qube's underlying results given they are non-cash, unrealised gains.



PATRICK ENHANCES QUBE'S ABILITY TO PROVIDE EFFICIENT LOGISTICS SOLUTIONS TO ITS CUSTOMERS

Corporate

The Corporate division continued to provide key support to the other divisions across a range of areas including senior operational and strategic leadership (Managing Director and Chief Operating Officer), finance, treasury, tax, insurance, legal and safety.

In FY17, the Corporate division generated EBIT of \$4.3 million compared to an EBIT loss in the prior year of \$4.2 million. The improved result benefited from a \$22.2 million net cash contribution in relation to Qube's Asciano shareholding that was sold as part of the Patrick transaction. The prior corresponding period included an \$8.0 million fully franked dividend received on Qube's Asciano shareholding that was acquired as part of the Patrick transaction.

Patrick

The Qube/Brookfield-led consortium completed the acquisition of Patrick in August 2016 with Qube taking a 50% interest. Qube invested a total of around \$1.0 billion structured as approximately \$358.5 million in interest bearing shareholder loans to Patrick, \$10.5 million in non-interest bearing shareholder loans to Patrick and around \$656.2 million as equity. Qube's share of Patrick's statutory profit after tax includes around \$31.6 million of non-recurring costs relating to the acquisition including stamp duty, transaction costs and restructure costs. These have been excluded from Qube's underlying results.

Qube continues to view Patrick as the most efficient, lowest average cost national container terminal operator. This is due in large measure to its two automated terminals in Brisbane and Sydney, with superior sites nationally and an experienced management team and Board.

Patrick's short-term earnings are likely to be affected by the additional capacity created by third container stevedoring entrants in Brisbane, Sydney and more recently Melbourne and competitive conditions which have impacted rates across the industry.

However, Qube believes that the long-term outlook is positive given both the structural tailwinds for container volumes through Australia's ports, limited capacity to create additional port berths and Patrick's favourable competitive market positioning.

Pleasingly, towards the end of the period, Patrick successfully extended contracts with several of its major customers representing around 85% of its volumes.

In addition to being a strategic long-term asset, Qube's investment in Patrick also extends Qube's supply chain capability to the port. This enhances Qube's ability to provide efficient logistics solutions to its customers which is particularly important in maximising the efficiency of rail to and from the port which will be beneficial for Qube's Moorebank Logistics Park project.

Qube's underlying post-tax earnings from Patrick in the 10.5 months of ownership in the period was \$21.2 million comprising

interest income on shareholder loans of around \$22.1 million (\$15.5 million post-tax) and share of profit after tax of around \$5.7 million.

Patrick's pre-tax profit in the period has been reduced by around \$17.1 million (\$19.6 million on a full-year basis) by a non-cash amortisation charge as a result of the acquisition accounting that is required to be recognised under the accounting standards. This non-cash expense does not reflect Patrick's trading performance during the period. Patrick's total underlying after-tax contribution to Qube excluding Qube's share of Patrick's amortisation was \$27.1 million.

ASSOCIATES

Qube's associates (excluding Patrick) contributed approximately \$3.3 million to Qube's underlying NPAT which is a reduction of around 76.6% on the prior corresponding period. A key reason for the decline is that AAT became a subsidiary on 30 November 2016 when Qube acquired the remaining 50% ownership and therefore ceased to be an associate of Qube. In FY16, Qube's 50% interest in AAT contributed \$8.8 million to Qube's NPAT. In addition, Qube's Pilbara Express Line JV (PEL) recorded a net loss of \$1.3 million in FY17 while Northern Stevedoring Services (NSS) and Prixcar Services (Prixcar) made lower contributions than the previous year, with the other associates making a modest overall contribution.

Qube recognised an impairment of \$18.3 million in the carrying value of its investment in Prixcar. This reflects Prixcar's poor financial performance in recent years and weaker outlook compared to prior years. Although Prixcar's financial performance is expected to improve in FY18 onwards, the expected growth in cash flows are insufficient to support the carrying value of Qube's investment.

SAFETY

Qube maintains an ongoing focus on providing a safe workplace through its Zero Harm programs.

During the period, Qube continued to improve its injury statistics, with an 8% improvement in lost time injuries and total recordable injuries.

Qube has also focused more on critical risks and significant incidents rather than aggregate injury statistics and accordingly has developed a key safety metric to effectively measure significant injuries and significant potential incidents.

Qube has also implemented a Fitness for Work program which is an important element of a safe work environment and incorporates a number of key areas including drugs and alcohol, fatigue, mental health, and general wellness.

Another measure undertaken in the period to improve safety is the installation of innovative telematics technology in truck cabs to give real-time information on driver and vehicle performance. It also has the capability to proactively monitor fatigue, speed and braking events (as well as reducing the risk of rollovers).

This non-intrusive, in-cab solution alerts operators the instant that they stop paying sufficient attention to vehicle operation. Real-time event data is then transmitted to a specialist, Qube 24-hour facility where trained personnel can implement best practice risk mitigation processes.

The Board and senior management continue to focus on Qube's commitment to Zero Harm, undertaking leadership walks by Board, executives and senior managers at various facilities to assess critical risks and behaviours to mitigate these risks.





QUBE MAINTAINS
AN ONGOING FOCUS
ON PROVIDING A SAFE
WORKPLACE THROUGH
ITS ZERO HARM
PROGRAMS.

SUMMARY AND OUTLOOK

FY17 was a pleasing year for Qube with solid financial performances from the operating divisions and the completion of several strategic acquisitions and investments providing a sound platform for long-term growth.

Qube completed a number of equity and debt initiatives in the period that place it in a strong position to continue to fund suitable growth opportunities while maintaining its prudent approach to leverage and risk.

In FY18, Qube expects overall market conditions to remain similar to FY17 with pressure on rates from the ongoing competitive dynamics in Qube's key markets. However, Qube will continue to seek to deliver growth and maintain its strong market positions through its innovative and reliable logistics solutions and strong cost focus. Qube will also maintain its focus on investing in and utilising technology across its operations to drive increased safety outcomes, improve service reliability for its customers and deliver further productivity improvements throughout its businesses.

The Ports & Bulk and Logistics divisions are both expected to deliver underlying organic revenue and earnings growth.

The extent of growth in earnings in the Ports & Bulk division will be influenced by conditions across commodity markets, new passenger vehicle sales as well as any improvement in activity levels in the oil and gas sector.

The earnings from the Logistics division's Sydney operations will be impacted in FY18 by additional interim operational costs as the business waits for the Moorebank Logistics Park's facilities to be developed over the next two years. It is anticipated that the Sydney operations will commence consolidating some of its existing activities at Moorebank from FY19. As a result only modest organic earnings growth is currently expected from the Logistics division in FY18.

The earnings from the Strategic Assets division are expected to benefit from a full-period contribution from AAT (albeit with reduced earnings from AAT's Melbourne operations as it exits its lease at the end of 2017) and increased management fees for MIC-funded works at Moorebank. Modest warehouse rental income is expected from

the existing warehouses at Moorebank.

The earnings from the business's Minto property are expected to be lower in FY18 while the capex for the new Mazda lease is undertaken with earnings then increasing from FY19 onwards. The capex from this division is expected to increase significantly in FY18 as the Moorebank development ramps up.

The contribution from Patrick will depend on several factors, most importantly market sector growth and Patrick's market share (including Patrick's success in securing any available new business) during the period. Management is also focusing on cost reductions and the achievement of the target synergies/cost efficiencies to mitigate the impact of ongoing rate pressures. At this stage, Patrick is expected to contribute a modest increase in underlying earnings to Qube in FY18 compared to FY17 (being interest income and share of profit after tax). FY18 earnings will reflect a full 12 months of ownership of Patrick, the introduction of its infrastructure levy, the full-year impact of FY17 rate reductions, the A3 contract loss, higher labour costs and increased rental costs.



The Corporate division is expected to report an EBIT loss of around \$18 million reflecting the growth in the Company requiring additional resources, and the absence in FY18 of the significant contribution from the Asciano shareholding that benefited the division's results in both FY17 and FY16.

Through its acquisitions in FY17 of 50% of Patrick, Aurizon's Moorebank interests and the other 50% of AAT, Qube has assembled a unique portfolio of high quality and strategic infrastructure assets that will drive efficiencies across the logistics supply chain. In the shorter term, while Qube is undertaking the investment to develop some of these assets, its earnings will not reflect the substantial value that is being created.

In FY18, despite its significant investment and ongoing competitive market conditions, Qube expects to report an increase in underlying NPATA.

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.



THE 2017 FINANCIAL YEAR WAS A PLEASING YEAR FOR QUBE WITH SOLID FINANCIAL PERFORMANCES AND A SOUND PLATFORM FOR LONG-TERM GROWTH.

FINANCIAL INFORMATION



Qube Holdings Limited
ABN 14 149 723 053
for the year ended
30 June 2017

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Qube Holdings Limited
Directors' Report
for the year ended 30 June 2017

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 2017.

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	Resigned
Allan Davies	Non-executive Chairman ¹	26 August 2011	
Christopher Corrigan	Non-executive Chairman ¹	23 March 2011	23 June 2017
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	
Robert Dove	Non-executive Director	26 August 2011	1 September 2016
Alan Miles	Non-executive Director	1 April 2013	
Åge Holm	Alternate Director to Peter Dexter	7 November 2011	
Simon Moore	Alternate Director to Robert Dove	7 November 2011	1 September 2016

¹ Allan Davies was appointed Chairman on the retirement of Chris Corrigan on 23 June 2017

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 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
Paid during the 2016 financial year				
2015 Final dividend	2.8¢	29.6	100%	7 October 2015
2016 Interim dividend	2.7¢	28.6	100%	6 April 2016
Dividends declared by the Company after year end				
2017 Final dividend	2.8¢	44.9	100%	12 October 2017

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 is 65 years of age and was appointed a director of Qube on 26 August 2011 and on the resignation of Mr. Corrigan, was appointed 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

Chair 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. He is also a Member of the NAB Private Wealth Investment Council.

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 is 67 years of age and 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

Qube Holdings Limited
Directors' Report
for the year ended 30 June 2017
 (continued)

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 Freight Advisory Council. In March 2017, Mr James was appointed to the Australian Government's National Freight and Supply Chain Expert Panel for Development of the National Freight and Supply Chain Strategy.

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

Mr James, is 60 years of age and 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

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 is 46 years of age and was appointed as a director of Qube on 9 September 2011.

Directorships of listed companies held during the last three years:

- Oncard International Limited – from May 2010 to June 2015
- Ruralco Holdings Limited – from September 2014 to February 2016

Special responsibilities for Qube

Member of Audit and Risk Management Committee

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 a Non-executive Director of the ASX listed Royal Wolf Holdings Limited, 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 is 74 years of age and 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 current

Special responsibilities for Qube

Member of Safety, Health and Environment Committee

Member 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 is 59 years of age and 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

Qube Holdings Limited
Directors' Report
for the year ended 30 June 2017
(continued)

Information on directors (continued)

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 is 57 years of age and 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 37.

Qube Holdings Limited
Directors' Report
for the year ended 30 June 2017
(continued)

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 numbers of meetings each director was present 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
Christopher Corrigan	10	8						
Sam Kaplan	10	10	6	6				
Maurice James*	10	10	6	6	3	3	4	4
Ross Burney	10	10	6	6	2	2		
Allan Davies	10	10			3	3	4	4
Peter Dexter	10	10			3	3	4	4
Robert Dove	2	1			1	1		
Alan Miles	10	10	6	6				
Åge Holm (alternate)								
Simon Moore (alternate)	1	1						

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

B = Number of meetings attended

* = Executive director

**Qube Holdings Limited
Directors' Report
Remuneration Report
for the year ended 30 June 2017**

Remuneration Report

Contents

1	Message from the Nomination and Remuneration Committee	6	Linking rewards, performance and strategy
2	Key Management Personnel	7	Employment conditions
3	Remuneration summary	8	Non-executive directors
4	Take home pay of Managing Director and other KMP	9	Director's interests
5	Executive remuneration framework	10	Statutory remuneration disclosures

1. Message from the Nomination and Remuneration Committee

The Nomination and Remuneration Committee presents the Qube Remuneration Report for the year ended 30 June 2017 (FY17). This report has been audited in accordance with section 308(3C) of the *Corporations Act 2001*.

The Committee's objective is to ensure 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 key change to the remuneration framework in FY17 was the introduction of a new long term incentive plan in the form of share appreciation rights, referred to below as the LTI (SAR) Plan. The LTI (SAR) Plan was introduced to support the Company's strategy to invest in high quality and unique infrastructure assets. In FY17 Qube successfully completed the acquisition of Aurizon's minority interest in the Moorebank Intermodal Project, a 50% interest in Patrick Terminals and the remaining 50% interest in Australian Amalgamated Terminals (AAT). The strategy to invest in them is expected to deliver significant value to shareholders over the long term. The LTI (SAR) Plan ensures that there is long term alignment between management and shareholders.

Another change is the reweighting of the Managing Director's remuneration package to better balance the mix between fixed, STI and LTI to more closely align to the market for managing Directors with similar size and complexity in role. This analysis led to a significant reduction in LTI whilst base pay and target STI were increased with an overall increase in target remuneration of approximately 13%.

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 FY17. Directors and executives disclosed in this report are as follows:

Non-executive Directors	Position
Allan Davies	Chairman, Non-executive Director (appointed Chairman on 23 June 2017)
Christopher Corrigan	Chairman, Non-executive Director (resigned 23 June 2017)
Sam Kaplan	Deputy Chairman, Non-executive Director
Ross Burney	Non-executive Director
Allan Davies	Non-executive Director
Peter Dexter	Non-executive Director
Robert Dove	Non-executive Director (resigned 1 September 2016)
Alan Miles	Non-executive Director
Åge Holm	Alternate Director to Peter Dexter
Simon Moore	Alternate Director to Robert Dove (resigned 1 September 2016)
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

**Qube Holdings Limited
Directors' Report
Remuneration Report
for the year ended 30 June 2017
(continued)**

3. Remuneration Summary

Principles used to determine the nature and amount of executive remuneration

Qube's guiding principle is to position total remuneration (fixed and at-risk pay) towards the upper end of comparable companies subject to stretch performance hurdles being achieved. This is intended to align executive remuneration with long term value creation for Qube shareholders.

For FY17 the executive remuneration framework consisted 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. 50% of any STI payment is deferred for 1 year.	Rewards executives for Group financial performance outcomes for net profit after tax (NPAT) and return on average capital employed (ROACE). 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: <ul style="list-style-type: none"> 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 experience of Shareholders and 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.

Qube Holdings Limited
Directors' Report
Remuneration Report
for the year ended 30 June 2017
(continued)

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 the 2017 financial year. 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 the 2017 financial year. 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.

Accounting standards require that the expense relating to equity instruments granted in relation to remuneration arrangements be reflected over the 'vesting period', notwithstanding that the Managing Director and other executives may never receive any actual value from such a grant. For example, under Qube's LTI arrangements, the value ultimately received will depend on the achievement of performance hurdles and the share price at the time the LTI vests.

Name	Fixed annual remuneration (\$) ³	Current year STI non deferred component (\$) ⁴	Prior year STI deferred component (\$) ⁴	Patrick discretionary bonus (\$) ⁵	Vested long-term incentives (\$) ⁶	Total take home pay (\$)	Performance related remuneration (%)
Managing Director							
Maurice James							
FY17	1,260,000	661,500	200,000	1,000,000	106,187	3,227,687	61%
FY16	800,000	200,000	600,000	-	71,222	1,671,222	52%
Other key management personnel							
Paul Digney ¹							
FY17	700,000	309,000	127,500	50,000	52,510	1,239,010	44%
FY16	495,000	127,500	135,000	-	19,708	777,208	36%
William Hara ²							
FY17	620,916	254,500	102,500	1,000,000	43,759	2,021,675	69%
FY16	415,974	102,500	290,000	-	39,417	847,891	51%
Paul Lewis							
FY17	565,002	247,000	100,000	1,000,000	42,300	1,954,302	71%
FY16	415,974	100,000	207,500	-	19,708	743,182	44%

1. Paul Digney was promoted to Chief Operating Officer.
2. William Hara was appointed to the additional role of Director, Strategic Assets.
3. 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.
4. Current year STI non deferred component represents the actual STI to be paid in September 2017 relating to the FY17 award, being 50% of the FY17 STI award. The remaining 50% of the FY17 STI award will be paid around September 2018 subject to certain conditions being met. The prior year STI deferred component represents 50% of the FY16 STI award that was deferred and will be paid in September 2017. The Patrick incentive did not have a deferred component.
5. In August 2016, the Company acquired a 50% interest in Patrick Terminals as part of a consortium bid to acquire Asciano Limited. In FY17, those executives who were extensively involved in this bid received a once-off bonus which was paid in August 2016. Refer to Section 6 on page 33 for further details.
6. Vested long-term incentives represents the value of long-term incentives which have vested in the year based on the value of the equity instruments at the date of the grant vesting.

