ANNUAL REPORT
2014

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

ANNUAL GENERAL MEETING

The 2014 Annual General Meeting of Qube Holdings Limited will be held at Pinaroo 1-2 Room, Level 1 The Grace Hotel, 77 York Street, Sydney on Thursday 13 November 2014 at 10:00am (Sydney time).

ABN 14 149 723 053

Qube Holdings Limited
Level 22, 44 Market Street
Sydney NSW 2000


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CHAIRMAN'S LETTER

Christopher D Corrigan
CHAIRMAN

As chairman of Qube I am delighted to say that this year was undoubtedly the most successful in our short history.

In 2014 Qube continued its record of rising revenue, a strong earnings increase and increased dividends as it delivered another outstanding result for shareholders.

Throughout the year, the company continued to evolve and expand its range of activities while remaining focused on its core mission of becoming Australia's leading provider of logistics solutions in the import and export supply chains.

In 2014, statutory revenue increased to $1.2 billion while profit after tax attributable to shareholders increased to $87.9 million ($92.7 million pre-amortisation).

Underlying revenue grew by 14% to $1.2 billion and underlying profit after tax attributable to shareholders was $88.6 million ($93.4 million pre-amortisation), an increase of around 20% compared to the underlying result in the prior year.

Underlying earnings per share were 9.3 cents (9.8 cents pre-amortisation), a 16% increase on the prior year's underlying result.

The directors have determined to pay a fully franked final dividend of 2.7 cents per share, bringing the total dividend for FY14 to 5.1 cents, a 13% increase on the prior year.

Other highlights for the full year include:

- Revenue and earnings growth and margin improvement in both operating divisions;
- Further strong improvement in safety performance;
- Substantial investment on equipment and facilities to deliver superior customer service and to support new contracts, create scale and generate efficiencies;
- Accretive acquisitions to support diversification and growth;
- The formation of Quattro Grain joint venture; and
- The commencement of negotiations with the Commonwealth to allow for the development of the important Moorebank intermodal precinct in South Western Sydney.

FINANCIAL STRENGTH

Qube generated very strong operating cash flow during the period which helped to fund the significant investment undertaken during the year.

In August 2013, Qube completed amendments to its $550 million syndicated debt facility which extended the maturity of this facility and enabled a reduction in interest expense despite Qube's ongoing capital investment.

Qube also successfully completed an institutional placement in April 2014 and related share purchase plan in May 2014 that collectively raised approximately $248 million.

As a result, Qube finished the period in a very strong financial position with available cash and undrawn debt facilities of over $415 million. Qube's leverage ratio *(net debt / (net debt plus equity))* was around 17% which is below the bottom end of Qube's target range of 30-40%.

Qube therefore has significant capacity to fund growth. However, we will remain disciplined with regard to capital management when considering acquisitions.

STRATEGY AND OUTLOOK

Qube's record financial results again demonstrated the benefits of a focused strategy, targeting the import and export supply chains within Australia, where Qube's management has an unrivalled track record and expertise in providing innovative, valuable and reliable logistics solutions to its customers.

The success of this strategy over a number of years has seen Qube's business continue to evolve into a much higher quality operation with a solid base business and a broad range of significant long-term growth options. This has enabled both operating divisions to report record revenue and earnings as well as margin improvement despite a challenging macroeconomic environment.

The substantial investment that Qube has undertaken to build scale has also placed Qube in a very strong position to benefit from any improvement in economic conditions and underlying volumes.

Qube expects to continue to invest in facilities, equipment and acquisitions to provide reliable, innovative, logistics solutions and to support diversification, scale and growth but will remain focused on our core strategy.

Qube will also focus on progressing plans for the development of the Moorebank precinct into a major logistics hub with the objective of delivering the optimal outcome for the precinct and Sydney.

Subject as always to the broader economic environment, Qube expects to deliver another record result in FY15 with continued growth in revenue and earnings in both operating divisions flowing through to strong growth in underlying earnings per share.

