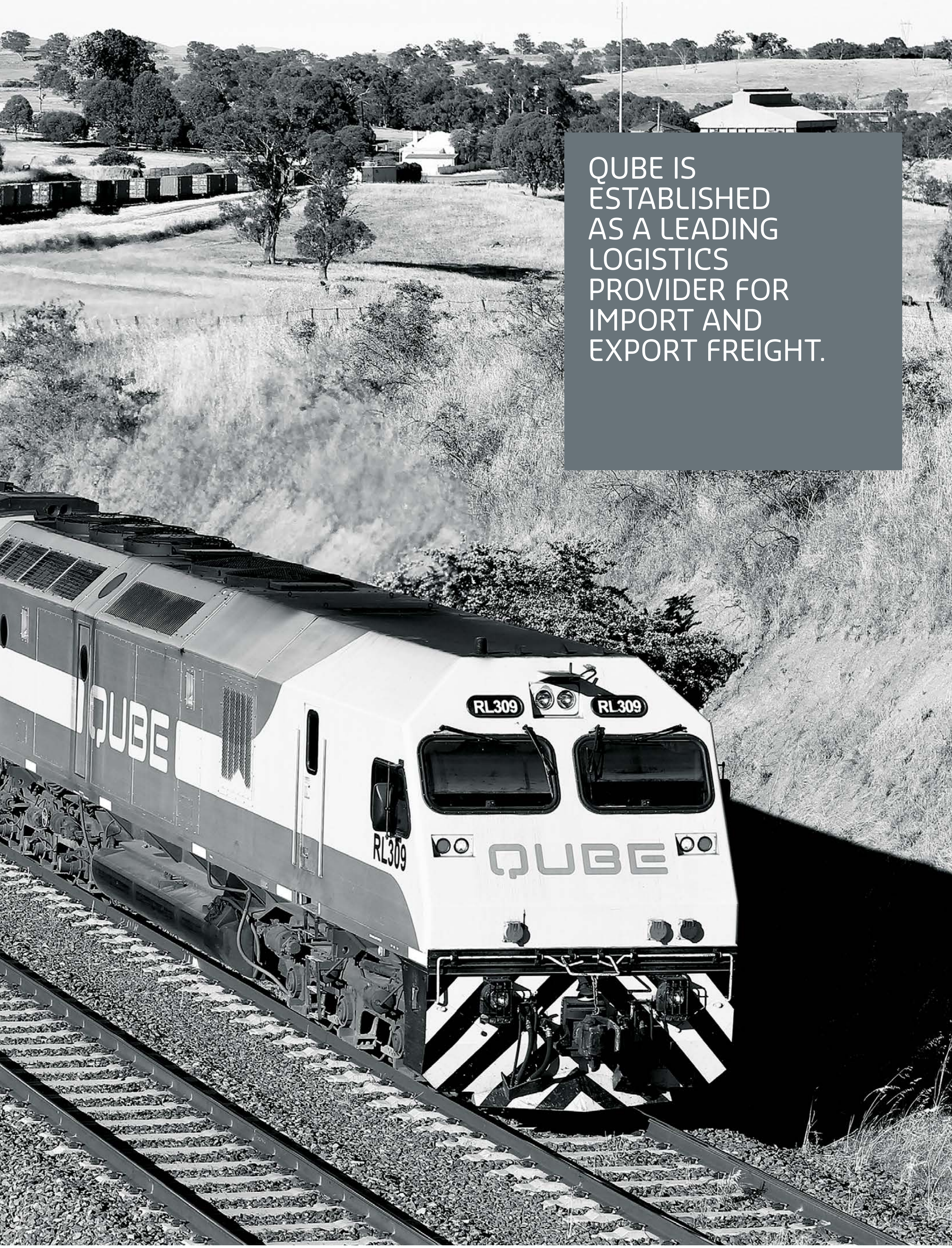
QUBE

ANNUAL REPORT 2016

Annual General Meeting

The 2016 Annual General Meeting of Qube Holdings Limited will be held in Grand Ballroom 1, Level B, Shangri-La Hotel, 176 Cumberland Street, Sydney on Thursday, 24 November 2016 at 10:00am (Sydney time).



QUBE IS ESTABLISHED AS A LEADING LOGISTICS PROVIDER FOR IMPORT AND EXPORT FREIGHT.

CHAIRMAN'S LETTER

THE HIGHLIGHT OF 2016 WAS OUR SUCCESSFUL JOINT ACQUISITION OF PATRICK CONTAINER TERMINALS.

Christopher D Corrigan
Chairman

2016 was a year of extraordinary achievement for Qube as the company's vision of transforming Australia's logistics chains moved closer to reality.

The highlight of 2016 was our successful joint acquisition of Patrick Container Terminals – in Qube's view, Australia's lowest-cost and most efficient container stevedoring operation.

This acquisition, in a joint venture with Brookfield Infrastructure Partners, was completed in August following a lengthy, complex and competitive process lasting the majority of FY16.

The Patrick investment will underpin Qube's long-term earnings and extend the company's supply chain capabilities to national container ports, enhancing our ability to deliver efficient logistics solutions to our customers.

The other key milestone achieved was final Concept Plan approval for the Moorebank project in south-western Sydney which has seen works on the site commence. After many years in the planning, development of this vital national infrastructure project is now underway.

In addition, this project will now be fully owned by Qube following the decision by Aurizon to sell its 33% interest in the Moorebank development.

It was particularly pleasing that these milestones were achieved while the two operating divisions Qube Logistics and Qube Ports & Bulk were still able to deliver a sound financial performance in the face of challenging trading conditions.

Other highlights for the period (including agreements negotiated during the period but finalised post financial year end) include:

- The agreement to acquire the remaining 50% of Australian Amalgamated Terminals (AAT) (subject to ACCC approval).
- Completion of a $494 million entitlement offer to existing shareholders and a $306 million placement to the Canada Pension Plan Investment Board (CPPIB) to support the investment in Patrick.
- Establishing new debt facilities within Patrick (non-recourse to Qube), and increasing Qube's debt facilities, in each case on favourable terms and pricing to support the Patrick acquisition and Qube's continued growth.

QUBE'S INCREASE IN ITS OWNERSHIP OF THE MOOREBANK PROJECT PROVIDES QUBE WITH OWNERSHIP OF HIGH-QUALITY ASSETS THAT COMPLEMENT QUBE'S EXISTING OPERATIONS.

FINANCIAL RESULT

Qube's underlying net profit after tax attributable to shareholders decreased by approximately 18% to $86.5 million and underlying earnings per share decreased by 22% to 7.6 cents. Underlying earnings per share pre-amortisation were 8.2 cents.

Underlying revenue and EBITDA (earnings before interest, tax, depreciation and amortisation) both fell by around 8% to $1.3 billion and $246.3 million respectively.

Statutory revenue decreased by around 9% to approximately $1.3 billion and profit after tax attributable to shareholders fell by around 5% to $82.0 million. Statutory diluted earnings per share were 7.2 cents, a 10% decline on the prior year.

The reduced earnings were largely attributable to the Ports & Bulk division with the FY16 earnings reflecting the full-year impact of the cessation or restructuring of four major contracts that occurred in the second half of FY15.

A contributor to the decline in earnings per share was the dilutionary impact of the entitlement offer completed in April 2016 to fund the Patrick acquisition. The earnings from the Patrick acquisition will only be recognised by Qube from 18 August 2016.

If the dilutionary effect of the entitlement offer and the net financial impact of the Patrick acquisition (i.e. dividend income less net funding costs) were excluded, Qube's underlying earnings per share for FY16 would be 8.2 cents and 8.8 cents on a pre-amortisation basis.

Qube's cash conversion was again strong with operating cashflow pre-tax and interest of $244.1 million, representing around 99% of underlying EBITDA.

DIVIDEND

The final dividend of 2.8 cents per share will be fully franked maintaining the full-year dividend at 5.5 cents per share. Whilst this is above Qube's target payout ratio of 50–60% of underlying earnings per share, the Board believes it is appropriate taking into account Qube's strong cashflow, positive long-term outlook and the dilutionary impact that the capital raising for the Patrick acquisition had on Qube's FY16 earnings per share.

Qube will continue to target a payout ratio of 50–60% of underlying earnings per share taking into account the cashflow generated by the businesses and other relevant considerations including Qube's earnings outlook and capital expenditure requirements.

SUMMARY AND OUTLOOK

The 2016 financial year was a transformational year for Qube with the transactions negotiated or completed during the financial year significantly enhancing the quality of Qube's business and long-term earnings.

The acquisition of Patrick and the agreement to increase Qube's ownership of the Moorebank project to 100% (of the non-government interest) will provide Qube with ownership of high-quality infrastructure assets that complement Qube's existing operations.

Qube's existing businesses demonstrated the benefits of Qube's diversified activities, strong market positions and strategic locations by delivering reasonable financial results and strong cashflow despite challenging economic conditions.

In FY17, Qube expects earnings growth in both its operating divisions, although the extent of growth will be dependent on the broader economic conditions and activity levels and commodity pricing in Qube's key markets.

Qube's earnings will also benefit from the realisation of Qube's pre-bid Asciano shareholding and its share of Patrick's earnings which will be included from 18 August 2016.

The contribution from the Strategic Assets division is expected to reduce significantly in FY17 following the negotiated lease surrender with the tenant at Moorebank in December 2015 which was necessary to facilitate the development of the broader Moorebank project.

Although Qube will earn rental income from leasing the existing warehousing on its site and from management fees for managing works on behalf of the government-owned Moorebank Intermodal Company (MIC) in FY17, this is expected to be much lower than the rental income earned in FY16 and will be partly offset by expenses associated with the planning and development of the broader Moorebank project.

The earnings from Moorebank are expected to progressively increase over the medium term as the new warehousing is leased and the rail terminals become operational.

Overall, Qube presently expects to report increased underlying earnings in FY17 and does not expect any change to the challenging market conditions in FY17.

Finally I would like to thank the Managing Director Maurice James, his management team and the company's thousands of employees and contractors for their continued contribution to Qube's success.

MANAGING DIRECTOR'S REPORT

AFTER A LONG AND COMPLEX PROCESS, QUBE WAS SUCCESSFUL IN ACQUIRING 50% OF THE PATRICK CONTAINER TERMINALS BUSINESS IN A JOINT VENTURE WITH BROOKFIELD INFRASTRUCTURE PARTNERS.

Maurice James
Managing Director

2016 was without doubt the most challenging year in our short history.

The two operating divisions, Qube Logistics and Qube Ports & Bulk, produced sound results in the face of tough economic conditions and continued to provide great service to our customers.

The Strategic Assets division began ramping up the Moorebank development which is expected to become Australia's most important logistics hub.

Finally, after a long and complex process, Qube was successful in acquiring 50% of the Patrick Container Terminals business in a joint venture with Brookfield Infrastructure Partners.

SAFETY

I'm delighted to report that throughout the year our safety performance continued to improve.

The Lost Time Injury Frequency Rate (LTIFR) was down nearly 20% compared to the previous year. This represents an 88% improvement since 2007 when the current management took over the business and assets which now comprise Qube. This is a tremendous result of which all employees and contractors can be proud.

THE DIVERSIFIED NATURE OF QUBE'S ACTIVITIES HELPED THE COMPANY TO WEATHER WEAKNESS IN SOME OF OUR MARKETS.

RESULTS FROM OPERATING DIVISIONS

Qube's two operating divisions achieved reasonable results in light of the challenging operating environment. The diversified nature of Qube's activities helped the company to weather weakness in some of our markets. We also undertook cost reductions to mitigate the impact of market conditions.

Senior management was reorganised following the retirement of industry veteran Don Smithwick as Managing Director of the Ports & Bulk division. The Managing Director of Logistics, Paul Digney, was appointed to a newly created role of Chief Operating Officer to drive operational improvements across the entire organisation.

Logistics Division

- Earnings growth and margin improvement despite a challenging economic environment.
- New business gained to offset decline in existing customers' volumes.
- Consolidation of sites and activities to reduce costs and improve efficiencies.

The full-year underlying earnings (EBITDA) from the Logistics division increased by around 6.7% on the prior corresponding period despite revenue being around 3.5% lower. The margin improvement reflected operational improvements and a focus on cost reductions and asset utilisation, including the transfer of activities previously undertaken at Somerton to the Vic Dock facility.

There was some weakness in Qube's rail activities as a result of the drought in New South Wales and the delayed start of the Quattro Ports grain facility, including the commencement of the rail contracts that Qube has with each of the grain traders in the Quattro Ports joint venture.

Qube's past investment in facilities and infrastructure provides Qube with significant capacity to generate further margin improvement from increased volumes when economic conditions improve.

Ports & Bulk

- Continued strength in vehicle stevedoring volumes helped maintain a large market share.
- Record Utah Point volumes and increased forestry-related earnings mitigated weakness in other bulk volumes and limited new oil and gas projects and activity.
- Consolidation and restructure of activities, sites, equipment and personnel to reduce costs.

The full-year result from the Ports & Bulk division largely reflected a continuation of the first-half trends with the second-half underlying earnings (EBITDA) slightly lower than the first half. For the full year, underlying revenue and EBITDA were down 13.9% and 26.7% respectively on FY15. This was largely due to the full year impact in FY16 of the cessation or restructuring of four major contracts that occurred in the second half of FY15.

There were strong volumes from activities including automotive stevedoring, forestry marshalling and bulk stevedoring. However, this was offset by reduced oil and gas related activity as well as the mothballing of a mine by one of Qube's largest customers.

Qube has continued to deliver cost reductions directly and also through operational improvements that reduce the overall cost of providing its services.

Strategic Assets – Moorebank

FY 2016 saw the taking shape of the Moorebank project in south-western Sydney, which is expected to become Australia's most important logistics hub. Qube continued to work closely with the Commonwealth's Moorebank Intermodal Company (MIC) to achieve the joint objectives for this important project.

In August 2016, Qube reached agreement to acquire the interest of its partner, Aurizon, in the Moorebank project for $98.9 million to give Qube 100% ownership of the non-government interest in the project. In addition to delivering Qube an enhanced financial return from the Moorebank project, this simplified ownership structure is expected to facilitate deliverability of the project and maximise flexibility for Qube in terms of funding and partnering options, as well as Qube's ability to adopt a 'whole of company' approach covering warehousing and logistics when negotiating with prospective customers.

Planning approvals were also obtained to allow the Commonwealth-owned land and Qube-owned land to be developed jointly. This enabled Qube to commence development of the site. Contractors have been appointed for the construction of rail infrastructure, rail terminals and remediation of the former Defence land on the site.

Construction

- Demolition and pre-construction activities have commenced
- Construction contracts progressed for the Rail Link, IMEX Terminal, and demolition and remediation of the Defence land on the site

Tenancy

- Strong interest from multiple customers across diverse industries including retail, manufacturing, freight forwarding and third party logistics (3PL) providers
- Qube's warehouse (50,000m^2) is included in the first wave of warehousing development

Approvals

- Concept plan approved for the MIC site (now known as Moorebank Precinct West)
- Development approval for the Rail Link and IMEX site expected (Moorebank Precinct East)

There has been strong tenant demand from national retail chains and logistics suppliers. Over 50,000m^2 of area has already been leased by Qube, and Qube is in discussions with a number of parties regarding the development and leasing of new warehousing.

ACQUISITION OF PATRICK

The acquisition of Patrick Container Terminals in a joint venture partnership with Brookfield Infrastructure Partners was achieved after a process which lasted most of FY 2016.

Qube's view is that Patrick is the most efficient, lowest-cost container terminal operator in the country as a result of its two automated terminals in Brisbane and Sydney, its superior sites nationally and its experienced management team.

The Patrick business and its customers are well known to Qube's current management who are working well with the team at Patrick.

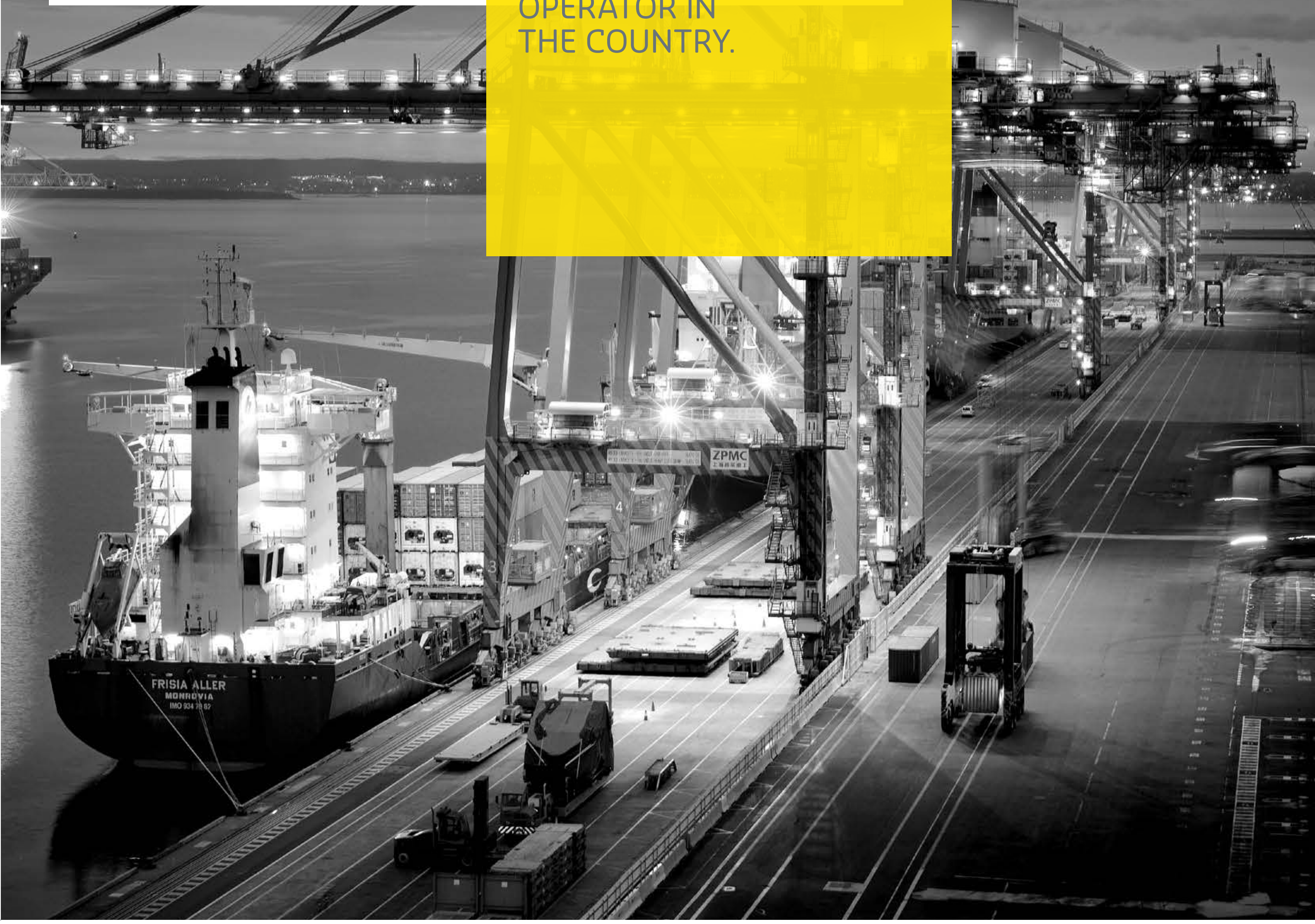
- Transaction completed on 18 August 2016.
- Seamless transition to new ownership and management team.
- Significant cost savings expected over the first 2–3 years of the joint venture's operation.

Qube has appointed the CEO of Patrick and will work closely with the Patrick management team and Brookfield to grow Patrick's earnings by delivering a superior service to drive market share gains, and by delivering cost reductions and synergies through operational improvements and targeted capital expenditure.

In addition to the long-term earnings growth from the Patrick investment, the transaction extends Qube's supply chain capability to the port.

This enhances Qube's ability to provide efficient logistics solutions to its customers and is particularly important in maximising the efficiency of rail to and from the port which will be beneficial for the Moorebank project.

QUBE'S VIEW IS THAT PATRICK IS THE MOST EFFICIENT, LOWEST-COST CONTAINER TERMINAL OPERATOR IN THE COUNTRY.



QUBE ACHIEVED A NUMBER OF KEY MILESTONES DURING FY16 THAT WILL SIGNIFICANTLY ENHANCE ITS ABILITY TO DELIVER LONG-TERM SHAREHOLDER VALUE THROUGH IMPROVED SUPPLY CHAIN EFFICIENCIES ACROSS THE IMPORT AND EXPORT LOGISTICS SECTOR.

OPERATIONAL REVIEW

The strategic assets secured by Qube during FY16 complement Qube's existing assets and operations and significantly improve the overall quality of Qube's business and future earnings.

The highlights of the period (including agreements negotiated during the period but finalised post financial year end), include:

- The acquisition of a 50% interest in Patrick Container Terminals (Patrick) in conjunction with Brookfield Infrastructure Partners (Brookfield) and its partners (who together own the other 50% of Patrick).
- The agreement to acquire Aurizon Holdings Limited's (Aurizon) 33% interest in SIMTA's land at Moorebank and related project interests, giving Qube a 100% ownership interest.
- The agreement to acquire the remaining 50% of Australian Amalgamated Terminals (AAT) (subject to ACCC approval).
- Completion of a $494 million entitlement offer to existing shareholders and a $306 million placement to the Canada Pension Plan Investment Board (CPPIB) to support the investment in Patrick.
- Establishing new debt facilities within Patrick (non-recourse to Qube), and increasing Qube's debt facilities, in each case on favourable terms and pricing to support the Patrick acquisition and Qube's continued growth.
- A reorganisation of Qube's senior management team to support the above transactions, drive cost reductions and enhance Qube's long-term growth.
- A reasonable financial result for FY16 with strong cashflows in spite of the continuation of the challenging operating environment and weakness in some of Qube's markets.
- Maintaining the full year dividend at 5.5 cents per share fully franked reflecting the strong cashflow generation and positive long-term outlook despite lower earnings in FY16.

FINANCIAL PERFORMANCE

Qube achieved reasonable financial performance in what was a challenging operating environment. Underlying revenue and EBITDA both fell by around 8% to $1.3 billion and $246.3 million, respectively.

Qube's underlying net profit after tax attributable to shareholders decreased by approximately 18% to $86.5 million and underlying earnings per share decreased by 22% to 7.6 cents. Underlying earnings per share pre-amortisation was 8.2 cents.

The reduced earnings were largely attributable to the Ports & Bulk division with the FY16 earnings reflecting the full year impact of the cessation or restructuring of four major contracts that occurred in the second half of FY15.

A contributor to the decline in earnings per share was the dilutionary impact of the entitlement offer completed in April 2016 to fund the Patrick acquisition. The earnings from the Patrick acquisition will only be recognised by Qube from the date of its completion which occurred on 18 August 2016. If the dilutionary effect of the entitlement offer and the net financial impact of the Patrick acquisition (i.e. dividend income less net funding costs) were excluded, Qube's underlying earnings per share for FY16 would be 8.2 cents and 8.8 cents on a pre-amortisation basis.

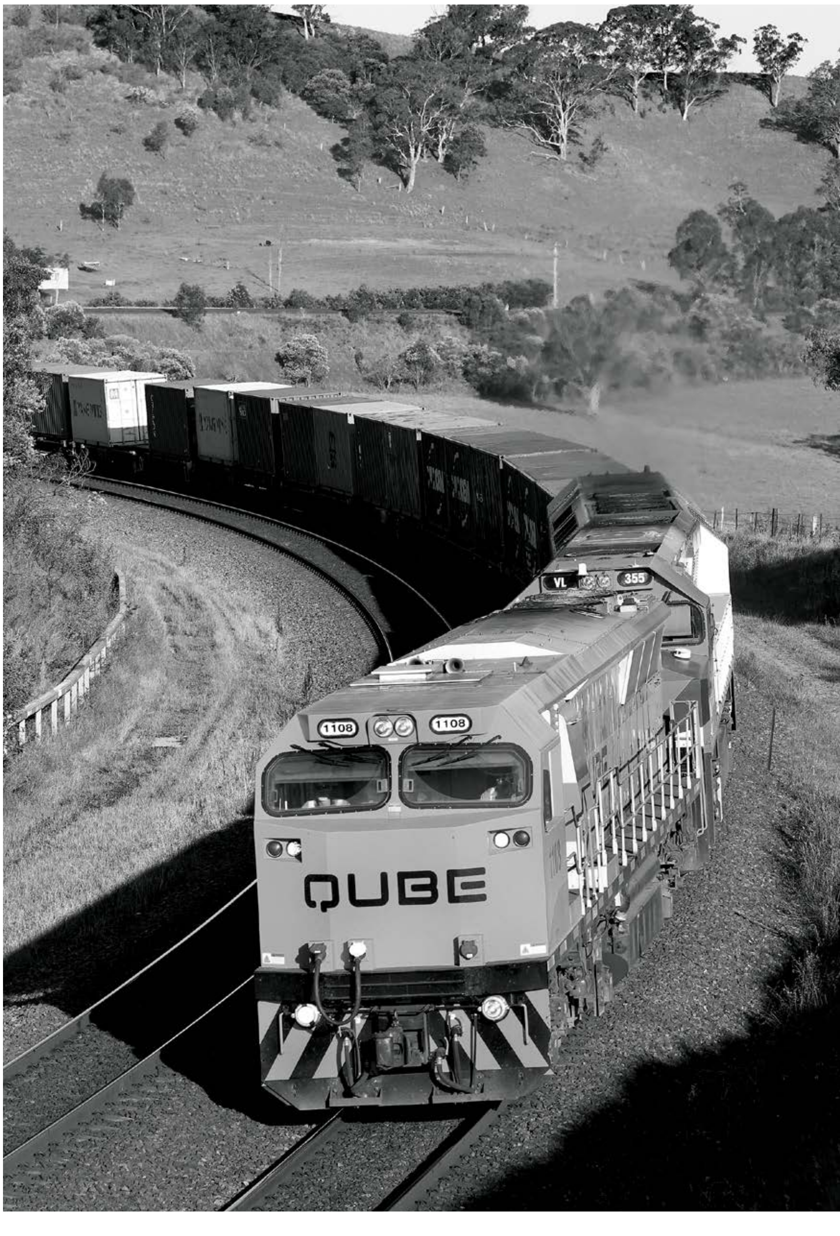
Statutory revenue decreased by around 9% to approximately $1.3 billion and profit after tax attributable to shareholders fell by around 5% to $82.0 million. Statutory diluted earnings per share were 7.2 cents, a 10% decline on the prior year.

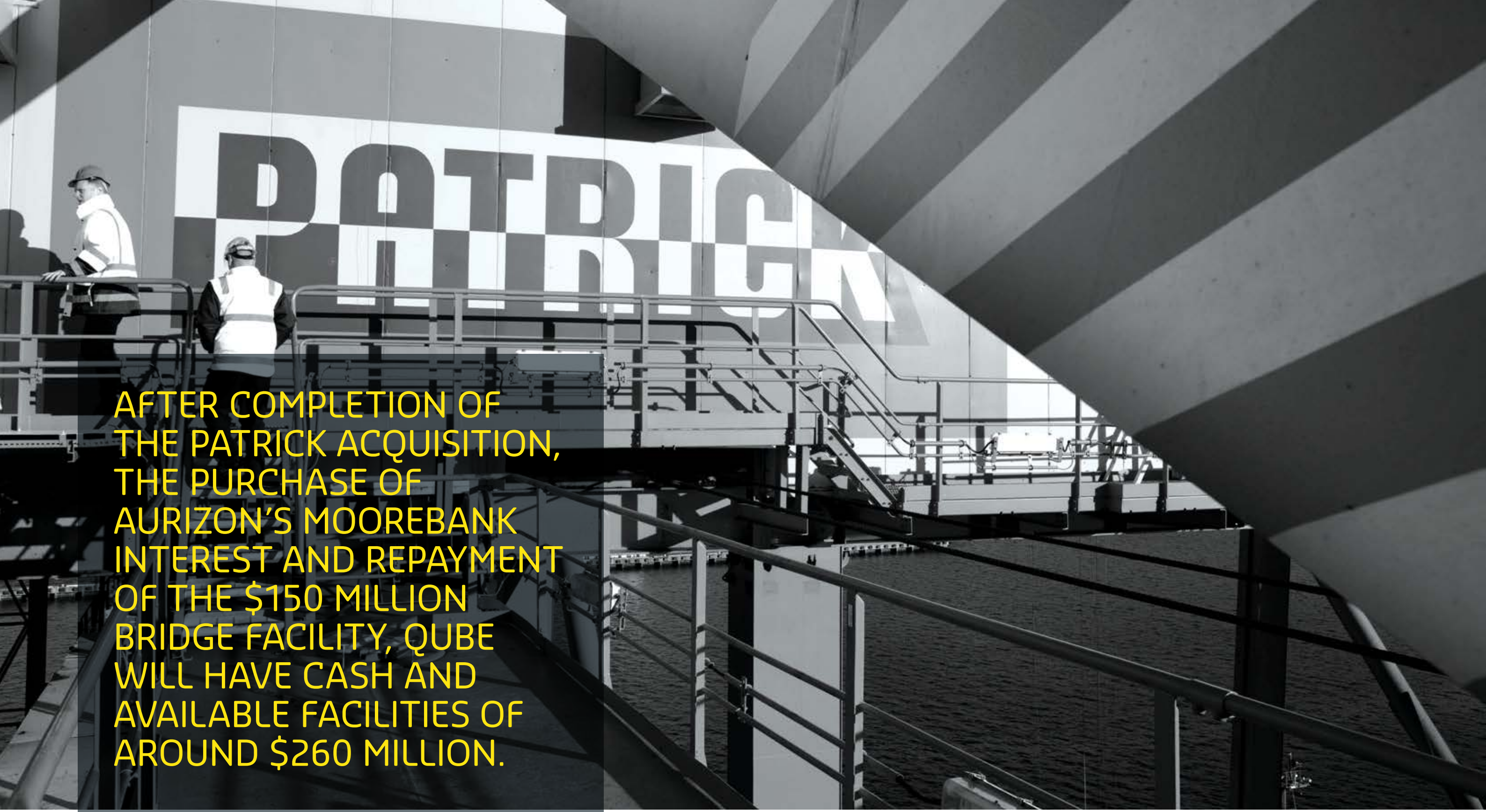
The statutory result includes an impairment of Qube's investment in Northern Stevedoring Services (NSS) of $22.8 million (inclusive of an impairment recognised by NSS itself), partly offset by the reversal of the previous impairment of Utah Point of $17.7 million and a fair value gain related to Qube's Moorebank and Minto properties of $12.8 million (Qube's share $8.7 million). The statutory result also includes costs of around $2.9 million resulting from exiting and/or restructuring certain parts of the business due to the sustained downturn and subdued outlook for the oil and gas sector.