5. Executive remuneration framework

The executive pay and reward 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 'at risk' rewards. The combination of these comprises an executive's total remuneration and is set out below.

Remuneration mix

The Company's remuneration philosophy remains to position total remuneration so that its executives can, upon meeting stretch performance hurdles, achieve the 75th percentile of their peer group. Following a review of the overall remuneration mix and quantum for FY17, there was no change to this philosophy and a continued desire to retain a high proportion of remuneration at risk. However, to enhance market competitiveness, the mix between fixed and at-risk remuneration was adjusted slightly from approximately 20-25% and 80% -75% respectively, to 30-35% and 70-65% respectively. Given a lower component of remuneration is at risk, total target remuneration was reduced for each of the executives except in the case of the Managing Director. Mr James' fixed remuneration was significantly below the 25th percentile of the market whilst his responsibilities, including the acquisition of a 50% interest in Patrick Terminals (where he represents Qube on the board), have significantly increased and, therefore, his total target remuneration has increased approximately 13% (base pay and target STI have increased, whilst LTI value has decreased).

For FY17, the relative proportions of remuneration that are fixed and those that are linked to performance (at target) are as follows:

Name	Fixed remuneration	At risk – STI	At risk – LTI
Managing Director			
Maurice James	30%	35%	35%
Other key management personnel			
Paul Digney	35%	32.5%	32.5%
William Hara	35%	32.5%	32.5%
Paul Lewis	35%	32.5%	32.5%

Fixed remuneration

Structured as a total employment cost package which may be delivered as a combination of cash and non-financial benefits.

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 accountabilities 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 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 net profit after tax (NPAT) and return on average capital employed (ROACE); and
- out-performance in their role where they achieve or exceed individual KPI's

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 an STI payment if there has been a material misstatement in the financial accounts.

If an executive resigns during the financial year, the full STI award is forfeited.

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5. Executive remuneration framework (continued)

Short-term incentives (STIs) (continued)

Managing Director:			Other key management personnel:		
KPI & weighting %	Measure	Rationale	KPI	Measure	Rationale
<i>Group Financial Performance</i> – Used to determine Group STI Pool. Refer to Note i)	<ul style="list-style-type: none"> Achieve and exceed Group targets for underlying NPAT and Return on Average Capital Employed (ROACE). 	These financial targets were chosen because Group profit and ROACE should drive dividends and share price growth over time.	<i>Group Financial Performance</i> –Refer to Note i)	<ul style="list-style-type: none"> Achieve and exceed Group targets for underlying NPAT ROACE. 	These financial targets were chosen because Group profit and ROACE should drive dividends and share price growth over time.
<i>Divisional Financial Performance</i> – Used to determine Divisional STI Pool. Refer to Note ii)	<ul style="list-style-type: none"> N/A 	N/A	<i>Divisional Financial Performance</i> – Refer to Note ii)	<ul style="list-style-type: none"> Achieve and exceed financial targets applicable to the Division such as underlying NPAT, 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%)	<ul style="list-style-type: none"> Achievement of strategic major capital investment projects, and acquisitions and associated strategic objectives including but not limited to acquiring Aurizon interest in Moorebank, remaining interest in AAT and integration of Patrick terminals. 	To ensure the Managing Director is focussed on a range of objectives from major capital investment projects and acquisitions that underpin the growth of the Group.	<i>Strategy & Growth</i> (67%)	<ul style="list-style-type: none"> Achievement of strategic objectives from major capital investment projects, and acquisitions including but not limited to the following: <ul style="list-style-type: none"> Significant performance against Moorebank investment case. Integration of the two operating divisions. Secure new funding on favourable terms and pricing to support growth. 	To ensure the key management personnel are focussed on a range of objectives from major capital investment projects and acquisitions that underpin the growth of the Group.
<i>Business & Operations</i> (30%)	<ul style="list-style-type: none"> 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.	<i>Business & Operations</i> (33%)	<ul style="list-style-type: none"> 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 NPAT 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)

Determination of FY17 STI Awards

Financial KPIs

In FY17 95% of the Group financial targets were achieved.

Non-Financial KPIs

The Managing Director achieved approximately 90% of the KPI relating to non-financial measures reflecting the effective management of growth projects, delivery of key priorities from Board committees and the management of various stakeholders.

The other KMP achieved an average of approximately 92% of KPI relating to non-financial measures largely reflecting effective management of growth projects, effective capital management and delivery of key priorities from Board committees.

Long-term incentives (LTIs)

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.

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 these assets. SARs are aligned with the interests of shareholders. The SARs 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 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 FY17 grant are described below:

Participation	The Managing Director, other KMP and other executives who can directly influence the performance of Qube.
Valuation date	24 November 2016
Grant date	24 November 2016
Issue price	\$2.56
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	None.
Service condition	Eligible executives must continue to be employed by a Qube Group member until the Vesting date.
Exercise price	Nil
Performance period	2.7 years to on or around 25 August 2019 (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 2019, presently expected to be on or around 25 August 2019.
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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5. Executive remuneration framework (continued)

FY 17 LTI Award example

An FY 17 LTI Award opportunity for a Qube executive was set at \$500,000 (example only, not based on an actual award).

Calculation of SARs

The number of SARs granted (the Award) is calculated by dividing the LTI opportunity by the value of each SAR determined using the Black Scholes model. For FY17 the value was 43 cents per SAR.

$$\$500,000 \div 0.43 = 1,162,791 \text{ SARs}$$

The award vests on 13 September 2019 (Vesting Date) and vested shares will be issued or transferred by 24 November 2019.

Conversion of vested Awards to Shares

Subject to meeting the service condition (continuing engagement by the Company on the relevant Vesting Date), all vested SARs convert automatically to the number of shares determined in accordance with the following formula:

$$S = [\text{SAR} \times (\text{VP} - \text{IP})] / \text{VP}$$

Where:

S	is the number of Shares that a participant will receive on vesting of an Award;
SAR	is the number of SARs the subject of an Award;
VP	is the Vesting Price being the VWAP of Shares calculated over the 15 trading days before the Vesting Date and the subsequent 15 trading days; and

IP is the initial price of \$2.56 which was the VWAP of shares calculated over the 15 trading days before the date of release of Qube's FY16 result (on 24 August 2016) and the subsequent 15 trading days.

Note: If the VP is less than the IP, the plan provides that the Award automatically lapses and no shares are issued.

Changing share price examples

Share price at Vesting Date	Compound annual return on Initial Price*	Total return on Initial Price	No. of Shares issued	Amount of LTI earned	Percentage of LTI Opportunity
\$2.50	-0.8%	-2.3%	0	0	0%
\$2.56	0%	0%	0	0	0%
\$2.80	3.0%	9.4%	99,668	\$279,070	55.8%
\$2.99	5.3%	16.8%	167,224	\$500,000	100%
\$3.10	6.6%	21.1%	202,551	\$627,908	125.6%

* Excludes dividends paid to shareholders.

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 2017 \$'m	30 June 2016 \$'m	30 June 2015 \$'m	30 June 2014 \$'m	30 June 2013 \$'m
Revenue from sales and services	1,418.1	1,264.8	1,393.3	1,173.7	1,027.2
Profit for the year attributable to owners of Qube Holdings Limited	77.3	82.0	85.9	87.9	77.3
Underlying profit for the year attributable to owners of Qube Holdings Limited	102.2	86.5	105.2	88.6	74.0
Dividend per share(cents)	5.5¢	5.5¢	5.5¢	5.1¢	4.5¢
Dividend payout ratio (%)	78%	72%	55%	55%	56%

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6. Linking rewards, performance and strategy (continued)

Short term incentive outcomes

Qube's FY17 financial performance did not fully meet internal targets with approximately 95% of the KPI relating to Group financial performance being achieved. The Managing Director and other KMP achieved between 90 and 92% of the KPI relating to Strategy and Growth, Business and Operations measures.

Accordingly, the Managing Director's STI payment was 10% below his target STI opportunity. The other key management personnel received STI payments between 5% and 13% below their target STI opportunity.

Patrick discretionary bonus

In August 2016, the Company acquired a 50% interest in Patrick Terminals as part of a consortium bid to acquire Asciano Limited. In FY17, those executives who were extensively involved in this bid received a once-off bonus which was paid in August 2016. These executives were fundamental to the successful execution of the Company's strategy to acquire this high quality and strategic asset. The award of this discretionary bonus reflected the extraordinary amount of work, dedication and effort by these executives both prior to and throughout FY17 over and beyond what was expected of them to secure this asset which is expected to deliver significant value to shareholders over the long term. This discretionary bonus also reflected the sizeable cash profit realised by Qube (net of all funding and transaction costs) on the pre-bid strategic Asciano shareholding that Qube acquired as part of the transaction. The bonus payment was fully funded from a portion of this profit.

Long term incentive outcomes

The LTI grant in September 2013 had a vesting date during FY17 of 9 September 2016. This LTI grant had two performance hurdles, cumulative EPS growth and total shareholder return (TSR). Performance against the hurdles was assessed. The minimum cumulative EPS growth hurdle was not met and the Performance Rights with that hurdle will be assessed again in September 2018. The TSR hurdle was assessed and partially met with Qube performing in the 62.5th quartile of the comparator group of ASX listed entities. The balance of the Performance Rights with a TSR hurdle lapsed.

The LTI grant in September 2014 had an EPS hurdle which was not met, the performance rights attached to these EPS hurdles do not vest as the hurdle can be retested in FY18 and FY19.

As previously stated, the key change to the remuneration framework in FY17 was the introduction of a new long term incentive plan in the form of share appreciation rights support the Company's strategy to invest in high quality and unique infrastructure assets. In FY17 Qube successfully completed the acquisition of Aurizon's minority interest in the Moorebank Intermodal Project, a 50% interest in Patrick Terminals and the remaining 50% interest in Australian Amalgamated Terminals (AAT). The strategy to invest in them is expected to deliver significant value to shareholders over the long term. The LTI (SAR) Plan ensures that there is long term alignment between management and shareholders.

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. Other key provisions of the agreements relating to remuneration are set out below.

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

Name	Term of agreement	Fixed remuneration including superannuation*	Termination benefit **
Maurice James, Managing Director	On-going commencing 1 September 2011	\$1,260,000 per annum	12 months base salary
Paul Digney, Chief Operating Officer	On-going commencing 1 September 2011	\$700,000 per annum	6 months base salary
William Hara, Company Secretary and General Counsel and Director Strategic Assets Division	On-going commencing 21 January 2013	\$630,000 per annum***	6 months base salary
Paul Lewis, Chief Financial Officer	On-going commencing 1 September 2011	\$560,000 per annum***	6 months base salary

* Base salaries quoted are for FY17; they are reviewed annually by the Committee.

** Termination benefits are payable on early termination by the Company, other than for gross misconduct; unless otherwise indicated, they are equal to the base as at the date of termination.

*** Excludes non-monetary benefits.

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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 FY17 based on responsibility per non-executive director are as follows:

Name	Board Fees			Board Committee Fees						Total
	Chair	Deputy Chair	Base Director	Audit and Risk Management		Safety, Health and Environment		Nomination and Remuneration		
				Chair	Member	Chair	Member	Chair	Member	
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Chris Corrigan	203,500	-	-	-	-	-	-	-	5,925	209,425
Sam Kaplan	-	154,000	-	35,000	-	-	-	-	-	189,000
Ross Burney	-	-	93,500	-	17,500	-	-	-	4,418	115,418
Allan Davies ^A	-	-	93,500	-	-	25,000	-	25,000	-	143,500
Peter Dexter	-	-	93,500	-	-	-	12,500	-	12,500	118,500
Robert Dove	-	-	15,583	-	-	-	-	-	2,084	17,667
Alan Miles	-	-	93,500	-	17,500	-	12,500	-	-	123,500
Åge Holm	-	-	-	-	-	-	-	-	-	-
Simon Moore	-	-	-	-	-	-	-	-	-	-
	203,500	154,000	389,583	35,000	35,000	25,000	25,000	25,000	24,927	917,010

^A – Allan Davies became Chairman on 23 June 2017 but did not receive any fees for his appointment until 1 July 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.

**Qube Holdings Limited
Directors' Report
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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:

Name	Primary		Post-employment benefits	
	Cash salary and fees \$	Non-monetary benefits \$	Superannuation \$	Total Remuneration \$
Non-executive Directors				
Christopher Corrigan				
2017	156,279	38,000	15,143	209,422
2016	152,727	38,000	14,509	205,236
Sam Kaplan				
2017	172,603	-	16,397	189,000
2016	181,799	-	17,270	199,069
Ross Burney				
2017	105,404	-	10,013	115,417
2016	101,370	-	9,630	111,000
Allan Davies				
2017	131,050	-	12,450	143,500
2016	129,782	-	12,330	142,112
Peter Dexter				
2017	108,219	-	10,281	118,500
2016	103,621	-	9,844	113,465
Robert Dove				
2017	17,667	-	-	17,667
2016	106,000	-	-	106,000
Alan Miles				
2017	112,785	-	10,715	123,500
2016	106,348	-	10,103	116,451
Åge Holm				
2017	-	-	-	-
2016	-	-	-	-
Simon Moore				
2017	-	-	-	-
2016	-	-	-	-

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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 2016	Dividend reinvestment	Disposed	Other changes	Balance as at 30 June 2017	Balance as at date of this report
Christopher Corrigan	6,000,000	-	-	(6,000,000) ²	-	-
Sam Kaplan	8,064,916 ¹	-	(2,000,000)	404,328	6,469,244	6,469,244
Maurice James	6,892,020	-	-	793,053	7,685,073	7,685,073
Ross Burney	-	-	-	-	-	-
Allan Davies	3,203,117	-	-	213,542	3,416,659	3,416,659
Peter Dexter	193,548	-	-	15,286	208,834	208,834
Robert Dove	-	-	-	- ³	-	-
Alan Miles	7,664	-	-	756	8,420	8,420
Åge Holm	-	-	-	-	-	-
Simon Moore	100,000	-	-	(100,000) ³	-	-

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 Mr Corrigan resigned as chairman of the Board effective 23 June 2017.

³ Mr Dove resigned as director and Mr Moore resigned as an alternate director of the Board effective 1 September 2016.

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 2016	Disposed	Other changes	Balance as at 30 June 2017	Balance as at date of this report
Christopher Corrigan	-	-	-	-	-
Sam Kaplan	-	-	3,000	3,000	3,000
Maurice James	-	-	6,000	6,000	6,000
Ross Burney	-	-	2,500	2,500	2,500
Allan Davies	-	-	5,154	5,154	5,154
Peter Dexter	-	-	1,000	1,000	1,000
Robert Dove	-	-	-	-	-
Alan Miles	-	-	-	-	-
Åge Holm	-	-	-	-	-
Simon Moore	-	-	-	-	-

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Directors' Report
Remuneration Report
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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:

Name	Short-term employee benefits					Post-employment benefits	Long-term benefits			Total
	Cash salary and fees	Bonus (cash and shares)*	Patrick STI	Moore-bank STI	Non-monetary benefits	Super-annuation	Long service leave	LTI Standard	LTI Moore-bank	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Executive Directors										
Maurice James										
FY17	1,225,980	1,092,250	1,000,000	-	-	34,020	21,662	852,188	179,150	4,405,250
FY16	776,480	450,000	-	150,000	-	23,520	98,466	789,536	147,737	2,435,739
Other key management personnel										
Paul Digney										
FY17	670,000	527,250	50,000	-	-	30,000	52,244	322,958	113,462	1,765,914
FY16	465,000	258,750	-	-	-	30,000	17,271	298,069	93,567	1,162,657
William Hara										
FY17	596,298	433,000	1,000,000	-	5,002	19,616	-	286,646	179,150	2,519,712
FY16	392,692	221,250	-	77,500	3,975	19,308	-	258,409	147,737	1,120,871
Paul Lewis										
FY17	530,000	420,500	1,000,000	-	5,002	30,000	9,516	272,441	114,709	2,382,168
FY16	382,000	218,750	-	35,000	3,975	30,000	31,597	250,590	94,595	1,046,507

* Bonus represents 25% of the FY16 STI, plus 75% of the approved FY17 STI; the remaining 25% of the FY17 STI will be recognised in FY18 subject to certain conditions being met.

Of the cash bonuses to KMP, 50% (excluding Patrick STI) are to be paid in September in the financial year immediately following the financial year to which the bonus relates. The remaining 50% is deferred for one year.

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Directors' Report
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10. Statutory remuneration disclosures (continued)

Equity settled compensation

STI bonuses and rights to equity settled compensation

In FY17 Qube offered eligible senior executives the option to elect to take all or any portion of their FY17 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 \$2.5717, 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 election 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.

The information in the table below for the percentage of the FY16 STI forfeited includes the FY16 STI that was voluntarily foregone by the KMP as outlined in the FY16 Remuneration Report.