In conclusion I would like to thank the Managing Director Maurice James, his management team and Qube's employees and contractors for helping make 2014 such a success and I look forward to continued growth in the years to come.

IN 2014 QUBE CONTINUED ITS RECORD OF RISING REVENUE, A STRONG EARNINGS INCREASE AND INCREASED DIVIDENDS AS IT DELIVERED ANOTHER OUTSTANDING RESULT FOR SHAREHOLDERS.

MANAGING DIRECTOR'S LETTER

Maurice James
MANAGING DIRECTOR

2014 was the year that saw Qube's strategy of focusing on integrating the logistics of the import and export supply chain, delivering outstanding results for both our shareholders and our customers.

Qube has grown organically and through acquisition to become a very significant competitor in our chosen markets with an expanding national footprint. We now employ more than 3,400 people in every mainland state and territory.

In just a few years we have evolved from a company which was involved primarily in container logistics and the import and export of motor vehicles to today where we also have significant interests in bulk resources and rural commodities and which is now moving into the oil and gas sector.

SAFETY

While we employ more people than ever, I am delighted to report that out safety performance continues to improve strongly.

In 2014 Qube continued to improve its safety performance with the lost time injury frequency rate decreasing by around 30%.

Further investment was made in implementing new safety systems and training programs to ensure

Qube continues to provide a safe work environment. This included a comprehensive review and assessment of processes and procedures relating to Chain of Responsibility (COR) and implementation of appropriate steps to ensure compliance.

Safety will always be our priority as we work to embed a culture of Zero Harm across the Qube group.

LOGISTICS DIVISION

In 2014 the Logistics Division produced another record year.

The division reported a 10% increase in underlying revenue to $592.8 million and a 14% increase in underlying EBITA to $57.5 million.

The Logistics division has continued to evolve from its origins as a predominantly road based logistics business oriented towards import activities to a diversified integrated logistics operator with a more even balance between import and export focused activities.

In this respect, Qube continued to grow its containerised rail operations, typically as part of a broader logistics solution, and also entered into its first bulk rail contracts for grain haulage with the partners in the Quattro Grain joint venture.

Qube expanded its logistics solutions for the rural commodities sector covering a range of commodities including grain, sugar and cotton, and also secured new contract wins in its more traditional container logistics activities.

In August 2014, Qube entered into a conditional agreement with Aurizon to acquire the CRT Group. CRT provides specialised bulk freight haulier services including handling, packaging, warehousing and distribution to the Australian polymer, food and industrial sectors and has a national network of depots, warehouses and container parks. The acquisition provides Qube with significant cost synergies and growth opportunities. The acquisition is subject to a number of conditions and is due for completion in October 2014.

PORTS & BULK DIVISION

In 2014 the Ports & Bulk Division delivered another record year.

The division reported an 18% increase in underlying revenue to $588.4 million and a 22% increase in underlying EBITA to $80.1 million.

The record result demonstrates the benefits of Qube's diversification strategy as well as its success in leveraging a broad range of innovative, cost effective and reliable service offerings across its customer base.

Bulk

Qube's bulk activities have continued to deliver substantial growth and represented approximately 53% of the division's FY14 revenue. The main bulk commodities handled by Qube include iron ore, manganese, copper concentrate and coal.

Qube enhanced its product and geographical capability with the acquisitions of Walmsley Bulk Haulage (Pilbara) in February 2014 and Beaumont Transport (South East Queensland) in March 2014. These acquisitions have been integrated into Qube's bulk logistics operations and are expected to contribute towards continued revenue and earnings growth in FY15.

Qube's facility at Utah Point exceeded expectations, handling volume over the year of almost 19 million tonnes.

In July 2014, Qube Ports & Bulk acquired Oztran Bulk Haulage. Oztran is a transport business based in Port Hedland that provides synergies and growth potential with Qube's existing activities in that region.

Ports

Qube expanded its oil and gas activities with several new contracts in the period and completed the construction of a major new barge transfer and laydown facility at Dampier in April 2014.