The underlying financial information is based on the statutory information excluding certain non-recurring and non-cash items such as impairments and fair value adjustments 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 included in the Financial Information.

QUBE ACHIEVED A REASONABLE FINANCIAL PERFORMANCE IN WHAT WAS A CHALLENGING OPERATING ENVIRONMENT.





AFTER COMPLETION OF THE PATRICK ACQUISITION, THE PURCHASE OF AURIZON'S MOOREBANK INTEREST AND REPAYMENT OF THE $150 MILLION BRIDGE FACILITY, QUBE WILL HAVE CASH AND AVAILABLE FACILITIES OF AROUND $260 MILLION.

FUNDING

Qube successfully completed an entitlement offer in April 2016 raising around $494 million (excluding costs) from its existing shareholder base. Post the end of the financial year, Qube completed a $306 million placement to CPPIB (excluding costs). The proceeds raised from these capital raisings were used to fund the majority of Qube's investment into Patrick, thereby ensuring that Qube retained a conservative balance sheet following completion of the acquisition.

During the period Qube, in conjunction with Brookfield, established around $1 billion in new debt facilities to assist with the funding for the acquisition of Patrick. These facilities have been provided to Patrick and are non-recourse to Qube and Brookfield. The terms and pricing of the new facilities reflect the quality of the Patrick business and associated cashflows it generates.

Qube increased its available debt facilities through the establishment of several new bilateral facilities totalling around $290 million to support further growth, all of which were undrawn at 30 June 2016. Additionally, Qube established a short-term $150 million bridge facility, maturing in September 2016 that was used to partially fund the acquisition of the Asciano shares as part of the Patrick acquisition. Other than this facility, Qube has no other near-term debt maturities under its bank facilities and retains substantial headroom under its covenants.

Qube's leverage ratio (net debt/net debt plus equity) decreased from approximately 27% at 30 June 2015 to around 24% at 30 June 2016 which remains below the bottom end of Qube's target leverage range of 30–40%.

At 30 June 2016, Qube had net debt (being bank loans and finance lease liabilities less cash on hand) of approximately $601 million (2015: $519 million). Qube had available cash and undrawn debt facilities of around $615 million (2015: $260 million) providing Qube with substantial funding capacity to pursue further investment.

After completion of the Patrick acquisition, the purchase of Aurizon's Moorebank interest and repayment of the $150 million bridge facility, Qube will have cash and available facilities of around $260 million.

In October 2016, Qube completed the successful issue of ASX-listed subordinated notes. Proceeds from the issue will be used for general corporate purposes including the development of the Moorebank project and for funding other growth opportunities.

DIVIDEND

A final fully franked dividend of 2.8 cents per share was declared maintaining the full year dividend at 5.5 cents per share. Whilst this is above Qube's target payout ratio of 50–60% of underlying earnings per share, the Board believes it is appropriate taking into account Qube's strong cashflow, positive long-term outlook and the dilutionary impact that the capital raising for the Patrick acquisition had on Qube's FY16 earnings per share.

Qube will continue to target a payout ratio of 50–60% of underlying earnings per share taking into account the cashflow generated by the businesses and other relevant considerations including Qube's earnings outlook and capital expenditure requirements.

ACQUISITION OF PATRICK

A key highlight for the period was the agreement to acquire Patrick from Asciano Limited through a 50/50 joint venture with Brookfield. This acquisition was completed on 18 August 2016 following a lengthy, complex and competitive process lasting the majority of FY16.

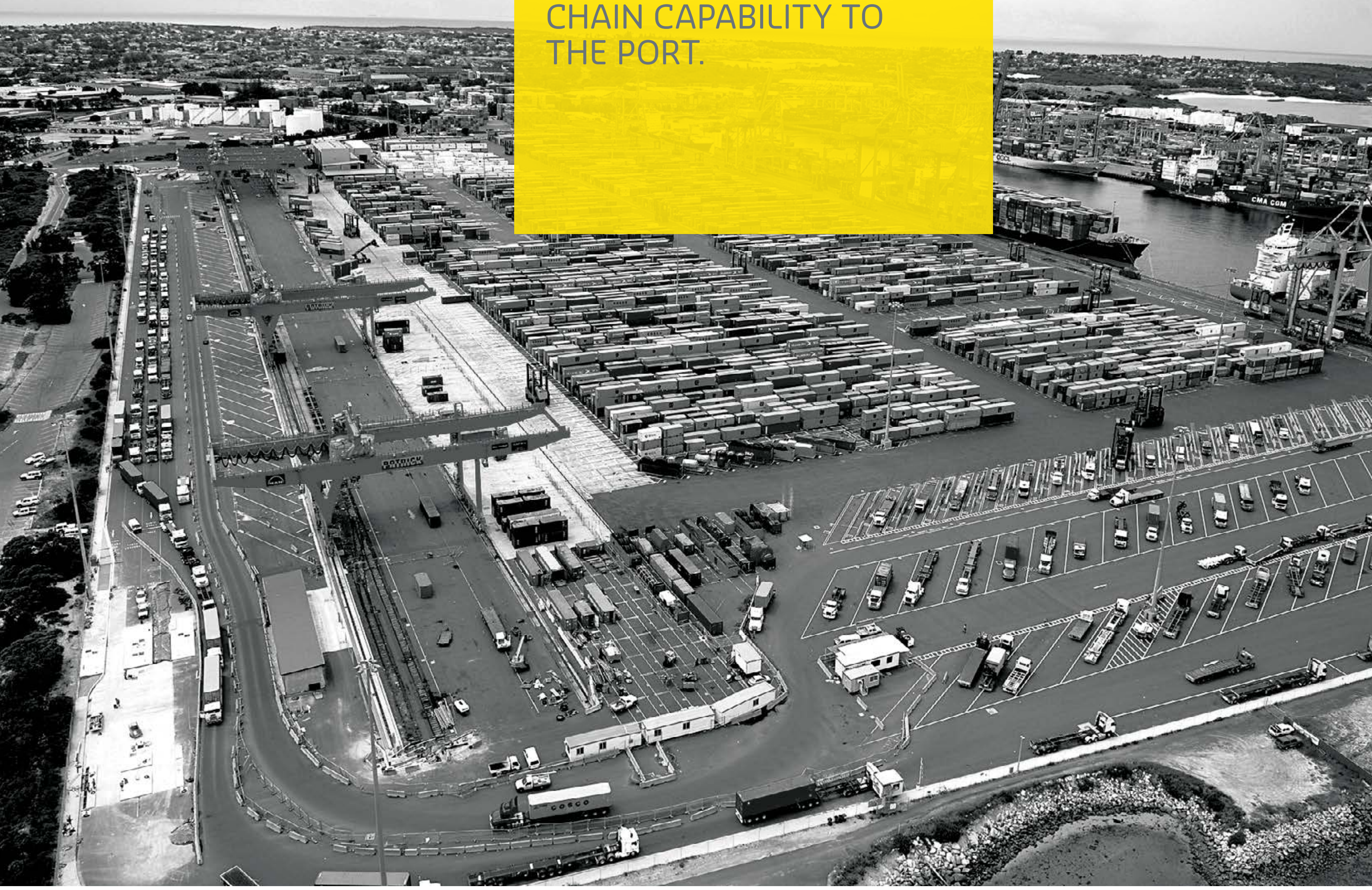
Qube's view is that Patrick is the most efficient, lowest-cost container terminal operator in the country as a result of its two automated terminals in Brisbane and Sydney, its superior sites nationally and an experienced management team. Qube believes that there is a positive long-term growth outlook for this business given both the structural tailwinds for container volumes through Australia's ports as well as Patrick's favourable competitive market positioning.

Qube has appointed the CEO of Patrick and will work closely with the Patrick management team and Brookfield to grow Patrick's earnings by delivering a superior service to drive market share gains, and by delivering cost reductions and synergies through operational improvements and targeted capital expenditure.

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

As part of the broader Asciano transaction, Qube also has the ability to acquire the 50% of Australian Amalgamated Terminals (AAT) that it does not presently own. AAT has long-term port leases in NSW and Queensland used for automotive vehicle imports and is well placed to benefit from the expected increase in imported vehicles as a result of the closure of domestic vehicle manufacturing. Qube is working proactively with the ACCC to address any concerns and currently expects to complete the acquisition during FY17.

IN ADDITION TO THE LONG-TERM EARNINGS GROWTH FROM THE PATRICK INVESTMENT, THE TRANSACTION EXTENDS QUBE'S SUPPLY CHAIN CAPABILITY TO THE PORT.



RESULTS FROM OPERATING DIVISIONS

Qube's two operating divisions achieved reasonable results in light of the challenging operating environment. The diversified nature of Qube's activities was beneficial as strengths in certain markets helped mitigate the impact of weakness in other markets. Qube has also undertaken cost reduction initiatives to mitigate the impact of market conditions. This included a reorganisation of the senior management team with Paul Digney appointed to a newly created role of Chief Operating Officer to drive operational improvements across the entire organisation. There was also a focus on site consolidation and restructuring of activities relating to the oil and gas sector in the expectation of continued weakness in this sector.

Logistics

The full year underlying earnings (EBITDA) from the Logistics division increased by around 6.7% on the prior corresponding period despite revenue being around 3.5% lower. The margin improvement reflected operational improvements and a focus on cost reductions and asset utilisation including the transfer of activities previously undertaken at Somerton to the Vic Dock facility. The integration of the CRT acquisition was ahead of expectations and helped drive the margin improvement. Qube was successful in securing new customers in the period which helped offset the decline in volumes from its existing customer base.

There was some weakness in Qube's rail activities as a result of the drought in New South Wales and the delayed start of the Quattro Ports grain facility and the commencement of the rail contracts that Qube has with each of the grain traders in the joint venture to deliver grain to the facility.

Qube's past investment in facilities and infrastructure provides Qube with significant capacity to generate further margin improvement from increased volumes when economic conditions improve.

Ports & Bulk

The full year result from the Ports & Bulk division largely reflected a continuation of the first half trends with the second half earnings (EBITDA) slightly lower than the first half. For the full year, underlying revenue and EBITDA were down 13.9% and 26.7% respectively on FY15. As noted, this decline was largely due to the full year impact in FY16 of the cessation or restructuring of four major contracts that occurred in the second half of FY15. Although Qube was successful in securing new contracts to partly mitigate this, these contracts only made a minimal contribution in FY16 due to the lead time to source equipment and the initial training and induction costs.

There were strong volumes from activities including automotive stevedoring, forestry marshalling and bulk stevedoring. However, this was offset by reduced oil and gas related activity as well as the mothballing of a mine by one of Qube's largest customers. Qube has continued to deliver cost reductions directly and also through operational improvements that reduce the overall cost of providing services. Qube has also restructured and/or closed several facilities and operations relating to the oil and gas sector.

As a result of the improved prospects for the Utah Point facility due to the more positive outlook for the iron ore price and Qube's customer base, Qube has reversed the previous impairment of the Utah Point facility of $17.7 million in its statutory results which was partially offset by a small impairment of another asset of $0.1 million.

Associates

The associates had mixed results with a strong contribution from AAT (reflecting continued growth in motor vehicle imports) and Prixcar (reflecting the profit on sale of a property offsetting weaker operational performance following the loss of its major customer during the year). However this was offset by a weaker result from NSS (reflecting market conditions in Townsville and Gladstone and a weaker environment for new projects and contracts in its markets).

As a result of the weak medium/long-term earnings outlook for NSS following the loss of several major customers and the challenging market conditions, the value of Qube's investment has been impaired by $22.8 million (inclusive of an impairment recognised by NSS itself) to $24.5 million.

Strategic Assets

Progress with Moorebank Project

There were a number of important developments with the Moorebank project during the financial year and subsequent to year end.

In December 2015, an early lease surrender agreement was reached with the tenant on Qube's then majority-owned Moorebank property. In addition to receiving a lease surrender payment, this agreement enabled Qube to commence the development of its site as well as start leasing the existing warehousing on its site to tenants that are suited to the future Moorebank project.

In August 2016, Qube reached agreement to acquire the interest of its partner in the Moorebank project, Aurizon, for $98.9 million, to give Qube 100% ownership of the non-government interest in the project. In addition to delivering Qube an enhanced the financial return from the Moorebank project, this simplified ownership structure is expected to facilitate the deliverability of the project and maximise flexibility for Qube in terms of funding and partnering options as well as Qube's ability to adopt a 'whole of company' approach covering warehousing and logistics when negotiating with prospective customers.

The other key milestone achieved was final Concept Plan approval for the Moorebank project in south-western Sydney which has seen works on the site commence. After many years in the planning, development of this vital national infrastructure project is now underway.

There has been strong tenant demand from national retail chains and logistics suppliers. Over 50,000m^2 of area has already been leased by Qube and Qube is in discussions with a number of parties regarding the development and leasing of new warehousing.

Quattro Ports

The Quattro Ports grain joint venture was completed in early 2016 and operations commenced in March 2016 which was slightly later than expected. There was no material contribution in FY16 and an increased contribution is expected in FY17.

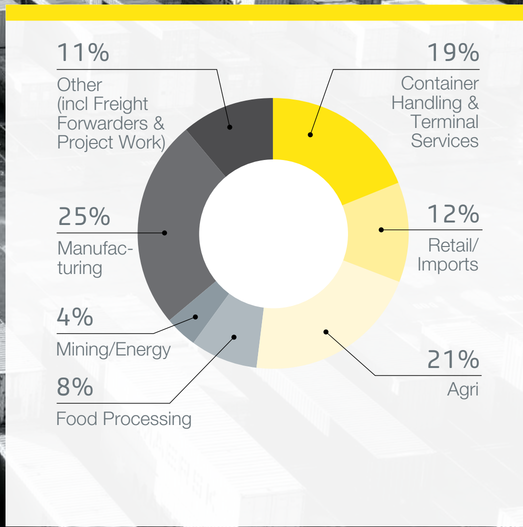
The site in Port Kembla is sub-leased from AAT. Qube Logistics has rail contracts with the other three joint venture partners, COFCO Agri, Cargill and Emerald, for the cartage of bulk grain to the terminal. Quattro Ports manages the site and facility and Qube Ports stevedores the grain vessels.

TQ Holdings

The TQ Holdings joint venture is progressing planning approvals and design for the development of a bulk fuel terminal in Port Kembla. Qube's joint venture partner is Japanese petroleum group TonenGeneral. The opportunity is the result of a shortage of independent fuel storage capacity in Australia and also aligns strategically with the Moorebank development.

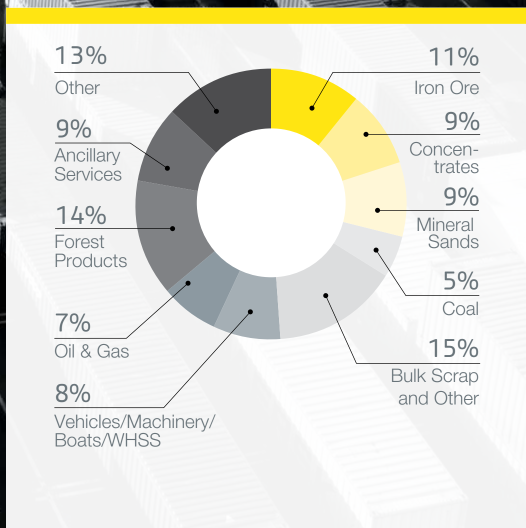
Logistics Division

FY16 INDICATIVE REVENUE SEGMENTATION BY PRODUCT



Ports & Bulk Division

FY16 INDICATIVE REVENUE SEGMENTATION BY PRODUCT



QUBE CONTINUES TO DRIVE ITS ZERO HARM MESSAGE THROUGHOUT THE BUSINESS, FOCUSING ON 3 AREAS: LEADERSHIP, CULTURE AND GOVERNANCE.

RISK MANAGEMENT

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

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

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

Major risks to Qube's earnings identified include:

- economic growth
- demand for commodities
- oil and gas activity (production and new projects)
- new vehicle sales
- container volumes
- equipment failure
- agri volumes/weather
- interest rate
- Australian dollar
- cyber security threats

Qube seeks to reduce the likelihood of these risks occurring, and the impact on its operations and earnings if any were to occur. Qube does this through its detailed operating and financial policies and systems as well as by diversifying its activities by product, customer and geography. Qube also maintains a broad range of insurance cover to mitigate the financial impact of key risks should they occur.

SAFETY

Qube continues to drive its Zero Harm message throughout the business, focusing on 3 areas: Leadership, Culture and Governance.

In FY16, Qube achieved the following:

- A significant improvement in safety results with a reduction in lost time injury frequency rate (LTIFR) of 19% from 3.2 to 2.6. This represents an 88% improvement since Qube commenced operations in 2007.
- Development of Qube Safety, Health and Environment (SHE) Standards and a due diligence program establishing a framework which can be practically applied and which acts as a guide for officers and senior managers to discharge due diligence obligations.
- Implementation of a SHE incident management system across all divisions resulting in improved visibility, and transparent and accurate SHE information.
- Introduction of a corporate auditing program to verify the effective implementation of the SHE incident management system.
- Review undertaken to validate good work practices and identify opportunities for improvements to policies, procedures, tools and processes for Chain of Responsibility compliance.
- Supporting Qube's associates to develop and implement safety management systems to meet their operational requirements.
- Development of an overall SHE management strategy in respect of the Moorebank Intermodal Logistics Precinct.
- 25% reduction in number of environmental incidents.
- Continued certification to ISO14001:2004, the international standard for Environmental Management Systems.
- Compliance with National Greenhouse and Energy Reporting Scheme.

A SIGNIFICANT IMPROVEMENT IN SAFETY RESULTS WITH A REDUCTION IN LOST TIME INJURY FREQUENCY RATE (LTIFR) OF 19%.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Post the end of the financial year, the following significant events occurred:

- On 2 August 2016, Qube completed a $306 million placement to the Canada Pension Plan Investment Board.
- On 2 August 2016, Qube entered into an agreement to acquire Aurizon Holdings Limited's interests in the Moorebank project for $98.9 million, thereby giving Qube 100% ownership of the non-government interest in the project.
- On 18 August 2016, Qube and a Brookfield-managed consortium acquired 100% of Patrick for total consideration of $2,915 million (excluding costs and adjustments).

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 Qube group's operations, the results of those operations or Qube's state of affairs in future financial years.

On 1 September 2016, Robert Dove resigned as a director and his place on the Nomination and Remuneration Committee was taken by Chris Corrigan with effect from that date.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Qube 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

Qube 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 SHE Management System ensuring that noncompliance risks and opportunities for environmental improvement are identified, managed and reported accordingly.

CORRIGENDUM

The relevant interest of director Alan Miles was incorrectly noted in the Remuneration Report lodged with the audited accounts. The correct number of shares in which he holds an interest is 7,664.

SUMMARY AND OUTLOOK

The 2016 financial year was a transformational year for Qube with the transactions negotiated or completed during the financial year significantly enhancing the quality of Qube's business and long-term earnings.

The acquisition of Patrick and the agreement for Qube to increase its ownership of the Moorebank project to 100% (of the non-government interest) provides Qube with ownership of high-quality infrastructure assets that complement Qube's existing operations.

Qube's existing businesses demonstrated the benefits of Qube's diversified activities, strong market positions and strategic locations by delivering reasonable financial results and strong cashflow despite challenging economic conditions.

In FY17, Qube expects earnings growth in both its operating divisions, although the extent of growth will be dependent on the broader economic conditions and activity levels and commodity pricing in Qube's key markets.

Qube's earnings will also benefit from the realisation of Qube's pre-bid Asciano shareholding and its share of Patrick's earnings which will be included from 18 August 2016.

The contribution from the Strategic Assets division is expected to reduce significantly in FY17 following the negotiated lease surrender with the tenant at Moorebank in December 2015 which was necessary to facilitate the development of the broader Moorebank project.

Although Qube will earn rental income from leasing existing warehousing on its site and from management fees for managing works on behalf of MIC in FY17, this is expected to be much lower than the rental income earned in FY16 and will be partly offset by expenses associated with the planning and development of the broader Moorebank project.

The earnings from the Moorebank project are expected to progressively increase over the medium term as the new warehousing is leased and the rail terminals become operational.

Overall, Qube presently expects to report increased underlying earnings in FY17 and does not expect any change to the challenging market conditions in FY17.

THE 2016 FINANCIAL YEAR WAS A TRANSFORMATIONAL YEAR FOR QUBE WITH THE TRANSACTIONS NEGOTIATED OR COMPLETED DURING THE FINANCIAL YEAR SIGNIFICANTLY ENHANCING THE QUALITY OF QUBE'S BUSINESS AND LONG-TERM EARNINGS.

SAFETY, HEALTH AND ENVIRONMENT

SAFETY

Zero Harm

Qube continues to invest in our people and systems with new initiatives aimed at improving our safety performance by driving innovation, empowering our people to make safety decisions to drive positive business outcomes.

We continue to drive improved safety performance: 19% improvement in LTIFR from FY15 to FY16; 88% improvement in LTIFR since Qube's establishment in 2007.

The business has successfully implemented an integrated safety management system and incident reporting system. This year one of the main safety objectives was to build a consistent set of behaviours and standards whereby all employees and contractors have the knowledge, competence and desire to work safely.

A number of safety initiatives have been developed to improve our safety performance.

Leadership: All employees shall understand their safety accountabilities and demonstrate appropriate leadership

- Continue to improve visibility of managers.
- Robust and transparent performance reporting processes.
- Empowering our managers to make safety decisions through simplified and meaningful safety management systems.

Culture: All employees are working to clear and consistent safety values

- Continued implementation of our Zero Harm value through divisional initiatives.
- Good safety performance is rewarded through divisional reward and recognition programs.
- Critical risk reviews undertaken across the business.
- Updating Qube's safety induction to ensure that we are delivering consistent safety massaging.

Assurance and Governance: establishment of a governance framework to ensure due diligence is discharged systematically across Qube

- Development of Company SHE Standards to support Qube's SHE Policy which set out Qube's expectations. They apply to all operating companies regardless of where they operate.
- Corporate audits undertaken across all divisions to verify system effectiveness and implementation.
- CoR (Chain of Responsibility) – launch of CoR Managers program to support managers and supervisors to implement CoR-compliant work practices.

ENVIRONMENT

Consistent with our goal of Zero Harm, Qube is committed to implementing high environmental protection standards. We have continued to strengthen the SHE incident management system across the operating businesses to help manage environmental risks. Certification to ISO AS/NZS 14001:2004 for Environmental Management Systems has been maintained through the reporting period.

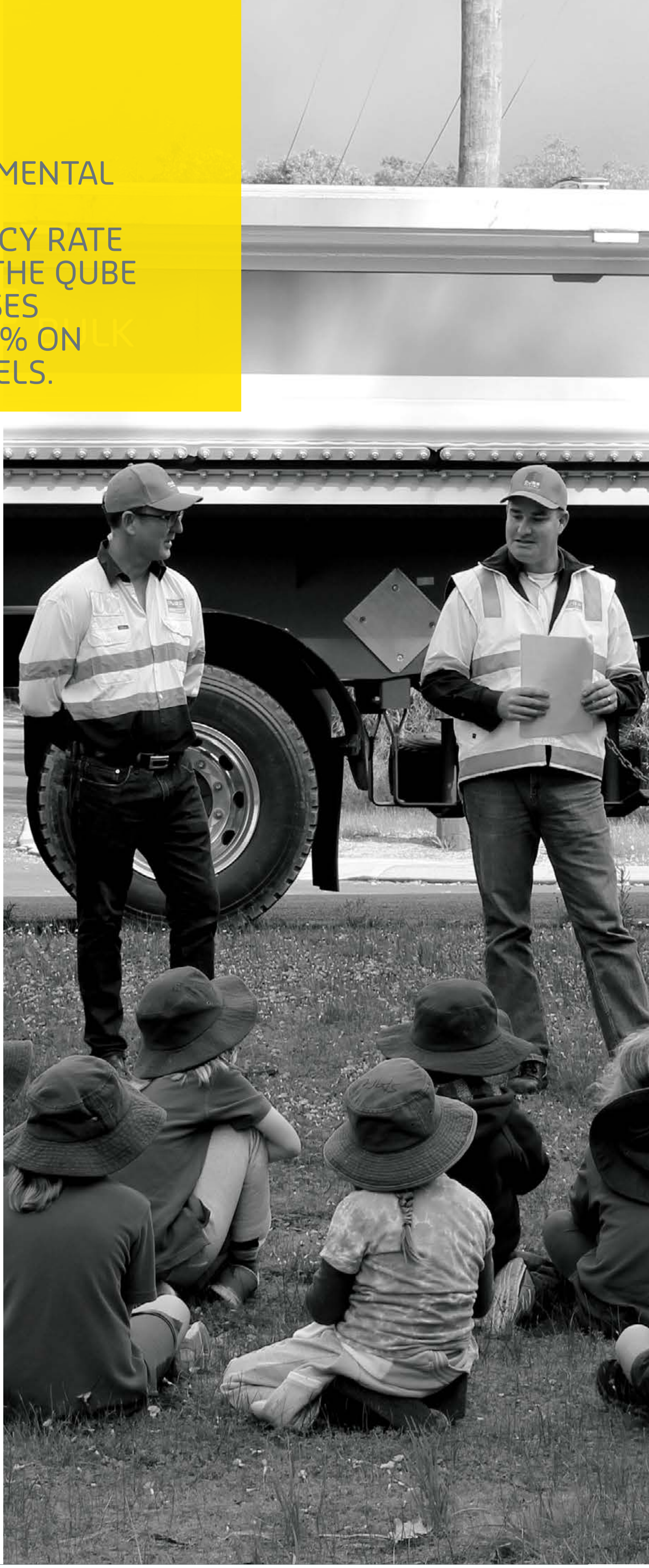
During FY16, our focus has been on establishing consistent reporting of environmental incidents across all Qube businesses. This has allowed us to accurately measure the rate of occurrence of incidents which have resulted or could have resulted in environmental impact. This enables Qube to identify trends and areas for improvement. Improved reporting of environmental incidents show that the Environmental Incident Frequency Rate across Qube's businesses fell by 9% on FY15 levels.

Qube maintains compliance with the *National Greenhouse and Energy Reporting Act 2007*. For the FY16 reporting period the total CO_2 emitted by Qube's operating businesses was 283,208 tonnes. Carbon intensity (as a function of revenue) decreased by about 2% from FY15.

Qube is committed to investigating ways to reduce our carbon emissions. In FY16 a number of initiatives were progressed, including:

- Replacement of incandescent and fluorescent light globes in warehouses with LED.
- Use of solar panels on site fuel/service trucks.
- Fleet renewal.

ENVIRONMENTAL INCIDENT FREQUENCY RATE ACROSS THE QUBE BUSINESSES FELL BY 9% ON FY15 LEVELS.