Name	Election Date	Total STI opportunity (\$)	Forfeited %	Value of STI award (\$)	Expensed during the year (\$)*	Award vested %	Value yet to vest (\$)
Executive Directors							
Maurice James	Sept 2016	1,470,000	10%	1,323,000	1,092,250	50%	661,500
	Sept 2015	800,000	50%	400,000	600,000	50%	200,000
Other key management personnel							
Paul Digney	Sept 2016	650,000	5%	618,000	527,250	50%	309,000
	Sept 2015	396,000	36%	255,000	258,750	50%	127,500
William Hara	Sept 2016	585,000	13%	509,000	433,000	50%	254,500
	Sept 2015	330,000	38%	205,000	298,750	50%	102,500
Paul Lewis	Sept 2016	520,000	5%	494,000	420,500	50%	247,000
	Sept 2015	330,000	39%	200,000	253,750	50%	100,000

* 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
Executive Directors					
Maurice James	Sept 17 - Sept 18	25%	2.5717	128,612	64,306
	Sept 16 - Sept 17	100%	2.2442	181,080	225,087
Other key management personnel					
Paul Digney	Sept 17 - Sept 18	0%	2.5717	-	-
	Sept 16 - Sept 17	100%	2.2442	115,438	57,719
William Hara	Sept 17 - Sept 18	50%	2.5717	98,962	-
	Sept 16 - Sept 17	100%	2.2442	92,804	102,914
Paul Lewis	Sept 17 - Sept 18	50%	2.5717	96,046	-
	Sept 16 - Sept 17	50%	2.2442	45,270	80,193

Notes:

- Figures exclude entitlement relating to dividends earned on shares over the vesting period.
- Vesting of rights shown above are based on the anticipated position at the 4 September 2017 vesting date which is consistent with the STI accrual in the financial statements.
- Comprises 50% of current year and 50% of prior year STI award.
- Adjusted for the impact of the entitlement offer.

LTI Plans – Share Appreciation Rights (SARS)

During FY17 Qube made a grant of Share Appreciation Rights (SARS) to eligible senior executives. The terms and conditions of the FY17 grant 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	23 Aug 2019	23 Aug 2021	\$2.56	\$0.32	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.

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10. Statutory remuneration disclosures (continued)

Equity settled compensation (continued)

LTI Plans – Performance Rights and Options

During FY16 Qube made a grant of Performance Rights and Options to eligible senior executives. No further grants will be made under either scheme listed below. The terms and conditions of the FY16 grant of Performance Rights and Options affecting remuneration in the current or future reporting periods are as follows:

Grant date	Vesting date	Expiry date**	Issue price	Value per right/option at grant date	Target hurdle for 100% vesting*	Performance achieved	% Vested
FY16 LTI Performance Rights (PR) and Options issue							
TSR hurdle – 25% of issue							
3 Sept 2015	3 Sept 2018	3 Sept 2018 3 Sept 2022	\$2.244	\$1.156 – PR \$0.298 - Option	TSR ranking at or above the 75 th percentile at the end of the vesting period.	-	-
EPS hurdle – 75% of issue							
3 Sept 2015	3 Sept 2018	3 Sept 2020 3 Sept 2022	\$2.244	\$2.069– PR \$0.369- Option	Compound Annual Growth Rate (CAGR) over the vesting period in EPS of 6%.	-	-
FY16 Moorebank Performance Rights and Options issue							
ASR hurdle – 50% of issue							
3 Sept 2015	3 Sept 2018	3 Sept 2020 3 Sept 2022	\$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 2015	3 Sept 2018	3 Sept 2020 2 Sept 2022	\$2.244	\$2.069 – PR \$0.369 - Option	Exceed overall Moorebank Project targets.	-	-

* For the EPS hurdle it is for the financial year ended 30 June.

** 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:

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 EPS and KPI Hurdle has not been included in the Black-Scholes-Merton calculation.

**Qube Holdings Limited
Directors' Report
Remuneration Report
for the year ended 30 June 2017
(continued)**

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 2016	Share Appreciation Rights	3,442,357	875,163	0.256	-
Sept 2015*	Performance Rights & Options	2,193,542	691,690	PR - 1.308 O - 0.254	-
Sept 2015*	Performance Rights & Options (M)**	1,645,155	537,449	PR - 1.181 O - 0.274	-
Sept 2014*	Performance Rights	642,352	1,182,500	1.8537	-
Sept 2013*	Performance Rights	396,790	569,283	1.4422	74,012
		<u>8,320,196</u>	<u>3,856,085</u>		<u>74,012</u>
Other key management personnel					
Paul Digney					
Sept 2016	Share Appreciation Rights	1,522,131	386,977	0.256	-
Sept 2015*	Performance Rights & Options	822,577	259,384	PR - 1.308 O - 0.254	-
Sept 2015*	Performance Rights & Options (M)**	1,041,933	340,385	PR - 1.181 O - 0.274	-
Sept 2014*	Performance Rights	218,399	402,049	1.8537	-
Sept 2013*	Performance Rights	196,214	281,513	1.4422	36,599
		<u>3,801,254</u>	<u>1,670,308</u>		<u>36,599</u>
William Hara					
Sept 2016	Share Appreciation Rights	1,369,917	348,279	0.256	-
Sept 2015*	Performance Rights & Options	786,020	247,855	PR - 1.308 O - 0.254	-
Sept 2015*	Performance Rights & Options (M)**	1,645,155	537,449	PR - 1.181 O - 0.274	-
Sept 2014*	Performance Rights	184,141	338,983	1.8537	-
Sept 2013*	Performance Rights	163,512	234,595	1.4422	30,500
		<u>4,148,745</u>	<u>1,707,161</u>		<u>30,500</u>
Paul Lewis					
Sept 2016	Share Appreciation Rights	1,217,704	309,582	0.256	-
Sept 2015*	Performance Rights & Options	786,020	247,855	PR - 1.308 O - 0.254	-
Sept 2015*	Performance Rights & Options (M)**	822,349	344,128	PR - 1.181 O - 0.274	-
Sept 2014*	Performance Rights	175,576	323,216	1.8537	-
Sept 2013*	Performance Rights	158,062	226,775	1.4422	29,483
		<u>3,159,711</u>	<u>1,451,556</u>		<u>29,483</u>

* Adjusted for entitlement offer.

** Relates to the Moorebank Project Long Term Incentive Plan.

Qube Holdings Limited
Directors' Report
Remuneration Report
for the year ended 30 June 2017
(continued)

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 expended during the year (\$)
Executive Directors						
Maurice James						
Sept 2016	0%	-	0%	FY20	875,163	191,087
Sept 2015	0%	-	0%	FY19-FY21	691,690	230,563
Sept 2015**	0%	-	0%	FY19-FY21	537,449	179,150
Sept 2014	0%	-	0%	FY18-FY20	1,182,500	394,167
Sept 2013	19%	74,012	6%	FY17-FY19	426,963	36,371
		<u>74,012</u>			<u>3,713,765</u>	<u>1,031,338</u>
Other key management personnel						
Paul Digney						
Sept 2016	0%	-	0%	FY20	386,977	84,494
Sept 2015	0%	-	0%	FY19-FY21	259,384	86,461
Sept 2015**	0%	-	0%	FY19-FY21	340,385	113,462
Sept 2014	0%	-	0%	FY18-FY20	402,049	134,016
Sept 2013	19%	36,599	6%	FY17-FY19	211,135	17,987
		<u>36,599</u>			<u>1,599,930</u>	<u>436,420</u>
William Hara						
Sept 2016	0%	-	0%	FY20	348,279	76,045
Sept 2015	0%	-	0%	FY19-FY21	247,855	82,618
Sept 2015**	0%	-	0%	FY19-FY21	537,449	179,150
Sept 2014	0%	-	0%	FY18-FY20	338,983	112,994
Sept 2013	19%	30,500	6%	FY17-FY19	175,946	14,989
		<u>30,500</u>			<u>1,648,512</u>	<u>465,796</u>
Paul Lewis						
Sept 2016	0%	-	0%	FY20	309,582	67,596
Sept 2015	0%	-	0%	FY19-FY21	247,855	82,618
Sept 2015**	0%	-	0%	FY19-FY21	344,128	114,709
Sept 2014	0%	-	0%	FY18-FY20	323,216	107,739
Sept 2013	19%	29,483	6%	FY17-FY19	170,082	14,488
		<u>29,483</u>			<u>1,394,863</u>	<u>387,150</u>

* Adjusted for entitlement offer.

** Relates to the Moorebank Project Long Term Incentive Plan.

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

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

2017 Name	Balance at the start of the year	Granted as compensation (Standard)		Lapsed	Exercised	Other changes*	Balance at the end of the year	Unvested
		LTI						
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

Performance Rights

2017 Name	Balance at the start of the year	Granted as compensation (Standard)		Lapsed	Exercised	Other changes*	Balance at the end of the year	Unvested
		STI						
Maurice James	1,597,146	128,612	(24,671)	(299,103)	34,498	1,436,482	1,436,482	
Paul Digney	648,403	-	(12,200)	(94,318)	15,789	557,674	557,674	
William Hara	652,460	98,962	(10,166)	(133,413)	19,904	627,747	627,747	
Paul Lewis	623,335	96,046	(9,827)	(109,676)	13,953	613,831	613,831	

* Includes adjustment for entitlement offer.

Share Appreciation Rights

2017 Name	Balance at the start of the year	Granted as compensation (Standard)		Lapsed	Exercised	Other changes*	Balance at the end of the year	Unvested
		LTI						
Maurice James	-	3,418,605	-	-	23,752	3,442,357	3,442,357	
Paul Digney	-	1,511,628	-	-	10,503	1,522,131	1,522,131	
William Hara	-	1,360,465	-	-	9,452	1,369,917	1,369,917	
Paul Lewis	-	1,209,302	-	-	8,402	1,217,704	1,217,704	

* Includes adjustment for entitlement offer.

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

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(continued)

10. Statutory remuneration disclosures (continued)

(b) Ordinary share holdings

2017		Received	Received	Other	Balance at the
Name	Balance at the start of the year	during the year as part of an LTI scheme*	year as part of an STI scheme*	changes during the year	end of the year
Maurice James	6,892,020	77,859	234,877	480,317	7,685,073
Paul Digney	250,205	38,501	58,954	-	347,660
William Hara	1,447,650	32,085	107,201	156,525	1,743,461
Paul Lewis	450,000	31,015	84,035	(403,975)	161,075

* - Figures include dividend entitlement and adjustments for bonus element of entitlement offers under scheme.

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.

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

2017	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
Name	\$	\$	\$	\$	\$	\$	\$
Maurice James	5,804,600	-	(2,715,000)	166,000	-	3,089,600	5,804,600
Paul Digney	-	-	-	-	-	-	-
William Hara	1,513,500	-	-	55,000	-	1,513,500	1,513,500
Paul Lewis	681,075	-	(591,075)	14,220	-	90,000	681,075
Total	7,999,175	-	(3,306,075)	225,220	-	4,693,100	7,999,175

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.

Annexure 1 – Previous Long Term Incentive Scheme

Long-term incentives (LTIs)

In the prior year, Qube granted LTIs 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 grant are described below:

Participation	The Managing Director, other KMP and other executives who can directly influence the performance of Qube.
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	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).
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 EPS 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 EPS Performance Rights and Options only).
Expiry date	TSR Performance Rights and Options: 3 September 2018 EPS Performance Rights and Options: 3 September 2020
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 underlying 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: <ul style="list-style-type: none"> • 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 underlying EPS performance during the relevant performance period. For the FY16 grant under the plan the maximum vesting opportunity was a CAGR of 6% in EPS. If Qube's CAGR in EPS for the relevant performance period (based on the respective 30 June reported financial results) is: <ul style="list-style-type: none"> • 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%. <p>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.</p>

Qube Holdings Limited
Directors' Report
Remuneration Report
for the year ended 30 June 2017
(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 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: <ol style="list-style-type: none"> 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

Qube Holdings Limited
Directors' Report
for the year ended 30 June 2017
(continued)

Loans to directors and executives

Information on loans to directors and executives, including amounts, interest rates and repayment terms are set out on page 45.

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:

	2017	2016
	\$'000	\$'000
Non-audit services		
Taxation services		
PwC Australian firm:		
Tax compliance services	119.4	98.7
Tax consulting services	632.3	400.6
Total remuneration for taxation services	751.7	499.3
Other services		
Due diligence services	167.0	2,301.6
Other services	254.4	174.8
Total remuneration for non-audit services	1,173.1	2,975.7

Qube Holdings Limited
Directors' Report
for the year ended 30 June 2017
(continued)

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 50.

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 2017

Auditor's independence declaration



Auditor's Independence Declaration

As lead auditor for the audit of Qube Holdings Limited for the year ended 30 June 2017, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

A handwritten signature in black ink, appearing to read 'N R McConnell'.

N R McConnell
Partner
PricewaterhouseCoopers

Sydney
22 August 2017

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One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, SYDNEY NSW 2001
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Liability limited by a scheme approved under Professional Standards Legislation.

Qube Holdings Limited
Consolidated statement of comprehensive income
for the year ended 30 June 2017

Consolidated statement of comprehensive income

	Notes	2017 \$m	2016 \$m
Revenue from continuing operations			
Revenue from sales and services	3	1,418.1	1,264.8
Other income	3	94.7	67.7
		1,512.8	1,332.5
Direct transport and logistics costs		(370.1)	(332.9)
Repairs and maintenance costs		(88.7)	(85.4)
Employee benefits expense	4	(557.0)	(499.3)
Fuel, oil and electricity costs		(83.5)	(75.7)
Occupancy and property costs		(81.4)	(62.8)
Depreciation and amortisation expense	4	(113.4)	(101.5)
Professional fees		(10.3)	(11.1)
Loss on disposal of available-for-sale financial assets		(26.1)	-
Impairment of non-current assets	4	(26.4)	(21.3)
Reversal of impairment of non-current assets	4	-	17.6
Other expenses		(16.0)	(12.5)
Total expenses		(1,372.9)	(1,184.9)
Finance income		23.9	1.5
Finance costs	4	(36.5)	(33.6)
Net finance costs		(12.6)	(32.1)
Share of net profit/(loss) of associates accounted for using the equity method		(22.6)	12.6
Profit before income tax		104.7	128.1
Income tax expense	13	(27.4)	(35.6)
Profit for the year		77.3	92.5
Other comprehensive income net of tax:			
Exchange differences on translation of foreign operations		-	4.1
Change in value of available-for-sale financial assets	18(a)	(7.0)	7.0
Total comprehensive income for the year		70.3	103.6
Profit for the year is attributable to:			
Owners of Qube Holdings Limited		77.3	82.0
Non-controlling interests		-	10.5
		77.3	92.5
Total comprehensive income for the year is attributable to:			
Owners of Qube Holdings Limited		70.3	93.1
Non-controlling interests		-	10.5
		70.3	103.6
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
		Cents	Cents
Basic earnings per share	5	5.4	7.2*
Diluted earnings per share	5	5.3	7.2*

* The comparative information has been restated to include the dilutive impact of the bonus element of the entitlement offer.