The oil and gas sector provides a major growth opportunity for Qube to leverage its logistics expertise and assets to deliver improved supply chain efficiencies and cost savings to the oil and gas participants operating in Australia.

Qube's traditional port activities were fairly subdued reflecting declining motor vehicle sales volumes and the structural decline in general stevedoring activities, and reduced project / mining cargo in Australia.

In FY14, new vehicle sales, a key driver of Qube's vehicle stevedoring activities, declined by 1.4% over the prior year to around 1.1 million vehicles. Qube maintained its high market share of vehicle stevedoring in this segment and expects imported motor vehicle volumes to increase over the short to medium term supported by population growth and the cessation of domestic manufacturing of vehicles.

STRATEGIC ASSETS

Strong progress was made during the year on the planning for the development of Moorebank as a major intermodal logistics hub for Sydney which is expected to support Qube's Moorebank investment and broader logistics activities.

The SIMTA consortium (SIMTA), comprising Qube (67%) and Aurizon (33%), received Commonwealth environment approval for its project and was expecting to receive State planning approval shortly.

The Commonwealth's Moorebank Intermodal Company (MIC) announced in May 2014 that it would begin exclusive negotiations with SIMTA about the development and operation of the Moorebank intermodal terminals and associated precinct. These terminals will manage freight containers carried by rail to and from Port Botany as well as freight containers carried on the interstate rail network. The proposal is intended to increase the proportion of containerised freight carried by rail, in comparison to containers carried by truck.

Qube is leading exclusive negotiations with MIC on behalf of SIMTA and remains confident that a transaction can be executed that meets MIC's objectives while delivering long-term value to Qube's shareholders and substantial benefits for New South Wales.

During the financial year, Qube also announced the establishment of the Quattro joint venture in which Qube is the equal largest unitholder. Quattro brings together Qube and several leading grain industry participants to develop a new grain storage and handling facility at Port Kembla in New South Wales.

Qube Logistics will also be providing rail services to Qube's partners in Quattro and Qube Ports & Bulk will be providing stevedoring services to Quattro. Construction of the facility is expected to be completed by October 2015. The partners in Quattro are actively seeking other locations around Australia to develop a similar multi user grain facility.

Looking ahead, Qube has two quality operating divisions that continue to deliver increased earnings and strong cashflow, while the strategic assets division offers outstanding long-term growth potential once the assets are developed and operational.

QUBE HAS GROWN ORGANICALLY AND THROUGH ACQUISITION TO BECOME A VERY SIGNIFICANT COMPETITOR IN OUR CHOSEN MARKETS WITH AN EXPANDING NATIONAL FOOTPRINT.

OPERATIONAL REVIEW

Qube reported another record result in the year ended 30 June 2014 with statutory revenue increasing to approximately $1.22 billion (2013: $1.08 billion) and profit after tax attributable to shareholders of $87.9 million (2013: $77.3 million). Statutory earnings per share were 9.2 cents (2013: 8.4 cents).

Underlying revenue increased by 14% to $1.21 billion (2013: $1.07 billion) and underlying EBITA increased by 17% to $151.3 million (2013: $128.8 million). Qube's underlying net profit after tax increased by 20% to $88.6 million (2013: $74.0 million) and underlying earnings per share increased by 16% to 9.3 cents (2013: 8.0 cents) with underlying earnings per share pre-amortisation increasing to 9.8 cents from 8.5 cents.

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

Qube's two operating divisions once again reported record financial results reflecting a combination of organic growth and the contribution from capital expenditure and acquisitions. Qube's operating businesses are well placed to continue to deliver earnings growth over the medium to long-term.

The Strategic Assets division continued to generate reliable rental income in the period from its quality tenants. The future growth of this division was enhanced by the formation of the Quattro Grain joint venture to develop and operate a major grain handling and storage facility at Port Kembla in New South Wales, and by progress on the future development of Qube's majority owned Moorebank property into a major logistics site as part of a broader Moorebank precinct development. Qube's investment in Quattro is reported in the Strategic Assets division while the related rail and stevedoring activities will be reported in the Logistics division and Ports & Bulk division respectively.