INDIGENOUS

Qube proactively supports the commitment to provide training and employment opportunities for indigenous people in both metropolitan and regional locations. Qube demonstrates this commitment through the establishment and ongoing relationship with the Clontarf Foundation in Bunbury and Geraldton, WA and is in the process of extending that relationship to Darwin, NT and Orange, NSW.

In addition to providing financial support, Qube has partnered with the Clontarf Foundation to provide indigenous students with work experience opportunities over an extended period of time in order to assist them in becoming employment ready upon completing their schooling. This is an ongoing program and has been referred to as a model of engagement and contribution by the Clontarf Foundation.

COMMUNITY INVOLVEMENT

Qube respects and values the communities in which we work. The company remains committed to engaging with the public and supporting local community initiatives. Qube is proud to have supported a number of national and local groups and communities during 2016 including Canteen, The Royal Flying Doctor Service, Saving Animals from Euthanasia, Care and the Cancer Council Australia.

FINANCIAL INFORMATION

Qube Holdings Limited
ABN 14 149 723 053
for the year ended
30 June 2016

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 2016.

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
Christopher Corrigan	Non-executive Chairman	23 March 2011
Sam Kaplan	Non-executive Deputy Chairman	23 March 2011
Maurice James	Managing Director	23 March 2011
Ross Burney	Non-executive Director	9 September 2011
Allan Davies	Non-executive Director	26 August 2011
Peter Dexter	Non-executive Director	1 September 2011
Robert Dove	Non-executive Director	26 August 2011
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

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 and development of strategic properties with future development potential into inland rail terminals, bulk terminals and related logistics facilities.

Dividends provided or paid by the Company during the financial year:

	Cents per share	Total $M	Franked percentage	Payment date
Ordinary Shares				
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
Paid during the 2015 financial year				
2014 Final dividend	2.7¢	28.4	100%	3 October 2014
2015 Interim dividend	2.7¢	28.5	100%	7 April 2015
Dividends declared by the Company after year end				
2016 Final dividend	**2.8¢**	**40.5**	100%	**11 October 2016**

Review of Operations

Overview

Qube achieved a number of key milestones during FY16 that will significantly enhance its ability to deliver long term shareholder value through improved supply chain efficiencies across the import and export logistics sector. The strategic assets secured by Qube during FY16 complement Qube's existing assets and operations and significantly improve the overall quality of Qube's business and future earnings.

The highlights of the period (including agreements negotiated during the period but finalised post financial year end), include:

- The acquisition of a 50% interest in the Patrick container terminals (Patrick) in conjunction with Brookfield Infrastructure Partners Limited and its partners (Brookfield) (who will own the other 50% of Patrick).

- The agreement to acquire Aurizon Holdings Limited's (Aurizon) 33% interest in the Moorebank land and related project, giving Qube a 100% ownership interest.
- The agreement to acquire the remaining 50% of Australian Amalgamated Terminals (AAT) (subject to ACCC approval).
- Completion of a $494 million entitlement offer to existing shareholders and a $306 million placement to the Canada Pension Plan Investment Board (CPPIB) to support the investment in Patrick.
- Establishing new debt facilities within Patrick (non-recourse to Qube), and increasing Qube's debt facilities, in each case on favourable terms and pricing to support the Patrick acquisition and Qube's continued growth.
- A reorganisation of Qube's senior management team to support the above transactions, drive cost reductions and enhance Qube's long term growth.
- A reasonable financial result for FY16 with strong cashflows in spite of the continuation of the challenging operating environment and weakness in some of Qube's markets.
- Maintaining the full year dividend at 5.5 cents per share fully franked reflecting the strong cashflow generation and positive long term outlook despite lower earnings in FY16.

Financial Performance

Qube delivered a reasonable financial performance in what was a challenging operating environment. Underlying revenue and EBITDA both fell by around 8% to $1.3 billion and $246.3 million, respectively.

Qube's underlying net profit after tax attributable to shareholders decreased by approximately 18% to $86.5 million and underlying earnings per share decreased by 22% to 7.6 cents. Underlying earnings per share pre-amortisation was 8.2 cents.

The reduced earnings were largely attributable to the Ports & Bulk division with the FY16 earnings reflecting the full year impact of the cessation or restructuring of four major contracts that occurred in the second half of FY15.

A contributor to the decline in earnings per share was the dilutionary impact of the entitlement offer completed in April 2016 to fund the Patrick acquisition. The earnings from the Patrick acquisition will only be recognised by Qube from the date of completion which occurred on 18 August 2016. If the dilutionary effect of the entitlement offer and the net financial impact of the Patrick acquisition (i.e. dividend income less net funding costs) were excluded, Qube's underlying earnings per share for FY16 would be 8.2 cents and 8.8 cents on a pre-amortisation basis.

Statutory revenue decreased by around 9% to approximately $1.3 billion and profit after tax attributable to shareholders fell by around 5% to $82.0 million. Statutory diluted earnings per share were 7.2 cents, a 10% decline on the prior year.

The statutory result includes an impairment of Qube's investment in Northern Stevedoring Services (NSS) of $22.8 million (inclusive of an impairment recognised by NSS itself), partly offset by the reversal of the previous impairment of Utah Point of $17.7 million and a fair value gain related to Qube's Moorebank and Minto properties of $12.8 million (Qube's share $8.7 million). The statutory result also includes costs of around $2.9 million resulting from exiting and/or restructuring certain parts of the business due to the sustained downturn and subdued outlook for the oil and gas sector.

The underlying financial information is based on the statutory information excluding certain non-recurring and non-cash items such as impairments and fair value adjustments in order to more clearly reflect the underlying earnings of the business.

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

Dividend

The final dividend of 2.8 cents per share will be fully franked maintaining the full year dividend at 5.5 cents per share. Whilst this is above Qube's target payout ratio of 50-60% of underlying earnings per share, the Board believes it is appropriate taking into account Qube's strong cashflow, positive long term outlook and the dilutionary impact that the capital raising for the Patrick acquisition had on Qube's FY16 earnings per share.

Qube will continue to target a payout ratio of 50-60% of underlying earnings per share taking into account the cashflow generated by the businesses and other relevant considerations including Qube's earnings outlook and capital expenditure requirements.

Acquisition of Patrick

A key highlight for the period was the agreement to acquire Patrick from Asciano Limited through a 50/50 joint venture with Brookfield. This acquisition was completed on 18 August following a lengthy, complex and competitive process lasting the majority of FY16.

Qube's view is that Patrick is the most efficient, lowest cost container terminal operator in the country as a result of its two automated terminals in Brisbane and Sydney, has superior sites nationally and an experienced management team. Qube believes that there is a positive long term growth outlook for this business given both the structural tailwinds for container volumes through Australia's ports as well as Patrick's favourable competitive market positioning.

Qube has appointed the CEO of Patrick and will work closely with the Patrick management team and Brookfield to grow Patrick's earnings by delivering a superior service to drive market share gains, and by delivering cost reductions and synergies through operational improvements and targeted capital expenditure.

In addition to the long term earnings growth from the Patrick investment, the transaction extends Qube's supply chain capability to the port. This enhances Qube's ability to provide efficient logistics solutions to its customers and is particularly important in maximising the efficiency of rail to and from the port which will be beneficial for Moorebank.

As part of the broader Asciano transaction, Qube also has the ability to acquire the 50% of Australian Amalgamated Terminals (AAT) that it does not presently own. AAT has long term port leases in NSW and Queensland used for automotive vehicle imports and is well placed to benefit from the expected increase in imported vehicles as a result of the closure of domestic vehicle manufacturing. Qube is working proactively with the ACCC to address any concerns and currently expects to complete the acquisition during FY17.

Progress with Moorebank Project

There were a number of important developments with the Moorebank project during the financial year and subsequent to year end.

In December 2015, an early lease surrender agreement was reached with the tenant on Qube's majority owned Moorebank property. In addition to receiving a lease surrender payment, this agreement enabled Qube to commence the development of its site as well as start leasing the existing warehousing on its site to tenants that are suited to the future Moorebank project.

In August 2016, Qube reached agreement to acquire all of Aurizon's interests in the Moorebank project for $98.9 million, which will give Qube 100% ownership of the project. In addition to delivering Qube 100% of the financial return from the Moorebank project, this simplified ownership structure is expected to enhance the deliverability of the project and maximise flexibility for Qube in terms of funding and partnering options as well as Qube's ability to adopt a 'whole of company' approach covering warehousing and logistics when negotiating with prospective customers.

Qube currently expects financial close with the Commonwealth to occur shortly.

There has been strong tenant demand from national retail chains and logistics suppliers. Over 50,000m^2 of area has already been leased by Qube and Qube is in discussions with a number of parties regarding the development and leasing of new warehousing.

Results from Operating Divisions

Qube's two operating divisions delivered reasonable results in light of the challenging operating environment. The diversified nature of Qube's activities was beneficial as strengths in certain markets helped mitigate the impact of weakness in other markets. Qube has also undertaken cost reduction initiatives to mitigate the impact of market conditions. This included a reorganisation of the senior management team with Paul Digney appointed to a newly created role of Chief Operating Officer to drive operational improvements across the entire organisation. There was also a focus on site consolidation and restructuring of activities relating to the oil and gas sector in the expectation of continued weakness in this sector.

Logistics

The full year underlying earnings (EBITDA) from the Logistics division increased by around 6.7% on the prior corresponding period (pcp) despite revenue being around 3.5% lower. The margin improvement reflected operational improvements and a focus on cost reductions and asset utilisation including the consolidation of activities previously undertaken at Somerton to the Vic Dock facility. The integration of the CRT acquisition was ahead of expectations and helped drive the margin improvement. Qube was successful in securing new customers in the period which helped offset the decline in volumes from its existing customer base.

There was some weakness in Qube's rail activities as a result of the drought in New South Wales and the delayed start of the Quattro Grain facility and the commencement of the rail contracts that Qube has with each of the grain traders in the Quattro Grain joint venture.

Qube's past investment in facilities and infrastructure provide Qube with significant capacity to generate further margin improvement from increased volumes when economic conditions improve.

Ports & Bulk

The full year result from the Ports & Bulk division largely reflected a continuation of the first half trends with the second half earnings (EBITDA) slightly lower than the first half. For the full year, underlying revenue and EBITDA were down 13.9% and 26.7% respectively on FY15. As noted, this decline was largely due to the full year impact in FY16 of the cessation or restructuring of four major contracts that occurred in the second half of FY15. Although Qube was successful in securing new contracts to partly mitigate this, these contracts only made a minimal contribution in FY16 due to the lead time to source equipment and the initial training and induction costs.

There were strong volumes from activities including automotive stevedoring, forestry marshalling and bulk stevedoring. However, this was offset by the reduced oil and gas related activity as well as the mothballing of a mine by one of Qube's largest customers. Qube has continued to deliver cost reductions directly and also through operational improvements that reduce the overall cost of providing the service. Qube has also restructured and/or closed several facilities and operations relating to the oil and gas sector.

As a result of the improved prospects for the Utah Point facility due to the more positive outlook for the iron ore price and Qube's customer base at the facility, Qube has reversed the previous impairment of the Utah Point facility of $17.7 million in its statutory results which was partially offset by a small impairment of another asset of $0.1 million.

Associates

The associates had mixed results with a strong contribution from AAT (reflecting continued growth in motor vehicle imports) and Prixcar (reflecting the profit on sale of a property offsetting weaker operational performance following the loss of its major customer during the year) and a weaker result from NSS (reflecting market conditions in Townsville and Gladstone and weaker environment for new projects and contracts in its markets).

As a result of the weak medium-long term earnings outlook for NSS following the loss of several major customers and the challenging market conditions, the value of Qube's investment has been impaired by $22.8 million (inclusive of an impairment recognised by NSS itself) to $24.5 million.

Quattro commenced operations in March 2016 which was later than expected. There was no material contribution in FY16 and an increased contribution is expected in FY17.

TQ Holdings continues to progress planning approvals for a fuel terminal at Port Kembla.

Funding

Qube successfully completed an entitlement offer in April 2016 raising around $494 million (excluding costs) from its existing shareholder base. Post the end of the financial year, Qube completed a $306 million placement to CPPIB (excluding costs). The proceeds raised from these capital raisings were used to fund the majority of Qube's investment into Patrick, thereby ensuring that Qube retained a conservative balance sheet following completion of the acquisition.

During the period Qube, in conjunction with Brookfield, established around $1 billion in new debt facilities to assist with the funding for the acquisition of Patrick. These facilities have been provided to Patrick and are non-recourse to Qube and Brookfield. The terms and pricing of the new facilities reflect the quality of the Patrick business and associated cashflows it generates.

Qube increased its available debt facilities through the establishment of several new bi-lateral facilities totalling around $290 million to support further growth, all of which were undrawn at 30 June 2016. Additionally, Qube established a short term $150 million bridge facility, maturing in September 2016 that was used to partially fund the acquisition of the Asciano shares. Other than this facility Qube has no other near term debt maturities under its bank facilities and retains substantial headroom under its covenants.

Qube's leverage ratio (net debt/net debt plus equity) decreased from approximately 27% at 30 June 2015 to around 24% at 30 June 2016 which remains below the bottom end of Qube's target leverage range of 30-40%.

At 30 June 2016, Qube had net debt (being bank loans and finance lease liabilities less cash on hand) of approximately $601 million (2015: $519 million). Qube had available cash and undrawn debt facilities of around $615 million (2015: $260 million) providing Qube with substantial funding capacity to pursue further investment.

Post completion of the Patrick acquisition, the purchase of Aurizon's Moorebank interest and repayment of the $150 million facility, Qube will have cash and available facilities of around $260 million.

Qube is presently considering the issue of an ASX listed subordinated note in FY17 as part of its medium term funding initiatives to provide additional liquidity and extend the term of its funding.

Risk management

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

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

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

Major risks to Qube's earnings identified include:

- economic growth
- demand for commodities
- oil and gas activity (production and new projects)
- new vehicle sales
- container volumes
- equipment failure
- agri volumes/weather
- interest rate
- Australian dollar
- cyber security threats

Qube seeks to reduce the likelihood of these risks occurring, and the impact on its operations and earnings if it does occur through its detailed operating and financial policies and systems as well as by diversifying its activities by product, customer and geography. Qube also maintains a broad range of insurance cover to mitigate the financial impact of key risks should they occur.

Safety

Qube continues to drive its Zero Harm message throughout the business, focusing on 3 areas; Leadership, Culture and Governance.

In FY16, Qube achieved the following;

- A significant improvement in safety results with a reduction in lost time injury frequency rate (LTIFR) of 19% from 3.2 to 2.6. This represents an 88% improvement since Qube commenced operations in 2007.
- Development of Qube Safety, Health and Environment (SHE) Standards and Due Diligence program, resulting in practical application framework and guide for officers and senior managers to discharge due diligence obligations.
- Implementation of an incident management system across all divisions, resulting in improved visibility, transparent and accurate SHE information.
- Introduction of corporate auditing program, to verify the effective implementation of SHE Management System.
- Review undertaken to validate good work practices and identify opportunities for improvements to policies, procedures, tools and processes for Chain of Responsibility compliance.
- Supporting Qube's associates to develop and implement safety management systems to meet operational requirements.
- Development of overall SHE management strategy in respect of the Moorebank Intermodal Logistics Precinct.
- 25% reduction in number of environmental incidents.
- Continued certification to ISO14001:2004, the international standard for Environmental Management Systems.
- Compliance with National Greenhouse and Energy Reporting Scheme.

Summary and Outlook

The 2016 financial year was a transformational year for Qube with the transactions negotiated or completed during the financial year significantly enhancing the quality of Qube's business and long term earnings.

The acquisition of Patrick and the agreement for Qube to increase its ownership of the Moorebank project to 100% provides Qube with ownership of high quality infrastructure assets that complement Qube's existing operations.

Qube's existing businesses demonstrated the benefits of Qube's diversified activities, strong market positions and strategic locations by delivering reasonable financial results and strong cashflow despite challenging economic conditions.

In FY17, Qube expects earnings growth in both its operating divisions although the extent of growth will be dependent on the broader economic conditions and activity levels and commodity pricing in Qube's key markets.

Qube's earnings will also benefit from the realisation of Qube's pre-bid Asciano shareholding and its share of Patrick's earnings which will be included from 18 August 2016.

The contribution from the Strategic Assets division is expected to reduce significantly in FY 17 following the negotiated lease surrender with the tenant at Moorebank in December 2015 which was necessary to facilitate the development of the broader Moorebank project.

Although Qube will earn rental income from leasing the existing warehousing on its site and from management fees for managing works on behalf of MIC in FY17, this is expected to be much lower than the rental income earned in FY16 and will be partly offset by expenses associated with the planning and development of the broader Moorebank project.

The earnings from Moorebank are expected to progressively increase over the medium term as the new warehousing is leased and the rail terminals become operational.

Overall, Qube presently expects to report increased underlying earnings in FY17 and does not expect any change to the challenging market conditions in FY17.

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

Post the end of the financial year, the following significant events occurred:

- On 2 August 2016, Qube completed a $306 million placement to the Canada Pension Plan Investment Board.

- On 2 August 2016, Qube entered into an agreement to acquire Aurizon Holdings Limited's interests in the Moorebank project for $98.9 million, thereby giving Qube a 100% interest.

- On 18 August 2016, Qube and a Brookfield managed consortium acquired 100% of Patrick for total consideration of $2,915 million (excluding costs and adjustments).

  The current available-for-sale financial asset held by Qube was used as part of the total consideration for this transaction and as such forms part of the non-current investment in the Patrick joint venture. Further, any remaining available-for-sale reserve balance relating to this asset will also be recycled through the income statement in FY17.

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

Likely developments and expected results of operations

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

Environmental regulation

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

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

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

Information on directors

Christopher Corrigan *Chairman – Non-executive Director*

Experience and expertise

Mr Corrigan is the Chairman of Qube and has been involved in Qube's strategic direction since its formation.

Mr Corrigan was Managing Director of Patrick Corporation Limited, Australia's largest stevedore company with interests in rail transportation and aviation through Virgin Blue, from March 1990 to May 2006. Prior to that, Mr Corrigan had a career with Bankers Trust spanning 20 years, including periods as Managing Director of Bankers Trust in Australia and for the Asia-Pacific region.

In 1990, Mr Corrigan sponsored the formation of a development capital business, Jamison Equity, which in December 1996 became a wholly owned subsidiary of the then publicly listed company Patrick Corporation Limited.

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

Directorships of listed companies held during the last three years:

- Crown Limited – from 6 July 2007 to 29 November 2013
- Webster Limited – previously and from 15 October 2012 to current

Special responsibilities

Chairman of the Board

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 was one of the founders of Qube.

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

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

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

Directorships of listed companies held during the last three years:

None

Special responsibilities

Chair of Audit and Risk Management Committee

Information on directors (continued)

Maurice James *Managing Director*

Experience and expertise

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

His early career was spent at the Port of Melbourne Corporation commencing as a civil engineer and subsequently moving through various roles to Manager 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, upon corporatisation of Qube on 1 September 2011, 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.

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

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

Directorships of listed companies held during the last three years:

None

Special responsibilities

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 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

Member of Audit and Risk Management Committee

Information on directors (continued)

Allan Davies *Non-executive Director*

Experience and expertise

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

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

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

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

Mr Davies was appointed as a director of Qube on 26 August 2011.

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

Chair of Safety, Health and Environment Committee

Chair of Nomination and Remuneration Committee

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 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

Member of Safety, Health and Environment Committee

Member of Nomination and Remuneration Committee

Information on directors (continued)

Robert Dove *Non-executive Director*

Experience and expertise

Mr Dove is a Managing Director with The Carlyle Group in Washington DC and is head of Carlyle Infrastructure Partners, a $1.2 billion infrastructure fund that was raised in 2007.

Prior to joining Carlyle in 2006, Mr Dove was a Senior Vice President of Bechtel Group where he had responsibility for aspects of its project development and financing activities.

Mr Dove currently sits on the boards of a number of Carlyle's infrastructure investments.

Mr Dove was appointed as a director of Qube on 26 August 2011.

Directorships of listed companies held during the last three years:

None

Special responsibilities

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

Directorships of listed companies held during the last three years:

None

Special responsibilities

Member of Safety, Health and Environment Committee

Member of Audit and Risk Management Committee

Information on directors (continued)

Åge Holm *Alternate Non-executive Director*

Experience and expertise

Mr Holm is Vice President Finance and Investor Relations at Wilh. Wilhelmsen Holding ASA.

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

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

Directorships of listed companies held during the last three years:

None

Special responsibilities

Alternate Director to Peter Dexter

Simon Moore *Alternate Non-executive Director*

Experience and expertise

Mr Moore is a Managing Director with The Carlyle Group based in Sydney, Australia.

Prior to joining The Carlyle Group, Mr Moore was a Managing Director and Investment Committee Member of Investcorp International, Inc. based in New York. Prior to that, Mr Moore worked in private equity investments and investment banking at J.P. Morgan & Co. in New York, Hong Kong and Melbourne.

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

Other current directorships

- Chairman of Coates Hire
- Non-executive Director of Megaport Limited
- Non-executive Director of TPI Enterprises

Directorships of listed companies held during the last three years:

- Non-executive Director of Healthscope Limited

Special responsibilities

Alternate Director to Robert Dove

Interest in shares

The relevant interests of each director in the shares of the Company are disclosed in Section 9 of the Remuneration Report on page 46.

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 Lend Lease from 2007 to 2012. In June 2016, Mr Hara was 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[1]	9	9			2	2		
Sam Kaplan[2]	9	9	5	5	2	2		
Maurice James*	9	9					3	2
Ross Burney	9	8	5	4				
Allan Davies[3,4,5]	9	9	1	1	4	4	3	3
Peter Dexter[6]	9	9			4	4	3	3
Robert Dove	9	9			6	5		
Alan Miles[7]	9	8	4	3			3	3
Åge Holm								
Simon Moore					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

* = Not a non-executive director

Appointments and resignations

[1]-Resigned as member of the Nomination and Remuneration Committee effective 20 August 2015
[2]-Resigned as chairman of the Nomination and Remuneration Committee effective 25 November 2015
[3]-Appointed as a member of the Nomination and Remuneration Committee effective 8 October 2015
[4]-Appointed as chairman of the Nomination and Remuneration Committee effective 25 November 2015
[5]-Resigned as member of the Audit and Risk Management Committee effective 25 November 2015
[6]-Appointed as member of the Nomination and Remuneration Committee effective 25 November 2015
[7]-Appointed as member of the Audit and Risk Management Committee effective 25 November 2015

Remuneration Report

Contents

1. Message from the Nomination and Remuneration Committee

The Nomination and Remuneration Committee presents the Qube Remuneration Report for the year ended 30 June 2016 (FY16). 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 Committee has engaged PwC to review Qube's remuneration framework to ensure that it continues to be appropriate in FY17 and beyond and appropriately reflects the increased scale and complexity of Qube's operations.

2. Remuneration summary

This remuneration report sets out remuneration information for Qube's non-executive directors, the Managing Director and other key management personnel (KMP) for FY16.

Directors and executives disclosed in this report

Name	Position
Non-executive Directors	
Christopher Corrigan	Chairman, Non-executive Director
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
Alan Miles	Non-executive Director
Åge Holm	Alternate Director to Peter Dexter
Simon Moore	Alternate Director to Robert Dove
Executive Directors	
Maurice James	Managing Director
Other key management personnel	
Paul Digney	Chief Operating Officer/former Managing Director Logistics Division
William Hara	General Counsel and Company Secretary and Director Strategic Assets Division
Paul Lewis	Chief Financial Officer
Don Smithwick	Managing Director Ports & Bulk Division (retired 30 June 2016)

2. Remuneration summary (continued)

Principles used to determine the nature and amount of executive remuneration

Qube's guiding principle for remuneration is based on a mix of fixed and at-risk performance based remuneration that increases overall remuneration towards the upper end of comparable companies if the relevant performance hurdles are achieved. This is intended to align executive remuneration with long term value creation for Qube shareholders.

For FY16 the executive remuneration framework consisted of fixed remuneration, cash short-term incentives (with a deferral component) and long-term incentives.

Component	Objective	Performance condition
Fixed remuneration	Reflects the market value of the role and the executive's skills and experience.	Reviewed annually following individual performance review.
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.
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 performance rights and options that do not vest earlier than 3 years. The key performance conditions are as follows: LTI Plan ● 25% of performance rights and options are subject to a relative total (share price and dividends) shareholder return (TSR) performance condition over the vesting period. ● 75% of performance rights and options are subject to a compound annual growth in earnings per share (CAGR EPS) performance condition over a minimum of 3 financial years. Moorebank Plan ● 50% of performance rights and options are subject to an annual shareholder return (ASR) (share price and dividends) performance condition over the vesting period. ● 50% of performance rights and options are subject to assessment by the Qube Board based on overall achievement of the Moorebank target. The Moorebank targets include a number of non-market based hurdles.

3. Governance

Role of the Nomination and Remuneration Committee

The objective of the Committee is to assist the Board in fulfilling its responsibilities in regard to remuneration matters, including:

- the remuneration framework for non-executive directors;
- the remuneration framework, including any proposed equity incentive awards for the Managing Director and all executives that report directly to the Managing Director (Senior Executives);
- recommendations and decisions (as relevant) on remuneration including incentive awards for the Managing Director and other Senior Executives; and
- strategic human resources policies.

Use of remuneration advisers

During the financial year, Qube engaged PwC to provide a remuneration benchmarking report for the remuneration of the Managing Director and his direct reports as well as non-executive director fees. PwC also provided ad hoc advice with respect to remuneration items such as short and long term incentive plans. This engagement did not involve PwC providing a 'remuneration recommendation' as defined in section 9B of the *Corporations Act 2001*.

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 earned in the 2016 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 2016 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 the Remuneration Report on page 47.

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. This disclosure, which shows only the total value of incentives that vested in the financial year, is in addition to that contained on page 47, section 10 of the Remuneration Report, which shows the full accounting expense for the financial year in accordance with the accounting standards.

Name	Fixed annual remuneration ($)	Total STI ($)	Moorebank STI ($)	Vested long-term incentives ($)	Total take home pay ($)	Performance related remuneration (%)
Managing Director						
Maurice James						
2016	800,000	500,000	300,000	71,222	1,671,222	52%
2015	800,000	587,500	300,000	288,333	1,975,833	60%
Other key management personnel						
Paul Digney						
2016	495,000	262,500	-	19,708	777,208	36%
2015	495,000	230,000	-	1,144,820	1,869,820	74%
William Hara						
2016	415,974	237,500	155,000	39,417	847,891	51%
2015	415,411	280,000	155,000	78,833	929,244	56%
Paul Lewis						
2016	415,974	237,500	70,000	19,708	743,182	44%
2015	415,411	275,000	70,000	75,889	836,300	51%
Don Smithwick						
2016	625,975	187,500	-	19,708	833,183	25%
2015	625,183	397,500	-	414,242	1,436,925	57%

1. Fixed annual remuneration is based on current gross salary package, which includes base salary, superannuation contributions and the value of non-monetary benefits provided to the executive (inclusive of all taxes) but excludes accrued leave.
2. STI amount represents the actual STI to be paid in September 2016 (being 50% of the FY15 and 50% of the FY16 STIs awarded). The remaining 50% of the FY16 STI awarded will be paid around September 2017 subject to certain conditions being met.
3. In FY15, those executives who were involved in negotiations with the Commonwealth Government for the development of the Moorebank Intermodal Terminal received a once-off bonus in addition to their regular STI. 50% was paid in September 2015 and the balance will be paid in September 2016.
4. Vested long-term incentives (except for the Legacy incentives which were cash settled) represents the value of long-term incentives (i.e. ELTIP) which have vested in the year based on the value of the equity instruments at the date of the grant. The value of the Legacy incentive is the amount of the total cash payment made to the employee in the period.

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

For FY16, 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	22%	22%	56%
Other key management personnel			
Paul Digney	26%	21%	53%
William Hara	20%	16%	64%
Paul Lewis	23%	19%	58%
Don Smithwick	44%	56%	0%

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 is reviewed annually following an individual performance review and having regard to Qube’s remuneration principle based on a fixed component at the lower to median end of comparable executive pay levels.

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.

Each year, the Committee considers the appropriate targets and key performance indicators (KPIs) to link the STI plan and the level of payment if targets are met. This includes setting any targets for payment under the short-term incentive plan and minimum levels of performance for the payment of short-term incentives.

STI arrangements for the Managing Director, the KMP and other senior executives include:

- a remuneration mix that is weighted towards at risk consistent with Qube’s growth oriented strategy and to align executive’s interests with those of our shareholders; and
- allowing executives to elect to take all or the deferred portion of any STI payment in Qube shares.