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

Qube Holdings Limited
Consolidated balance sheet
as at 30 June 2017

Consolidated balance sheet

	Notes	2017 \$m	2016 \$m
ASSETS			
Current assets			
Cash and cash equivalents	20(a)	190.8	76.6
Trade and other receivables	6	296.3	203.7
Inventories		2.0	2.4
Current tax receivable	13(c)	4.4	2.5
Available-for-sale financial assets	29	-	543.7
Total current assets		493.5	828.9
Non-current assets			
Financial assets at fair value through profit or loss		-	1.0
Loans and receivables	7	344.4	-
Investment in equity accounted investments	23	757.7	225.8
Property, plant and equipment	8	906.6	828.3
Investment properties	9	394.5	367.7
Intangible assets	10	782.2	630.7
Other assets		3.2	9.2
Total non-current assets		3,188.6	2,062.7
Total assets		3,682.1	2,891.6
LIABILITIES			
Current liabilities			
Trade and other payables	11	156.0	100.1
Borrowings	19	0.8	159.4
Derivative financial instruments	29	0.2	0.7
Provisions	12	72.0	65.0
Total current liabilities		229.0	325.2
Non-current liabilities			
Trade and other payables	11	4.8	2.2
Borrowings	19	801.1	513.6
Deferred tax liabilities	15	25.4	1.5
Derivative financial instruments	29	0.5	2.5
Provisions	12	8.7	9.3
Total non-current liabilities		840.5	529.1
Total liabilities		1,069.5	854.3
Net assets		2,612.6	2,037.3
EQUITY			
Contributed equity	17	2,450.5	1,782.2
Reserves	18	(3.0)	(9.6)
Retained earnings	18	165.1	166.5
Capital and reserves attributable to owners of Qube		2,612.6	1,939.1
Non-controlling interests	25	-	98.2
Total equity		2,612.6	2,037.3

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 2017

Consolidated statement of changes in equity

	Notes	Attributable to owners of Qube					Total equity \$m
		Contributed equity	Reserves	Retained earnings	Total	Non-con- trolling interests	
		\$m	\$m	\$m	\$m	\$m	
Balance at 30 June 2015		1,284.7	(28.7)	141.5	1,397.5	90.8	1,488.3
Profit for the year		-	-	82.0	82.0	10.5	92.5
Other comprehensive income		-	11.1	-	11.1	-	11.1
Total comprehensive income for the year		-	11.1	82.0	93.1	10.5	103.6
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs and tax	17(a)	499.6	-	-	499.6	4.0	503.6
Acquisition of treasury shares, less shares transferred	17(b)	(2.1)	-	-	(2.1)	-	(2.1)
Transactions with non-controlling interests		-	-	-	-	(7.1)	(7.1)
Dividends provided for or paid		-	-	(57.0)	(57.0)	-	(57.0)
Employee share scheme	18(a)	-	8.0	-	8.0	-	8.0
		497.5	8.0	(57.0)	448.5	(3.1)	445.4
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

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

Qube Holdings Limited
Consolidated statement of cashflows
for the year ended 30 June 2017

Consolidated statement of cash flows

	2017	2016
Notes	\$m	\$m
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	1,537.0	1,467.8
Payments to suppliers and employees (inclusive of goods and services tax)	(1,337.2)	(1,231.9)
	199.8	235.9
Dividends and distributions received	56.6	12.8
Interest received	10.2	1.5
Other revenue	0.1	0.2
Interest paid	(34.0)	(33.5)
Income taxes paid	(27.7)	(34.6)
Net cash inflow from operating activities	205.0	182.3
Cash flows from investing activities		
Payment for acquisition of businesses, net of cash acquired	22 (98.2)	(14.8)
Payments for property, plant and equipment	(96.5)	(107.3)
Payments for investment property development expenditure	(26.8)	(14.7)
Payments for investment in equity accounted investments	(144.1)	-
Payments for additional investment in associates	(6.3)	(26.2)
Payments for available-for-sale financial assets	-	(541.6)
Payments for settlement of contingent consideration	-	(3.4)
Payments for the acquisition of non-controlling interests	(98.9)	-
Loans to related entities	(372.6)	-
Loan repayments from related entities	26.0	5.0
Proceeds from the disposal of available-for-sale financial assets	1.0	-
Proceeds from sale of property, plant and equipment	19.6	9.1
Net cash outflow from investing activities	(796.8)	(693.9)
Cash flows from financing activities		
Proceeds from issues of shares	17(a) 656.6	494.2
Proceeds from the issue of units to non-controlling interests	-	4.0
Share issue transaction costs	(14.7)	(9.6)
Payments for treasury shares	17(b) (1.1)	(3.2)
Proceeds from borrowings	1,439.1	1,116.5
Repayment of borrowings	(1,306.0)	(1,032.5)
Finance lease payments	(9.7)	(15.3)
Dividends paid to Company's shareholders	(57.4)	(44.8)
Distributions paid to non-controlling interests	(0.8)	(9.7)
Net cash inflow from financing activities	706.0	499.6
Net decrease in cash and cash equivalents	114.2	(12.0)
Cash and cash equivalents at the beginning of the financial year	76.6	88.2
Effects of exchange rate changes on cash and cash equivalents	-	0.4
Cash and cash equivalents at end of year	190.8	76.6
Non-cash investing and financing activities	30(b) 528.9	12.3

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

Qube Holdings Limited
Notes to the consolidated financial statements
for the year ended 30 June 2017

Notes to the consolidated financial statements

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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 2017 were authorised for issue in accordance with a resolution of the directors on 22 August 2017. 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 2016. 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 Group has changed the layout and order of the notes to make them more relevant and easily understandable to shareholders. 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.

Qube Holdings Limited
Notes to the consolidated financial statements
for the year ended 30 June 2017
(continued)

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.

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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.

Logistics

The primary focus of the Logistics division is on providing 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 full and empty 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 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.

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 facilities management, 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, ship loading facilities and stevedoring.

Qube handles a diverse range of commodities including iron ore, copper, nickel concentrate and mineral sands. The main operations are located in Western Australia and Queensland with significant operations in New Zealand.

Strategic Assets

This division currently comprises the Moorebank Industrial Property Trust (MIPT), which owns an 83 hectare parcel of land at Moorebank; a strategically located property at Minto in Sydney's south west; a 39.9% interest in the Quattro Grain joint venture, and a 50% shareholding in TQ Holdings Pty Limited, a joint venture with Japanese petroleum group JXTG Group. ('Tonen') to develop fuel storage facilities in Australia.

On 30 November 2016, Qube completed the acquisition of the 50% of AAT it did not already own. From 1 December 2016, AAT's results have been reported in the Strategic Assets division whereas Qube's 50% interest was previously reported as an Associate in the Ports & Bulk division.

MIPT's Moorebank property will be developed as part of a broader precinct development involving both MIPT's land and a larger parcel of land owned by the Commonwealth Government that will be leased to Qube for 99 years. 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. In December 2016, Qube acquired Aurizon's interest in MIPT (33%) and all of its interest in the Moorebank project for \$98.9 million giving Qube 100% ownership of MIPT and the project.

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

On 18 August 2016, Qube completed the acquisition of a 50% interest in 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.

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.

Qube Holdings Limited
Notes to the consolidated financial statements
for the year ended 30 June 2017
(continued)

(a) Segment information provided to the Board

2017	Logistics \$m	Ports & Bulk \$m	Strategic Assets \$m	Corporate and Other \$m	Patrick \$m	Total \$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:						
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
Tax expense on above items	-	-	-	-	(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

Qube Holdings Limited
Notes to the consolidated financial statements
for the year ended 30 June 2017
(continued)

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

2016	Logistics \$m	Ports & Bulk \$m	Strategic Assets \$m	Corporate and Other \$m	Total \$m
Revenue and other income	594.3	676.1	53.7	8.4	1,332.5
Fair value gains	-	-	(12.8)	-	(12.8)
Underlying revenue	594.3	676.1	40.9	8.4	1,319.7
A reconciliation of net profit/(loss) before income tax to underlying net profit after tax attributable to members is as follows:					
Net profit/(loss) before income tax	59.3	58.8	45.5	(35.5)	128.1
Share of (profit)/loss of equity accounted investments	-	(13.2)	0.6	-	(12.6)
Finance (income) / cost	(0.4)	1.6	(0.2)	31.1	32.1
Depreciation and amortisation	33.7	67.3	0.4	0.1	101.5
EBITDA	92.6	114.5	46.3	(4.3)	249.1
Impairment of investment in associate	-	21.3	-	-	21.3
Net reversal of impairment of property, plant and equipment	-	(17.6)	-	-	(17.6)
Fair value gains	-	-	(12.8)	-	(12.8)
Non-recurring restructure costs	-	2.9	-	-	2.9
FY15 Moorebank STI	-	-	-	0.3	0.3
Other	-	3.1	-	-	3.1
Underlying EBITDA	92.6	124.2	33.5	(4.0)	246.3
Depreciation	(30.9)	(61.5)	-	(0.2)	(92.6)
Underlying EBITA	61.7	62.7	33.5	(4.2)	153.7
Amortisation	(2.8)	(5.7)	(0.4)	-	(8.9)
Underlying EBIT	58.9	57.0	33.1	(4.2)	144.8
Underlying net Interest income/(expense)	0.4	(1.6)	0.2	(31.1)	(32.1)
Underlying share of profit/(loss) of equity accounted investments	-	14.7	(0.6)	-	14.1
Underlying net profit/(loss) before income tax	59.3	70.1	32.7	(35.3)	126.8
Underlying income tax expense	(17.8)	(16.6)	(10.0)	10.6	(33.8)
Underlying net profit/(loss)	41.5	53.5	22.7	(24.7)	93.0
Underlying non-controlling interests	-	-	(6.5)	-	(6.5)
Underlying net profit/(loss) after tax attributable to members	41.5	53.5	16.2	(24.7)	86.5
Underlying net profit/(loss) after tax before amortisation attributable to members	43.5	57.5	16.5	(24.7)	92.8
Underlying diluted earnings per share (cents per share)					7.6*
Underlying diluted earnings pre-amortisation (cents per share)					8.1*
Total segment assets	732.5	1,162.1	426.3	570.7	2,891.6
Total assets include:					
Investments in associates and joint ventures	-	178.1	47.7	-	225.8
Available-for-sale financial assets	-	-	-	543.7	543.7
Additions to non-current assets (other than financial assets and deferred tax)	20.0	100.2	40.6	9.7	170.5
NCI share of total assets	-	-	100.2	-	100.2
Total segment liabilities	75.4	132.4	5.2	641.3	854.3

* The comparative information has been restated to include the dilutive impact of the bonus element of the entitlement offer.

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 in FY17.

Qube Holdings Limited
Notes to the consolidated financial statements
for the year ended 30 June 2017
(continued)

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.

(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.

Qube Holdings Limited
Notes to the consolidated financial statements
for the year ended 30 June 2017
(continued)

3. Revenue and Other income

	2017	2016
	\$m	\$m
Revenue		
Sales revenue - transport and logistics services rendered	1,418.1	1,264.8
Other income		
Rental and property related income	10.2	21.6
Net lease surrender payment	-	23.2
Fair value gains on investment property	22.4	12.8
Dividend income	53.3	8.0
Net gain on disposal of property, plant & equipment	1.3	-
Development management fees	4.3	0.9
Other	3.2	1.2
	94.7	67.7

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
for the year ended 30 June 2017
(continued)

4. Expenses

	2017	2016
	\$m	\$m
Profit before income tax includes the following specific expenses:		
Depreciation		
Buildings	2.8	2.6
Plant and equipment	88.5	82.7
Leasehold improvements	11.1	7.3
Total depreciation (<i>refer note 8</i>)	102.4	92.6
Amortisation		
Customer contracts	8.6	8.5
Port concessions	2.2	-
Operating rights	0.2	0.4
Total amortisation (<i>refer note 10</i>)	11.0	8.9
Total depreciation and amortisation expense	113.4	101.5
Finance expense		
Interest and finance charges paid/payable	38.6	32.2
Finance lease charges expensed	0.4	1.3
Total interest and finance charges expense	39.0	33.5
Fair value adjustments – derivative instruments	(2.5)	0.1
Total finance costs expense	36.5	33.6
Rental expense relating to operating leases		
Property	65.0	49.5
Motor vehicles	1.5	2.1
Plant and equipment	36.2	30.3
Total rental expense relating to operating leases	102.7	81.9
Employee benefits expense		
Defined contribution superannuation expenses	32.7	32.1
Share-based payment expenses (<i>refer note 34 c</i>)	6.9	6.5
Other employee benefits expense	517.4	460.7
Total employee benefits expense	557.0	499.3
Other expenses includes:		
Net reversal of impairment of property, plant and equipment (<i>refer note 8</i>)	-	(17.6)
Impairment of property, plant and equipment (<i>refer note 8</i>)	8.1	-
Impairment of investment in associate (<i>refer note 23</i>)	18.3	21.3
	26.4	4.7

ACCOUNTING POLICY

Borrowing costs

Borrowing costs are expensed over the life of the borrowing facility.

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.

Qube Holdings Limited
Notes to the consolidated financial statements
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5. Earnings per share

	2017	2016
(a) Basic earnings per share	Cents	Cents
Total basic earnings per share attributable to the ordinary equity holders of the Company	5.4	7.2
(b) Diluted earnings per share		
Total diluted earnings per share attributable to the ordinary equity holders of the Company	5.3	7.2
(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	77.3	82.0
(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	1,442,999,902	1,136,982,056
Diluted earnings per share	1,450,829,684	1,144,427,997

* The comparative information has been restated to include the dilutive impact of the bonus element of the entitlement offer.

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.

Qube Holdings Limited
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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.

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6. Trade and other receivables

	2017	2016
Current	\$m	\$m
Trade receivables	220.1	168.0
Provision for impairment of receivables (a)	(8.2)	(9.7)
	211.9	158.3
Prepayments	17.1	14.8
Accrued revenue	32.2	20.8
Interest receivable	13.6	-
Return of capital – TQ Holdings Pty Limited	8.7	-
Other	12.8	9.8
	296.3	203.7

(a) Impaired trade receivables

As at 30 June 2017 current trade receivables of the Group with a nominal value of \$8.2 million (2016: \$9.7 million) were impaired. The amount of the provision was \$8.2 million (2016: \$9.7 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.

	2017	2016
	\$m	\$m
The ageing of these receivables is as follows:		
Up to 3 months	-	(0.8)
3 months and greater	(8.2)	(8.9)
	(8.2)	(9.7)

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

Carrying amount at start of year	(9.7)	(9.3)
Provision for impairment recognised during the year	(1.2)	(1.8)
Receivables written off during the year as uncollectible	2.7	1.4
Carrying amount at end of year	(8.2)	(9.7)

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(b) Past due but not impaired

As at 30 June 2017, current trade receivables of \$39.9 million (2016: \$23.6 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:

	2017	2016
	\$m	\$m
Up to 3 months	37.6	21.0
3 months and greater	2.3	2.6
	39.9	23.6

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.

Qube Holdings Limited
Notes to the consolidated financial statements
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 (continued)

7. Loans and Receivables

	2017	2016
	\$m	\$m
Loans and receivables	344.4	-

During the year the Group provided a related party loan to Patrick as part of the acquisition of its 50% interest. 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 2017 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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8. Property, plant and equipment

	Land and buildings \$m	Plant and equipment \$m	Leasehold improvements \$m	Total \$m
Year ended 30 June 2016				
Opening net book amount	126.3	532.3	130.7	789.3
Acquisition of business	-	11.8	-	11.8
Additions	34.3	54.9	18.1	107.3
Disposals	-	(9.0)	(0.3)	(9.3)
Exchange rate differences	-	4.2	-	4.2
Reclassifications	(14.1)	-	14.1	-
Net reversal of impairment loss	-	17.6	-	17.6
Depreciation charge	(2.6)	(82.7)	(7.3)	(92.6)
Closing net book amount	143.9	529.1	155.3	828.3
At 30 June 2016				
Cost	160.6	841.4	205.5	1,207.5
Accumulated depreciation	(16.7)	(312.3)	(50.2)	(379.2)
Net book amount	143.9	529.1	155.3	828.3
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

(a) Leased assets

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

	2017 \$m	2016 \$m
Leased equipment		
Cost	3.9	37.1
Accumulated depreciation	(1.9)	(21.1)
Net book amount	2.0	16.0

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

(b) Impairment loss

In FY17 Qube impaired the carrying value of its Dampier Transfer facility and related barge by approximately \$8.1 million.

Management has reassessed the value based on an expectation of no significant improvement in volumes in the medium term. The updated valuation is based on the FY18 budget and medium term forecasts and indicates an impairment of \$8.1 million. Although the facility remains strategic, activity levels are not forecast to pick up materially over the forecast period, and therefore do not support the current carrying value of the asset.

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 indicators 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.

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9. Investment properties

	2017	2016
	\$m	\$m
Opening balance at 1 July	367.7	342.0
Capitalised subsequent expenditure	27.7	14.7
Net gain from fair value adjustments	22.4	12.8
Transfer from intangible assets	4.5	-
Reclassification to property, plant & equipment	(32.1)	-
Finance lease asset	3.3	-
Capitalised interest	1.0	-
Straight-lining of operating lease rental income	-	(1.8)
Closing balance at 30 June	394.5	367.7

(a) Measuring investment property at fair value

Investment properties, principally industrial assets held at strategic locations in 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.

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

	2017	2016
	\$m	\$m
Rental income	7.0	16.9
Net lease surrender payment	-	23.2
Direct operating expenses from property that generated rental income	(0.9)	(2.5)
Direct operating expenses from property that did not generate rental income	(2.9)	(3.7)

(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:

	2017	2016
	\$m	\$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	2.6	3.1
Later than one year but not later than 5 years	3.0	3.1
Later than 5 years	-	-
	5.6	6.2

ACCOUNTING POLICY

Investment properties principally comprise freehold 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 Moorebank Logistics Park which is currently under development is classified as investment properties and stated at its 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 2017, the fair value for 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.

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10. Intangible assets

	Goodwill	Operating rights	Port Concessions	Customer contracts	Total
	\$m	\$m	\$m	\$m	\$m
Year ended 30 June 2016					
Opening net book amount	589.0	5.1	-	41.2	635.3
Acquisition of business	2.9	-	-	-	2.9
Exchange differences	1.0	-	-	0.4	1.4
Amortisation charge	-	(0.4)	-	(8.5)	(8.9)
Closing net book amount	592.9	4.7	-	33.1	630.7
At 30 June 2016					
Cost	592.9	7.6	-	67.4	667.9
Accumulated amortisation and impairment	-	(2.9)	-	(34.3)	(37.2)
Net book amount	592.9	4.7	-	33.1	630.7
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)
Exchange differences	-	-	-	-	-
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

(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.