Qube was pleased when the Commonwealth Government's Moorebank Intermodal Company (MIC) announced in May 2014 that it would begin exclusive negotiations with Qube and Aurizon (the SIMTA consortium) in regard to the development and operation of the Moorebank intermodal terminals and associated precinct.

Qube continued to invest during the year spending approximately $184 million on equipment, facilities and acquisitions to enhance its customer service, and support and diversify its operations. The vast majority of this investment was related to growth initiatives that will deliver increased revenue and earnings in FY15 and beyond.

The benefit of Qube's track record of investment was reflected in continued margin improvement in both divisions despite the ongoing challenging underlying conditions which placed pressure on volumes and pricing in some parts of the business. Pleasingly, both divisions continued to win new business in the period reflecting the innovative, cost effective and reliable logistics solutions for which Qube has established a solid reputation. Management remains focussed on continuing to achieve margin improvement over the long-term through a rigorous focus on costs, operating efficiencies, and the benefits of increasing scale across its equipment and facilities.

Qube continued to improve its safety record with its Lost Time Injury Frequency Rate (LTIFR) decreasing by around 30% from 6.6 Lost Time Injuries (LTIs) per million hours worked to 4.6 LTIs.

During the year, Qube strengthened its financial position through the completion of a $200 million institutional placement and a share purchase plan for existing shareholders that raised an additional $48 million. Qube finished the financial year with its leverage at around 17% providing substantial capacity for Qube to fund continued investment in equipment, facilities, projects and acquisitions to support continued innovation and growth.

The full year dividend increased by approximately 13% to 5.1 cents per share reflecting Qube's strong financial performance and is in line with Qube's dividend policy of paying out 50-60% of underlying earnings per share. The final dividend of 2.7 cents will be fully franked.

A reconciliation between statutory and underlying results is provided in note 4 to these financial statements.

QUBE'S OPERATING BUSINESSES ARE WELL PLACED TO CONTINUE TO DELIVER EARNINGS GROWTH OVER THE MEDIUM TO LONG-TERM.

LOGISTICS DIVISION

The Logistics division reported underlying revenue of $592.8 million (2013: $538.4 million), a 10% increase on the prior year's underlying results. Underlying earnings (EBITA) increased by 14% to $57.5 million (2013: $50.3 million). The underlying EBITA margin improved from 9.3% to 9.7% primarily reflecting a continued focus on costs and operating efficiencies as well as the benefits of scale from prior investment.

The Logistics division has continued to evolve from its origins as a predominantly road based logistics business oriented towards import activities to a diversified integrated logistics operator with a more even balance between import and export focussed activities. In this respect, Qube continued to grow its containerised rail operations, typically as part of a broader logistics solution, and also entered into its first bulk rail contracts for grain haulage with the partners in the Quattro Grain joint venture.

Qube expanded its logistics solutions for the rural commodities sector covering a range of commodities including grain, sugar and cotton, and also secured new contract wins in its more traditional container logistics activities. Qube's differentiated logistics solutions, supported by its national presence, scale and commitment to ongoing investment in equipment and facilities, has facilitated continued growth for Qube despite weakness in overall container volume growth through the ports and the continuation of competitive pressures in the logistics sector generally.

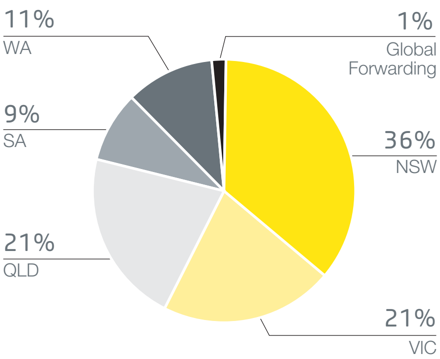
Qube Logistics invested a total of $49 million in the period on growth and maintenance capex, with major items including the IML acquisition, Vic Dock development and equipment to support new contracts.