5. Executive remuneration framework (continued)

Short-term incentives (STIs) (continued)

Managing Director:			Other key management personnel*:		
KPI	**Weighting**	**Measure**	**KPI**	**Weighting**	**Measure**
Group Financial Performance	Note 1	• Achieve and exceed Group underlying financial targets predominantly NPAT but also including Return on Average capital employed (ROACE).	Group Financial Performance	Note 1	• Achieve and exceed Group underlying financial targets predominantly NPAT but also including Return on Average capital employed (ROACE).
Divisional Financial Performance	-%	• N/A	Divisional Financial Performance	25-38%	• Achieve and exceed divisional underlying financial targets, which include the following metrics: – EBIT – ROACE
Strategy & Growth	80%	• Achievement of strategic objectives from major capital investment and acquisitions.	Strategy & Growth	25-63%	• Achievement of strategic objectives from major capital investment and acquisitions. • Delivery on key divisional business projects including target growth in volumes and securing key contracts. • Provide an effective contribution to Group-wide projects.
Business & Operations	20%	• Operational targets such as driving improvements and delivery against key priorities for Board committees. • Effective stakeholder, Board and investor management.	Business & Operations	13-50%	• Role related operational targets such as driving improvements and delivery against key priorities from Board committees. • Effective management of role related legal and financial reporting obligations. • Effective stakeholder, Board and investor management.

Note 1 - There is a threshold requirement that Qube must achieve at least 90% of overall Group financial targets for an STI to be payable.

* Figures exclude Don Smithwick who retired on 30 June 2016 and ceased to be a KMP from that date onwards.

The Managing Director achieved 74% of his KPI’s while the other KMP achieved between 88% and 94% of their financial and non-financial targets.

Consistent with Qube’s existing STI plan, 50% of the STI will be paid in September 2016 and the other 50% will be paid in September 2017.

5. Executive remuneration framework (continued)

Determination of FY16 STI Awards

Financial KPIs

Qube's FY16 financial performance did not fully meet internal targets with 92% of the KPI relating to Group financial performance being achieved. The Managing Director of the Logistics division achieved 92% of his financial targets. The Managing Director of the Ports & Bulk division did not meet his financial targets as the main variation from target financial performance was in the Ports & Bulk division.

Non-Financial KPIs

The Managing Director achieved approximately 74% of the KPI relating to non-financial measures reflecting the effective management of growth projects, effective capital management and the management of various stakeholders.

The other KMP achieved approximately 91% of KPI relating to non-financial measures largely reflecting effective management of growth projects and delivery of key priorities from Board committees.

STI Pool

The available pool for payment of STI is based on the Company's ability to pay. There is a threshold requirement that Qube must achieve at least 90% of overall Group financial targets for any STI to be payable. Although the threshold requirement was met and the Financial KPIs were met, Qube's overall financial performance was lower compared to the prior year. The Committee decided that the STI Pool should be reduced and the KMP have agreed to forego around 19% of the STI to which they would otherwise be entitled for FY16. In the case of Mr Smithwick, he has agreed to forego any STI payment. To determine each executive's STI Award, the Committee assessed the contribution of each individual in achieving the Group financial targets and where applicable divisional financial targets and their performance against Non-Financial KPIs.

5. Executive remuneration framework (continued)

Long-term incentives (LTIs)

During FY16 Qube continued to grant Long-Term Incentives (LTIs) in the form of Performance Rights and Options to incentivise and retain key executives.

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: • 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: • less than the minimum EPS target, no EPS Performance Rights and Options will vest; • equal to, or greater than, the EPS target, 100% of the EPS Performance Rights and Options will vest; or • greater than the minimum EPS target but less than the EPS target, the percentage of EPS Performance Rights and Options that vest will be pro-rated on a straight-line basis between 0% and 100%. If any of the EPS Performance Rights and Options have not vested at the end of three years, they will be carried forward to the following year and retested based on a four year period. Any EPS Performance Rights and Options that remain unvested then will be carried forward and retested on the basis of a five year period. Any unvested EPS Performance Rights and Options will lapse at the end of the five years.

5. Executive remuneration framework (continued)

Long-term incentives (LTIs) (continued)

During FY16 Qube granted a Moorebank specific Long-Term Incentives (LTIs) in the form of Performance Rights and Options to incentivise and retain key executives.

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: 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.

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 2016 $'m	30 June 2015 $'m	30 June 2014 $'m	30 June 2013 $'m	30 June 2012* $'m
Revenue from sales and services	**1,264.8**	1,393.3	1,173.7	1,027.2	776.8
Profit for the year attributable to owners of Qube Holdings Limited	**82.0**	85.9	87.9	77.3	(2.5)
Underlying profit for the year attributable to owners of Qube Holdings Limited	**86.5**	105.2	88.6	74.0	N/A

* Qube was a managed investment scheme until 30 August 2011.

	30 June 2016	30 June 2015	30 June 2014	30 June 2013	30 June 2012
Dividend/Distribution per share/unit (cents)	**5.5¢**	5.5¢	5.1¢	4.5¢	4.1¢
Dividend payout ratio (%)	**72%**	55%	55%	56%	58%
Total KMP incentives as a percentage of underlying/adjusted EBITDA for the year (%)	**1.6%**	1.6%	1.2%	1.2%	3.6%

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 Chief Operating Officer (former MD Logistics Division), Chief Financial Officer and General Counsel 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.

The new MD of the Logistics division will now report to the Chief Operating Officer and as such will not be considered a KMP.

On 30 June 2016, Mr Smithwick retired from full time employment with Qube, and thereby ceased to be a KMP from that date. Mr Smithwick has entered into a consultancy agreement with Qube to continue to provide certain services for a period of up to two years. His role was not replaced given the new Chief Operating Officer.

Name	**Term of agreement**	**Fixed remuneration including superannuation***	**Termination benefit ** **
Maurice James, Managing Director	On-going commencing 1 September 2011	$800,000 per annum	12 months base salary
Paul Digney, Chief Operating Officer/ former Managing Director Logistics Division	On-going commencing 1 September 2011	$495,000 per annum	6 months base salary
William Hara, Company Secretary and General Counsel and Director Strategic Assets Division	On-going commencing 21 January 2013	$412,000 per annum***	6 months base salary
Paul Lewis, Chief Financial Officer	On-going commencing 1 September 2011	$412,000 per annum***	6 months base salary

* Base salaries quoted are for FY16; 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.

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 2012 AGM, shareholders approved the fee pool of $1,200,000 per annum.

The allocation of fees for FY16 based on responsibility per non-executive director are as follows:

				Board Committee Fees						
	Board Fees			Audit and Risk Management		Safety, Health and Environment		Nomination and Remuneration		
Name	Chair $	Deputy Chair $	Base Director $	Chair $	Member $	Chair $	Member $	Chair $	Member $	Total $
Chris Corrigan	203,500	-	-	-	-	-	-	-	1,736	205,236
Sam Kaplan	-	154,000	-	35,000	-	-	-	10,069	-	199,069
Ross Burney	-	-	93,500	-	17,500	-	-	-	-	111,000
Allan Davies	-	-	93,500	-	7,049	25,000	-	14,931	1,632	142,112
Peter Dexter	-	-	93,500	-	-	-	12,500	-	7,465	113,465
Robert Dove	-	-	93,500	-	-	-	-	-	12,500	106,000
Alan Miles	-	-	93,500	-	10,451	-	12,500	-	-	116,451
Åge Holm	-	-	-	-	-	-	-	-	-	-
Simon Moore	-	-	-	-	-	-	-	-	-	-
	203,500	**154,000**	**467,500**	**35,000**	**35,000**	**25,000**	**25,000**	**25,000**	**23,333**	**993,333**

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.

8. Non-executive directors (continued)

Total amounts of remuneration for non-executive directors

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

	Primary		Post-employment benefits	
	Cash salary and fees	Non-monetary benefits	Superannuation	Total Remuneration
Name	**$**	**$**	**$**	**$**
Non-executive Directors				
Christopher Corrigan				
2016	**152,727**	**38,000**	**14,509**	**205,236**
2015	162,557	38,000	15,443	216,000
Sam Kaplan				
2016	**181,799**	-	**17,270**	**199,069**
2015	195,434	-	18,566	214,000
Ross Burney				
2016	**101,370**	-	**9,630**	**111,000**
2015	101,370	-	9,630	111,000
Allan Davies				
2016	**129,782**	-	**12,330**	**142,112**
2015	124,201	-	11,799	136,000
Peter Dexter				
2016	**103,621**	-	**9,844**	**113,465**
2015	96,804	-	9,196	106,000
Robert Dove				
2016	**106,000**	-	**-**	**106,000**
2015	106,000	-	-	106,000
Alan Miles				
2016	**106,348**	-	**10,103**	**116,451**
2015	96,804	-	9,196	106,000
Åge Holm				
2016	-	-	-	-
2015	-	-	-	-
Simon Moore				
2016	-	-	-	-
2015	-	-	-	-

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 2015	Held at time of becoming a director	Dividend reinvestment	Disposed	Other changes	Balance as at 30 June 2016	Balance as at date of this report
Christopher Corrigan	6,000,000	-	-	-	-	6,000,000	6,000,000
Sam Kaplan	9,664,916	-	-	(3,500,000)	1,900,000	8,064,916*	8,064,916*
Maurice James	5,477,931	-	-	-	1,414,089	6,892,020	6,892,020
Ross Burney	-	-	-	-	-	-	-
Allan Davies	2,609,947	-	-	(1,140,408)	1,733,578	3,203,117	3,203,117
Peter Dexter	186,793	-	-	-	6,755	193,548	193,548
Robert Dove	-	-	-	-	-	-	-
Alan Miles	5,600	-	-	-	-	5,600	-
Åge Holm	-	-	-	-	-	-	-
Simon Moore	100,000	-	-	-	-	100,000	100,000

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

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

To ensure independence and impartiality is maintained, non-executive directors are not eligible to participate in any of the Group's incentive arrangements including equity grants.

The Company has not issued any options to directors other than to the Managing Director.

10. Statutory remuneration disclosures

Total amounts of remuneration

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

	Short-term employee benefits				Post-employment benefits	Long-term benefits	Equity-based payments			
	Cash salary and fees	Bonus (cash and shares)*	Moore-bank STI	Non-monetary benefits	Super-annuation	Long service leave	LTI Standard	LTI Moorebank	Legacy schemes	Total
Name	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Executive Directors										
Maurice James										
2016	**776,480**	**450,000**	**150,000**	**-**	**23,520**	**98,466**	**789,536**	**147,737**	**-**	**2,435,739**
2015	776,480	593,750	450,000	-	23,520	-	593,893	-	-	2,437,643
Other key management personnel										
Paul Digney										
2016	**465,000**	**258,750**	-	-	**30,000**	**17,271**	**298,069**	**93,567**	-	**1,162,657**
2015	465,000	250,000	-	-	30,000	10,165	215,223	-	205,172	1,175,560
William Hara										
2016	**392,692**	**221,250**	**77,500**	**3,975**	**19,308**	-	**258,409**	**147,737**	-	**1,120,871**
2015	393,217	275,000	232,500	3,411	18,783	-	195,646	-	-	1,118,557
Paul Lewis										
2016	**382,000**	**218,750**	**35,000**	**3,975**	**30,000**	**31,597**	**250,590**	**94,595**	-	**1,046,507**
2015	382,000	275,000	105,000	3,411	30,000	9,881	177,764	-	-	983,056
Don Smithwick**										
2016	**622,000**	**93,750**	-	**6,139**	-	-	**276,293**	**-**	-	**998,182**
2015	622,000	386,250	-	3,183	-	-	260,407	-	115,359	1,387,199

* Bonus represents 25% of the FY15 STI, plus 75% of the approved FY16 STI; the remaining 25% of the FY16 STI will be recognised in FY17 subject to certain conditions being met.

** Don Smithwick retired as Managing Director of the Ports & Bulk division effective 30 June 2016.

Of the cash bonuses to KMP, 50% 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.

For shares issued under the 2013 ELTIP, or payments made under the legacy scheme included in the table above, the percentage of the available bonus or grant that was paid, or that vested, in FY16 is set out in the following pages.

10. Statutory remuneration disclosures (continued)

Equity settled compensation

STI bonuses and rights to equity settled compensation

In FY16 Qube offered eligible senior executives the option to elect to take all or any portion of their FY16 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 $2.244, 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 section 5.

Name	Year granted	Total STI opportunity ($)	Forfeited %	Value of STI award ($)	Expensed during the year ($)*	Award vested %	Value yet to vest ($)
Executive Directors							
Maurice James	**2016**	**800,000**	**50%**	**400,000**	**600,000**	**50%**	**200,000**
	2015	1,400,000	14%	1,200,000	900,000	50%	600,000
Other key management personnel							
Paul Digney	**2016**	**396,000**	**36%**	**255,000**	**258,750**	**50%**	**127,500**
	2015	396,000	32%	270,000	202,500	50%	135,000
William Hara	**2016**	**330,000**	**38%**	**205,000**	**298,750**	**50%**	**102,500**
	2015	639,000	9%	580,000	435,000	50%	290,000
Paul Lewis	**2016**	**330,000**	**39%**	**200,000**	**253,750**	**50%**	**100,000**
	2015	470,000	12%	415,000	311,250	50%	207,500
Don Smithwick	**2016**	**800,000**	**100%**	**-**	**93,750**	**-**	**-**
	2015	498,000	25%	375,000	281,250	50%	187,500

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

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	Financial years in which rights may vest	STI award taken as rights %	Value per right ($)	Total no. of rights taken as STI award	No. of rights vested during the year	Amount expensed during the year ($)
Executive Directors						
Maurice James	**FY16 - FY17**	**100%**	**2.2442**	**181,080**	**225,087**	**460,710**
	FY15 - FY16	54%	2.3889	269,095	134,551	482,130
Other key management personnel						
Paul Digney	**FY16 - FY17**	**100%**	**2.2442**	**115,438**	**57,719**	**191,250**
	FY15 - FY16	-	-	-	-	-
William Hara	**FY16 - FY17**	**100%**	**2.2442**	**92,804**	**102,914**	**221,250**
	FY15 - FY16	52%	2.3889	113,023	56,511	202,500
Paul Lewis	**FY16 - FY17**	**50%**	**2.2442**	**45,270**	**80,193**	**143,750**
	FY15 - FY16	70%	2.3889	115,116	57,558	206,250
Don Smithwick	**FY16 - FY17**	**-**	**-**	**-**	**-**	**-**
	FY15 - FY16	-	-	-	-	-

Notes:

1. Figures exclude entitlement relating to dividends earned on shares over the vesting period.
2. Vesting of rights shown above are based on the anticipated position at the 3 September 2016 vesting date which is consistent with the STI accrual in the financial statements.
3. Comprises 50% of current year and 50% of prior year STI award.
4. Adjusted for the impact of the entitlement offer.

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. The terms and conditions of the FY16 grant of Performance Rights and Options affecting remuneration in the current or a 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 75th 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:

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

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

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

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

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:

Name	Financial year granted	LTI Plan	Total LTIs granted	Total value of grant ($)	Value per right ($)	No. of LTIs vested during year
Executive Directors						
Maurice James	2016***	Performance Rights & Options	2,178,406	691,690	PR - 1.308 O - 0.254	-
	2016***	Performance Rights & Options (M)**	1,633,803	537,449	PR - 1.181 O - 0.274	-
	2015***	Performance Rights	637,920	1,182,500	1.8537	-
	2014***	Performance Rights	394,733	569,283	1.4422	-
	2014	ELTIP	2,000,000	427,333	0.2137	333,334
	2012	ELTIP	2,000,000	437,667	0.2188	-
			8,844,862	3,845,922		333,334
Other key management personnel						
Paul Digney	2016***	Performance Rights & Options	816,903	259,384	PR - 1.308 O - 0.254	-
	2016***	Performance Rights & Options (M)**	1,034,743	340,385	PR - 1.181 O - 0.274	-
	2015***	Performance Rights	216,892	402,049	1.8537	-
	2014***	Performance Rights	195,197	281,513	1.4422	-
	2013	ELTIP	500,000	118,250	0.2365	83,334
	2012	Shadow Equity	444,444	600,000	1.3500	-
			3,208,179	2,001,581		83,334
William Hara	2016***	Performance Rights & Options	780,595	247,855	PR - 1.308 O - 0.254	-
	2016***	Performance Rights & Options (M)**	1,633,803	537,449	PR - 1.181 O - 0.274	-
	2015***	Performance Rights	182,870	338,983	1.8537	-
	2014***	Performance Rights	162,664	234,595	1.4422	-
	2013	ELTIP	1,000,000	236,500	0.2365	166,666
			3,759,932	1,595,382		166,666
Paul Lewis	2016***	Performance Rights & Options	780,595	247,855	PR - 1.308 O - 0.254	-
	2016***	Performance Rights & Options (M)**	816,675	344,128	PR - 1.181 O - 0.274	-
	2015***	Performance Rights	174,364	323,216	1.8537	-
	2014***	Performance Rights	157,243	226,775	1.4422	-
	2013	ELTIP	500,000	118,250	0.2365	83,334
	2012	ELTIP	500,000	109,417	0.2188	-
			2,928,877	1,369,641		83,334
Don Smithwick	2015***	Performance Rights	255,169	473,001	1.8537	-
	2014***	Performance Rights	249,420	359,712	1.4422	-
	2013	ELTIP	500,000	118,250	0.2365	83,334
	2012	Shadow Equity	150,704	203,450	1.3500	-
			1,155,293	1,154,413		83,334

10. Statutory remuneration disclosures (continued)

Equity settled compensation (continued)

Name	Financial year granted	Vested (%)	Vested number	Forfeited (%)	Financial years in which rights may vest*	Value yet to vest ($)	Amount expensed during the year ($)
Executive Directors							
Maurice James	2016	0%	-	0%	FY19-FY21	691,690	190,136
	2016	0%	-	0%	FY19-FY21	537,449	147,737
	2015	0%	-	0%	FY18-FY20	1,182,500	390,972
	2014	0%	-	0%	FY17–FY19	569,283	189,761
	2014	100%	2,000,000	0%	FY13-FY16	-	18,667
	2012	100%	2,000,000	0%	FY12-FY15	-	-
			4,000,000			2,980,922	937,273
Other key management personnel							
Paul Digney	2016	0%	-	0%	FY19-FY21	259,384	71,301
	2016	0%	-	0%	FY19-FY21	340,385	93,567
	2015	0%	-	0%	FY18-FY20	402,049	132,930
	2014	0%	-	0%	FY17–FY19	281,513	93,838
	2013	100%	500,000	0%	FY13-FY16	-	-
	2012	100%	444,444	0%	FY13-FY16	-	-
			944,444			1,283,331	391,636
William Hara	2016	0%	-	0%	FY19-FY21	247,855	68,132
	2016	0%	-	0%	FY19-FY21	537,449	147,737
	2015	0%	-	0%	FY18-FY20	338,983	112,079
	2014	0%	-	0%	FY17–FY19	234,595	78,198
	2013	100%	1,000,000	0%	FY13-FY16	-	-
			1,000,000			1,358,882	406,146
Paul Lewis	2016	0%	-	0%	FY19-FY21	247,855	68,132
	2016	0%	-	0%	FY19-FY21	344,128	94,595
	2015	0%	-	0%	FY18-FY20	323,216	106,866
	2014	0%	-	0%	FY17–FY19	226,775	75,592
	2013	100%	500,000	0%	FY13-FY16	-	-
	2012	100%	500,000	0%	FY12-FY15	-	-
			1,000,000			1,141,974	345,185
Don Smithwick	2015	0%	-	0%	FY18-FY20	473,001	156,389
	2014	0%	-	0%	FY17–FY19	359,712	119,904
	2013	100%	500,000	0%	FY13-FY16	-	-
	2012	100%	150,704	0%	FY13-FY17	-	-
			650,704			832,713	276,293

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

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

*** Adjusted for entitlement offer.

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, 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

2016 Name	Balance at the start of the year	Granted as compensation (Standard) LTI	Granted as compensation (Moorebank) LTI	Lapsed	Exercised	Other changes*	Balance at the end of the year	Unvested
Maurice James	-	2,036,199	1,527,149	-	-	-	3,563,348	3,563,348
Paul Digney	-	763,575	967,195	-	-	-	1,730,770	1,730,770
William Hara	-	729,638	1,527,149	-	-	-	2,256,787	2,256,787
Paul Lewis	-	729,638	678,733	-	-	-	1,408,371	1,408,371
Don Smithwick**	-	-	-	-	-	-	-	-

Rights

2016 Name	Balance at the start of the year	Granted as compensation (Standard) STI	Granted as compensation (Standard) LTI	Granted as compensation (Moorebank) LTI	Lapsed	Exercised	Other changes*	Balance at the end of the year	Unvested
Maurice James	1,285,535	178,238	133,678	100,258	-	(134,551)	33,988	1,597,146	1,597,146
Paul Digney	405,620	113,626	50,129	63,497	-	-	15,531	648,403	648,403
William Hara	453,133	91,346	47,901	100,258	-	(56,511)	16,333	652,460	652,460
Paul Lewis	441,517	44,560	47,901	133,678	-	(57,558)	13,237	623,335	623,335
Don Smithwick**	653,642	-	-	-	-	(156,976)	(496,666)	-	-

* Includes adjustment for entitlement offer.
** Don Smithwick retired as Managing Director of the Ports & Bulk division effective 30 June 2016.

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

(b) Ordinary share holdings

2016 Name	Balance at the start of the year	Received during the year as part of an LTI scheme	Other changes during the year	Balance at the end of the year
Maurice James	5,477,931	-	1,414,089	6,892,020
Paul Digney	500,205	-	(250,000)	250,205
William Hara	1,000,000	-	447,650	1,447,650
Paul Lewis	450,000	-	-	450,000
Don Smithwick *	1,941,803	-	(1,941,803)	-

* Don Smithwick retired as Managing Director of the Ports & Bulk division effective 30 June 2016.

10. Statutory remuneration disclosures (continued)

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*

2016	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	-	-	220,000	-	5,804,600	5,804,600
Paul Digney	756,750	-	(756,750)	27,500	-	-	756,750
William Hara	1,513,500	-	-	55,000	-	1,513,500	1,513,500
Paul Lewis	681,075	-	-	24,750	-	681,075	681,075
Don Smithwick	756,750	-	-	27,500	-	756,750	756,750
Total*	**9,512,675**	**-**	**(756,750)**	**(354,750)**	**-**	**8,755,925**	

* Number of KMP in the group at the end of the year is 5 including Don Smithwick who ceased to be a KMP on 30 June 2016 when he retired.

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.

This concludes the Remuneration Report.

Loans to directors and executives

Information on loans to directors and executives, including amounts, interest rates and repayment terms are set out on page 54.

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:

Non-audit services	**2016 $'000**	2015 $'000
Taxation services		
PwC Australian firm:		
Tax compliance services	**98.7**	220.0
Tax consulting services	**400.6**	324.7
Total remuneration for taxation services	**499.3**	544.7
Other services		
Due diligence services	**2,301.6**	-
Other services	**174.8**	130.0
Total remuneration for non-audit services	**2,975.7**	674.7

Lead audit partner rotation

The Corporations Act requires the rotation of the lead audit partner of a company every five years but Section 324DAA allows for an extension of the appointment for up to two years in certain circumstances.

Prior to the end of the financial year, the Board granted approval to extend the term of the lead audit partner, Mr N. McConnell, for one year to the financial year ending 30 June 2017 with a review at that time as to whether the circumstances warrant a further one year extension. Given the complexities surrounding the Moorebank Project and the acquisition of Patrick, Mr McConnell's retention on the audit would help maintain audit quality at a time of such substantial change in the nature and scale of the Company's activities.

The Audit and Risk Management Committee and Board were satisfied that such an extension was consistent with maintaining the quality of the audit provided to the Company and would not give rise to a conflict of interest situation, as defined in the Corporations Act and, thereby, impair Mr McConnell's independence. PwC have provided written confirmation that this extension would not give rise to a conflict of interest situation and appropriate safeguards are in place to ensure that appropriate objectivity and independence are maintained.

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 57.

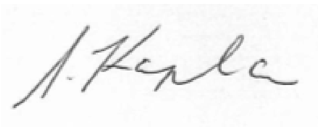
Rounding of amounts

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.



Sam Kaplan
Director

SYDNEY
23 August 2016

pwc

Auditor's Independence Declaration

As lead auditor for the audit of Qube Holdings Limited for the year ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been:

1. no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

2. 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.

N R McConnell
Partner
PricewaterhouseCoopers

Sydney
23 August 2016

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Consolidated statement of comprehensive income

	Notes	2016 $m	2015 $m
Revenue from continuing operations			
Revenue from sales and services	3	**1,264.8**	1,393.4
Other income	3	**67.7**	65.9
		1,332.5	1,459.3
Direct transport and logistics costs		**(332.9)**	(376.5)
Repairs and maintenance costs		**(85.4)**	(83.0)
Employee benefits expense	4	**(499.3)**	(506.9)
Fuel, oil and electricity costs		**(75.7)**	(106.1)
Occupancy and property costs		**(62.8)**	(66.2)
Depreciation and amortisation expense	4	**(101.5)**	(103.5)
Professional fees		**(11.1)**	(10.8)
Impairment of non-current assets	4	**(21.3)**	(44.9)
Reversal of impairment of non-current assets	4	**17.6**	-
Other expenses		**(12.5)**	(19.1)
Total expenses		**(1,184.9)**	(1,317.0)
Finance income		**1.5**	1.8
Finance costs	4	**(33.6)**	(27.0)
Net finance costs		**(32.1)**	(25.2)
Share of net profit of associates accounted for using the equity method		**12.6**	10.4
Profit before income tax		**128.1**	127.5
Income tax expense	12	**(35.6)**	(31.6)
Profit for the year		**92.5**	95.9
Other comprehensive income net of tax:			
Exchange differences on translation of foreign operations	17(a)	**4.1**	(4.0)
Revaluation of available-for-sale financial assets	17(a)	**7.0**	-
Total comprehensive income for the year		**103.6**	91.9
Profit for the year is attributable to:			
Owners of Qube Holdings Limited		**82.0**	85.9
Non-controlling interests		**10.5**	10.0
		92.5	95.9
Total comprehensive income for the year is attributable to:			
Owners of Qube Holdings Limited		**93.1**	81.9
Non-controlling interests		**10.5**	10.0
		103.6	91.9
Earnings per share for profit attributable to the ordinary equity holders of the Company:		**Cents**	Cents
Basic earnings per share	5	**7.3**	8.1*
Diluted earnings per share	5	**7.2**	8.0*

* 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.