	2017	2016
	\$m	\$m
Logistics	230.6	222.6
Ports & Bulk	369.5	370.3
Strategic Assets (AAT)	46.3	-
	646.4	592.9

(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 2018 to 2021 period. No significant changes to the methodology of the underlying models and assumptions have been made.

Terminal values after year three 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.

CGU	Long-term growth rate		Discount rate	
	2017 %	2016 %	2017 %	2016 %
Logistics	2.5	2.5	12.5	12.3
Ports & Bulk	2.5	2.5	12.4	12.1
Strategic Assets (AAT)	2.5	-	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 Strategic Asset (AAT) divisions.

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11. Trade and other payables

	2017	2016
	\$m	\$m
Current		
Trade payables and accruals	149.5	94.6
GST payable	6.5	5.5
	156.0	100.1
Non-current		
Trade payables and accruals	0.3	0.2
Contingent consideration	4.5	2.0
	4.8	2.2

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

	2017			2016		
	Current \$m	Non-current \$m	Total \$m	Current \$m	Non-current \$m	Total \$m
Employee benefits	70.0	8.7	78.7	60.5	8.1	68.6
Onerous contract (property lease)	1.2	-	1.2	3.0	1.2	4.2
Provision for distribution	-	-	-	0.9	-	0.9
Other	0.8	-	0.8	0.6	-	0.6
	72.0	8.7	80.7	65.0	9.3	74.3

(a) Movements in provisions

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

2017	Onerous contract \$m	Provision for distribution \$m	Other \$m	Total \$m
Carrying amount at beginning of year	4.2	0.9	0.6	5.7
Charged/(credited) to profit or loss				
• additional provisions recognised	-	-	0.2	0.2
• unused amounts reversed	-	-	-	-
Amounts used during the year	(3.0)	(0.9)	-	(3.9)
Carrying amount at end of year	1.2	-	0.8	2.0

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(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:

	2017	2016
	\$m	\$m
Leave obligations expected to be settled after 12 months	16.4	15.7

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.

Note	Page
13. Income tax expense	77
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13. Income tax expense

	2017	2016
	\$m	\$m
(a) Income tax expense		
Current tax	24.7	29.0
Deferred tax assets	(61.5)	6.8
Deferred tax liabilities	64.4	-
Adjustments for current tax of prior periods	(0.2)	(0.2)
	27.4	35.6
Deferred income tax expense included in income tax expense comprises:		
(Increase) / Decrease in deferred tax assets	(61.5)	6.8
Increase in deferred tax liabilities	64.4	-
	2.9	6.8
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit before income tax expense	104.7	128.1
Tax at the Australian tax rate of 30% (2016: 30%)	31.4	38.4
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Non-assessable equity accounted (profit)/loss	6.8	(3.8)
Deferred tax not recognised on investment properties fair value gain	(1.1)	(3.6)
Deferred tax not recognised on impairment of an associate	5.4	6.4
Rebatable dividends	(16.0)	(2.4)
Share-based payments	0.2	0.3
Sundry items	0.7	0.3
Income tax expense	27.4	35.6
(c) Numerical reconciliation of prima facie tax payable to income tax payable/(receivable)		
Income tax expense	27.4	35.6
Movement in deferred tax	(2.1)	3.6
PAYG Instalments paid	(29.7)	(41.7)
Income tax receivable	(4.4)	(2.5)

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	2017	2016
(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	4.4	(0.1)

(e) Effective tax rates

Australian accounting consolidated group effective tax rate	26%	28%
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The above effective tax rate has been calculated as income tax expense divided by accounting profit for the Australian accounting consolidated group. The effective rate is lower than the Australian tax rate of 30% primarily due to franked dividends received which have been partially offset by non-assessable equity accounted profits and deferred tax not recognised on impairment of associate.

14. Deferred tax assets

	2017	2016
	\$m	\$m
The balance comprises temporary differences attributable to:		
Employee benefits	23.7	21.2
Plant and equipment	14.8	7.2
Capital losses ¹	62.1	-
Other	10.2	10.6
Total deferred tax assets	110.8	39.0
Set-off of deferred tax assets/liabilities pursuant to set-off provisions	(110.8)	(39.0)
Net deferred tax assets	-	-
Deferred tax assets expected to be recovered within 12 months	36.8	26.9
Deferred tax assets expected to be recovered after more than 12 months	74.0	12.1
	110.8	39.0

	Employee benefits	Plant and equipment	Capital Losses	Other	Total
Movements in deferred tax assets:	\$m	\$m	\$m	\$m	\$m
At 1 July 2015	21.9	9.9	-	11.0	42.8
Credited/(charged)					
• to profit or loss	(0.7)	(2.7)	-	(3.4)	(6.8)
• to other comprehensive income	-	-	-	2.9	2.9
Acquisition of subsidiary	-	-	-	0.1	0.1
At 30 June 2016	21.2	7.2	-	10.6	39.0
Credited/(charged)					
• to profit or loss	2.3	2.5	62.1	(5.4)	61.5
• 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	62.1	10.2	110.8

¹ Recognised to the extent that they are offset by a deferred tax liability relating to unrealised potential future capital gains relation to investment property carried at their value (see Note15).

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(continued)

15. Deferred tax liabilities

	2017	2016
	\$m	\$m
The balance comprises temporary differences attributable to:		
Plant and equipment	22.4	20.5
Intangible assets	40.5	9.7
Investment property	72.3	4.3
Other provisions	1.0	6.0
	136.2	40.5
Set-off of deferred tax assets/liabilities pursuant to set-off provisions	(110.8)	(39.0)
Net deferred tax liabilities	25.4	1.5
Deferred tax liabilities expected to be settled within 12 months	6.6	5.4
Deferred tax liabilities expected to be settled after more than 12 months	129.6	35.1
	136.2	40.5

Movements in deferred tax liabilities:	Plant and equipment	Intangible assets	Investment property	Other provisions	Total
	\$m	\$m	\$m	\$m	\$m
At 1 July 2015	17.0	12.0	4.2	4.0	37.2
Charged/(credited)					
• to profit or loss	3.4	(2.5)	0.1	(1.0)	-
• to other comprehensive income	-	-	-	3.0	3.0
Acquisition of subsidiaries	0.1	0.2	-	-	0.3
At 30 June 2016	20.5	9.7	4.3	6.0	40.5
Charged/(credited)					
• to profit or loss	1.9	(3.3)	68.0	(2.2)	64.4
• directly to equity	-	-	-	(2.8)	(2.8)
Acquisition of subsidiaries	-	34.1	-	-	34.1
At 30 June 2017	22.4	40.5	72.3	1.0	136.2

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.

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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.

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16. Dividends	81
17. Contributed equity	82
18. Reserves and retained earnings	84
19. Borrowings	86

16. Dividends

	2017 \$m	2016 \$m
(a) Ordinary shares		
Final dividend for the year ended 30 June 2016 of 2.8 cents per fully paid share paid on 11 October 2016 (2015: 2.7 cents per share paid on 7 October 2016)		
Fully franked based on tax paid at 30%	40.5	29.6
Interim dividend for the year ended 30 June 2017 of 2.7 cents per fully paid share paid on 5 April 2017 (2016: 2.7 cents per share paid on 6 April 2016)		
Fully franked based on tax paid at 30%	39.2	28.6
	79.7	58.2

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

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, (2016: 2.8 cents) fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 12 October 2017 (2016: 11 October 2016) out of retained earnings at 30 June 2017, but not recognised as a liability at the end of the year, is

	44.9	40.5
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(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 2017.

	Consolidated		Parent entity	
	2017	2016	2017	2016
	\$m	\$m	\$m	\$m
Franking credits available for subsequent financial years based on a tax rate of 30% (2016: 30%)	89.4	86.5	89.4	86.5

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.

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17. Contributed equity

Share capital	Notes	2017 Shares	2016 Shares	2017 \$m	2016 \$m
Ordinary shares					
Fully paid	(a)	1,603,556,503	1,303,662,847	2,469.2	1,801.6
Less: Treasury shares	(b)	(7,566,410)	(8,500,479)	(18.7)	(19.4)
Total contributed equity		1,595,990,093	1,295,162,368	2,450.5	1,782.2

(a) Movements in ordinary shares:

Date	Details	Number of shares	Issue price	\$m
1 July 2015	Opening balance	1,056,700,287		1,302.0
7 October 2015	Dividend reinvestment plan	3,875,480	\$1.9790	7.7
24 March 2016	Institutional entitlement offer	121,901,450	\$2.0500	249.9
6 April 2016	Dividend reinvestment plan	2,035,182	\$2.2377	4.6
8 April 2016	Retail entitlement offer	119,150,448	\$2.0500	244.3
	Less: Transaction costs arising on share issues, net of tax			(6.9)
30 June 2016	Closing 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

(b) Movements in treasury shares:

Date	Details	Number of shares	Average purchase price	\$m
1 July 2015	Opening balance	(7,367,178)	\$2.3437	(17.3)
	Transfer of treasury shares	440,862	\$2.3855	1.1
	Treasury shares purchased	(1,574,163)	\$2.0500	(3.2)
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)
30 June 2017	Closing Balance	(7,566,410)	\$2.473	(18.7)

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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) Employee share scheme

Information relating to the employee share schemes, including details of shares issued under these schemes is set out in note 34.

(f) 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.

(g) 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

	2017 \$m	2016 \$m
Reserves		
Business combination reserve	28.4	28.4
Share-based payments reserve	8.7	(5.6)
Transactions with non-controlling interests reserve	(40.2)	(39.5)
Foreign currency translation reserve	0.1	0.1
Available-for-sale financial asset reserve	-	7.0
	(3.0)	(9.6)
(a) Movements in reserves:		
Share-based payments reserve		
Balance 1 July	(5.6)	(13.6)
Loans repaid	7.4	1.5
Employee share plan expense	6.9	6.5
Balance 30 June	8.7	(5.6)
Transactions with non-controlling interests reserve		
Balance 1 July	(39.5)	(39.5)
Acquisition of non-controlling interest – excess consideration	(0.7)	-
Balance 30 June	(40.2)	(39.5)
Available-for-sale financial asset reserve		
Balance 1 July	7.0	-
Disposal of investment	(7.0)	-
Revaluation net of deferred tax	-	7.0
Balance 30 June	-	7.0

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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.

Retained earnings

	2017	2016
	\$m	\$m
Movements in retained earnings were as follows:		
Balance 1 July	166.5	141.5
Net profit for the year	77.3	82.0
Dividends paid	(78.7)	(57.0)
Balance 30 June	165.1	166.5

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19. Borrowings

	2017	2016
	\$m	\$m
Current		
Unsecured		
Bank loans	-	150.0
Secured		
Finance lease liabilities (note 27b(ii))	0.8	9.4
Total current borrowings	0.8	159.4
Non-current		
Unsecured		
Bank loans	352.0	517.0
Subordinated notes	305.0	-
Other financiers (CEFC)	150.0	-
Less capitalised establishment costs	(9.5)	(4.6)
	797.5	512.4
Secured		
Finance lease liabilities ((note 27b(ii))	3.6	1.2
Total non-current borrowings	801.1	513.6

Bank and other facilities

The following table provides details of components of the bank facilities:

Facility	Maturity	2017		2016	
		Facility	Utilised*	Facility	Utilised
Syndicated revolving facility	Dec-19	750.0	265.0	750.0	480.0
Bilateral revolving facility (NZD)	Dec-19	40.0	37.0	40.0	37.0
Bilateral revolving facility	Mar-19	150.0	-	150.0	-
Bilateral revolving facility	May-19	90.0	-	90.0	-
Bilateral term facility	July-19	50.0	50.0	50.0	-
Bilateral bridge facility	Sep-16	-	-	150.0	150.0
Subordinated note issue	Oct-23	305.0	305.0	-	-
Bilateral term facility	Jun-24	150.0	150.0	-	-

* Excludes bank guarantees drawn totaling \$28.9 million (2016: \$22.9 million) drawn under the Syndicated Facility.

During the year Qube entered into a 7 year senior unsecured \$150.0 million bilateral term debt facility with Clean Energy Finance Corporation. The funds will assist in providing medium-term finance for the staged construction of the Moorebank Logistics Park which will not only take emissions-intensive trucks off Australian roads and increase the use of rail to distribute containerised freight to and from Port Botany, it will also incorporate large-scale renewable energy sources.

During the period the group raised \$305 million (before costs) via an ASX listed 7 year subordinated note issue. These funds have been used to pay down existing debt facilities. The notes pay a floating rate quarterly coupon of the 90 day BBSW plus 3.9%, are non-amortising, have no conversion rights and mature in October 2023.

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	2017	2016
(a) Secured liabilities and assets pledged as security	\$m	\$m
The total secured liabilities (current and non-current) are as follows:		
Finance lease liabilities	4.4	10.6
Total secured liabilities	4.4	10.6

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:

	2017	2016
	\$m	\$m
Finance lease		
Plant and equipment (note 8(a))	2.0	16.0

(b) Compliance with loan covenants

The Group has complied with the financial covenants of its borrowing facilities during the 2017 and 2016 reporting periods.

(c) Fair value

The carrying amounts and fair values of borrowings at the end of reporting period are:

	2017		2016	
	Carrying amount	Fair value	Carrying amount	Fair value
	\$m	\$m	\$m	\$m
On-balance sheet				
Non-traded financial liabilities				
Bank loans	348.8	362.0	662.4	667.0
Subordinated notes	299.7	305.0	-	-
Other financiers	149.0	150.0	-	-
Finance lease liabilities	4.4	4.4	10.6	10.6
Traded financial liabilities				
Interest rate hedging instruments	0.7	0.7	3.2	3.2
	802.6	822.1	676.2	680.8

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.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. 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.

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20. Financial risk management

Qube is exposed to credit risk, market risk including interest rate risk and price 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 and money market securities issued by the major domestic 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 2017 (30 June 2016: Nil).

There were no significant credit risk to counterparties at 30 June 2017 or 30 June 2016.

The carrying amounts of cash and cash equivalents, receivables, inventories, and money market securities 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.

	2017	2016
	\$m	\$m
Cash and cash equivalents		
AA-	190.8	76.6

(b) Market risk

(i) Cash flow and fair value 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 cash flow interest rate risk. Qube's 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 very large unexpected adverse movements in interest rates which Qube cannot fully offset through its earnings via the use of floating-to-fixed interest rate caps, collars and swaps. 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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	2017	2016
	\$m	\$m
Qube's exposure to cash flow interest rate risk is set out in the following table:		
Bank and other loans	807.0	667.0
Less: Fixed rate loans	(200.0)	-
Cash	(190.8)	(76.6)
Net exposure to cash flow interest rate risk	416.2	590.4
Interest rate hedging in place	185.7	225.2

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. The Group analyses its interest rate exposure on a dynamic basis.

The sensitivities of Qube's monetary assets and liabilities to interest rate risk is summarised in (ii) below. The analysis is based on the assumption that interest rates changed +/100 basis points (2016 – +/100 basis points) from the year end rates with all other variables held constant.

(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 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, historical correlation of Qube's investments with the relevant benchmark 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, markets and securities 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
	\$m	\$m	\$m	\$m
2017				
Total increase/(decrease)	2.2	2.2	(2.4)	(2.4)
2016				
Total increase/(decrease)	3.1	3.1	(3.4)	(3.4)

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(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:

	2017	2016
	\$m	\$m
Floating rate		
Expiring within one year	-	-
Expiring beyond one year*	699.1	540.1
	699.1	540.1

* Undrawn facilities adjusted for \$28.9 million in bank guarantees (2016: \$22.9 million) drawn under the working capital facilities.

Subject to the continuance of satisfactory covenant compliance, the bank loan facilities may be drawn down at any time and have an average maturity of 3.0 years (2016: 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.

	Less than 1 month \$m	1-6 months \$m	6-12 months \$m	Greater than 1 year \$m
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
Consolidated as at 30 June 2016				
Trade and other payables	98.5	-	-	-
Financial liabilities at fair value through profit or loss	-	-	0.6	1.9
Borrowings	2.4	156.9	4.9	518.2
Total financial liabilities	100.9	156.9	5.5	520.1

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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 2017 on a recurring basis:

	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
At 30 June 2017				
Recurring fair value measurements				
Assets				
Investment properties	-	-	394.5	394.5
Total assets	-	-	394.5	394.5
Liabilities				
Contingent consideration payable	-	-	4.5	4.5
Derivatives used for hedging	-	0.9	-	0.9
Total liabilities	-	0.9	4.5	5.4
At 30 June 2016				
Recurring fair value measurements				
Assets				
Investment properties	-	296.7	71.0	367.7
Available-for-sale financial assets	543.7	-	-	543.7
Financial assets at fair value through profit or loss	1.0	-	-	1.0
Total assets	544.7	296.7	71.0	912.4
Liabilities				
Contingent consideration payable	-	-	2.0	2.0
Derivatives used for hedging	-	3.2	-	3.2
Total liabilities	-	3.2	2.0	5.2

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 2017 or 30 June 2016.