Consolidated balance sheet

	Notes	2016 $m	2015 $m
ASSETS			
Current assets			
Cash and cash equivalents	19(a)	**76.6**	88.2
Trade and other receivables	6	**203.7**	221.1
Inventories		**2.4**	2.2
Current tax receivable		**2.5**	-
Available-for-sale financial assets	28	**543.7**	-
Total current assets		**828.9**	311.5
Non-current assets			
Financial assets at fair value through profit or loss		**1.0**	1.0
Investments in associates	22	**225.8**	216.9
Property, plant and equipment	7	**828.3**	789.3
Investment properties	8	**367.7**	342.0
Intangible assets	9	**630.7**	635.3
Deferred tax assets	13	**-**	5.6
Other assets		**9.2**	0.8
Total non-current assets		**2,062.7**	1,990.9
Total assets		**2,891.6**	2,302.4
LIABILITIES			
Current liabilities			
Trade and other payables	10	**100.1**	115.3
Borrowings	18	**159.4**	12.3
Derivative financial instruments	28	**0.7**	0.8
Current tax payable		**-**	6.3
Provisions	11	**65.0**	67.1
Total current liabilities		**325.2**	201.8
Non-current liabilities			
Trade and other payables	10	**2.2**	5.5
Borrowings	18	**513.6**	589.7
Deferred tax liabilities	14	**1.5**	-
Derivative financial instruments	28	**2.5**	2.3
Provisions	11	**9.3**	14.8
Total non-current liabilities		**529.1**	612.3
Total liabilities		**854.3**	814.1
Net assets		**2,037.3**	1,488.3
EQUITY			
Contributed equity	16	**1,782.2**	1,284.7
Reserves	17	**(9.6)**	(28.7)
Retained earnings	17	**166.5**	141.5
Capital and reserves attributable to owners of Qube		**1,939.1**	1,397.5
Non-controlling interests	24	**98.2**	90.8
Total equity		**2,037.3**	1,488.3

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

Consolidated statement of changes in equity

		Attributable to owners of Qube					
	Notes	Contributed equity $m	Reserves $m	Retained earnings $m	Total $m	Non-controlling interests $m	Total equity $m
Balance at 30 June 2014		1,281.3	(30.9)	111.3	1,361.7	83.6	1,445.3
Profit for the year		-	-	85.9	85.9	10.0	95.9
Other comprehensive income		-	(4.0)	-	(4.0)	-	(4.0)
Total comprehensive income for the year		-	(4.0)	85.9	81.9	10.0	91.9
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs and tax	16(a)	14.6	-	-	14.6	1.0	15.6
Acquisition of treasury shares	16(b)	(11.2)	-	-	(11.2)	-	(11.2)
Transactions with non-controlling interests		-	-	-	-	(3.8)	(3.8)
Dividends provided for or paid		-	-	(55.7)	(55.7)	-	(55.7)
Employee share scheme	17(a)	-	6.2	-	6.2	-	6.2
		3.4	6.2	(55.7)	(46.1)	(2.8)	(48.9)
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	16(a)	**499.6**	**-**	**-**	**499.6**	**4.0**	**503.6**
Acquisition of treasury shares, less shares transferred	16(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	17(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**

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

Consolidated statement of cash flows

	Notes	2016 $m	2015 $m
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**1,467.8**	1,575.2
Payments to suppliers and employees (inclusive of goods and services tax)		**(1,231.9)**	(1,336.3)
		235.9	238.9
Dividends and distributions received		**12.8**	8.4
Interest received		**1.5**	1.7
Other revenue		**0.2**	1.9
Interest paid		**(33.5)**	(28.3)
Income taxes paid		**(34.6)**	(53.0)
Net cash inflow from operating activities	29(a)	**182.3**	169.6
Cash flows from investing activities			
Payment for acquisition of businesses, net of cash acquired		**(14.8)**	(109.3)
Payments for property, plant and equipment		**(107.3)**	(199.6)
Payments for investment property development expenditure	8	**(14.7)**	(6.1)
Payments for additional investment in associates		**(26.2)**	(20.4)
Payments for investment securities		**(541.6)**	-
Payments for settlement of contingent consideration		**(3.4)**	-
Loans to related entities		**-**	(1.7)
Loan repayments from related entities		**5.0**	2.5
Proceeds from sale of property, plant and equipment		**9.1**	5.6
Net cash outflow from investing activities		**(693.9)**	(329.0)
Cash flows from financing activities			
Proceeds from issues of shares	16(a)	**494.2**	-
Proceeds from the issue of units to non-controlling interests		**4.0**	1.0
Share issue transaction costs		**(9.6)**	-
Payments for treasury shares	16(b)	**(3.2)**	(11.2)
Proceeds from borrowings		**1,116.5**	729.8
Repayment of borrowings		**(1,032.5)**	(520.9)
Finance lease payments		**(15.3)**	(15.0)
Dividends paid to Company's shareholders		**(44.8)**	(41.1)
Distributions paid to non-controlling interests		**(9.7)**	(5.7)
Net cash inflow from financing activities		**499.6**	136.9
Net decrease in cash and cash equivalents		**(12.0)**	(22.5)
Cash and cash equivalents at the beginning of the financial year		**88.2**	111.6
Effects of exchange rate changes on cash and cash equivalents		**0.4**	(0.9)
Cash and cash equivalents at end of year		**76.6**	88.2
Non-cash investing and financing activities	29(b)	**12.3**	14.6

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

Notes to the consolidated financial statements

1. About this report

Qube Holdings Limited is a for-profit company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange. The consolidated financial statements, comprising the Company, Qube Holdings Limited (referred to as the 'Company' or 'parent entity') and its subsidiaries (collectively referred to as the 'Group' or 'Qube'), for the year ended 30 June 2016 were authorised for issue in accordance with a resolution of the directors on 23 August 2016. 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 2015. Refer to note 36(d) for further details; and
- equity accounts for associates listed at note 22.

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, investments in associates and details of subsidiaries;
- ***Unrecognised items***: items that 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.

FINANCIAL RESULTS FOR THE YEAR

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

2. Segment information

Qube's Board assesses the performance of the operating segments on a measure of underlying revenue, EBITDA and EBITA, 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 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.

Strategic Assets

This division currently comprises Qube's interest in the Moorebank Industrial Property Trust (MIPT) (66.7%), which owns an 83 hectare parcel of land at Moorebank; a strategically located property at Minto in Sydney's south west; a 37.5% interest in the Quattro Grain joint venture and a 50% shareholding in TQ Holdings Pty Limited, a joint venture with Japanese petroleum group TonenGeneral Sekiyu K.K. ('Tonen') to develop fuel storage facilities in Australia.

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. 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 August 2016, Qube reached agreement to acquire all of Aurizon's interests in the Moorebank project for $98.9 million, giving Qube 100% ownership of the project.

The Quattro Grain joint venture has now completed construction of a grain storage and handling facility at Port Kembla in New South Wales and commenced operations in late FY16.

TQ Holdings Pty Limited's first project is the construction of a fuel storage facility at Port Kembla on land to be leased from NSW Ports. Subject to final approval, the storage facility has a potential capacity of 230 million litres with commissioning expected in mid to late 2017.

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, including assets, revenues and expenses associated with Qube's proposal to acquire a 50% interest in Patrick's until completion, are also reported within this segment.

(a) Segment information provided to the Board

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 adjustments	-	-	(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:

	Logistics $m	Ports & Bulk $m	Strategic Assets $m	Corporate and Other $m	Total $m
Net profit/(loss) before income tax	**59.3**	**58.8**	**45.5**	**(35.5)**	**128.1**
Share of (profit)/loss of associates	-	(13.2)	0.6	-	(12.6)
Net finance cost	(0.4)	1.6	(0.2)	31.1	32.1
Depreciation and amortisation	33.7	67.2	0.4	0.2	101.5
EBITDA	**92.6**	**114.4**	**46.3**	**(4.2)**	**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 (net)	-	-	(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**	**124.1**	**33.5**	**(3.9)**	**246.3**
Depreciation	(30.9)	(61.5)	-	(0.2)	(92.6)
Underlying EBITA	**61.7**	**62.6**	**33.5**	**(4.1)**	**153.7**
Amortisation	(2.8)	(5.7)	(0.4)	-	(8.9)
Underlying EBIT	**58.9**	**56.9**	**33.1**	**(4.1)**	**144.8**
Underlying net Interest income/(expense)	0.4	(1.6)	0.2	(31.0)	(32.0)
Underlying share of profit/(loss) of associates	-	14.7	(0.6)	-	14.1
Underlying net profit/(loss) before income tax	**59.3**	**70.0**	**32.7**	**(35.1)**	**126.9**
Underlying income tax expense	(17.8)	(16.6)	(10.0)	10.5	(33.9)
Underlying net profit/(loss)	**41.5**	**53.4**	**22.7**	**(24.6)**	**93.0**
Underlying non-controlling interests	-	-	(6.5)	-	(6.5)
Underlying net profit/(loss) after tax attributable to members	**41.5**	**53.4**	**16.2**	**(24.6)**	**86.5**
Underlying diluted earnings per share (cents per share)					**7.6**
Total segment assets	**732.5**	**1,162.1**	**426.3**	**570.7**	**2,891.6**
Total assets include:					
Investments in associates	-	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**

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

2015	Logistics	Ports & Bulk	Strategic Assets	Corporate and Other	Total
	$m	$m	$m	$m	$m
Revenue and other income	**615.9**	**785.1**	**57.0**	**1.3**	**1,459.3**
Fair value adjustments	-	-	(27.0)	(0.1)	(27.1)
Other adjustments	-	-	-	(0.2)	(0.2)
Underlying revenue	**615.9**	**785.1**	**30.0**	**1.0**	**1,432.0**
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	**51.8**	**62.8**	**46.3**	**(33.4)**	**127.5**
Share of (profit)/loss of associates	-	(10.5)	0.1	-	(10.4)
Net finance cost	(0.1)	2.0	3.1	20.2	25.2
Depreciation and amortisation	31.0	72.1	0.4	-	103.5
EBITDA	**82.7**	**126.4**	**49.9**	**(13.2)**	**245.8**
Impairment of loan receivable from associate	2.5	-	-	-	2.5
Impairment of property, plant and equipment	-	42.4	-	-	42.4
Cost of legacy incentive scheme	1.6	0.6	-	-	2.2
Fair value gains (net)	-	-	(27.0)	(0.1)	(27.1)
Moorebank STI	-	-	-	1.7	1.7
Underlying EBITDA	**86.8**	**169.4**	**22.9**	**(11.6)**	**267.5**
Depreciation	(28.1)	(67.0)	-	-	(95.1)
Underlying EBITA	**58.7**	**102.4**	**22.9**	**(11.6)**	**172.4**
Amortisation	(2.8)	(5.2)	(0.4)	-	(8.4)
Underlying EBIT	**55.9**	**97.2**	**22.5**	**(11.6)**	**164.0**
Underlying net Interest income/(expense)	0.1	(2.0)	(2.7)	(18.1)	(22.7)
Underlying share of profit/(loss) of associates	-	10.5	(0.1)	-	10.4
Underlying net profit/(loss) before income tax	**56.0**	**105.7**	**19.7**	**(29.7)**	**151.7**
Underlying income tax expense	(16.8)	(28.6)	(5.9)	8.9	(42.4)
Underlying net profit/(loss)	**39.2**	**77.1**	**13.8**	**(20.8)**	**109.3**
Underlying non-controlling interests	-	-	(4.1)	-	(4.1)
Underlying net profit/(loss) after tax attributable to members	**39.2**	**77.1**	**9.7**	**(20.8)**	**105.2**
Underlying diluted earnings per share (cents per share)					**9.8***
Total segment assets	**749.6**	**1,177.7**	**371.1**	**4.0**	**2,302.4**
Total assets include:					
Investments in associates	-	194.5	22.4	-	216.9
Additions to non-current assets (other than financial assets and deferred tax)	97.4	236.2	26.5	0.1	360.2
NCI share of total assets	-	-	91.6	-	91.6
Total segment liabilities	**95.6**	**157.5**	**2.3**	**558.7**	**814.1**

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

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 such as fair value adjustments on investment properties, cost of legacy incentive schemes and impairments to reflect core earnings. 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 debt facilities for ISO) are not considered to be segment liabilities but rather managed centrally by the treasury function.

ACCOUNTING POLICY

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

3. Revenue and Other income

	2016	2015
	$m	$m
Revenue		
Sales revenue - transport and logistics services rendered	**1,264.8**	1,393.4
Other income		
Rental and property related income	**21.6**	34.2
Net lease surrender payment	**23.2**	-
Fair value gains on investment property	**12.8**	27.0
Dividends received	**8.0**	-
Other	**2.1**	4.7
	67.7	65.9

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.

4. Expenses

	2016	2015
	$m	$m
Profit before income tax includes the following specific expenses:		
Depreciation		
Buildings	**2.6**	1.1
Plant and equipment	**82.7**	72.7
Leasehold improvements	**7.3**	21.3
Total depreciation *(refer note 7)*	**92.6**	95.1
Amortisation		
Customer contracts	**8.5**	8.0
Operating rights	**0.4**	0.4
Total amortisation *(refer note 9)*	**8.9**	8.4
Total depreciation and amortisation expense	**101.5**	103.5
Finance expense		
Interest and finance charges paid/payable	**32.2**	22.2
Finance lease charges expensed	**1.3**	2.3
Syndicated debt facilities establishment fees written off	**-**	1.3
Total interest and finance charges expense	**33.5**	25.8
Fair value adjustments – derivative instruments	**0.1**	1.2
Total finance costs expense	**33.6**	27.0
Rental expense relating to operating leases		
Property	**49.5**	51.0
Motor vehicles	**2.1**	3.0
Plant and equipment	**30.3**	35.8
Total rental expense relating to operating leases	**81.9**	89.8
Employee benefits expense		
Defined contribution superannuation expenses	**32.1**	29.2
Share-based payment expenses *(refer note 33 c)*	**6.5**	6.1
Other employee benefits expense	**460.7**	471.6
Total employee benefits expense	**499.3**	506.9
Other expenses includes:		
Net reversal of impairment of property, plant and equipment *(refer note 7)*	**(17.6)**	-
Impairment of property, plant and equipment *(refer note 7)*	**-**	42.4
Impairment of investment in associate (*refer note 22)*	**21.3**	-
Impairment of loan receivable from associate – Mackenzie Hillebrand	**-**	2.5

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 26). 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 two 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.

5. Earnings per share

	2016 Cents	2015 Cents
(a) Basic earnings per share		
Total basic earnings per share attributable to the ordinary equity holders of the Company	**7.3**	8.1*
(b) Diluted earnings per share		
Total diluted earnings per share attributable to the ordinary equity holders of the Company	**7.2**	8.0*

	2016 $m	2015 $m
(c) Earnings used in calculating earnings per share		
Profit attributable to the ordinary equity holders of the Company used in calculating basic and diluted earnings per share	**82.0**	85.9

	2016 Number	2015 Number
(d) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating:		
Basic earnings per share	**1,129,175,050**	1,064,438,852*
Diluted earnings per share	**1,136,569,863**	1,070,926,203*

* *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.

OPERATING ASSETS AND LIABILITIES

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

6. Trade and other receivables

Current	**2016 $m**	2015 $m
Trade receivables	**168.0**	188.7
Provision for impairment of receivables (a)	**(9.7)**	(9.3)
	158.3	179.4
Prepayments	**14.8**	13.4
Accrued revenue	**20.8**	20.2
Other	**9.8**	8.1
	203.7	221.1

(a) Impaired trade receivables

As at 30 June 2016 current trade receivables of the Group with a nominal value of $9.7 million (2015: $9.3 million) were impaired. The amount of the provision was $9.7 million (2015: $9.3 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.

	2016 $m	2015 $m
The ageing of these receivables is as follows:		
Up to 3 months	**(0.8)**	(3.2)
3 months and greater	**(8.9)**	(6.1)
	(9.7)	(9.3)

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

Carrying amount at start of year	**(9.3)**	(4.3)
Provision for impairment recognised during the year	**(1.8)**	(6.7)
Receivables written off during the year as uncollectible	**1.4**	1.8
Provisions acquired as part of an acquisition	**-**	(0.1)
Carrying amount at end of year	**(9.7)**	(9.3)

(b) Past due but not impaired

As at 30 June 2016, current trade receivables of $23.6 million (2015: $18.6 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:

	2016	2015
	$m	$m
Up to 3 months	**8.5**	10.5
3 months and greater	**15.1**	8.1
	23.6	18.6

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.

7. Property, plant and equipment

	Land and buildings	Plant and equipment	Leasehold improvements	Total
	$m	$m	$m	$m
Year ended 30 June 2015				
Opening net book amount	85.4	419.8	134.7	639.9
Acquisition of business	-	105.8	0.7	106.5
Additions	41.8	111.3	35.8	188.9
Disposals	(0.1)	(5.1)	-	(5.2)
Exchange differences	-	(3.2)	(0.1)	(3.3)
Reclassifications	0.3	(0.1)	(0.2)	-
Impairment loss	-	(23.5)	(18.9)	(42.4)
Depreciation charge	(1.1)	(72.7)	(21.3)	(95.1)
Closing net book amount	126.3	532.3	130.7	789.3
At 30 June 2015				
Cost	140.6	781.1	170.6	1,092.3
Accumulated depreciation	(14.3)	(248.8)	(39.9)	(303.0)
Net book amount	126.3	532.3	130.7	789.3
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 differences	**-**	**4.2**	**-**	**4.2**
Reclassifications	**(14.1)**	**-**	**14.1**	**-**
Net reversal of impairment loss (b)	**-**	**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**

(a) Leased assets

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

	2016	2015
	$m	$m
Leased equipment		
Cost	**37.1**	54.9
Accumulated depreciation	**(21.1)**	(21.9)
Net book amount	**16.0**	33.0

These assets are pledged as security for the finance leases (refer note 18(a)).

(b) Net reversal of impairment loss

In FY15 Qube impaired the carrying value of its Utah Point facility by approximately $19.6 million.

Given Atlas' (Qube's main customer at the facility) improved financial position and outlook as a result of operational efficiencies and successful negotiations with their financiers, as well as Qube's reduced cost base to operate the facility, Qube has revised its forecast for its Utah Point facility, and has decided to reverse the previous impairment net of depreciation that would have been booked if the asset had not been impaired of $17.7 million.

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

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

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

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

Leased assets

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

Impairment

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

CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

Estimated impairment of property, plant and equipment

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

8. Investment properties

	2016 $m	2015 $m
Opening balance at 1 July	**342.0**	308.5
Capitalised subsequent expenditure	**14.7**	6.1
Net gain from fair value adjustments	**12.8**	27.0
Straight-lining of operating lease rental income	**(1.8)**	0.4
Closing balance at 30 June	**367.7**	342.0

(a) Measuring investment property at fair value

Investment properties, principally industrial assets held at strategic locations in Moorebank and Minto are currently held for rental yields and are not occupied by the Group. They are carried at fair value.

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

	2016 $m	2015 $m
Rental income	**16.9**	30.0
Net lease surrender payment	**23.2**	-
Direct operating expenses from property that generated rental income	**(2.5)**	(4.6)
Direct operating expenses from property that did not generate rental income	**(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:

	2016 $m	2015 $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	**3.1**	25.6
Later than one year but not later than 5 years	**3.1**	42.1
Later than 5 years	**-**	-
	6.2	67.7

ACCOUNTING POLICY

Investment properties principally comprise freehold land and buildings that are presently leased and not occupied by the Group. Investment properties 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.

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 20.

9. Intangible assets

	Goodwill	Operating rights	Customer contracts	Total
	$m	$m	$m	$m
Year ended 30 June 2015				
Opening net book amount	565.4	5.5	35.8	606.7
Finalisation of acquisition accounting	0.3	-	-	0.3
Acquisition of business	24.4	-	13.9	38.3
Exchange differences	(1.1)	-	(0.5)	(1.6)
Amortisation charge	-	(0.4)	(8.0)	(8.4)
Closing net book amount	589.0	5.1	41.2	635.3
At 30 June 2015				
Cost	589.0	7.6	67.3	663.9
Accumulated amortisation and impairment	-	(2.5)	(26.1)	(28.6)
Net book amount	589.0	5.1	41.2	635.3
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**

(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.

	2016	2015
	$m	$m
Logistics	**222.6**	222.6
Ports & Bulk	**370.3**	366.4
	592.9	589.0

(b) Impairment tests for goodwill

The recoverable amount of a CGU is determined based on value-in-use calculations, using 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 21. 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) Operating rights

Operating rights are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of the operating rights over a 20 year period from 2008, when the rights were initially recognised.

(iii) 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.

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 2017 to 2019 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 a post-tax discount rates and long-term growth rates. The equivalent pre-tax discount rate has been disclosed below. Management determined budgeted EBITDA margin based on past performance and its expectations for the future.

CGU	Long-term growth rate		Discount rate	
	2016 %	2015 %	**2016 %**	2015 %
Logistics	**2.5**	2.5	**12.3**	12.3
Ports & Bulk	**2.5**	2.5	**12.1**	12.1

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 margin 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 either the Logistics or Ports & Bulk divisions.

10. Trade and other payables

	2016 $m	2015 $m
Current		
Trade payables and accruals	**94.6**	111.7
GST payable	**5.5**	3.1
Deferred revenue	**-**	0.5
	100.1	115.3
Non-current		
Trade payables and accruals	**0.2**	0.1
Contingent consideration	**2.0**	5.4
	2.2	5.5

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.

11. Provisions

	2016			2015		
	Current	**Non-current**	**Total**	Current	Non-current	Total
	$m	**$m**	**$m**	$m	$m	$m
Employee benefits	**60.5**	**8.1**	**68.6**	61.5	9.8	71.3
Onerous contract (property lease)	**3.0**	**1.2**	**4.2**	5.1	5.0	10.1
Provision for distribution	**0.9**	**-**	**0.9**	0.5	-	0.5
Other	**0.6**	**-**	**0.6**	-	-	-
	65.0	**9.3**	**74.3**	67.1	14.8	81.9

(a) Movements in provisions

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

2016	**Onerous contract $m**	**Provision for distribution $m**	**Other $m**	**Total $m**
Carrying amount at beginning of year	**10.1**	**0.5**	**-**	**10.6**
Charged/(credited) to profit or loss				
• additional provisions recognised	**-**	**10.1**	**0.6**	**10.7**
• unused amounts reversed	**(0.6)**	**-**	**-**	**(0.6)**
Amounts used during the year	**(5.3)**	**(9.7)**	**-**	**(15.0)**
Carrying amount at end of year	**4.2**	**0.9**	**0.6**	**5.7**

(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:

	2016	2015
	$m	$m
Leave obligations expected to be settled after 12 months	**15.7**	15.3

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.

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.

12. Income tax expense

	2016	2015
	$m	$m
(a) Income tax expense		
Current tax	**29.0**	37.3
Deferred tax assets	**6.8**	(7.5)
Deferred tax liabilities	**-**	1.9
Adjustments for current tax of prior periods	**(0.2)**	(0.1)
	35.6	31.6
Deferred income tax expense included in income tax expense comprises:		
Decrease/(increase) in deferred tax assets	**6.8**	(7.5)
Increase in deferred tax liabilities	**-**	1.9
	6.8	(5.6)
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit before income tax expense	**128.1**	127.5
Tax at the Australian tax rate of 30% (2015: 30%)	**38.4**	38.2
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Non-assessable equity accounted profit	**(3.8)**	(3.1)
Deferred tax recognised in respect of investment properties	**-**	4.2
Accounting fair value gain on investment properties	**(3.6)**	(8.0)
Fair value loss on impairment of an associate	**6.4**	-
Rebatable dividends	**(2.4)**	-
Share-based payments	**0.3**	0.4
Sundry items	**0.3**	(0.1)
Income tax expense	**35.6**	31.6
(c) Amounts recognised directly in equity		
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly debited or credited to equity:		
Net deferred tax – debited directly to equity	**(0.1)**	**-**

13. Deferred tax assets

	2016 $m	2015 $m
The balance comprises temporary differences attributable to:		
Employee benefits	**21.2**	21.9
Plant and equipment	**7.2**	9.9
Other	**10.6**	11.0
Total deferred tax assets	**39.0**	42.8
Set-off of deferred tax assets/liabilities pursuant to set-off provisions	**(39.0)**	(37.2)
Net deferred tax assets	**-**	5.6
Deferred tax assets expected to be recovered within 12 months	**26.9**	27.8
Deferred tax assets expected to be recovered after more than 12 months	**12.1**	15.0
	39.0	42.8

Movements in deferred tax assets:	Employee benefits $m	Plant and equipment $m	Other $m	Total $m
At 1 July 2014	20.9	0.6	8.3	29.8
Credited/(charged)				
• to profit or loss	(0.1)	9.3	(1.7)	7.5
• to other comprehensive income	-	-	(0.1)	(0.1)
Acquisition of subsidiary	1.1	-	4.5	5.6
At 30 June 2015	21.9	9.9	11.0	42.8
Credited/(charged)				
• to profit or loss	**(0.7)**	**(2.7)**	**(3.4)**	**(6.8)**
• directly to equity	**-**	**-**	**2.9**	**2.9**
• to other comprehensive income	**-**	**-**	**0.1**	**0.1**
At 30 June 2016	**21.2**	**7.2**	**10.6**	**39.0**

14. Deferred tax liabilities

	2016 $m	2015 $m
The balance comprises temporary differences attributable to:		
Plant and equipment	**20.5**	17.0
Intangible assets	**9.7**	12.0
Investment property	**4.3**	4.2
Other provisions	**6.0**	4.0
	40.5	37.2
Set-off of deferred tax assets/liabilities pursuant to set-off provisions	**(39.0)**	(37.2)
Net deferred tax liabilities	**1.5**	-
Deferred tax liabilities expected to be settled within 12 months	**5.4**	4.6
Deferred tax liabilities expected to be settled after more than 12 months	**35.1**	32.6
	40.5	37.2

Movements in deferred tax liabilities:	Plant and equipment	Intangible assets	Investment property	Other provisions	Total
	$m	$m	$m	$m	$m
At 1 July 2014	17.7	10.6	-	1.8	30.1
Charged/(credited)					
• to profit or loss	(2.1)	(2.4)	4.2	2.2	1.9
• to other comprehensive income	(0.1)	(0.2)	-	-	(0.3)
Acquisition of subsidiaries	1.5	4.0	-	-	5.5
At 30 June 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)**	**-**
• directly to equity	**-**	**-**	**-**	**3.0**	**3.0**
• to other comprehensive income	**0.1**	**0.2**	**-**	**-**	**0.3**
At 30 June 2016	**20.5**	**9.7**	**4.3**	**6.0**	**40.5**

ACCOUNTING POLICY

The income tax expense or benefit for the consolidated entity for the year is the tax payable on the current year's taxable income based on the notional tax rate for each jurisdiction. This can also be adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and by unused tax losses.

Deferred income tax is determined using the liability method, being the temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. However, deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The deferred tax liabilities in relation to investment properties that are measured at fair value is determined assuming the property will be recovered entirely through sale.

The consolidated entity may incur withholding tax imposed by certain countries on investment income. Such income is recorded gross of withholding tax in the statement of comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Qube Holdings Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Investment allowances and similar tax incentives

Companies within the Group may be entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure. The Group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense. A deferred tax asset is recognised for unclaimed tax credits that are carried forward as deferred tax assets.

CAPITAL AND BORROWINGS

This section provides information on shareholder returns, equity and reserves, and debt funding including all relevant accounting policies applied.

15. Dividends

	2016 **$m**	2015 $m
(a) Ordinary shares		
Final dividend for the year ended 30 June 2015 of 2.8 cents per fully paid share paid on 7 October 2015 (2014: 2.7 cents per share paid on 3 October 2014)		
Fully franked based on tax paid at 30%	**29.6**	27.9
Interim dividend for the year ended 30 June 2016 of 2.7 cents per fully paid share paid on 6 April 2016 (2015: 2.7 cents per share paid on 7 April 2015)		
Fully franked based on tax paid at 30%	**28.6**	27.8
	58.2	55.7
(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, (2015: 2.8 cents) fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 11 October 2016 (2015: 7 October 2015) out of retained earnings at 30 June 2016 (2015: 30 June 2015), but not recognised as a liability at the end of the year, is	**40.5**	29.6

(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 2016.

	Consolidated		**Parent entity**	
	2016 **$m**	2015 $m	**2016** **$m**	2015 $m
Franking credits available for subsequent financial years based on a tax rate of 30% (2015: 30%)	**86.5**	89.2	**86.5**	89.2

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.

16. Contributed equity

	Notes	**2016 Shares**	2015 Shares	**2016 $m**	2015 $m
Share capital					
Ordinary shares					
Fully paid	(a)	**1,303,662,847**	1,056,700,287	**1,801.6**	1,302.0
Less: Treasury shares	(b)	**(8,500,479)**	(7,367,178)	**(19.4)**	(17.3)
Total contributed equity		**1,295,162,368**	1,049,333,109	**1,782.2**	1,284.7

(a) Movements in ordinary shares:

Date	**Details**	**Number of shares**	**Issue price**	**$m**
1 July 2014	Opening balance	1,051,172,929		1,287.4
3 October 2014	Dividend reinvestment plan	3,255,147	$2.4939	8.1
7 April 2015	Dividend reinvestment plan	2,272,211	$2.8390	6.5
30 June 2015	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**

(b) Movements in treasury shares:

Date	**Details**	**Number of shares**	**Average purchase price**	**$m**
1 July 2014	Opening balance	(2,961,418)	$2.0517	(6.1)
	Treasury shares purchased	(4,405,760)	$2.5399	(11.2)
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)**
30 June 2016	Closing Balance	**(8,500,479)**		**(19.4)**

(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 33.

(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 plan are set out in note 33.

(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 diverse 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.