(b) Valuation techniques used to determine fair values

Financial instruments

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar financial assets at fair value through profit or loss and available-for-sale financial assets.
- the fair value of interest rate hedging instruments is calculated as the present value of the estimated future cash flows based on observable yield curves.
- 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. 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 property on the assumption it had already been completed at the valuation date (using the methodology as outlined above) less costs still required to complete the project, including an appropriate adjustment for industry benchmarked profit and development risk.

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. This is a change from the prior year, as prior to financial close for the project the property was valued based on the price paid for Aurizon's interest in Moorebank which resulted in a level 2 classification.

Qube Holdings Limited
Notes to the consolidated financial statements
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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 2017 (30 June 2016: Nil).

Further, in the current year there were also no changes made to any of the valuation techniques applied as of 30 June 2016.

- (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. The minimum amount payable is \$nil, and the maximum is \$25.0 million 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

The following table presents the changes in level 3 items for the period ended 30 June 2017 for recurring fair value measurements:

Investment properties	\$m
Opening balance 1 July 2016	71.0
Development expenditure capitalised	2.4
Gains recognised in other income*	13.4
Transfer to level 3 – Moorebank Property	307.7
Closing balance 30 June 2017	394.5

* Unrealised gains recognised in profit or loss attributable to assets held at the end of the reporting period are included in other income.

Qube Holdings Limited
Notes to the consolidated financial statements
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(iv) Transfers between levels 2 and 3 and changes in valuation techniques

On 24 January 2017, the Moorebank Logistics Park reached financial close. As a result of this milestone the Qube Moorebank site was combined with the adjoining Commonwealth site and development of the new precinct commenced. This resulted in a change to the valuation technique adopted. The adopted value of the Moorebank Logistics Park project is now based on an internal valuation performed by senior management at each reporting date utilising relevant industry information provided by independent valuers. This is then put to the Board for adoption. The valuation takes into account current land value, the expected cost of completion, the stage of completion, the risk associated with the project and expected underlying income. This change in valuation methodology has resulted in a reclassification of the Moorebank property from Level 2 to Level 3.

In the prior year as a result of the Moorebank lease termination in December 2015, a change to the valuation technique that was previously applied to this property was based on the price paid for Aurizon's interest in Moorebank. This resulted in a reclassification of the Moorebank property from Level 3 to Level 2.

(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 2017 \$m	Unobservable inputs	Range of inputs (probability – weighted average)	Relationship of unobservable inputs to fair value
Investment property	394.5	Discount rate	8.4% – 8.8%	The higher the discount rate and terminal yield, the lower the fair value
		Terminal yield	7.5%	
		Capitalisation rate	6.0% -7.2%	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)	\$385 - \$415	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. As at 30 June 2017, the fair value of this investment property was determined by Savills.

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 Savills 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 based on relevant market comparable data including capitalisation and land rate per square metre information provided by Savills.

An internal valuation is performed every six months, whereby Qube's Strategic Asset senior management team utilise information from a combination of asset plans and forecasting tools prepared by external advisors for the Moorebank Logistics Park and independent valuers.

A development feasibility has been prepared for the Moorebank Logistics Park and this includes an estimated valuation upon project completion based on the income capitalisation method. During the development period, fair value is assessed by reference to the value of the property when complete, less deductions for costs required to complete the project and appropriate adjustments for profit and risk. Through this process, a fair value is derived.

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.

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Notes to the consolidated financial statements
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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.

Note	Page
22. Business combinations	95
23. Investment in equity accounted investments	97
24. Significant investments in subsidiaries	102
25. Non-controlling interests	105

22. Business combinations

Qube acquired the remaining 50% interest in Australian Amalgamated Terminals Pty Ltd (AAT) on 30 November 2016. The \$150 million purchase price was negotiated as part of a broader acquisition of Asciano involving Qube's acquisition of a 50% interest in Patrick. As a result a portion of the AAT purchase price has been allocated to Qube's investment in Patrick.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	\$'m
Purchase consideration	
Purchase price	150.0
Completion adjustments	3.6
Total cash paid	153.6
Allocation to investment in Patrick	(36.6)
Fair value of existing interest held	116.5
Total purchase consideration	233.5

	Fair value
	\$'m
The fair values of the assets and liabilities recognised as a result of the acquisition are as follows:	
Cash	26.0
Trade receivables	8.1
Prepayments	0.8
Property, plant and equipment	73.8
Port concession intangibles	113.5
Deferred tax asset	5.7
Tax payable	(0.8)
Trade payables	(4.1)
Provision for employee benefits	(1.7)
Deferred tax liability	(34.1)
Net identified assets acquired	187.2
Add: goodwill	46.3
Net assets acquired	233.5

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 \$2.3 million are included in the consolidated statement of comprehensive income.
- (ii) Acquired receivables
The trade and other receivables of \$8.1 million have all been recovered.

Qube Holdings Limited
Notes to the consolidated financial statements
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(iii) Revenue and profit contribution

The acquired business contributed revenues of \$19.5 million and net profit after tax of \$8.6 million to the Group for the period from 1 December 2016 to 30 June 2017. If the acquisition had occurred on 1 July 2016, consolidated revenue and net profit after tax for the year ended 30 June 2017 would have increased by \$15.2 million and \$3.1 million respectively. The information included above excludes the revenue and earnings contribution to AAT from trading between AAT and Qube's Ports & Bulk division, which is one of AAT's largest customers.

Purchase consideration – cash outflow

	\$'m
Outflow of cash to acquire subsidiary, net of cash acquired*	
Cash consideration	153.1
Less: Cash balances acquired	(26.0)
Net cash consideration	127.1
Less: Allocation to Patrick investment	(36.6)
Outflow of cash – investing activities	90.5

* Completion adjustments include \$0.5 million in stamp duty that was paid after 30 June 2017.

On 3 April 2017, Qube acquired 100% of the business and assets of Vermile Pty Ltd (trading as Austrans), a containerised freight provider for a total purchase price of \$10.5 million. \$8.0 million was paid in cash with a further \$2.5 million in deferred consideration recognised relating to trading and service hurdles. Goodwill of \$8.0 million was recognised on the acquisition, none of which is expected to be deductible for tax purposes. The goodwill is attributable to the strategic advantages and market positioning this acquisition will provide Qube. The acquired business has been integrated into Qube's Logistics division. Net cash consideration was \$7.8 million with \$0.2 million in cash balances acquired.

The acquired business contributed revenues of \$12.7 million and net profit after tax of \$0.1 million to the Group for the period from 3 April 2017 to 30 June 2017. If the acquisition had occurred on 1 July 2016, consolidated revenue and net profit after tax for the year ended 30 June 2017 would have increased by \$51.2 million and \$1.0 million respectively.

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.

Qube Holdings Limited
Notes to the consolidated financial statements
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23. Investment in equity accounted investments

	2017	2016
	\$m	\$m
Investment in equity accounted investments	757.7	225.8

(a) Movements in carrying amounts

Set out below are the associates and joint ventures of the Group as at 30 June 2017. 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.

Name of entity	Place of business/country of incorporation	% ownership interest		Carrying amount	
		2017	2016	2017	2016
		%	%	\$m	\$m
Patrick Holding (Containers) Pty Ltd ¹	Australia	50	-	667.5	-
Australian Amalgamated Terminals Pty Ltd	Australia	N/a	50	-	116.6
Northern Stevedoring Services Pty Ltd	Australia	50	50	24.9	24.5
Prixcar Services Pty Ltd ²	Australia	25	25	18.2	37.0
Quattro Grain Trust ³	Australia	39.9	37.5	34.9	29.4
TQ Holdings Pty Limited ³	Australia	50	50	12.0	18.3
Southern Export Terminals Pty Ltd ³	Australia	50	-	0.2	-
				757.7	225.8

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 \$344.4 million which also forms part of Qube's total investment in Patrick.
2. Prixcar investment held through Qube's 50% interest in "K" Line Auto Logistics Pty Ltd.
3. The contribution from the Group's investment in Quattro Grain Trust, TQ Holdings Pty Limited and Southern Export Terminals is considered individually immaterial and is discussed in part (e) below.

(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 contributed by Qube and MIC. Qube retains its freehold interest in the MIPT land 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.

Qube Holdings Limited
Notes to the consolidated financial statements
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(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)	2017 \$m	PTH No. 1 Pty Ltd (Patrick)	2017 \$m
Summarised balance sheet		Reconciliation to carrying amounts	
Current assets		Opening net assets	1,270.8
Cash and cash equivalents	80.0	Loss for the period	(51.8)
Other current assets	176.0	Return of capital	(12.8)
Total current assets	256.0	Movement in reserves	3.0
Non-current assets	2,952.0	Closing net assets	1,209.2
Current liabilities		Group's share in %	50%
Financial liabilities (excluding trade payables)	-	Group's share in \$	604.6
Other current liabilities	(47.0)	Goodwill	62.9
Total current liabilities	(47.0)	Carrying amount	667.5
Non-current liabilities		Summarised statement of comprehensive income	
Financial liabilities (excluding trade payables)	(989.0)	Revenue	475.6
Shareholder loans	(716.0)	Interest Income	2.7
Other non-current liabilities	(246.8)	Depreciation & amortisation	(79.7)
Total non-current liabilities	(1,951.8)	Interest expense	(76.9)
		Income tax (expense)/benefit	2.3
Net Assets	1,209.2	Loss from continuing operations	(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 from the date of acquisition 18 August 2016 to 30 June 2017.

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 profit after tax	(25.9)	31.6	5.7
Qube interest income net of tax from Patrick ¹	15.5	-	15.5
Qube net profit after tax from Patrick	(10.4)	31.6	21.2
Qube share (50%) of net profit after tax pre-amortisation	(19.9)	31.6	11.7
Qube net 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. Underlying adjustments include \$52.0 million in stamp duty plus \$18.3 million in transaction and restructuring related costs.

Qube Holdings Limited
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(d) Summarised financial information of associates

The tables below provide summarised statutory financial information for those associates that are material to the Group. The information disclosed reflects the amounts presented in the financial statements of the relevant associates and not Qube'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.

	Australian Amalgamated Terminals Pty Ltd		Northern Stevedoring Services Pty Ltd		K Line Auto Logistics Pty Ltd (Prixcar)	
	2017	2016	2017	2016	2017	2016
	\$m	\$m	\$m	\$m	\$m	\$m
Summarised balance sheet						
Current assets	-	35.5	16.2	12.4	1.4	0.1
Non-current assets	-	79.2	39.9	43.6	72.8	74.0
Current liabilities	-	(6.0)	(24.3)	(24.3)	(1.3)	(0.1)
Non-current liabilities	-	(98.9)	(1.3)	(1.9)	-	-
Net assets	-	9.8	30.5	29.8	72.9	74.0
Reconciliation to carrying amounts						
Opening net assets 1 July	9.8	0.7	29.8	29.6	74.0	66.6
Profit/(loss) for the period	6.3	17.6	1.2	0.2	(1.1)	8.5
Movement in reserves	-	-	(0.4)	-	-	-
Dividends receivable	-	-	13.0	-	-	-
Dividends paid	(6.5)	(8.5)	-	-	-	(1.1)
Reclassification to a subsidiary	(9.6)	-	-	-	-	-
Closing net assets	-	9.8	43.6	29.8	72.9	74.0
Group's share in %	-	50%	50%	50%	50%	50%
Group's share in \$	-	4.9	21.8	14.9	36.5	37.0
Impairment charge	-	-	-	(21.3)	(18.3)	-
Loan to associates	-	49.0	-	-	-	-
Goodwill	-	62.7	3.1	30.9	-	-
Carrying amount	-	116.6	24.9	24.5	18.2	37.0
Summarised statement of comprehensive income						
Revenue	-	79.8	42.2	55.9	0.2	0.2
Profit/(loss) for the period	-	17.6	1.2	0.2	(1.1)	8.5
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	17.6	1.2	0.2	(1.1)	8.5
Dividends received from associates	3.2	4.3	-	-	-	0.6

(e) Impairment

Qube has recognised an impairment charge of \$18.3 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). The impairment reflects weaker than expected FY17 results as well as the weaker outlook for the business due to significant changes in the customer base following the decline in domestic vehicle manufacturing.

The recoverable amount of Prixcar was determined based on a value-in-use calculation using a post-tax discount rate of 9.8% and cash flow projections based on financial budgets and forecasts covering a five year period with a terminal value.

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(f) Individually immaterial associates

In addition to the interests in associates disclosed above, the Group also has interests in a number of individually immaterial associates that are accounted for using the equity method.

	2017	2016
	\$m	\$m
Aggregate carrying amount of individually immaterial associates	47.1	47.7
Aggregate amounts of the Group's share of:		
Profit/(loss) for the year	1.6	(0.6)
Other comprehensive income	-	-
Total comprehensive income	1.6	(0.6)

(g) 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.

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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 9.8% (excluding Patrick).

Indicators of impairment were identified for most of Qube's investments in associates, however only Qube's investment in Prixcar was found to be impaired. Qube's material investment in Patrick had lower forecast medium term earnings during the forecast period following the loss of a major contract during the period and pressure on rates due to the current competitive environment which was only partly offset by additional services secured and volume growth from its existing customer base. However, the investment was determined to not be impaired. The valuation model for Patrick used a terminal growth rate of 2.5% and a post-tax discount rate of 8.65%.

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 investments in Quattro, Prixcar, Patrick and NSS . Each of these investments 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 and Southern Export Terminals Pty Ltd 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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Notes to the consolidated financial statements
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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	
			2017 (%)	2016 (%)
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	66.67
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 Intermodal Hold Trust	Australia	Ordinary	100	66.67
Moorebank Intermodal Investment Trust	Australia	Ordinary	100	66.67
Qube Moorebank Warehousing Trust	Australia	Ordinary	100	66.67
Moorebank Industrial Warehouse Hold Trust	Australia	Ordinary	100	66.67
Moorebank Industrial Warehouse Trust	Australia	Ordinary	100	66.67
Moorebank Industrial Terminals Asset Hold Trust	Australia	Ordinary	100	66.67
Moorebank Industrial Terminals Asset Trust	Australia	Ordinary	100	66.67
Moorebank Industrial Terminals Operations Hold Trust	Australia	Ordinary	100	66.67
Moorebank Industrial Terminals Operations Trust	Australia	Ordinary	100	66.67
Qube (AU) Moorebank Holding Pty Ltd	Australia	Ordinary	100	-
Qube (AU) Moorebank Pty Ltd	Australia	Ordinary	100	-
Qube (AU) Moorebank Investment Pty Ltd	Australia	Ordinary	100	-
Qube (AU) Moorebank Unit Trust	Australia	Ordinary	100	-
Qube (AU) Moorebank Intermodal Hold Trust	Australia	Ordinary	100	-
Qube (AU) Moorebank Intermodal Trust	Australia	Ordinary	100	-
Qube (AU) Moorebank Warehouse Hold Trust	Australia	Ordinary	100	-
Qube (AU) Moorebank Warehouse Trust	Australia	Ordinary	100	-
Qube (AU) Moorebank Warehouse Lot Hold Trust	Australia	Ordinary	100	-
Qube (AU) Moorebank Terminals Assets Hold Trust	Australia	Ordinary	100	-

Qube Holdings Limited
Notes to the consolidated financial statements
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Name of entity	Country of incorporation	Class of shares/units	Equity holding	
			2017 (%)	2016 (%)
Qube (AU) Moorebank Terminals Assets Trust	Australia	Ordinary	100	-
Qube (AU) Moorebank Terminals Operations Hold Trust	Australia	Ordinary	100	-
Qube (AU) Moorebank Terminals Operations Trust	Australia	Ordinary	100	-
Australian Automotive Terminals Pty Ltd	Australia	Ordinary	100	-
Australian Amalgamated Terminals Pty Ltd	Australia	Ordinary	100	-
AAT Port Kembla Pty Ltd	Australia	Ordinary	100	-
Cargo Marshalling Services Pty Ltd	Australia	Ordinary	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*				
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
ISO Marshalling (Australia) LP	Australia	Ordinary	100	100
NZ Bidco Ltd	New Zealand	Ordinary	100	100
ISO Ltd	New Zealand	Ordinary	100	100
Cargo Marshalling Solutions Pty Ltd	Australia	Ordinary	100	100
Marshalling Associates Pty Ltd	Australia	Ordinary	100	100
Marshalling Solutions LLC	United States	Ordinary	100	100
International Stevedoring Operations Limited	New Zealand	Ordinary	100	100

Qube Holdings Limited
Notes to the consolidated financial statements
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Name of entity	Country of incorporation	Class of shares/units	Equity holding	
			2017 (%)	2016 (%)
ISO Marshalling Limited	New Zealand	Ordinary	100	100
ISO Solutions Limited	New Zealand	Ordinary	100	100
ISO Transport Limited	New Zealand	Ordinary	100	100
Cargo Marshalling Solutions Ltd	New Zealand	Ordinary	100	100
Marshalling Solutions Ltd	New Zealand	Ordinary	100	100
ISO Logistics Limited	New Zealand	Ordinary	100	100
ISO New Zealand Limited	New Zealand	Ordinary	100	100
ISO Stevedoring Limited	New Zealand	Ordinary	100	100
ISO Warehousing Limited	New Zealand	Ordinary	100	100
Qube International Pte Ltd	Singapore	Ordinary	100	100
Continental Freight Employees Unit Trust	Australia	Ordinary	100	-
Qube Energy Sdn BHD	Malaysia	Ordinary	100	-
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
POTA Global Management (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
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 98/1418 issued by the Australian Securities and Investments Commission. For further information refer to note 35.

Qube Holdings Limited
Notes to the consolidated financial statements
for the year ended 30 June 2017
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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

	2017 \$m	2016 \$m
Interest in:		
Share capital	-	111.8
Reserves	-	-
Retained losses	-	(13.6)
	-	98.2

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 for \$98.9 million. Immediately prior to the purchase, the carrying amount of the existing 33.3% non-controlling interest in Moorebank Industrial Property Trust was \$98.2 million. The Group recognised a decrease in equity attributable to owners of the parent of \$0.7 million. The effect on the equity attributable to the owners of Qube Holdings Limited during the period is summarised as follows:

	2017 \$m	2016 \$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)	-

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.

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26. Contingencies

Contingent liabilities

Guarantees

The parent entity has provided unsecured bank guarantees amounting to \$34.2 million (2016: \$28.9 million). This includes \$1.3 million of bank guarantees assumed on the acquisition of Vermile Pty Ltd and \$3.8 million in guarantee specific facilities.

Qube has provided a guarantee on behalf of Northern Stevedoring Services Pty Limited for the lower of \$6 million or 50% (2016: \$6 million or 50%) of the funds advanced to them.

27. Commitments

(a) Capital commitments

Capital expenditure contracted for at the end of each reporting period but not recognised as liabilities is as follows:

	2017	2016
	\$m	\$m
Payable:		
Within one year	38.2	36.4
Later than one year but not later than five years	-	-
Later than five years	-	-
	38.2	36.4

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 \$400 million over the first 5 years of the project of which around \$48 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 34.63% and MIC owns 65.37%) 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 \$200 million, or around \$130 million after adjusting for Qube's entitlement to 34.63% 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.

Qube Holdings Limited
Notes to the consolidated financial statements
for the year ended 30 June 2017
(continued)

(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.

	2017 \$m	2016 \$m
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	81.6	54.2
Later than one year but not later than five years	197.7	139.9
Later than five years	110.1	119.8
	389.4	313.9
<u>Sub-lease payments</u>		
Future minimum lease payments expected to be received in relation to non-cancellable sub-leases of operating leases	38.7	2.0

(ii) Finance leases

The Group leases various property, plant and equipment with a carrying amount of \$2.0 million (2016: \$16.0 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.

	2017 \$m	2016 \$m
Commitments in relation to finance leases are payable as follows:		
Within one year	0.8	6.6
Later than one year but not later than five years	0.9	4.4
Later than five years	21.9	-
Minimum lease payments	23.6	11.0
Future finance charges	(19.2)	(0.4)
Total lease liabilities	4.4	10.6
The present value of finance lease liabilities is as follows (note 19):		
Current - within one year	0.8	9.4
Non-current - later than one year but not later than five years	0.8	1.2
Non-current - later than five years	2.8	-
Present value of minimum lease payments	4.4	10.6

There are no other outstanding contingent assets and liabilities or commitments as at 30 June 2017 (2016: Nil).

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.

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29. Financial assets and liabilities

	2017	2016
	\$m	\$m
Available-for-sale financial assets		
Current assets - Listed equity securities	-	543.7
Derivative financial instruments		
Current liabilities - Interest rate hedging contracts	0.2	0.7
Non-current liabilities - Interest rate hedging contracts	0.5	2.5

(i) Available-for-sale financial assets

Investments are designated as available-for-sale financial assets if they do not have fixed maturities and fixed or determinable payments. These securities relate to the Group's investment in Asciano shares that were disposed of as part of the Patrick Terminals acquisition. Financial assets are presented as non-current assets unless they mature, or management intends to dispose of them within 12 months of the end of the reporting period.

(ii) Derivative instruments used by the Group

The Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest rates in accordance with the Group's financial risk management policies (refer to note 20).

Bank and other loans of the Group (including the listed Subordinated Notes) 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. It is Group policy to protect part of the loans from exposure to increasing interest rates. Accordingly, the Group has entered into fixed rate loans and interest rate hedging instruments under which depending on the level of floating interest rates, it is obliged to pay interest at fixed rates. Hedging instruments in place including forward starting hedges cover approximately 30.6% (2016: 33.8%) of the variable loan principal outstanding and have a weighted average minimum and maximum base rate of 2.22% and 4.47% respectively. Due to some forward starting hedges the current weighted average base rate of the hedges is 2.16%.

Hedges with a notional principal totalling \$70 million have forward start dates commencing in FY18. Excluding these forward starts hedging covered approximately 17.4% of the floating rate loan principal.

(iii) Risk exposures and fair value measurements

The maximum exposure to credit risk at the end of each reporting period is the carrying amount of each class of derivative mentioned above. Information about the Group's methods and assumptions used in determining fair value is provided in note 21.

ACCOUNTING POLICY

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group does not look to designate its derivatives as hedging instruments for accounting purposes. Therefore changes in the fair value of these derivative instruments are recognised immediately in profit or loss and are included in other income or other expenses.

Available-for-sale financial assets are initially carried at fair value plus transaction costs. The Group assesses at the end of each reporting period whether there is objective evidence that the asset is impaired. A significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the asset is impaired.

Gains and losses arising from subsequent changes in fair value are recognised directly in the available-for-sale financial asset reserve in equity until the asset is derecognised or impaired, at which time the cumulative gain or loss is recognised in the income statement.

Qube Holdings Limited
Notes to the consolidated financial statements
for the year ended 30 June 2017
(continued)

30. Reconciliation of profit after income tax to net cash inflow from operating activities

	2017	2016
	\$m	\$m
(a) Net cash inflow from operating activities		
Profit for the year	77.3	92.5
Depreciation and amortisation	113.4	101.5
Non-cash employee benefits expense – share-based payments	6.9	6.5
Fair value adjustment to investment properties	(22.4)	(12.8)
Fair value losses/(gains) on financial assets at fair value through profit or loss	(2.5)	0.1
Loss on disposal of available-for-sale financial assets	31.0	-
Impairments of non-current assets	26.4	21.3
Reversal of impairment of property, plant and equipment	-	(17.6)
Loss/(profit) on sale of property plant and equipment	(1.3)	0.2
Share of loss/(profit) of associates (net of dividends received)	24.5	(7.8)
Non-cash amortisation of borrowing costs	1.0	-
Change in operating assets and liabilities, net of effects from purchase of controlled entities:		
(Increase)/decrease in trade debtors and other receivables	(72.5)	14.8
Increase in inventories	(0.1)	(0.4)
(Increase)/decrease in deferred tax assets	(6.8)	6.7
Increase/(decrease) in trade creditors	9.1	(12.5)
Increase in other operating liabilities	16.5	4.1
Decrease in provision for income taxes payable	(3.5)	(5.8)
Decrease in deferred tax liabilities	2.4	-
Increase/(decrease) in other provisions	5.6	(8.5)
Net cash inflow from operating activities	205.0	182.3
(b) Non-cash investing and financing activities		
The following items were financed through the issue of Qube shares:		
Dividend reinvestment plan	21.3	12.3
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	-
	528.9	12.3

Qube Holdings Limited
Notes to the consolidated financial statements
for the year ended 30 June 2017
(continued)

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:

	2017 \$'000	2016 \$'000
(a) PwC Australia		
(i) Audit and other assurance services		
- Audit and review of financial statements	705.6	605.6
- Audit of other subsidiary financial statements	50.0	-
Total remuneration for audit and other assurance services	<u>755.6</u>	<u>605.6</u>
(ii) Taxation services		
- Tax compliance services	119.4	98.7
- Tax advisory services	632.3	400.6
Total remuneration for taxation services	<u>751.7</u>	<u>499.3</u>
(iii) Other services		
- Due diligence services	167.0	2,301.6
- Other services	254.4	174.8
Total remuneration for other services	<u>421.4</u>	<u>2,476.4</u>
Total remuneration of PwC Australia	<u>1,928.7</u>	<u>3,581.3</u>
(b) Non-PwC audit firms		
(i) Audit and other assurance services – audit and review of financial statements	46.6	38.1
(ii) Taxation services – tax compliance services	14.1	-
(iii) Other assurance services – other services	311.8	-
Total remuneration of non-PwC audit firms	<u>372.5</u>	<u>38.1</u>
Total auditors' remuneration	<u>2,301.2</u>	<u>3,619.4</u>

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:

	2017	2016
	\$m	\$m
Stevedoring services		
received from other related entities	36.2	38.6
paid to associates	6.9	33.6
Fuel services		
paid to associates	25.1	10.1
Rental income		
from associates	4.9	5.1
Dividend income		
from associates	3.2	4.8

(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:

	2017	2016
	\$m	\$m
Current receivables (provision of services)		
Associates and other related parties	4.5	4.6
Current payables (payment for services)		
Associates and other related parties	-	5.8

Qube Holdings Limited
Notes to the consolidated financial statements
for the year ended 30 June 2017
(continued)

(f) Loans to related parties

	2017	2016
	\$m	\$m
Loans from Qube Holdings Limited to key management personnel		
Beginning of the year	8.0	9.5
Loans repaid	(3.3)	(0.7)
Interest charged	0.3	0.4
Interest paid	(0.3)	(0.4)
End of year	4.7	8.8*

* Includes Don Smithwick who ceased to be a KMP on 30 June 2016 when he retired.

Loans to other associated entities totalled \$348.2 million (2016: Nil) during the year. Included in this total is \$344.4 million in shareholder loans provided to PTH No. 1 Pty Ltd (Patrick). Refer to note 7 for further information.

No loan repayments (2016: \$3.5 million) were received from an associated entity during the year.

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
Notes to the consolidated financial statements
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(continued)

33. Key management personnel disclosures

(a) Key management personnel compensation	2017	2016
	\$'000	\$'000
Short-term employee benefits	8,555.3	5,076.9
Post-employment benefits	113.6	176.5
Long-term benefits	83.4	147.3
Share-based payments	2,320.7	2,356.5
	11,073.0	7,757.2

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.

	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
2017				
Directors of Qube Holdings Limited	24,461,265	-	(6,673,035)	17,788,230
Other key management personnel of the Group	3,387,932	351,791	(1,487,527)	2,252,196
2016				
Directors of Qube Holdings Limited	24,045,187	-	414,014	24,459,201
Other key management personnel of the Group	3,892,008	-	(504,076)	3,387,932

(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	Loans granted during the year	Loans repaid during the year	Interest paid and payable for the year	Interest not charged	Balance at the end of the year	Number in Group at the end of the year
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
2017	7,999.2	-	(3,306.1)	299.8	-	4,693.1	4
2016	9,512.7	-	(756.8)	354.8	-	8,755.9	5*

* Includes Don Smithwick who ceased to be a KMP on 30 June 2016 when he retired.

Qube Holdings Limited
Notes to the consolidated financial statements
for the year ended 30 June 2017
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34. Share-based payments

(a) Share Appreciation Rights

During FY17 Qube changed its Long-Term Incentives (LTIs) to 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 FY17 grant are described below:

Participation	The Managing Director, other KMP and other executives who can directly influence the performance of Qube.
Valuation date	24 November 2016
Grant date	24 November 2016
Issue price	\$2.56
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	None.
Service condition	Eligible executives must continue to be employed by a Qube Group member until the Vesting date.
Exercise price	Nil
Performance period	2.7 years to on or around 25 August 2019 (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 2019, presently expected to be on or around 25 August 2019.
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)	Entitlement offer adjust. (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)
24 Nov 16	25 Aug 19	2.56	-	15,482,556	107,570	-	-	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 2017 included:

Vesting date	23 August 2019
Grant date	24 November 2016
Share price at grant date (\$)	\$2.36
Initial price (\$)	\$2.56
Time to vesting date (years)	2.7
Volatility (%)	28%
Risk free rate (%)	1.89%
Dividend yield (%)	2.5%

(b) Performance Rights and Options

During 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: <ul style="list-style-type: none"> • 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 underlying 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% in EPS. If Qube's CAGR in EPS for the relevant performance period (based on the respective 30 June reported financial results) is: <ul style="list-style-type: none"> • 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.

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Moorebank specific hurdles:

ASR Hurdle	<p>Vesting of the ASR Performance Rights and Options is subject to Qube achieving a cumulative 4.5% compound ASR over the relevant Performance Period.</p> <p>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.</p> <p>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.</p>
KPI Hurdle	<p>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.</p> <p>Vesting of the Moorebank Performance Rights and Options will be assessed by the Board based on overall achievement of the Moorebank Targets as follows:</p> <ol style="list-style-type: none"> 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)	Granted during the year (number)	Entitlement offer adjust. (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	2,943,324	-	15,181	(548,814)	(209,433)	2,200,258	-
5 Sept 2014	5 Sept 2019	2.39	4,049,451	-	27,811	-	(47,085)	4,030,177	-
3 Sept 2015	3 Sept 2020	2.24	1,692,766	-	100,181	-	(47,685)	1,745,262	-
3 Sept 2015	3 Sept 2020	0.44*	12,861,993	-	-	-	(88,066)	12,773,927	-
3 Sept 2015	3 Sept 2020	2.24	1,199,094	-	84,492	-	(1,781)	1,281,805	-
3 Sept 2015	3 Sept 2020	0.44*	10,989,823	-	-	-	(25,452)	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 EPS and KPI Hurdle has not been included.

Qube Holdings Limited
Notes to the consolidated financial statements
for the year ended 30 June 2017
(continued)

The model inputs for Performance Rights and Options expensed during the year ended 30 June 2017 included:

	TSR condition Performance Rights	EPS condition Performance Rights	TSR condition Performance Rights	EPS condition Performance Rights
Vesting date	9 Sept 2016	9 Sept 2018	5 Sept 2017	5 Sept 2019
Grant date	9 Sept 2013	9 Sept 2013	5 Sept 2014	5 Sept 2014
Share price at grant date (\$)	\$1.97	\$1.97	\$2.51	\$2.51
Exercise price (\$)	\$0.00	\$0.00	\$0.00	\$0.00
Volatility of share (%)	30%	30%	27%	27%
Distribution yield (%)	3.36%	3.36%	2.50%	2.50%
Risk free rate (%)	2.87%	2.87%	2.70%	2.70%
Performance Right fair value at grant date (\$)	\$1.22	\$1.96	\$1.62	\$2.50
Expected life (years)	3.0	3.0	3.0	3.0
Correlation matrix	*	N/A	*	N/A
Probability of achievement	90%	81%	90%	81%

	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
Correlation matrix	*	*	N/A	N/A
Probability of achievement	90%	90%	67%	67%

* Share prices are correlated and a correlation matrix is needed to describe that dependency. The correlation matrix has been derived taking into account historical share price correlation covering a period in line with the expected life of the Performance Rights.