17. Reserves and retained earnings

	2016 $m	2015 $m
Reserves		
Business combination reserve	**28.4**	28.4
Share-based payments reserve	**(5.6)**	(13.6)
Transactions with non-controlling interests reserve	**(39.5)**	(39.5)
Foreign currency translation reserve	**0.1**	(4.0)
Available-for-sale financial asset reserve	**7.0**	-
	(9.6)	(28.7)

(a) Movements in reserves:

	2016 $m	2015 $m
Share-based payments reserve		
Balance 1 July	**(13.6)**	(19.8)
Loans repaid	**1.5**	2.3
Employee share plan expense	**6.5**	3.9
Balance 30 June	**(5.6)**	(13.6)
Foreign currency translation reserve		
Balance 1 July	**(4.0)**	-
Currency translation differences, net of tax	**4.1**	(4.0)
Balance 30 June	**0.1**	(4.0)
Available-for-sale financial asset reserve		
Balance 1 July	**-**	-
Revaluation, net of deferred tax	**7.0**	-
Balance 30 June	**7.0**	-

(b) 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 36 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

Movements in retained earnings were as follows:	2016 $m	2015 $m
Balance 1 July	**141.5**	111.3
Net profit for the year	**82.0**	85.9
Dividends paid	**(57.0)**	(55.7)
Balance 30 June	**166.5**	141.5

18. Borrowings

	2016 $m	2015 $m
Current		
Unsecured		
Bank loans	**150.0**	-
Secured		
Finance lease liabilities (note 26b(ii))	**9.4**	12.3
Total current borrowings	**159.4**	12.3
Non-current		
Unsecured		
Bank loans	**517.0**	581.1
Less capitalised establishment costs	**(4.6)**	(5.0)
	512.4	576.1
Secured		
Finance lease liabilities ((note 26b(ii))	**1.2**	13.6
Total non-current borrowings	**513.6**	589.7

Bank facilities

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

		2016		2015	
Facility	**Maturity**	**Facility**	**Utilised***	Facility	Utilised
Syndicated revolving facility	Dec-19	750.0	480.0	750.0	560.0
Bilateral revolving facility	Dec-19	40.0	37.0	30.0	21.0
Bilateral revolving facility	Mar-19	150.0	-	-	-
Bilateral revolving facility	May-19	90.0	-	-	-
Bilateral term facility	July-19	50.0	-	-	-
Bilateral bridge facility	Sep-16	150.0	150.0	-	-

* Excludes bank guarantees drawn totaling $22.9 million (2015: $38.7 million)

In order to fund its stake in Asciano the Company entered into additional bridging facilities totaling $500 million. $350 million of these bridging facilities were repaid from Qube's entitlement offer proceeds with the balance of the proceeds used to reduce existing revolving facilities.

To provide the Company with sufficient funding to complete the Patrick acquisition and meet other future capital expenditure requirements during the year, the Company entered into additional bilateral facilities totaling $300 million including $10 million specifically for ISO to fund its acquisition of Quality Marshalling.

(a) Secured liabilities and assets pledged as security

	2016	2015
	$m	$m
The total secured liabilities (current and non-current) are as follows:		
Finance lease liabilities	**10.6**	25.9
Total secured liabilities	**10.6**	25.9

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:

	2016	2015
	$m	$m
Finance lease		
Plant and equipment (note 7(a))	**16.0**	33.0

(b) Compliance with loan covenants

The Group has complied with the financial covenants of its borrowing facilities during the 2016 and 2015 reporting periods.

(c) Fair value

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

	2016		2015	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	$m	**$m**	$m	$m
On-balance sheet				
Non-traded financial liabilities				
Bank loans	**662.4**	**662.4**	576.1	576.1
Finance lease liabilities	**10.6**	**10.6**	25.9	25.9
Traded financial liabilities				
Interest rate hedging instruments	**3.2**	**3.2**	3.1	3.1
	676.2	**676.2**	605.1	605.1

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.

19. 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 note 6 and 31(f) no financial assets are impaired nor past due but not impaired at 30 June 2016 (30 June 2015: Nil).

There were no significant concentrations of credit risk to counterparties at 30 June 2016 or 30 June 2015.

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.

	2016	2015
	$m	$m
Cash and cash equivalents		
AA-	**76.6**	88.2

(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.

Qube's exposure to cash flow interest rate risk is set out in the following table:

	2016	2015
	$m	$m
Bank loans	**667.0**	581.1
Cash	**(76.6)**	(88.2)
Net exposure to cash flow interest rate risk	**590.4**	492.9

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 (2015 – +/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
2016	$m	$m	$m	$m
Total increase/(decrease)	**3.1**	**3.1**	**(3.4)**	**(3.4)**
2015				
Total increase/(decrease)	1.9	1.9	(2.4)	(2.4)

(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:

	2016	2015
Floating rate	**$m**	$m
Expiring within one year	**-**	-
Expiring beyond one year*	**540.1**	175.1
	540.1	175.1

* Undrawn facilities adjusted for $22.9 million in bank guarantees (2015: $38.7 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 (2015: 4.5 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 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**
Consolidated as at 30 June 2015				
Trade and other payables	112.9	-	-	-
Financial liabilities at fair value through profit or loss	-	-	0.8	2.2
Borrowings	3.0	7.5	6.6	595.6
Total financial liabilities	115.9	7.5	7.4	597.8

20. 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).

As a result of Qube's recent acquisition of Aurizon's interest in Moorebank, the property was valued on an arm's length willing buyer willing seller basis. The property was therefore reclassified from Level 3 to Level 2 of the fair value hierarchy given its valuation inputs are now considered observable.

The following table presents the Group's financial and non-financial assets and liabilities measured and recognised at their fair value at 30 June 2016 on a recurring basis:

	Level 1	Level 2	Level 3	Total
At 30 June 2016	**$m**	**$m**	**$m**	**$m**
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**
At 30 June 2015				
Recurring fair value measurements				
Assets				
Investment properties	-	-	342.0	342.0
Financial assets at fair value through profit or loss	1.0	-	-	1.0
Total assets	1.0	-	342.0	343.0
Liabilities				
Contingent consideration payable	-	-	5.4	5.4
Derivatives used for hedging	-	3.1	-	3.1
Total liabilities	-	3.1	5.4	8.5

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 2016 or 30 June 2015.

(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.

The primary valuation methodology for the Group's Minto investment property was the term and reversion approach, which resulted in fair value estimate for this property being included in level 3.

(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 2016 (30 June 2015: Nil).

Further, in the current year there were also no changes made to any of the valuation techniques applied as of 30 June 2015.

(ii) Valuation inputs and relationships to fair value

<u>Contingent consideration</u>

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 $25.8 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 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 2016 for recurring fair value measurements:

	Investment properties $m
Opening balance 1 July 2015	**342.0**
Depreciation and impairment	**-**
Development expenditure capitalised	**14.7**
Straight-lining of operating lease rental income	**(1.8)**
Gains recognised in other income*	**12.8**
Transfer to level 2 – Moorebank Property	**(296.7)**
Closing balance 30 June 2016	**71.0**

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

(iv) Transfers between levels 2 and 3 and changes in valuation techniques

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 made. This was based on advice received by management from an independent valuer. They recommended that a direct comparison of land value to recent sales would provide a better representation of fair value, taking into consideration expected use of the Moorebank site, recent sales evidence and the liquidity of this market.

The implied value based on the acquisition of Aurizon's 33% interest is $296.7 million (100%), and given the transaction was at arm's length with a willing buyer and willing seller, this value has been adopted as the fair value.

(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 2016 $m**	**Unobservable inputs**	**Range of inputs (probability – weighted average)**	**Relationship of unobservable inputs to fair value**
Investment property	71.0	Discount rate	**7.00%**	The higher the discount rate and terminal yield, the lower the fair value
		Terminal yield	**8.25%**	
		Capitalisation rate	**8.00%**	The higher the capitalisation rate and expected vacancy rate, the lower the fair value
		Expected vacancy rate	**-%**	
		Rental growth rate	**3.17%**	The higher the rental growth rate, the higher the fair value

(vi) Valuation processes

For level 3 assets, the Group engages external, independent and qualified valuers to determine the fair value of the Group's investment properties at least annually. As at 30 June 2016, the fair value of investment properties have been 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.

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.

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.

21. Business combinations

On 27 May 2016, Qube acquired the business and assets of the Quality Marshalling, a forestry related marshalling business in New Zealand for a total purchase price of $10.6 million paid in cash (NZ$11.3 million). Goodwill of $2.9 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 immediately integrated into Qube's existing New Zealand based business from acquisition so it is impracticable and unreliable to report separate revenue and profit contributions for this acquisition.

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.

22. Investments in associates

	2016	2015
	$m	$m
Investments in associates	**225.8**	216.9

(a) Movements in carrying amounts

Set out below are the associates and joint ventures of the Group as at 30 June 2016. 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 2016 %	% ownership interest 2015 %	Carrying amount 2016 $m	Carrying amount 2015 $m
Australian Amalgamated Terminals Pty Ltd[1]	Australia	**50**	50	**116.6**	**115.5**
Northern Stevedoring Services Pty Ltd	Australia	**50**	50	**24.5**	**45.7**
Prixcar Services Pty Ltd[2]	Australia	**25**	25	**37.0**	**33.3**
Quattro Grain Trust[3]	Australia	**37.5**	37.5	**29.4**	**22.4**
TQ Holdings Pty Limited[3]	Australia	**50**	-	**18.3**	**-**
				225.8	**216.9**

1. Included within Australian Amalgamated Terminal's liabilities is $49.0 million (2015: $52.5 million) in shareholder loans owed to Qube.
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 and TQ Holdings Pty Limited is considered individually immaterial and is discussed in part (d) below.

(b) 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)	
	2016	2015	**2016**	2015	**2016**	2015
	$m	$m	**$m**	$m	**$m**	$m
Summarised balance sheet						
Current assets	**35.5**	28.9	**12.4**	17.8	**0.1**	0.1
Non-current assets	**79.2**	87.2	**43.6**	47.8	**74.0**	66.6
Current liabilities	**(6.0)**	(9.5)	**(24.3)**	(22.6)	**(0.1)**	(0.1)
Non-current liabilities	**(98.9)**	(105.9)	**(1.9)**	(13.4)	**-**	-
Net assets	**9.8**	0.7	**29.8**	29.6	**74.0**	66.6
Reconciliation to carrying amounts						
Opening net assets 1 July	**0.7**	2.3	**29.6**	24.9	**66.6**	65.4
Profit for the period	**17.6**	15.2	**0.2**	4.6	**8.5**	1.2
Dividends paid	**(8.5)**	(16.8)	**-**	-	**(1.1)**	-
Closing net assets	**9.8**	0.7	**29.8**	29.5	**74.0**	66.6
Group's share in %	**50%**	50%	**50%**	50%	**50%**	50%
Group's share in $	**4.9**	0.3	**14.9**	14.8	**37.0**	33.3
Impairment charge	**-**	-	**(21.3)**	-	**-**	-
Loan to associates	**49.0**	52.5	**-**	-	**-**	-
Goodwill	**62.7**	62.7	**30.9**	30.9	**-**	-
Carrying amount	**116.6**	115.5	**24.5**	45.7	**37.0**	33.3

	Australian Amalgamated Terminals Pty Ltd		Northern Stevedoring Services Pty Ltd		K Line Auto Logistics Pty Ltd (Prixcar)	
	2016	2015	**2016**	2015	**2016**	2015
	$m	$m	**$m**	$m	**$m**	$m
Summarised statement of comprehensive income						
Revenue	**79.8**	85.6	**55.9**	68.6	**0.2**	0.2
Profit for the period	**17.6**	15.2	**0.2**	4.6	**8.5**	1.2
Other comprehensive income	**-**	-	**-**	-	**-**	-
Total comprehensive income	**17.6**	15.2	**0.2**	4.6	**8.5**	1.2
Dividends received from associates	**4.3**	8.4	**-**	-	**0.6**	-

(c) Impairment

Qube has recognised an impairment charge of $22.8 million (inclusive of an impairment recognised by NSS itself) against the carrying value of its investment in Northern Stevedoring Services Pty Ltd. The impairment reflects a subdued medium term outlook given activity levels in North Queensland, the loss of key contracts and increased local competition with no signs of immediate improvement.

The recoverable amount of NSS 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 four year period with a terminal value.

(d) 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.

	2016	2015
	$m	$m
Aggregate carrying amount of individually immaterial associates	**47.7**	22.4
Aggregate amounts of the Group's share of:		
Loss for the year	**(0.6)**	(0.1)
Other comprehensive income	**-**	-
Total comprehensive income	**(0.6)**	(0.1)

(e) Contingent liabilities of associates

Qube's share of the contingent liabilities of its associates has been disclosed in note 25.

ACCOUNTING POLICY

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 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 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 associate.

Unrealised gains on transactions between the Group and its 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 associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

Estimated impairment of investments accounted for using the equity method

Where indicators of impairment exist, the Group has undertaken a valuation of its investments accounted for using the equity method based on its proportionate ownership of these businesses. The recoverable amount of each investment is determined using a discounted cash flow model which requires the use of assumptions that maybe subject to change. The general valuation assumptions include an average post tax discount rate of 9.6%.

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 Australian Amalgamated Terminals Pty Ltd, Northern Stevedoring Services Pty Ltd and ’K’ Line Auto Logistics Pty Ltd, the Group does not have the ability to affect returns of these entities without the prior consent of the remaining shareholders.

23. 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 2016 (%)	Equity holding 2015 (%)
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	**66.67**	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**	-
Jingle SPV2 Pty Ltd	Australia	Ordinary	**100**	-
Qube RE Services (No.2) Pty Ltd	Australia	Ordinary	**100**	-
Qube MB Warehousing Pty Ltd	Australia	Ordinary	**100**	-
Moorebank Intermodal Hold Trust	Australia	Ordinary	**66.67**	-
Moorebank Intermodal Investment Trust	Australia	Ordinary	**66.67**	-
Qube Moorebank Warehousing Trust	Australia	Ordinary	**66.67**	-
Moorebank Industrial Warehouse Hold Trust	Australia	Ordinary	**66.67**	-
Moorebank Industrial Warehouse Trust	Australia	Ordinary	**66.67**	-
Moorebank Industrial Terminals Asset Hold Trust	Australia	Ordinary	**66.67**	-
Moorebank Industrial Terminals Asset Trust	Australia	Ordinary	**66.67**	-
Moorebank Industrial Terminals Operations Hold Trust	Australia	Ordinary	**66.67**	-
Moorebank Industrial Terminals Operations Trust	Australia	Ordinary	**66.67**	-
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

Name of entity	Country of incorporation	Class of shares/units	**2016 (%)**	2015 (%)
Qube Defence Logistics Pty Ltd*	Australia	Ordinary	**100**	100
Stonecrest Enterprises Pty Ltd*	Australia	Ordinary	**100**	100
Giacci Holdings Pty Ltd*	Australia	Ordinary	**100**	100
Giacci Port Services Pty Ltd*	Australia	Ordinary	**100**	100
Giacci Limestone Pty Ltd*	Australia	Ordinary	**100**	100
Giacci Group Operations Pty Ltd*	Australia	Ordinary	**100**	100
Giacci SA Pty Ltd*	Australia	Ordinary	**100**	100
Giacci Bros. Pty Ltd*	Australia	Ordinary	**100**	100
Giacci Management Services Pty Ltd*	Australia	Ordinary	**100**	100
Giacci NT Pty Ltd*	Australia	Ordinary	**100**	100
Giacci Contracting Pty Ltd*	Australia	Ordinary	**100**	100
Jamlewin Enterprises Pty Ltd*	Australia	Ordinary	**100**	100
Qube Learning Pty Ltd	Australia	Ordinary	**100**	100
W Qube Port of Dampier Pty Ltd*	Australia	Ordinary	**100**	100
Beaumont Transport Pty Ltd*	Australia	Ordinary	**100**	100
BBH Services Pty Ltd*	Australia	Ordinary	**100**	100
Latot Pty Ltd*	Australia	Ordinary	**100**	100
Norsea Qube Logistics Pty Ltd	Australia	Ordinary	**100**	100
Oztran Aust Pty Ltd*	Australia	Ordinary	**100**	100
Oztran Assets Pty Ltd*	Australia	Ordinary	**100**	100
Stanton Oztran Pty Ltd*	Australia	Ordinary	**100**	100
Australian Heavy Logistics Pty Ltd*	Australia	Ordinary	**100**	100
ISO Marshalling Pty Limited	Australia	Ordinary	**100**	100
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
Bulk Solutions Limited	New Zealand	Ordinary	**50**	50
Marshalling Solutions LLC	United States	Ordinary	**100**	100
International Stevedoring Operations Limited	New Zealand	Ordinary	**100**	100
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**	-
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

Name of entity	Country of incorporation	Class of shares/units	Equity holding **2016 (%)**	 2015 (%)
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

* 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 34.

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 21).

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.

24. Non-controlling interests

(a) Non-controlling interests ('NCI') share of equity

	2016 $m	2015 $m
Interest in:		
Share capital	**111.8**	107.8
Reserves	**-**	-
Retained losses	**(13.6)**	(17.0)
	98.2	90.8

(b) Summarised financial information

Set out below is summarised financial information for each subsidiary that has non-controlling interests that are material to the Group. The amounts disclosed for each subsidiary are before intercompany eliminations.

Moorebank Industrial Property Trust	2016 $m	2015 $m
Summarised balance sheet		
Current assets	**3.9**	2.7
Current liabilities	**(5.3)**	(1.5)
Current net (liabilities)/assets	**(1.4)**	1.2
Non-current assets	**296.7**	272.0
Non-current liabilities	**-**	-
Non-current net assets	**296.7**	272.0
Net assets	**295.3**	273.2
Accumulated NCI	**98.2**	90.8
Summarised statement of comprehensive income		
Revenue and other income	**46.0**	42.2
Profit for the period	**40.4**	35.4
Other comprehensive income	**-**	-
Total comprehensive income	**40.4**	35.4
Profit allocated to NCI	**10.5**	10.0
Distributions paid to NCI	**10.1**	5.7

Moorebank Industrial Property Trust	2016 $m	2015 $m
Summarised cash flows		
Cash flows from operating activities	**28.9**	16.9
Cash flows from investing activities	**(11.6)**	(6.1)
Cash flows from financing activities	**(17.0)**	(14.0)
Net increase/(decrease) in cash and cash equivalents	**0.3**	(3.2)

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.

25. Contingencies

Contingent liabilities

Guarantees

The parent entity has provided unsecured bank guarantees amounting to $28.9 million (2015: $38.7 million).

Qube has provided a guarantee on behalf of Northern Stevedoring Services Pty Limited for the lower of $6 million or 50% (2015: $6 million or 50%) of the funds advanced to them.

26. Commitments

(a) Capital commitments

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

	2016 $m	2015 $m
Payable:		
Within one year	**36.4**	29.9
Later than one year but not later than five years	**-**	-
Later than five years	**-**	-
	36.4	29.9

The above balance comprises capital expenditure for rolling stock and capital expenditure required for contracted works.

(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.

	2016	2015
	$m	$m
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**54.2**	61.1
Later than one year but not later than five years	**139.9**	134.0
Later than five years	**119.8**	134.5
	313.9	329.6
Sub-lease payments		
Future minimum lease payments expected to be received in relation to non-cancellable sub-leases of operating leases	**2.0**	2.6

(ii) Finance leases

The Group leases various plant and equipment with a carrying amount of $16.0 million (2015: $33.0 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.

	2016	2015
	$m	$m
Commitments in relation to finance leases are payable as follows:		
Within one year	**6.6**	13.5
Later than one year but not later than five years	**4.4**	14.1
Later than five years	**-**	-
Minimum lease payments	**11.0**	27.6
Future finance charges	**(0.4)**	(1.7)
Total lease liabilities	**10.6**	25.9
The present value of finance lease liabilities is as follows (note 18):		
Current - within one year	**9.4**	12.3
Non-current - later than one year but not later than five years	**1.2**	13.6
Present value of minimum lease payments	**10.6**	25.9

There are no other outstanding contingent assets and liabilities or commitments as at 30 June 2016 (2015: Nil).

27. Events occurring after the reporting period

Matters subsequent to the end of the financial year

Post the end of the financial year, the following significant events occurred:

- On 2 August 2016, Qube completed a $306 million placement to the Canada Pension Plan Investment Board.
- On 2 August 2016, Qube entered into an agreement to acquire Aurizon Holdings Limited's interests in the Moorebank project for $98.9 million, thereby giving Qube a 100% interest.
- On 18 August 2016, Qube and a Brookfield managed consortium acquired 100% of Patrick for total consideration of $2,915 million (excluding costs and adjustments).

  The current available-for-sale financial asset held by Qube was used as part of the total consideration for this transaction and as such forms part of the non-current investment in the Patrick joint venture. Further, any remaining available-for-sale reserve balance relating to this asset will also be recycled through the income statement in FY17.

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.

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.

28. Financial assets and liabilities

	2016 $m	2015 $m
Available-for-sale financial assets		
Current assets - Listed equity securities	543.7	-
Derivative financial instruments		
Current liabilities - Interest rate hedging contracts	0.7	0.8
Non-current liabilities - Interest rate hedging contracts	2.5	2.3

(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 at 30 June 2016. These shares will be 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 19).

Bank loans of the Group currently bear an average variable interest rate of 3.85% including margin and commitment fees. It is Group policy to protect part of the loans from exposure to increasing interest rates. Accordingly, the Group has entered into interest rate hedging instruments under which depending on the level of floating interest rates, it is obliged to pay interest at fixed rates. Instruments in place cover approximately 31.7% (2015: 39.4%) of the variable loan principal outstanding and have a weighted average minimum and maximum base rate of 2.55% and 4.33% respectively. The current weighted average base rate of the hedges is 2.56%.

Hedges with a notional principal totalling $70 million have forward start dates commencing in FY18. Excluding these forward starts hedging covered approximately 26% 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 20.

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.

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

	2016 $m	2015 $m
(a) Net cash inflow from operating activities		
Profit for the year	**92.5**	95.9
Depreciation and amortisation	**101.5**	103.5
Non-cash employee benefits expense – share-based payments	**6.5**	3.8
Fair value adjustment to investment properties	**(12.8)**	(27.0)
Fair value losses/(gains) on financial assets at fair value through profit or loss	**0.1**	(0.1)
Impairments of non-current assets	**21.3**	44.9
Reversal of impairment of property, plant and equipment	**(17.6)**	-
Loss/(profit) on sale of property plant and equipment	**0.2**	(0.5)
Share of profits of associates (net of dividends received)	**(7.8)**	(2.0)
Write-off of borrowing costs due to change in loan facility	**-**	1.3
Change in operating assets and liabilities, net of effects from purchase of controlled entities:		
Decrease/(increase) in trade debtors and other receivables	**14.8**	(0.4)
(Increase)/decrease in inventories	**(0.4)**	0.7
Decrease in financial instruments at fair value through profit or loss	**-**	1.2
Decrease/(increase) in deferred tax assets	**6.7**	(13.2)
Decrease in trade creditors	**(12.5)**	(1.5)
Increase/(decrease) in other operating liabilities	**4.1**	(27.5)
Decrease in provision for income taxes payable	**(5.8)**	(6.2)
Decrease in deferred tax liabilities	**-**	(1.9)
Decrease in other provisions	**(8.5)**	(1.4)
Net cash inflow from operating activities	**182.3**	169.6

(b) Non-cash investing and financing activities

	2016 $m	2015 $m
The following items were financed through the issue of Qube shares:		
Dividend reinvestment plan	**12.3**	14.6
	12.3	14.6

30. 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:

	2016 $'000	2015 $'000
(a) PwC Australia		
(i) Audit and other assurance services		
- Audit and review of financial statements	**605.6**	581.7
- Audit of other subsidiary financial statements	**-**	30.2
Total remuneration for audit and other assurance services	**605.6**	611.9
(ii) Taxation services		
- Tax compliance services	**98.7**	220.0
- Tax advisory services	**400.6**	324.7
Total remuneration for taxation services	**499.3**	544.7
(iii) Other services		
- Due diligence services	**2,301.6**	-
- Other services	**174.8**	130.0
Total remuneration for other services	**2,476.4**	130.0
Total remuneration of PwC Australia	**3,581.3**	1,286.6
(b) Non-PwC audit firms		
(i) Audit and other assurance services – audit and review of financial statements	**38.1**	36.0
Total remuneration of non-PwC audit firms	**38.1**	36.0
Total auditors' remuneration	**3,619.4**	1,322.6

31. 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 23.

(c) Key management personnel

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

(d) Transactions with other related parties

The following transactions occurred with related parties:

	2016	2015
	$m	$m
Stevedoring services		
received from other related entities	**38.6**	42.1
paid to associates	**33.6**	40.6
Fuel services		
paid to associates	**10.1**	-
Rental income		
from associates	**5.1**	5.6
Dividend income		
from associates	**4.8**	8.4

(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:

	2016	2015
	$m	$m
Current receivables (provision of services)		
Associates and other related parties	**4.6**	6.4
Current payables (payment for services)		
Associates and other related parties	**5.8**	9.0

(f) Loans to related parties

	2016	2015
	$m	$m
Loans from Qube Holdings Limited to key management personnel		
Beginning of the year	**9.5**	10.3
Loans repaid	**(0.7)**	(0.8)
Interest charged	**0.4**	0.4
Interest paid	**(0.4)**	(0.4)
End of year	**8.8**	9.5

Loans to other associated entities are considered part of the Group's investment in associates.

Loan repayments of $3.5 million (2015: Nil) 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.

32. Key management personnel disclosures

(a) Key management personnel compensation

	2016	2015
	$'000	$'000
Short-term employee benefits	**5,076.9**	6,128.7
Post-employment benefits	**176.5**	173.3
Long-term benefits	**147.3**	20.0
Share-based payments	**2,356.5**	1,763.5
	7,757.2	8,085.5

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.

2016	Balance at the beginning of the year	Received during the year as part of ELTIP	Other changes during the year	Balance at the end of the year
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**
2015				
Directors of Qube Holdings Limited	31,205,520	-	(7,160,333)	24,045,187
Other key management personnel of the Group	5,053,525	-	(1,161,517)	3,892,008

(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	
2016	**9,512.7**	**-**	**(756.8)**	**354.8**	**-**	**8,755.9**	**5***
2015	10,467.5	-	(954.8)	368.1	-	9,512.7	5

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

33. Share-based payments

(a) Performance Rights and Options

Qube has granted Long-Term Incentives (LTIs) in the form of Performance Rights and Options to incentivise and retain key executives to achieve share value based objectives that are subject to performance conditions tied directly to shareholder wealth creation. During FY16 Qube granted a Moorebank specific Long-Term Incentives (LTIs) in the form of Performance Rights and Options to incentivise and retain key executives.

The key terms and conditions for the LTIs are described below:

Participation	**The Managing Director, other KMP and other executives who can directly influence the performance of Qube.**
Instrument	Performance Right or Option (representing an entitlement to one ordinary Qube share) on achievement of certain performance conditions.
Performance condition	25% of Performance Rights and Options are subject to a Total Shareholder Return Hurdle (TSR Performance Rights and Options) and 75% are subject to an Earnings Per Share Hurdle (EPS Performance Rights and Options). **Moorebank specific:** 50% of Performance Rights and Options are subject to an Annual Shareholder Return Hurdle (ASR Performance Rights and Options) and 50% are subject to a Key Performance Indicator (KPI Performance Rights and Options).
Exercise price	Nil Options - 20 day VWAP up to and including one day prior to issue.
Performance period/vesting date	3 years after grant date (with retesting annually for another two years for any EPS Performance Rights and Options that have not vested over the extended period). **Moorebank specific:** 3 years after grant date (with retesting annually for another two years for any ASR Performance Rights and Options that have not vested and tested over the extended period).
Expiry date	TSR Performance Rights: 3 years after grant date. EPS Performance Rights: 3 years after grant date (with retesting for another 2 years). **Moorebank specific:** ASR and KPI Performance Rights: 3 years after grant date. ASR and KPI Options: 3 years after grant date (with retesting for another 2 years).
Dividends	The holder is entitled to an amount equal to the dividends that would have been paid on the vested Performance Rights (as if they held Qube shares) for the period from the Grant Date to the Vesting Date. This amount is settled in Qube shares. No amount is payable for Performance Rights that do not vest.
TSR Hurdle	The TSR Performance Rights will vest depending upon Qube's total shareholder return (share price increase and dividend) during the relevant performance period. The TSR Hurdle is based on Qube's relative TSR performance as compared to the other companies in the S&P ASX 200 Index. The vesting schedule is as follows: • Nil – if Qube's TSR ranks less than the 50th percentile • 50% – if Qube's TSR is equal to the 50th percentile • Pro-rated between 50% and 100% – if Qube's TSR ranks greater than the 50th percentile but less than the 75th percentile • 100% – if Qube's TSR ranks at the 75th percentile or higher
EPS Hurdle	The EPS Performance Rights will vest depending upon Qube's 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: • less than the minimum EPS target, no EPS Performance Rights will vest; • equal to, or greater than, the EPS target, 100% of the EPS Performance Rights will vest; or • greater than the minimum EPS target but less than the EPS target, the percentage of EPS Performance Rights that vest will be pro-rated on a straight-line basis between 0% and 100%. If any of the EPS Performance Rights have not vested at the end of three years, they will be carried forward to the following year and retested based on a four year period. Any EPS Performance Rights that remain unvested then will be carried forward and retested on the basis of a five year period. Any unvested EPS Performance Rights will lapse at the end of the five years.

Moorebank specific hurdles:

ASR Hurdle	Vesting of the ASR Performance Rights and Options is subject to Qube achieving a cumulative 4.5% compound ASR over the relevant Performance Period. ASR is the annual shareholder return and is measured by both the growth in Share price from the Award Date to the end of the relevant Performance Period and any dividends paid during this time. The Share price will be based on the VWAP of a Share over the 20 trading days up to and including the day of the start and the end of the relevant Performance Period.
KPI Hurdle	Achievement of the Moorebank Targets is to be assessed by the Board as a package. In assessing the overall achievement of the Moorebank Targets, the Board will have regard to the base case financial and operating models taking into account deviations (known and unknown). The Moorebank targets include a number of non-market based hurdles. Vesting of the Moorebank Performance Rights and Options will be assessed by the Board based on overall achievement of the Moorebank Targets as follows: 1. Overall did not meet Moorebank Targets: zero vesting 2. Overall met Moorebank Targets: 75% of the Moorebank Performance Rights and Options will vest 3. Overall exceeded Moorebank Targets: 100% of the Moorebank Performance Rights and Options will vest.

Set out below are summaries of Performance Rights and Options granted under the 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)
9 Sept 2013	9 Sept 2018	1.87	2,897,110	-	46,214	-	-	2,943,324	-
5 Sept 2014	5 Sept 2019	2.39	3,985,892	-	63,559	-	-	4,049,451	-
3 Sept 2015	3 Sept 2020	2.24	-	1,626,419	66,347	-	-	1,692,766	-
3 Sept 2015	3 Sept 2020	0.44*	-	12,861,993	-	-	-	12,861,993	-
3 Sept 2015	3 Sept 2020	2.24	-	1,146,289	52,805	-	-	1,199,094	-
3 Sept 2015	3 Sept 2020	0.44*	-	10,989,823	-	-	-	10,989,823	-

* 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.

The model inputs for Performance Rights and Options expensed during the year ended 30 June 2016 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 2016 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%

(b) Executive long-term incentive plan (ELTIP)

The key terms and conditions of the ELTIP are described below.

Qube does not intend to make further issuances under the ELTIP.

Participation	**Only those executives invited by the Board to apply are eligible to participate.**
Instrument	Plan Shares (ordinary shares with vesting subject to performance conditions).
Issue price	The issue price for Plan Shares acquired is the volume weighted average price (VWAP) at which shares trade on ASX over the 20 trading days prior to the date of issue of the shares.
Performance period	Maximum of 5 years and 3 months after issue date or any earlier date set by the Board at the time of offer of the Plan Shares.
Performance conditions	The performance conditions relate to financial performance and continued engagement with Qube. The financial performance criteria are based on improvements in the performance and profitability of the Company as measured by a combination of compound annual shareholder return and earnings per share growth. There is an additional condition requiring continued employment with Qube.
Method for assessing performance	Vesting of the Plan Shares is subject to Qube achieving performance conditions set by the Board linked to shareholder return. For the ELTIP award made for the year ended 30 June 2013 the performance hurdles comprise: (a) a compound annual shareholder return (ASR), including share price growth and dividends of 10%; and (b) a compound annual increase in the underlying earnings per share of 11%.
Vesting criteria	The Plan Shares vest in 3 tranches. Once vested, the Plan Shares may be traded subject only to the repayment of the loan referrable to those Plan Shares and Qube's Securities Trading Policy.
Lapsing and forfeiture	Plan Shares will be forfeited, or sold by the Company to repay the loan if performance hurdles are not achieved, or the executive is no longer employed by Qube.
Dividends	A participant in the ELTIP is entitled to receive any dividend or distribution paid in respect of Plan Shares.
Interest	The loan will bear interest in an amount equal to the dividend paid on Plan Shares acquired with that loan. Interest is payable within 3 business days of payment of dividends. Interest is not payable in respect of any dividend characterised as a special dividend by the Board being a dividend derived other than from the ordinary course of business.
Expiry 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.

The making of limited recourse loans by Qube to participants to acquire shares under the ELTIP was approved by a resolution of the sole member of Qube for the purposes of section 260C of the *Corporations Act.*

Set out below are summaries of Plan Shares granted under the scheme:

Grant date	Last possible vesting date	Issue price ($)	Balance at the start of the year (number)	Granted during the year (number)	Vested/ transferable during the year (number)	Forfeited during the year (number)	Sold during the year (number)	Balance at the end of the year (number)	Vested and transferable at the end of the year (number)
1 Sept 2011	30 Nov 2014	1.3575	3,200,000	-	-	-	(200,000)	3,000,000	3,000,000
29 Jun 2012	30 Nov 2015	1.5135	9,820,002	-	1,873,165	-	(681,668)	9,138,334	9,138,334
14 Nov 2012	30 Nov 2015	1.5448	2,000,000	-	333,334	-	-	2,000,000	2,000,000

Fair value of Plan Shares granted

The fair value at grant date was independently determined using a Monte Carlo simulation method that takes into account the likelihood of the Plan Shares attaining the performance hurdles, the term of the plan, the share price at grant date, expected price volatility, the expected dividend yield and the risk-free rate over the term.

The model inputs for Plan Shares expensed during the year ended 30 June 2016 included:

	ASR condition Plan Shares (Tranche 3)	EPS condition Plan Shares (Tranche 3)
Vesting date	29 Jun 2015	29 Jun 2015
Grant date	14 Nov 2012	14 Nov 2012
ASR measurement price ($)	1.51	1.51
VWAP at grant date ($)	1.54	1.54
Exercise price (Plan Loan) ($)	1.54	1.54
Volatility of share (%)	30%	30%
Dividend yield in year one	3.1%	3.1%
Dividend yield in year two	3.5%	3.5%
Dividend yield in year three	4.0%	4.0%
Risk free rate (%)	2.6%	2.6%
Probability of achievement	100%	60%
Expected life (years)	2.6	2.7
Plan Share value at grant date ($)	0.28	0.17

The expected volatility is based on the historic volatility (based on the remaining life of the Plan Shares), adjusted for any expected changes to future volatility due to publicly available information.

(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:

	2016 $m	2015 $m
Equity-based compensation – expensed		
Performance Rights	**4.9**	3.5
Options	**1.7**	-
Executive long-term incentive plan (ELTIP)	**(0.1)**	0.4
Legacy scheme – Shadow Equity Plan	**-**	2.2
	6.5	6.1

34. Deed of cross guarantee

The parent entity and the companies noted in note 23 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 Class Order 98/1418 (as amended) 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 2016 of the closed group

Consolidated income statement	**2016**	2015
	$m	$m
Revenue from continuing operations	**1,177.3**	1,335.2
Other income	**43.7**	44.6
Direct transport and logistics costs	**(308.9)**	(352.4)
Repairs and maintenance costs	**(80.5)**	(86.1)
Employee benefits expense	**(464.1)**	(490.1)
Fuel, oil and electricity costs	**(72.9)**	(104.6)
Occupancy and property costs	**(58.7)**	(61.9)
Depreciation and amortisation expense	**(92.7)**	(99.4)
Professional fees	**(10.3)**	(9.9)
Other expenses	**(14.4)**	(61.5)
Total expenses	**(1,102.5)**	(1,265.9)
Finance income	**1.6**	3.7
Finance costs	**(32.9)**	(28.5)
Net finance costs	**(31.3)**	(24.8)
Share of net profit of associates accounted for using the equity method	**12.6**	10.4
Profit before income tax	**99.8**	99.5
Income tax expense	**30.3**	28.9
Profit for the year	**69.5**	70.6
Other comprehensive income net of tax:		
Revaluation of available-for-sale financial assets	**9.4**	-
Total comprehensive income for the year	**78.9**	70.6
Total comprehensive income attributable to:		
Owners of Qube	**78.9**	70.6
Non-controlling interests	**-**	-
	78.9	70.6
Summary of movements in consolidated retained earnings		
Retained earnings at the beginning of the financial year	**120.6**	105.6
Profit for the year	**69.5**	70.6
Dividends provided for or paid	**(53.9)**	(56.0)
Entities joining the closed group	**(2.1)**	0.4
Retained earnings at the end of the financial year	**134.1**	120.6

(b) Consolidated balance sheet as at 30 June 2016 of the closed group

	2016 $m	2015 $m
ASSETS		
Current assets		
Cash and cash equivalents	**67.7**	80.3
Trade and other receivables	**194.3**	210.0
Inventories	**2.4**	2.2
Available-for-sale financial assets	**543.7**	-
Current tax receivable	**3.1**	-
Total current assets	**811.2**	292.5
Non-current assets		
Financial assets at fair value through profit or loss	**1.0**	1.0
Investments in associates	**225.8**	216.9
Property, plant and equipment	**749.9**	739.8
Investment properties	**71.0**	70.0
Intangible assets	**606.1**	614.2
Other financial assets	**64.1**	54.8
Investment	**181.8**	166.0
Deferred tax assets	**1.8**	8.5
Other	**1.0**	0.8
Total non-current assets	**1,902.5**	1,872.0
Total assets	**2,713.7**	2,164.5
LIABILITIES		
Current liabilities		
Trade and other payables	**92.2**	108.6
Borrowings	**159.4**	12.3
Derivative financial instruments	**0.7**	0.8
Current tax payable	**-**	5.8
Provisions	**62.0**	65.0
Total current liabilities	**314.3**	192.5
Non-current liabilities		
Trade and other payables	**2.2**	5.5
Borrowings	**476.6**	568.4
Derivative financial instruments	**2.5**	2.3
Provisions	**9.3**	14.8
Total non-current liabilities	**490.6**	591.0
Total liabilities	**804.9**	783.5
Net assets	**1,908.8**	1,381.0
EQUITY		
Contributed equity	**1,783.9**	1,284.7
Reserves	**(9.2)**	(24.3)
Retained earnings	**134.1**	120.6
Capital and reserves attributable to owners of Qube Holdings Limited	**1,908.8**	1,381.0
Non-controlling interests	**-**	-
Total equity	**1,908.8**	1,381.0

35. Parent entity financial information

(a) Summary financial information

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

	2016	2015
	$m	$m
Balance sheet		
Current assets	**569.4**	15.0
Total assets	**2,682.3**	2,103.7
Current liabilities	**161.3**	9.6
Total liabilities	**639.6**	566.9
Shareholders' equity		
Issued capital	**1,944.9**	1,445.3
Reserves – share-based payments	**(27.5)**	(35.8)
Retained earnings	**125.3**	127.3
	2,042.7	1,536.8
Profit for the year	**56.2**	82.6
Total comprehensive income	**56.2**	82.6

(b) Guarantees entered into by the parent entity

There are cross guarantees given by the parent entity and the companies noted in note 23. No deficiencies of assets exist in any of these companies. No liability was recognised by the parent entity or the consolidated entity in relation to this guarantee given the low likelihood of it being called.

ACCOUNTING POLICY

The financial information for the parent entity has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of the parent entity. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

(ii) Tax consolidation legislation

The parent entity and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The parent entity and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a standalone taxpayer in its own right.

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

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate the parent entity for any current tax payable assumed and are compensated by parent entity for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to the parent entity under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the parent entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the Group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

36. 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 2015:

- 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 2015.

(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. Since December 2013, it also sets out new rules for hedge accounting. The standard is applicable for annual reporting periods beginning on or after 1 January 2018.

The derecognition rules have been transferred from AASB *139 Financial Instruments: Recognition and Measurement* and have not been changed. When adopted, the standard will affect in particular the Group's disclosure of its own credit risk adjustments for any financial liabilities that are designed at fair value through profit and loss.

The new hedging rules align hedge accounting more closely with the Group's risk management practices. As a general rule it will be easier to apply hedge accounting going forward. The new standard also introduces expanded disclosure requirements and changes in presentation.

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. Revenue from Contracts with Customers clarifies the principles for recognising revenue from contracts with customers. It applies to all contracts with customers except leases, financial instruments and insurance contracts. The Group intends to apply the standard from 1 July 2018 (its effective date) and is still assessing the impact of the standard.

(iii) AASB 16 Leases

The AASB issued AASB 16 *Leases* to remove the balance sheet distinction between operating and finance leases for lessees. Changes under AASB 16 will predominately affect lessees with almost all leases going on the balance sheet. The asset (the right to use the leased item) and a financial liability to pay rentals are recognized under the new standard with the only exemption being short-term and low-value leases. The new standard will be effective from 1 January 2019 but is available for early adoption. At this stage, the Group is not able to estimate the effect of the new rules on the financial statements. More detailed assessments of the effect will be made over the next twelve months .The Group does not expect to adopt the new standard before 1 January 2019.

Directors' declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 58 to125 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 2016 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 23 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 34.

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.

S. Kaplan

Sam Kaplan
Director
SYDNEY
23 August 2016

Independent auditor's report to the members of Qube Holdings Limited

Report on the financial report

We have audited the accompanying financial report of Qube Holdings Limited (the company), which comprises the consolidated balance sheet as at 30 June 2016, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Qube Holdings Limited Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation 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 is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

PricewaterhouseCoopers, ABN 52 780 433 757
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

pwc

Auditor's opinion
In our opinion:

(a) the financial report of Qube Holdings Limited is in accordance with the *Corporations Act 2001,* including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

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

Report on the Remuneration Report

We have audited the remuneration report included in pages 14 to 34 of the directors' report for the year ended 30 June 2016. 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.

Auditor's opinion
In our opinion, the remuneration report of Qube Holdings Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

N R McConnell
Partner

Sydney
23 August 2016

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SHAREHOLDER INFORMATION

TOP 20 SHAREHOLDERS

As at 27 September 2016, the top 20 Shareholders of Qube were as follows:

Rank	Name	Number of shares	% of capital
1	HSBC Custody Nominees (Australia) Limited	319,059,154	22.05
2	J P Morgan Nominees Australia Limited	107,258,596	7.41
3	RBC Investor Services Australia Nominees Pty Limited <PI Pooled a/c>	81,596,324	5.64
4	National Nominees Limited	79,249,100	5.48
5	Patterson Cheney Investments Pty Ltd	54,225,028	3.75
6	Taverners No. 10 Pty Ltd	50,227,589	3.47
7	Citicorp Nominees Pty Ltd	34,869,391	2.41
8	Australian Foundation Investment Company Limited	31,758,590	2.19
9	BNP Paribas Noms Pty Ltd <DRP>	26,393,494	1.82
10	UBS Nominees Pty Ltd	20,326,945	1.40
11	Taverners No. 10 Pty Ltd	20,057,943	1.39
12	Mr Peter Giacci <P L Giacci Family a/c>	13,986,306	0.97
13	Laddara Pty Limited	11,111,493	0.77
14	Citicorp Nominees Pty Limited <Colonial First State Inv a/c>	9,940,576	0.69
15	Kaplan Partners Pty Limited	8,064,916	0.56
16	Liangrove Media Pty Limited	7,991,390	0.55
17	Qube Employee Share Accumulation Plan Pty Ltd <Qube Employee Share a/c>	7,090,301	0.49
18	Bell Potter Nominees Ltd, BB Nominees a/c.	6,145,021	0.42
19	BNP Paribas Nominees Pty Ltd <Agency Lending DRP a/C>	5,606,725	0.39
20	Milton Corporation Limited	5,408,591	0.37
Total	**Top 20 holders of ORDINARY FULLY PAID SHARES (TOTAL)**	**900,367,473**	**62.23**
Total	**Total Remaining Holders Balance**	**546,539,127**	**37.77**

SUBSTANTIAL SHAREHOLDERS

As at 27 September 2016, Qube had received notification regarding the following substantial holders:

Substantial shareholder	Number of shares	Notice date	% of capital (as at notice date)
Canada Pension Plan Investment Board	143,243,753	2 August 2016	9.89%
TC Group Infrastructure L.L.C. and its controlled entities including but not limited to CIP Investments (UK) LP (Limited Partnership No. L.P 14315) by its general partner, Carlyle Infrastructure G.P. Ltd.	137,409,229	2 August 2016	9.50%
Perpetual Limited and its subsidiaries	127,342,006	29 March 2016	10.77%

UNMARKETABLE PARCELS

As at 27 September 2016, 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 $2.54 per share	197	438	11,249

DISTRIBUTION SCHEDULE

As at 27 September 2016, the distribution of holdings of Qube shares was as follows:

Range	Total holders	Shares	% of capital
1–1,000	1,888	920,045	0.06
1,001–5,000	7,148	21,602,293	1.49
5,001–10,000	5,361	39,681,037	2.74
10,001–100,000	9,190	244,631,663	16.91
100,001 and over	622	1,140,071,562	78.79
Rounding			0.01
Total	**24,209**	**1,446,906,600**	**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

As at 27 September 2016, Qube had made an offer of unsecured subordinated notes pursuant to a prospectus dated 30 August 2016 ("Notes"). The Notes are expected to be issued on 5 October 2016 and commence trading on the ASX on 6 October 2016 (on a deferred settlement basis) under ASX code 'QUBHA'.

CORPORATE DIRECTORY

DIRECTORS

Chris Corrigan (Chairman)
Sam Kaplan (Deputy Chairman)
Maurice James (Managing Director)
Ross Burney
Allan Davies
Peter Dexter
Alan Miles
Åge Holm
(Alternate Director to Peter Dexter)

SECRETARIES

William Hara
Adam Jacobs

PRINCIPAL REGISTERED OFFICE IN AUSTRALIA

Level 27,
45 Clarence Street
Sydney NSW 2000

T: (02) 9080 1900

SECURITY EXCHANGE LISTING

Qube Holdings Limited shares are listed on the Australian Securities Exchange (ASX)

WEBSITE ADDRESS

www.qube.com.au

SHARE REGISTRY

Computershare Investor Services Pty Limited

Level 4,
60 Carrington Street
Sydney NSW 2000

T: (Australia) 1300 850 505
(Overseas) +61 3 9415 4000

NOTICE OF ANNUAL GENERAL MEETING 2016

Notice is hereby given that the Annual General Meeting of members of Qube Holdings Limited (**Company**) will be held in the Grand Ballroom 1, Level B, Shangri-La Hotel, 176 Cumberland Street, Sydney on Thursday, 24 November 2016 at 10:00am.

Qube Holdings Limited
ACN 149 723 053

Notice is hereby given that the Annual General Meeting of members of Qube Holdings Limited (**Company**) will be held in the Grand Ballroom 1, Level B, Shangri-La Hotel, 176 Cumberland Street, Sydney on Thursday, 24 November 2016 at 10:00am.

ITEMS OF BUSINESS

FINANCIAL STATEMENTS AND REPORTS

To receive and consider the financial report of the Company and the reports of the Directors and Auditor for the year ended 30 June 2016.

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

RESOLUTIONS

1. Re-election of Allan Davies

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That Mr. Allan Davies be re-elected as a Director of the Company."

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

2. Re-election of Alan Miles

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That Mr. Alan Miles be re-elected as a Director of the Company."

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

3. Remuneration Report

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That the Remuneration Report for the year ended 30 June 2016 be adopted."

Notes:

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

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

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

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

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

To consider, and if thought fit, to pass the following resolution as an ordinary resolution:

"That the award of 3,418,605 SARs to Maurice James in accordance with the terms of the Qube Long Term Incentive (SAR) Plan and otherwise on the terms and conditions set out in the Explanatory Memorandum be approved."

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

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

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That the award of up to 208,000 rights to Shares to Maurice James in accordance with the terms of the Qube Short Term Incentive Plan and otherwise on the terms and conditions set out in the Explanatory Memorandum be approved."

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

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

To consider, and if thought fit, to pass the following resolution as an ordinary resolution:

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

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

7. Increase in Directors' fee pool

To consider, and if thought fit, to pass the following resolution as an ordinary resolution:

"That, in accordance with Rule 6.5 of the Company's Constitution, the maximum aggregate remuneration payable to non-executive Directors of the Company for their services as Directors be increased by $200,000 from $1,200,000 to $1,400,000 per annum, to be divided among the Directors in such proportions and manner as they agree."

Without limitation, Rule 6.5 of the Constitution and ASX Listing Rule 10.17 are applicable to this Resolution.

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

8. Ratification of previous share issue – August 2016 placement

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

"That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, the issue of 143,243,753 fully paid ordinary shares in the Company (Shares) on 2 August 2016 at $2.14 per Share to Canada Pension Plan Investment Board and otherwise as described in the Explanatory Memorandum be ratified and approved."

Without limitation, ASX Listing Rule 7.4 is relevant to this Resolution.

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

9. Renew approval of proportional takeover provisions

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

"That approval of the proportional takeover provisions previously granted at the 2013 Annual General Meeting and set out in Part 14 of the Company's Constitution be renewed for a further three years."

Without limitation, section 648G of the *Corporations Act* and Part 14 of the Constitution are relevant to this Resolution.

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

VOTING EXCLUSIONS

The Company will disregard any votes cast on:

- Resolution 3 (Remuneration Report):
  - by or on behalf of a member of the Key Management Personnel (whose remuneration is disclosed in the Remuneration Report) and any of their Closely Related Parties; and
  - as a proxy by a member of the Key Management Personnel, or any of their Closely Related Parties;
- Resolution 4 (Approval of award of SARs under the Qube Long Term Incentive (SAR) Plan to Maurice James):
  - by Mr. James (being the only Director eligible to participate in any of the Company's employee incentive plans) and any of his Associates; and
  - as a proxy by a member of the Key Management Personnel or any of their Closely Related Parties;
- Resolution 5 (Approval of award of rights to Shares under the Qube Short Term Incentive (STI) Plan to Maurice James):
  - by Mr. James (being the only Director eligible to participate in any of the Company's employee incentive plans) and any of his Associates; and
  - as a proxy by a member of the Key Management Personnel or any of their Closely Related Parties;
- Resolution 6 (approval of the issue of securities under the Qube Long Term Incentive (SAR) Plan):
  - by Mr. James (being the only Director eligible to participate in any of the Company's employee incentive plans) and any of his Associates; and
  - as a proxy by a member of the Key Management Personnel or any of their Closely Related Parties;
- Resolution 7 (Increase in Directors' fee pool):
  - by the Directors and their Associates; and
- Resolution 8 (Ratification of previous share issue – August 2016 placement):
  - by any person who participated in the issue and any of their Associates.

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

- in accordance with their directions of how to vote on the proxy form; or
- by the Chairman of the Meeting under authorisation on the proxy form.

OTHER INFORMATION

Entitlement to vote

The Directors have decided that for the purpose of determining entitlements to attend and vote at the Meeting, Shares will be taken to be held by the persons who are the registered holders at 7:00pm (Sydney time) on 22 November 2016. Accordingly, Share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.

How to vote

Shareholders entitled to vote at the Meeting may vote:

- by attending the Meeting and voting in person; or
- by appointing an attorney to attend the Meeting and vote on their behalf or, in the case of corporate members or proxies, a corporate representative to attend the Meeting and vote on its behalf; or
- by appointing a proxy to attend and vote on their behalf, using the proxy form accompanying this Notice. A proxy may be an individual or a body corporate.

Exercising your right to vote

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

Voting in person (or by attorney)

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

To vote by attorney at the Meeting, the original or a certified copy of the power of attorney or other authority (if any) under which the instrument is signed must be received by the Registry before 10:00am (Sydney time) on 23 November 2016 in any of the following ways:

By post to the Registry:

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

By fax to the Registry on:

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

To vote in person, you or your proxy, attorney, representative or corporate proxy representative must attend the Meeting to be held in the Grand Ballroom 1, Level B, Shangri-La Hotel, 176 Cumberland Street, Sydney on Thursday, 24 November 2016 at 10:00am.

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

- died;
- became mentally incapacitated;
- revoked the proxy or power; or
- transferred the Shares in respect of which the vote was cast,

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

Voting by proxy

Shareholders wishing to vote by proxy at the Meeting must:

- complete and sign or validly authenticate the proxy form, which is enclosed with this Notice; and deliver the signed and completed proxy form to the Company by 10:00am (Sydney time) on 22 November 2016 in accordance with the instructions below; or
- lodge their proxy form online by 10:00am (Sydney time) on 22 November 2016 in accordance with the instructions below.

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

Undirected and directed proxies

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

Voting restrictions that may affect your proxy appointment

Due to the voting exclusions that apply to Resolutions 3, 4, 5, 6 and 7, the Company's Key Management Personnel and their Closely Related Parties will not be able to vote your proxy on those Resolutions unless you have directed them how to vote on the proxy form. The Chairman of the Meeting can cast undirected votes on Resolutions 3, 4, 5, 6 and 7 under the authorisation to do so on the proxy form.

If you intend to appoint a member of the Key Management Personnel or one of their Closely Related Parties as your proxy, you are encouraged to direct them how to vote on Resolutions 3, 4, 5, 6 and 7 by marking the proxy form accordingly for those Resolutions.

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

Default to Chairman

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

- a Shareholder has appointed a proxy (other than the Chairman of the Meeting); and
- that Shareholder's proxy is either not recorded as attending the Meeting or does not vote on the Resolution,

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

Submitting proxy votes

Shareholders wishing to submit proxy votes for the Meeting must return the enclosed proxy form to the Company no later than 10:00am (Sydney time) on 22 November 2016 in any of the following ways:

By post to the Registry at:

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

By fax to the Registry on:

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

Lodged online at:

www.investorvote.com.au.

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

Note: proxies may not be returned by email.

By order of the Board

Adam Jacobs
Company Secretary

Dated 11 October 2016

EXPLANATORY MEMORANDUM

This Explanatory Memorandum sets out further information regarding the proposed Resolutions to be considered by Shareholders of Qube Holdings Limited ('Qube' or 'the Company') at the Annual General Meeting of Shareholders to be held in the Grand Ballroom 1, Level B, Shangri-La Hotel, 176 Cumberland Street, Sydney on Thursday, 24 November 2016 at 10:00am.

FINANCIAL REPORT AND REPORTS OF THE DIRECTORS AND AUDITORS

This item allows Shareholders the opportunity to consider the Company's Financial Report, Directors' Report and Auditor's Report. Under Section 317 of the *Corporations Act*, the Company is required to lay these three reports that together comprise the Company's Annual Report before its members at its Annual General Meeting.

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

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

- the conduct of the audit;
- the preparation and content of the independent Auditor's Report;
- the accounting policies adopted by the Company in relation to the preparation of the financial statements; and
- the independence of the Auditor in relation to the conduct of the audit.

RESOLUTION 1 – RE-ELECTION OF ALLAN DAVIES

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

A profile of Mr. Davies is included in the Directors' Report contained in the 2016 Annual Report.

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

RESOLUTION 2 – RE-ELECTION OF ALAN MILES

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

A profile of Mr. Miles is included in the Directors' Report contained in the 2016 Annual Report.

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

RESOLUTION 3 – REMUNERATION REPORT

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

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

The Remuneration Report is set out in, and forms part of, the Director's Report within the 2016 Annual Report.

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

If 25% or more of votes cast are against the adoption of the Remuneration Report at two consecutive annual general meetings, Shareholders will be required to vote at the second of those annual general meetings on a resolution (a "spill resolution") that another meeting be held within 90 days at which all of the Directors (other than the Managing Director) must stand for re-election. The Remuneration Report for the 2015 financial year was approved at the 2015 Annual General Meeting by more than 96.5% of votes cast on the corresponding resolution to Resolution 3.

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

Board recommendation

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

Voting exclusions

The Company will disregard any votes cast on Resolution 3:

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

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

- in accordance with their directions of how to vote on the proxy form; or
- by the Chairman of the Meeting under the authorisation on the proxy form.

Resolutions 4 and 5 – Approval of award of SARs to Maurice James under the Qube Long Term Incentive (SAR) Plan and rights to Shares under the Qube Short Term Incentive (STI) Plan

Background

This section provides background to the remuneration strategy and incentive structure for the financial year ending 30 June 2017.

In 2016 the Company has made two major strategic decisions which will mean significant changes for Qube – namely, agreeing to acquire Aurizon's minority interest in the Moorebank Intermodal Project and a 50% interest in Patrick Terminals. Patrick Terminals and the Moorebank Intermodal Project are high quality and unique infrastructure assets and, as with the investment in the Quattro joint venture, our Minto operations and CRT, reflects the Board's continued commitment to develop such infrastructure assets. The Company is focused on the successful integration and implementation of these assets to maximise their value. This strategy is expected to deliver significant value to shareholders over the long term.

To support this strategy and following the retirement of the Managing Director of Ports and Bulk, the management team was restructured and the Nomination and Remuneration Committee (**Committee**) reviewed the remuneration strategy for key management personnel.

In undertaking this review, the Committee had regard to the following objectives:

- To ensure that the remuneration structure achieves alignment between the interests of Shareholders and executives (including by encouraging management to implement a long term strategy to realise an appreciation in the value of the Company's high quality infrastructure assets); and
- To ensure that the remuneration structure provides an appropriate level of fixed remuneration and incentive opportunities to retain and attract executives.

To assist it in its review, the Committee engaged PwC to undertake a remuneration benchmarking study and to consider the Company's remuneration incentive framework. It also considered external market practice, stakeholders' perspectives on Qube's current and future strategic priorities for the Company.

The review evaluated the Company's existing short term incentive (**STI**) and long term incentive (**LTI**) plans and their performance hurdles having regard to the Company's long term strategy to maximise the value of its key infrastructure interests in the Patrick Terminals and the Moorebank Intermodal Terminal.