The model inputs for Moorebank specific Performance Rights and Options expensed during the year ended 30 June 2017 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%

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(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:

	2017	2016
	\$m	\$m
Equity-based compensation – expensed		
Share appreciation rights	0.7	-
Performance Rights	4.3	4.9
Options	1.9	1.7
Executive long-term incentive plan (ELTIP)	-	(0.1)
	6.9	6.5

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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 2017 of the closed group

Consolidated income statement	2017	2016
	\$m	\$m
Revenue from continuing operations	1,297.9	1,177.3
Other income	74.6	43.7
Direct transport and logistics costs	(372.7)	(308.9)
Repairs and maintenance costs	(78.8)	(80.5)
Employee benefits expense	(500.0)	(464.1)
Fuel, oil and electricity costs	(78.5)	(72.9)
Occupancy and property costs	(62.8)	(58.7)
Depreciation and amortisation expense	(95.3)	(92.7)
Professional fees	(8.7)	(10.3)
Loss on disposal of available-for-sale financial assets	(31.0)	-
Impairment of non-current assets	(26.4)	(21.3)
Reversal of impairment of non-current assets	-	17.6
Other expenses	(13.8)	(10.7)
Total expenses	(1,268.0)	(1,102.5)
Finance income	23.8	1.6
Finance costs	(36.1)	(32.9)
Net finance costs	(12.3)	(31.3)
Share of net profit of associates accounted for using the equity method	(21.2)	12.6
Profit before income tax	71.0	99.8
Income tax expense	18.7	30.3
Profit for the year	52.3	69.5
Other comprehensive income net of tax:		
Change in value of available-for-sale financial assets	(7.0)	9.4
Total comprehensive income for the year	45.3	78.9
Total comprehensive income attributable to:		
Owners of Qube	45.3	78.9
Non-controlling interests	-	-
	45.3	78.9
Summary of movements in consolidated retained earnings		
Retained earnings at the beginning of the financial year	134.1	120.6
Profit for the year	52.3	69.5
Dividends provided for or paid	(79.0)	(53.9)
Entities joining the closed group	-	(2.1)
Retained earnings at the end of the financial year	107.4	134.1

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Notes to the consolidated financial statements
for the year ended 30 June 2017
(continued)

(b) Consolidated balance sheet as at 30 June 2017 of the closed group

	2017 \$m	2016 \$m
ASSETS		
Current assets		
Cash and cash equivalents	174.0	67.7
Trade and other receivables	272.3	194.3
Inventories	1.9	2.4
Available-for-sale financial assets	-	543.7
Current tax receivable	9.4	3.1
Total current assets	457.6	811.2
Non-current assets		
Financial assets at fair value through profit or loss	-	1.0
Loans and receivables	344.4	-
Investments in associates	757.7	225.8
Property, plant and equipment	716.9	749.9
Investment properties	86.8	71.0
Intangible assets	601.8	606.1
Other financial assets	402.7	64.1
Investment	-	181.8
Deferred tax assets	7.5	1.8
Other	177.3	1.0
Total non-current assets	3,095.1	1,902.5
Total assets	3,552.7	2,713.7
LIABILITIES		
Current liabilities		
Trade and other payables	150.7	92.2
Borrowings	0.8	159.4
Derivative financial instruments	0.2	0.7
Provisions	68.5	62.0
Total current liabilities	220.2	314.3
Non-current liabilities		
Trade and other payables	4.8	2.2
Borrowings	760.7	476.6
Derivative financial instruments	0.5	2.5
Provisions	8.4	9.3
Total non-current liabilities	774.4	490.6
Total liabilities	994.6	804.9
Net assets	2,558.1	1,908.8
EQUITY		
Contributed equity	2,452.2	1,783.9
Reserves	(1.5)	(9.2)
Retained earnings	107.4	134.1
Total equity	2,558.1	1,908.8

36. Parent entity financial information

(a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	2017	2016
	\$m	\$m
Balance sheet		
Current assets	134.2	569.4
Total assets	3,486.3	2,682.3
Current liabilities	16.5	161.3
Total liabilities	778.1	639.6
Shareholders' equity		
Issued capital	2,612.5	1,944.9
Reserves – share-based payments	(23.1)	(27.5)
Retained earnings	118.8	125.3
	2,708.2	2,042.7
Profit for the year	73.2	56.2
Total comprehensive income	73.2	56.2

(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.

Qube Holdings Limited
Notes to the consolidated financial statements
for the year ended 30 June 2017
(continued)

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 2016:

- AASB 2013-3 *Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets*
- AASB 2013-4 *Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting*
- Interpretation 21 *Accounting for Levies*
- AASB 2014-1 *Amendments to Australian Accounting Standards*

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 2016.

(e) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2016 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 2009-11 *Amendments to Australian Accounting Standards* arising from AASB 9 and AASB 2010-7 *Amendments to Australian Accounting Standards* arising from AASB 9 (December 2010).

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 standard is applicable for annual reporting periods beginning on or after 1 January 2018.

The standard includes a single approach for the classification and measurement of financial assets, based on cashflow characteristics and the business model used for the management of the financial instruments. It introduces the expected credit loss model for impairment of financial assets which replaces the incurred loss model used in AASB 139. Lastly, the standard amends the rules on hedge accounting to align the accounting treatment with the risk management practices of the business.

Work to date has primarily focused on the Group's Treasury operations, which hold the majority of the Group's financial instruments, with a high level review of the rest of the Group. In 2018, a more detailed review will be completed including analysis at a business unit level. Potential differences identified to date relate to changes to the calculation of impairment losses as well as the possibility of increased application of hedge accounting.

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Notes to the consolidated financial statements
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(continued)

It is not expected that the application of this standard will have a material impact on amounts recognised in the financial statements but will require the disclosure of additional information.

(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 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. Work to date has focused primarily on the stevedoring, transport and logistics services, as these together account for over 70% of the Group's sales revenue, with a limited review of contracts for other services. In 2018, further review of contracts will be undertaken at all businesses. To date, no material measurement differences have been identified between AASB 118, the current revenue recognition standard, and AASB 15.

AASB 15 as well as AASB 9 requires certain additional disclosures, in particular in relation to the impact of provisional pricing and, where applicable, changes to systems are being made to capture this data. The Group expects to adopt the modified transitional approach to implementation where any transitional adjustment is recognised in retained earnings at the date of implementation of the standard without adjustment of comparatives. The new standard will only be applied to contracts that remain in force at the transition date.

(iii) AASB 16 Leases

Under the new standard, a lessee is in essence required to:

- a) 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.
- b) recognise depreciation of right of use assets and interest on lease liabilities in the income statement over the lease term.
- c) 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 an 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 (ie 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 (ie the cash payment is higher than the accounting expense). It must be implemented retrospectively, either with the restatement of comparatives or with the cumulative impact of application recognised as at 1 January 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 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 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.

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Directors' declaration
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Directors' declaration

In the directors' opinion:

- (a) the financial statements and notes set out on pages 51 to 125 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 2017 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 2017



Independent auditor's report

To the shareholders 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 or Qube) 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 2017 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 2017
- 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

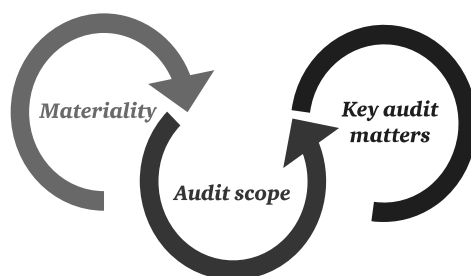
We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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. In addition to its existing operations covering ports & bulk logistics, landside logistics and strategic development assets as disclosed in note 2 Segment Information, Qube acquired 50% of the Patrick Terminals business on 18 August 2016, the remaining 50% interest in Australian Amalgamated Terminals (AAT) on 30 November 2016, and the remaining 33% of the Moorebank land-related development project on 23 December 2016. The proposal to develop the combined Qube and Commonwealth land precinct reached financial close on 25 January 2017.



Materiality

For the purpose of our audit we used overall Group materiality of \$6.8 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 a metric against which the performance of the Group is commonly measured. We adjusted for the fair value gains on investment property, impairment losses and stamp duty expensed on transactions.

We used a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable profit-related 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, Strategic Assets (excluding associates) 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 audited the financial information of Qube Logistics, Qube Ports & Bulk and Strategic Assets (excluding associates) given their financial significance. The operational structure is shown in note 2 of the financial report, Segment information. Work was performed by component auditors on Qube Ports & Bulk New Zealand operations.
- PwC Australia is the auditor of Patrick Terminals (Patrick) and the lead audit partner of the Group is also the lead audit engagement partner for Patrick. Audit procedures over financial information of Patrick were carried out under his supervision.
- 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 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 Management Committee.

Key audit matter	How our audit addressed the key audit matter
<p><i>Impairment assessment of goodwill</i> (Refer to note 10)</p> <p>Goodwill is not amortised and is required by Australian Accounting Standards to be tested at least annually for impairment.</p> <p>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 AAT.</p> <p>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 growth rates.</p>	<p>In considering the impairment tests prepared by the Group to support the carrying value of goodwill, amongst other procedures, we:</p> <ul style="list-style-type: none"> • Tested the mathematical accuracy of the discounted cash flow model supporting the carrying value of goodwill. • Considered if the underlying methodology of the model was consistent with the basis of preparation required by Australian Accounting Standards. • Compared the key budget assumptions (such as revenue and expense growth) used in the model to the Board approved budget. • Evaluated the Group's ability to forecast future results for the business by comparing budgets with reported actual results for previous accounting periods. • Applied a range of reasonably possible scenarios (or sensitivities) assuming different levels of growth rates and discount rates, all of which showed no impairment.

Key audit matter**How our audit addressed the key audit matter**

- Together with PwC valuation experts, we:
 - Considered the appropriateness of key assumptions, in particular the discount rate 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.

Investment in Patrick Terminals*(Refer to note 23)*

During the year, the Group completed the acquisition of its 50% equity accounted investment in Patrick. At 30 June 2017 the equity accounted investment was \$667.5m and shareholder loans provided amounted to \$344.4m.

We considered the accounting for the investment in Patrick Terminals to be a key audit matter given:

- the significance of the transactions during the period
- the size of the investment and the impact on the consolidated balance sheet, and consolidated statement of comprehensive income.

To test the cost of the initial investment, amongst other procedures, we:

- Read the transaction documents
- Tested the components of the cost of the investment in Patrick including:
 - Agreed the fair value of listed investments, contributed to partly satisfy the consideration payable, to the share price on the acquisition date.
 - Agreed the cash paid and capitalised transaction costs to the agreements, settlement statement and relevant invoices.
- Read the shareholders agreement between the Brookfield Consortium and Qube and the shareholder loan agreement between Qube and Patrick.

To test the equity accounting of Qube's 50% investment in Patrick Terminals, amongst other procedures, we:

- Compared the financial information in the equity accounting schedule prepared by management to the financial information of Patrick and found the information to be consistent. The Patrick financial information was subject to audit procedures under the supervision of the lead audit partner.
- Recalculated the equity accounted share of the Patrick loss for the period recognised in the consolidated statement of comprehensive income.

We also considered management's assessment in respect of impairment considerations as outlined below.

Key audit matter**How our audit addressed the key audit matter*****Impairment assessment of investments in joint ventures and associates****(Refer to note 23)*

Due to indicators of impairment existing in relation to the Group's investments in Prixcar, Northern Stevedoring Services, Patrick and Quattro Grain Trust, the Group performed impairment tests by preparing discounted cash flow models to support the carrying value relating to these investments. As a result of the assessment, an impairment charge of \$18.3m was recognised against the Prixcar investment. 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:

- Financial significance of the balance in the consolidated balance sheet.
- Significant judgement and estimates involved in assessing whether investments should be impaired, in particular the sensitivity of the Group's assessment to changes in assumptions such as growth rates, discount rates and terminal value factors applied.

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 expense growth) used in the models to Board approved budgets for the investments.
- Evaluated the Group'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) to the forecast assuming different levels of growth rates and discount rates provided by PwC valuation experts.
- Together with PwC valuation experts, we:
 - Considered the appropriateness of key assumptions, being the discount rates applied in the model, 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.

Valuation of Moorebank land held as investment property*(Refer to note 9)*

Previously Qube accounted for the entire Moorebank property as investment property. Following financial close with the Commonwealth on 25 January 2017, Qube has allocated the investment property land value between:

- Property, plant and equipment, which will be used by Qube to develop and operate the intermodal and interstate terminal; and
- Investment property which is to be developed as warehousing held for rental and capital appreciation.

The allocation reflects Qube's planned future use of the property.

To assess the fair value allocation between the categories, we:

- Assessed the competency, qualifications, experience and objectivity of the Group's valuation expert. 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.

Together with PwC valuation experts, we considered if the valuation approach adopted was appropriate for the purpose of allocating relative value between categories of assets.

For both property, plant and equipment and investment property under development we tested a sample of capitalised costs (including capitalised interest) and agreed the amounts and details to relevant supporting

Key audit matter	How our audit addressed the key audit matter
<p>The Group engaged an external valuations expert to determine the fair value allocation between property, plant and equipment under development and investment property under development at financial close.</p> <p>Land classified as investment property was remeasured to fair value at 30 June 2017. Following the independent valuation conducted to support the allocation of the property noted above, an internal fair value assessment (directors' valuation) was conducted at 30 June 2017.</p> <p>We focused on this matter because of the:</p> <ul style="list-style-type: none"> • The size of the investment property and related valuation movements. • Inherent subjectivity of the key assumptions that underpin the valuation. 	<p>evidence.</p> <p>To test the fair value assessment at 30 June 2017 for investment property under development, we:</p> <ul style="list-style-type: none"> • Checked the mathematical accuracy of the model supporting the directors' valuation at 30 June 2017. • Agreed significant inputs into the valuation model to supporting data, including; <ul style="list-style-type: none"> • gross completed land value to an independent valuation assessment for the fully serviced developable site • the present value of expensed ground lease payment to the financial close valuation noted above • the forecasted cost of development and enabling infrastructure to management's forecasts. • We compared the outcome of the directors' valuation to external market data for industrial property valuations. We also compared the percentage increase in fair value against a reasonable range determined by us based on benchmark market data and found the increase to be materially in line with the benchmark expectations.

Other information

The directors are responsible for the other information. The other information included in the Group's annual report for the year ended 30 June 2017 comprises the Directors' Report and the Operating and Financial Review (but does not include the financial report and our auditor's report thereon) which we obtained prior to the date of this auditor's report. We also expect 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 the *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 has 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 27 to 47 of the Directors' Report for the year ended 30 June 2017.

In our opinion, the remuneration report of Qube Holdings Limited for the year ended 30 June 2017 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



N R McConnell
Partner

Sydney
22 August 2017

SHAREHOLDER INFORMATION

TOP 20 SHAREHOLDERS

As at 25 September 2017, the top 20 Shareholders of Qube were as follows:

Rank	Name	Number of shares	% of capital
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	461,136,245	28.76
2	J P MORGAN NOMINEES AUSTRALIA LIMITED	119,114,979	7.43
3	NATIONAL NOMINEES LIMITED	72,448,367	4.52
4	PATTERSON CHENEY INVESTMENTS PTY LTD	57,840,030	3.61
5	TAVERNERS NO 10 PTY LTD	55,319,436	3.45
6	BNP PARIBAS NOMS PTY LTD <DRP>	36,083,020	2.25
7	AUSTRALIAN FOUNDATION INVESTMENT COMPANY LIMITED	34,961,910	2.18
8	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	27,848,991	1.74
9	CITICORP NOMINEES PTY LIMITED	23,010,834	1.43
10	TAVERNERS NO 10 PTY LTD	20,057,943	1.25
11	FORSYTH BARR CUSTODIANS LTD <FORSYTH BARR LTD-NOMINEE A/C>	15,634,578	0.97
12	MR PETER GIACCI <P L GIACCI FAMILY A/C>	13,986,306	0.87
13	LADDARA PTY LTD	9,086,493	0.57
14	QUBE EMPLOYEE SHARE ACCUMULATION PLAN PTY LTD <QUBE EMPLOYEE SHARE A/C>	7,566,410	0.47
15	UBS NOMINEES PTY LTD	6,855,777	0.43
16	MILTON CORPORATION LIMITED	5,894,164	0.37
17	LIANGROVE MEDIA PTY LIMITED	5,350,132	0.33
18	MIRRABOOKA INVESTMENTS LIMITED	5,229,107	0.33
19	KAPLAN PARTNERS PTY LIMITED	5,130,000	0.32
20	BKI INVESTMENT COMPANY LIMITED	5,111,664	0.32
	Total	987,666,386	61.59

SUBSTANTIAL SHAREHOLDERS

Since the date of the last Annual Report and as at 25 September 2017, Qube had received notifications regarding the following substantial holders:

Substantial shareholder	Number of shares	Notice date	% of capital (as at notice date)
Perpetual Limited	190,770,199	15 November 2016	13.14
Cooper Investors Pty Limited	74,084,995	7 March 2017	5.103
Cooper Investors Pty Limited	90,454,194	13 April 2017	6.212
Perpetual Limited	155,947,459	3 May 2017	10.71
Perpetual Limited	133,099,348	14 June 2017	8.55
Perpetual Limited	150,553,564	15 June 2017	9.67
Taverners No. 10 Pty Limited	78,201,046	29 June 2017	4.88
Perpetual Limited	138,228,565	25 August 2017	8.62

UNMARKETABLE PARCELS

As at 25 September 2017, 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 \$2.45 per share	205	505	20,233

DISTRIBUTION SCHEDULE

As at 25 September 2017, the distribution of holdings of Qube shares was as follows:

Range	Total holders	 Shares	 % of capital
1 – 1,000	2,270	1,123,329	0.07
1,001 – 5,000	8,870	27,300,788	1.70
5,001 – 10,000	6,870	51,152,022	3.19
10,001 – 100,000	11,335	298,552,988	18.62
100,001 and over	728	1,225,427,139	76.42
Total	30,073	1,603,556,266	100.00

Each ordinary share carries with it one vote.

RESTRICTED SECURITIES

Qube does not have any restricted securities.

UNQUOTED SECURITIES

Qube has no unquoted securities.

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 2017 Corporate Governance Statement and Appendix 4G are available for download from Qube's website at: <http://www.qube.com.au/announcements/year/2017/>.

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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

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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

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Services Pty Limited

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