The Committee recognised that the Company's incentive model for senior management should continue to have a separate focus on annual and longer term performance and so providing incentives to achieve both short-term strategic and financial objectives and a long-term focus on shareholder value. As a result, the Company has determined to retain its existing STI in its current form while establishing a new long term incentive scheme involving the issue of share appreciation rights (**SARs**). For FY17, the incentive structure for key management personnel now comprises the following:

- ***STI*** with 50% delivered as cash or rights to receive Shares after the end of the performance year with 50% deferred for 12 months as cash or rights to receive Shares, in each case at the choice of the executive. No STI is payable unless the minimum corporate gateway hurdle (based on underlying Net Profit After Tax) is met, with individual STI payments also subject to annual performance against financial and non-financial key performance indicators.
- ***LTI*** structured as SARs with vesting subject to a share price increase and a 3 year service condition, followed by a further holding lock period of 2 years (i.e. long-term holding of 5 years). A SAR is a right to an acquisition of shares, the number of which is determined by the amount of the appreciation in the share price over the three year time period. Eligibility in the LTI plan is limited to individuals that have greatest line of sight over the Company's long-term performance and share price growth (that is, the Managing Director, direct reports to the Managing Director, and select executives in the next level down).

With the introduction of the new LTI plan, there will be no further issues of equity under the previous LTI plan (Standard or Moorebank plans).

Reasons for the change in the LTI plan

- The prior performance hurdles in the LTI were no longer appropriate to the Company's long term strategy. A relative total shareholder return (**rTSR**) performance hurdle meant that even if management outperformed in delivering the Company's strategy and strong share price growth, rewards depended on performance of other companies (with very different strategies and business cycles) over which management has no control. Also, an rTSR measure can reward management when there is negative share price movement (due to doing "relatively less bad" than peer companies). In relation to the earnings per share (**EPS**) hurdle, due to the material change in the Company's strategy and the application of International Financial Reporting Standards, the increase in the value of the high-quality infrastructure assets may not be reflected in EPS growth, thereby making it difficult to set appropriate EPS hurdles over the long-term.
- With SARs, if the share price appreciates, management receive a reward and Shareholders benefit from an increased share price. If the share price does not increase, the management team receives no value. The Board considers that if management is successful in executing the Company's strategy to maximise the value of these unique infrastructure assets, this will be reflected in the share price.

Key benefits for Shareholders

The Board considers that the LTI (SAR) Plan, in conjunction with the existing STI Plan, provides a number of benefits for Shareholders.

- The SAR structure recognises the long-term impact of decisions and the nature of the Company's strategic assets by ensuring that there is a long term alignment between management and Shareholders. Awards only vest on completion of a 3 year service period and vested Shares are then subject to a further 2 year trading restriction. Thus even if an executive leaves the Company after satisfying the 3 year service condition, he or she will be required to still hold Shares for a further 2 years.
- SARs have an implicit share price hurdle that directly aligns the rewards received by management with the experience of Shareholders. Executives receive no rewards if there is no appreciation in the Share price and benefit, along with Shareholders, if they deliver on the Board's strategy and materially increase the price at which Shares trade.

- With the recent acquisition of a 50% interest in Patrick Terminals and agreement to acquire Aurizon's minority interest in the Moorebank Intermodal Project, the Company has experienced significant change and this is likely to continue into the immediate future. In view of this, it is particularly challenging to determine appropriate LTI hurdles over a 5 year period that both incentivises key management personnel and is also fair to Shareholders.
- The SAR structure does not require the exercise of any discretion by the Board in setting performance hurdles. Rather, these are provided by the market for Shares on ASX. This provides clarity to executives and Shareholders on the outcomes management are expected to achieve in order to generate a reward under the LTI (SAR) Plan.
- The benefit received by a participant in the LTI (SAR) Plan is based on the price at which Shares trade on ASX at the commencement and end of a 3 year calculation period. As the base for calculating Share price appreciation in subsequent years is determined by reference to dates that align with the closing price for prior years, there is little incentive for executives to pursue a short term advantage by seeking to influence the trading price to achieve a greater benefit. The application of a 2 year trading restriction post vesting and use of a 30 day trading period to determine the Share price also ameliorates these risks.
- STI deferral into rights combined with the award of SARs ensures that executives have a significant level of equity ownership.

The Committee's review extended also to overall remuneration mix and quantum. The Company's remuneration philosophy remains to position total remuneration so that its executives can, upon meeting stretching performance hurdles, achieve the 75th percentile of their peer group. For the purposes of this benchmarking, the Company used a peer group of companies within the ASX60-125.

Following the review, 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 (including the integration of new executives to Qube), 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 while 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 by approximately 13%.

Shareholder approval

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

Mr. James is the only Director to participate in any employee incentive plan. As this is the first time the Company has sought approval under Listing Rule 10.14 for the LTI (SAR) Plan, no SARs have been previously issued. Subject to Shareholder approval, rights to SARs under the LTI (SAR) Plan and to Shares under the FY17 STI Plan will be issued as soon as practicable, and in any event no later than 12 months after this Meeting.

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

LTI (SAR) Plan

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

The number of SARs granted under an Award is determined by dividing the LTI opportunity by the value of each SAR. The value of each SAR has been independently determined using a Black Scholes model to be 43 cents.

For the year ending 30 June 2017 (FY17), the LTI opportunity for Mr. James is set at $1,470,000. This was determined based on the outcome of the remuneration review and taking into consideration the estimated value of each SAR.

As soon as practicable after the passage of Resolution 4 and in any event within 12 months of the Meeting subject to Shareholder approval, Mr. James will be granted 3,418,605 SARs under the Award. There is no maximum number of Shares that Mr. James may acquire (subject to satisfying all service conditions) on vesting of an Award. For the purposes of Listing Rule 10.15.2, the maximum number of Shares that will be issued to Mr James on vesting is 485,790 Shares. Any additional Shares which Mr James becomes entitled to receive on vesting of his Award will be satisfied by on-market purchase of Shares.

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

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

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

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 = [SAR x (VP – IP)]/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 being $2.56 equal to the VWAP of Shares calculated over the 15 trading days before the release of the financial year report for Qube and its controlled entities for the financial year ended 30 June 2016 on 24 August 2016 and the subsequent 15 trading days.

The Award to Mr. James will vest on or about 13 September 2019 and Vested Shares will be issued or transferred by 24 November 2019.

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

Trading Restrictions

The Shares Mr James receives on vesting of SARs may not be traded or disposed of for the restriction period set on grant of the Award (**Restriction Period**). In the case of Mr. James, the Restriction Period is the period of 2 years after the Vesting Date. Qube will establish a holding lock over Vested Shares for the Restriction Period.

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

Termination of employment

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

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

Early vesting of Awards

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

Other terms

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

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

Shareholder approval

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

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

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

Other than Mr. James, no Director (or their Associate) is currently entitled to participate in the FY17 LTI (SAR) Plan. No grants have been previously made to a Director under the LTI (SAR) Plan.

Voting exclusions

The Company will disregard any votes cast on this resolution:

- by Mr. James (being the only Director eligible to participate in any of the Company's employee incentive plans) and any of his Associates; and
- as a proxy by a member of the Key Management Personnel or any of their Closely Related Parties,

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

- in accordance with their directions of how to vote on the proxy form; or
- by the Chairman of the Meeting under authorisation on the proxy form.

Board recommendation

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

RESOLUTION 5 – APPROVAL OF AWARD OF RIGHTS TO SHARES UNDER THE QUBE SHORT TERM INCENTIVE (STI) PLAN

Short Term Incentive (STI) Plan

For the 2017 financial year, Mr. James is eligible for a target award opportunity of $1,470,000 (with a maximum opportunity of $2,058,000) under Qube's Short Term Incentive (STI) Plan (**STI Plan**).

To receive any payment under the STI Plan, Qube must achieve at least 90% of the overall Qube Group financial target. The STI payment is then based on the extent to which Mr James performs against a scorecard of KPIs that are linked to company performance. Qube has a strong history of aligning STI outcomes with business performance and variability in STI payments.

Participants in the STI Plan can elect to receive part or all of their award under the STI Plan either in cash or in rights to receive Shares. It is mandatory that 50% of any STI award is deferred for 12 months. Mr. James has elected to receive 25% of any amount to be provided under the STI in the form of rights to receive Shares, subject to any necessary Shareholder approval. The value of an equivalent number of Shares, based on the VWAP of Shares traded on the ASX over the 20 trading days immediately prior to 12 September 2016 (being $2.55889) and assuming the target award opportunity is achieved is $367,500. Vested rights under the STI Plan entitle Mr James to receive an equivalent number of Shares. The conversion of vested rights to Shares will be satisfied by delivery of Shares issued directly or purchased on-market for that purpose, at the Board's discretion.

Mr. James has elected to receive 25% of his award under the STI Plan in rights to receive Shares. Without taking account of dividends paid prior to vesting, this represents 201,063 rights which consists of:

- a maximum of 100,531 rights with a vesting date of 12 September 2017; and
- a maximum of 100,532 rights with a vesting date of 12 September 2018.

On vesting, the rights' conversion to Shares will include an additional amount for the dividends that would have been paid on the number of vested Shares in the period from 12 September 2016 to the relevant vesting date divided by the VWAP of Shares traded on the ASX over the 20 trading days immediately prior to the vesting date, rounded to the nearest whole Share, and the balance (if any) will be satisfied by on-market purchase of Shares or in cash. The maximum number of Shares that Mr. James may acquire (subject to satisfying all performance conditions and the service condition) is 208,000. As soon as practicable after the passage of Resolution 5 and in any event within 12 months of the Meeting subject to Shareholder approval, Mr. James will be granted 208,000 rights to acquire Shares under the STI Plan.

Performance condition

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

Service condition

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

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

- misconduct;
- gross negligence;
- material breach of contract;
- refusal to carry out a lawful and reasonable direction; or
- any other circumstance justifying immediate termination of employment.

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

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

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

Other than Mr. James, no Director (or their Associate) is currently entitled to participate in the STI Plan. The grant of rights to receive 356,474 Shares under the FY16 STI Plan was approved by Shareholders at the 2015 annual general meeting. Of these rights, Mr James was in fact issued 92,477 Shares under the FY16 STI Plan in September 2016 at a deemed acquisition price of $2.55889 per Share, being the VWAP of Shares traded on the ASX over the 20 trading days immediately prior to the date of issue.

Voting exclusions

The Company will disregard any votes cast on this Resolution:

- by Mr. James (being the only Director eligible to participate in any of the Company's employee incentive plans) and any of his Associates; and
- as a proxy by a member of the Key Management Personnel or any of their Closely Related Parties,

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

- in accordance with their directions of how to vote on the proxy form; or
- by the Chairman of the Meeting under authorisation on the proxy form.

Board recommendation

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

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

Background

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

Under ASX Listing Rule 7.2 (exception 9), an issue of securities under an employee incentive scheme will not be included for the purposes of Listing Rule 7.1 if, within the 3 years prior to the issue, Shareholders approve the issue of securities under the scheme as an exception to Listing Rule 7.1.

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

SARs – LTI (SAR) Plan

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

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

The LTI (SAR) Plan has not been previously put to Shareholders for approval under ASX Listing Rule 7.2 (exception 9) and therefore no securities have been issued under the LTI (SAR) Plan.

Voting exclusions

The Company will disregard any votes cast on this Resolution:

- by Mr. James (being the only Director eligible to participate in any of the Company's employee incentive plans) and any of his Associates; and
- as a proxy by a member of the Key Management Personnel or any of their Closely Related Parties,

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

- in accordance with their directions of how to vote on the proxy form; or
- by the Chairman of the Meeting under authorisation on the proxy form.

Board recommendation

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

RESOLUTION 7 – INCREASE IN DIRECTORS' FEE POOL

This Resolution seeks Shareholder approval to increase the maximum aggregate remuneration payable to non-executive Directors for their services as Directors. The existing limit of $1,200,000 was last set for, and has not changed since, the 2013 financial year. Since then the organisation has continued to grow, increasing in complexity and requiring more extensive Board involvement. Over the last year in particular, expansion of activities included the completion of Qube's joint acquisition of Patrick Container Terminals, and achievement of contractual close and commencement of the Moorebank project (including agreement to acquire the interest in the project of its partner Aurizon Holdings Ltd). This year the Company seeks approval to increase the maximum aggregate remuneration payable to non-executive Directors by $200,000 per annum to reflect the increased commitments required by the Board to support the Company's continued growth and operations.

The increased aggregate amount of Directors' fees of $1,400,000 per annum will provide the necessary flexibility to operate the Board with varying numbers of Directors to effectively meet the oversight and governance requirements of the Company from time to time, as well as the ability to attract and retain high quality Directors.

The Company's Nomination and Remuneration Committee annually reviews the fees paid to individual non-executive Directors and takes into account relevant factors including the economic and regulatory environment, the performance of the Company including its success in returning increased benefits to Shareholders, the increasing demands on non-executive Directors' time, the attraction and retention of the most appropriate Board candidates and the need to have flexibility in appointing additional non-executive Directors in the future.

PwC benchmarked the Directors' fees against a comparator group of the ASX60-125 and sector peers. Generally, Qube's Directors' fees are positioned at the 25th percentile of that peer group and reflects the composition of the Board which is made up of directors with shareholdings in the Company or representing major shareholders, not professional directors.

No securities have been issued to any non-executive director under Listing Rules 10.11 and 10.14 with the approval of Shareholders within the preceding 3 years.

Given their interest in the subject matter of this Resolution, the Directors make no recommendation on it to Shareholders.

The Chairman of the Meeting intends to vote undirected proxies able to be voted in favour of this Resolution. Therefore, if the Chairman of the Meeting is to be your proxy, you should be aware that if you do not provide a voting direction in respect of this Resolution on the proxy form, you will be deemed to have directed the Chairman of the Meeting to vote in favour of this Resolution. A Shareholder may appoint the Chairman of the Meeting as proxy with a direction to cast the votes contrary to the Chairman's stated voting intentions or to abstain from voting on this resolution.

RESOLUTION 8 – RATIFICATION OF PREVIOUS SHARE ISSUE – AUGUST 2016 PLACEMENT

Listing Rule 7.1 of the ASX Listing Rules restricts the number of equity securities that a listed company may issue in any 12-month period, without the approval of Shareholders, to 15% of the number of ordinary securities on issue at the start of the period, subject to certain adjustments and permitted exceptions. In calculating the 15% limit, the entity is entitled to deduct any ordinary securities issued in the 12 month period that were issued with the approval of Shareholders for the purposes of Listing Rule 7.1.

Under Listing Rule 7.4 of the ASX Listing Rules, an issue of securities without approval under Listing Rule 7.1 will be treated as having been made with Shareholder approval for the purposes of Listing Rule 7.1 if the original issue did not breach the 15% limit under Listing Rule 7.1 and Shareholders subsequently approve the issue.

The August 2016 placement

On 2 August 2016, the Company made an issue of 143,243,753 Shares for which it is seeking approval under this Resolution for the purposes of ASX Listing Rule 7.4 as discussed above.

The Shares were issued to Canada Pension Plan Investment Board (**CPPIB**) at an issue price of $2.14 per Share. The allottee was and is not a related party of the Company.

These Shares were issued under a placement announced to the market on 15 March 2016. These are fully paid Shares and rank equally with, and are on the same terms as, other Shares in the Company.

The proceeds of the placement were utilised to part fund Qube's 50% equity share of the Patrick Container Terminals acquisition.

The placement was announced in conjunction with an entitlement offer to all existing shareholders. The Board considered that it was in the interests of existing shareholders to undertake the capital raising in this way because of the size of the total capital raising required, $800 million, representing approximately 40% of the Company's then market capitalisation. To raise all of the capital from existing shareholders may have necessitated a deeper discount to the closing price of Qube shares at the time the capital raising was announced. The placement provided certainty that the funds would be raised and also welcomed a new substantial shareholder of the strength and calibre of Canada Pension Plan Investment Board to the Company.

The approval by Shareholders of this Resolution will provide the Company with flexibility in considering any necessary further fundraising and will enable the Company to raise further funds at any time during the next 12 months by issuing up to the full 15% of its issued share capital. Any Share issues approved in accordance with this Resolution will not be counted towards the calculation of the 15% limit.

The Directors unanimously recommend that Shareholders vote in favour of this resolution.

RESOLUTION 9 – RENEW APPROVAL OF PROPORTIONAL TAKEOVER PROVISIONS

Part 14 of the Constitution (extracted at Appendix A) contains proportional takeover approval provisions which provide that if offers are made under a proportional takeover bid for Shares, the registration of a transfer based on the acceptance of an offer made under the proportional takeover bid is prohibited unless and until a resolution to approve the bid is passed in accordance with the Constitution.

According to their terms, the proportional takeover provisions of the Constitution must be renewed every three years (consistent with the requirements of section 648G of the *Corporations Act*). These provisions were last renewed at the 2013 annual general meeting of the Company and will cease to have effect unless they are renewed at this Meeting. The Company is therefore seeking Shareholder approval by special resolution to renew these provisions in accordance with the *Corporations Act*.

The *Corporations Act* requires the Company, when seeking to renew proportional takeover approval provisions, to provide Shareholders with an explanation of the provisions so that Shareholders may make an informed decision on whether to support or oppose the resolution.

What is a proportional takeover bid?

A proportional takeover bid is a takeover offer sent to all Shareholders but only in respect of a specified portion of each Shareholder's Shares. Accordingly, if a Shareholder accepts in full an offer under a proportional takeover bid, they will dispose of the specified portion of their Shares and retain the balance of their Shares. By accumulating the specified portions of Shareholders' Shares, the bidder may be able to assume effective control of the Company.

Effect of the proposed renewal of the Constitution's takeover provisions

Under Part 14 of the Constitution, if a proportional takeover offer is made to Shareholders, the Board will be required to convene a meeting of Shareholders to vote on a resolution to approve the proportional takeover bid. In accordance with the *Corporations Act*, to be effective such an approving resolution in relation to the proportional takeover bid must be passed before the approving resolution deadline. The deadline is the 14th day before the last day of the bid period under that proportional takeover bid, or such or such later date as is approved by the Australian Securities and Investments Commission (**Deadline Date**).

Each Shareholder, as at the end of the day on which the first offer under the bid was made, has one vote for each Share held. The resolution will be taken to have been passed if a simple majority of Shares voted at the meeting, excluding the shares of the bidder and its associates, are voted in favour of the resolution. If no resolution is voted on by the Deadline Date, the resolution will be deemed to have been passed. If the proportional takeover resolution is not passed, transfers giving effect to takeover contracts for the bid will not be registered and the offer will be taken to have been withdrawn.

Where the resolution approving the offer is passed, or deemed to have been passed, transfers of shares resulting from accepting the offer will, subject to the terms of the offer, be registered provided they otherwise comply with the *Corporations Act*, the ASX Listing Rules, the settlement rules of the ASX and the Constitution. If the resolution is rejected, then in accordance with the *Corporations Act*, the offer will be deemed to be withdrawn.

The proportional takeover approval provisions do not apply to full takeover bids and only apply for three years after the date of adoption of the provisions. The provisions may be renewed, but only by a special resolution. If renewed, the proportional takeover provisions will be in the same terms as the existing provisions and will have effect for a further three-year period.

Renewal of the proportional takeover approval provisions requires approval of Shareholders in a general meeting by special resolution. As a special resolution, this Resolution must be passed by at least 75% of votes cast by Shareholders entitled to vote on this Resolution at the Meeting.

Reasons for proposing the resolution

The Directors consider that Shareholders should have the opportunity to renew the provisions of Part 14. Without it, a proportional takeover bid for the Company may enable effective control of the Company to be acquired without Shareholders having the opportunity to dispose of all of their Shares to the bidder. Accordingly, Shareholders could be at risk of passing control to the bidder without payment of an adequate, or any, control premium for all their Shares while leaving themselves as part of a minority interest in the Company. Furthermore, if Shareholders considered that control of the Company was likely to pass they might, in the absence of Part 14, come under pressure to accept the offer even if they did not want control of the Company to pass to the bidder.

Refreshing the provisions in Part 14 reduces these concerns by permitting Shareholders to vote to decide whether a proportional takeover bid should be permitted to proceed. Shareholders are able to decide collectively and in a fully informed way whether the proportional offer is acceptable in principle and this requirement may also ensure that any such proportional offer is appropriately priced.

No knowledge of present acquisitions proposals

As at the date of preparation of this Explanatory Memorandum, none of the Directors is aware of a proposal by any person to acquire, or to increase the extent of, a substantial interest in the Company.

Potential advantages and disadvantages for the Directors and Shareholders

Directors

The renewal of Part 14 will enable the Directors to formally ascertain the views of Shareholders in respect of a proportional takeover bid. Without this provision, the Directors would be dependent upon their perception of the interests and views of Shareholders. Other than this advantage, the Directors consider that Part 14 has no potential advantages or potential disadvantages for them as they would remain free to make a recommendation on whether a proportional takeover offer should be accepted or rejected.

Shareholders

The Directors consider that renewing Part 14 will benefit all Shareholders in that:

- Shareholders will have an opportunity to consider a proportional takeover bid and then attend or be represented at a meeting of Shareholders called specifically to vote on the proposal;
- Shareholders will be able to prevent a proportional takeover bid proceeding if there is sufficient support for the proposition that control of the Company should not be permitted to pass under the bid;
- knowing the view of Shareholders assists each individual Shareholder in assessing the likely outcome of a proportional takeover bid and whether to accept or reject that bid;
- it may help Shareholders avoid being locked in as a minority with one majority Shareholder; and
- increasing the bargaining power of Shareholders may ensure that any partial offer is adequately priced.

In respect of the possible disadvantages to Shareholders of renewing Part 14, it may be argued that:

- the provision makes a proportional takeover bid more difficult and that such proportional takeover bids will therefore be discouraged;
- the chance of a proportional takeover bid being successful may, in turn, be reduced;
- the opportunities which Shareholders may have to sell some or all of their Shares at a premium to persons seeking control of the Company may be reduced;
- the takeover speculation element in the Company's Share price may be reduced; and
- it may be considered an additional restriction on the ability of individual Shareholders to deal freely in their Shares.

The Directors consider that there are no other advantages and disadvantages for Directors and Shareholders which arose during the period during which the proportional takeover provisions have been in effect, other than as discussed in this section.

On balance, the Directors consider the possible advantages outweigh the possible disadvantages such that renewing the proportional takeover provisions in Part 14 is in the interests of Shareholders.

Application

Qube currently has two classes of ASX-listed issued securities, namely Shares and subordinated notes issued on 5 October 2016 and trading under ASX code QUBHA (Qube also has unlisted Options under its former LTI Plan). If approved, the proportional takeover provisions would also apply to other classes (if any) of securities other than Shares, allowing proportional takeovers for such other classes to be subject to approval by holders of those classes of securities in a similar fashion.

Board recommendation

The Board unanimously recommends that Shareholders vote in favour of this Resolution. Each Director intends to vote all the shares controlled by him or her in favour of the resolution.

GLOSSARY

Associate has the same meaning as that under the *Corporations Act*.

ASX means ASX Limited.

ASX Listing Rules means the Listing Rules of the ASX.

Auditor means PwC Australia.

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

Board means the board of Directors of the Company.

Chairman means the chairman of the Meeting.

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

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

Constitution means the constitution of the Company.

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

Director means a Director of the Company.

EPS means earnings per Share.

Explanatory Memorandum means this explanatory memorandum to the Notice.

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

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

Meeting means this annual general meeting convened by the Notice.

Notice means this notice of meeting.

Options means options to acquire a Share

Performance Rights means performance rights awarded under the LTI Plan.

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

Qube Group Member means a member of the Qube Group.

Registry means Computershare Investor Services Pty Limited.

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

rTSR means relative total shareholder return.

Rule means a rule of the Constitution.

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

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

Shareholder means a holder of a Share.

STI Plan means the Qube Short Term Incentive Plan.

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

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

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

APPENDIX A

PART 14 – PROPORTIONAL TAKEOVER OFFERS

14.1 Definitions

In this Rule 14:

(a) **associate** has the meaning given to that term in the Act;

(b) **approving resolution**, in relation to a proportional takeover bid, means a resolution to approve the proportional takeover bid passed in accordance with Rule 14.3;

(c) **proportional takeover bid** means a takeover bid that is made or purports to be made under Section 618(1)(b) of the Act in respect of securities included in a class of securities in the Company;

(d) **relevant class**, in relation to a proportional takeover bid, means the class of securities in the Company in respect of which offers are made under the proportional takeover bid; and

(e) **approving resolution deadline**, in relation to a proportional takeover bid, means the day that is 14 days before the last day of the bid period during which the offers under the proportional takeover bid remain open or a later day allowed by Australian Securities and Investments Commission.

14.2 Transfers not to be registered

Notwithstanding Rules 4.1 and 4.2, a transfer giving effect to a contract resulting from the acceptance of an offer made under a proportional takeover bid must not be registered unless and until an approving resolution has been passed or is taken to have been passed in accordance with Rule 14.3.

14.3 Resolution

(a) Where offers have been made under a proportional takeover bid, the Directors must:

(i) convene a meeting of the persons entitled to vote on the approving resolution for the purpose of considering and, if thought fit, passing an approving resolution; and

(ii) ensure that such a resolution is voted on in accordance with this Rule 14.3,

before the approving resolution deadline.

(b) The provisions of this Constitution relating to General Meetings apply, so far as they can and with such changes as are necessary, to a meeting that is convened pursuant to Rule 14.3(a).

(c) The bidder under a proportional takeover bid and any associates of the bidder are not entitled to vote on the resolution relating to that proportional takeover bid and if they do vote their votes must not be counted.

(d) Subject to Rule 14.3(c), a person who, as at the end of the day on which the first offer under the proportional takeover bid was made, held securities of the relevant class is entitled to vote on the approving resolution relating to the proportional takeover bid and, for the purposes of so voting, is entitled to one vote for each such security held at that time.

(e) An approving resolution is to be taken to have been passed if the proportion that the number of votes in favour of the resolution bears to the total number of votes on the resolution is greater than one half, and otherwise is to be taken to have been rejected.

(f) If an approving resolution has not been voted on in accordance with this Rule 14.3 before the approving resolution deadline, an approving resolution will be taken to have been passed in accordance with this Rule 14.3 on the approving resolution deadline.

14.4 Sunset

Rules 14.1, 14.2 and 14.3 cease to have effect at the end of 3 years beginning:

(a) where those Rules have not been renewed in accordance with the Act, on the date that those Rules were inserted in this Constitution; or

(b) where those Rules have been renewed in accordance with the Act, on the date those Rules were last renewed.

QUBE
ACN 149 723 053

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

Lodge your vote:

Online:
www.investorvote.com.au

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

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

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

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

Proxy Form

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Vote and view the annual report online

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

Your access information that you will need to vote:

Control Number: 999999

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

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

For your vote to be effective it must be received by 10:00am (Sydney time) on Tuesday 22 November 2016

How to Vote on Items of Business

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

Appointment of Proxy

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

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

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

A proxy need not be a securityholder of the Company.

Signing Instructions for Postal Forms

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

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

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

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

Attending the Meeting

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

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

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

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

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

I 9999999999 I ND

Proxy Form

Please mark ☒ to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

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

☐ **the Chairman of the Meeting** **OR** ________

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

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of Qube Holdings Limited to be held at Grand Ballroom 1, Level B, Shangri-La Hotel, 176 Cumberland Street, Sydney NSW 2000 on Thursday, 24 November 2016 at 10:00am (Sydney time) and at any adjournment or postponement of that Meeting.

Chairman authorised to exercise undirected proxies on remuneration related resolutions: Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Items 3, 4, 5, 6, and 7 (except where I/we have indicated a different voting intention below) even though Items 3, 4, 5, 6, and 7 are connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

Important Note: If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Items 3, 4, 5, 6, and 7 by marking the appropriate box in step 2 below.

STEP 2 Items of Business

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

		For	Against	Abstain
1	Re-election of Allan Davies	☐	☐	☐
2	Re-election of Alan Miles	☐	☐	☐
3	Remuneration Report	☐	☐	☐
4	Approval of award of SARs under the Qube Long Term Incentive (SAR) Plan to Maurice James	☐	☐	☐
5	Approval of award of rights to Shares under the Qube Short Term Incentive (STI) Plan to Maurice James	☐	☐	☐
6	Approval of the issue of securities under the Qube Long Term Incentive (SAR) Plan	☐	☐	☐
7	Increase in Directors' fee pool	☐	☐	☐
8	Ratification of previous share issue – August 2016 placement	☐	☐	☐
9	Renew approval of proportional takeover provisions	☐	☐	☐

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

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

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

Contact Name ________ Contact Daytime Telephone ________ Date ___ / ___ / ___

QUB 999999A

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