The statutory result included an impairment of $1.8 million relating to Qube Logistics' investment in the Mackenzie Hillebrand joint venture. The joint venture recently lost its major customer and management has determined, given the outlook for the business, that it was appropriate to write the carrying value of Qube's investment to nil. Qube's investment in this joint venture contributed an underlying loss (NPAT) of approximately $0.5 million to Qube's FY14 contribution from associates and is expected to break even in the foreseeable future.

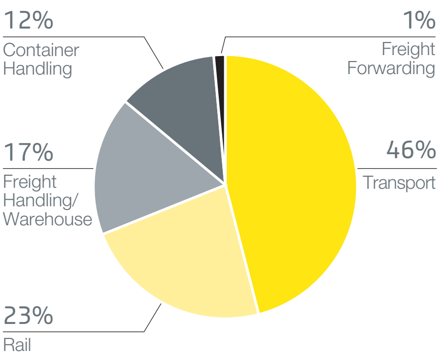
LOGISTICS DIVISION

FY14 Indicative Revenue Segmentation

BY STATE



BY ACTIVITY



THE LOGISTICS DIVISION HAS CONTINUED TO EVOLVE FROM ITS ORIGINS INTO A DIVERSIFIED INTEGRATED LOGISTICS OPERATOR WITH A MORE EVEN BALANCE BETWEEN IMPORT AND EXPORT FOCUSSED ACTIVITIES.

PORTS & BULK DIVISION

The Ports & Bulk division again delivered significant growth in the period with underlying revenue and EBITA increasing by 18% and 22% respectively to $588.4 million (2013: $499.1 million) and $80.1 million (2013: $65.8 million) compared to the prior year's underlying results. The underlying EBITA margin improved from 13.2% to 13.6% reflecting continued economies of scale, a higher margin business mix and the benefits from past investment.

The record result demonstrates the benefits of Qube's diversification strategy as well its success in leveraging its broad range of innovative, cost effective and reliable service offerings across its customer base.

Bulk

Qube's bulk activities have continued to deliver substantial growth and represented approximately 53% of the division's FY14 revenue. The main bulk commodities handled by Qube include iron ore, manganese, copper concentrate and coal. Importantly, given the continued volatility in certain commodity prices, management continues to adopt a prudent risk management focus to mitigate the impact of an unexpected downturn in a single commodity or customer.

Qube's single largest customer in the division accounted for approximately 8% of the total divisional revenue while the single largest commodity exposure, being iron ore, accounted for approximately 23% of total FY14 divisional revenue.

Qube's bulk activities relate to existing mines already in production and therefore the volatility in commodity pricing has not had a material impact on Qube as volumes have continued to remain strong. However, Qube continues to work closely with its customers to deliver reduced costs and improved efficiencies for the mutual benefit of Qube and its customers.

Qube enhanced its product and geographical capability with the acquisitions of Walmsley Bulk Haulage (Pilbara) in February 2014 and Beaumont Transport (South East Queensland) in March 2014. These acquisitions have been integrated into Qube's bulk logistics operations and are expected to contribute towards continued revenue and earnings growth in FY15.

Qube's facility at Utah Point exceeded expectations, handling volume over the year of almost 19 million tonnes.

UNDERLYING REVENUE AND EBITA IN THE PORTS & BULK DIVISION INCREASED BY 18% AND 22% RESPECTIVELY TO $588.4 MILLION AND $80.1 MILLION.

Ports

Qube expanded its oil and gas activities with several new contracts in the period and completed the construction of a major new barge transfer and laydown facility at Dampier in April 2014.

The oil and gas sector provides a major growth opportunity for Qube to leverage its logistics expertise and assets to deliver improved supply chain efficiencies and cost savings to the oil and gas participants operating in Australia.

Qube's traditional port activities were fairly subdued reflecting declining motor vehicle sales volumes and the structural decline in general stevedoring activities and reduced project/mining cargo in Australia. In FY14, new vehicle sales, a key driver of Qube's vehicle stevedoring activities, declined by 1.4% over the prior year to around 1.1 million vehicles. Qube maintained its high market share of vehicle stevedoring in this segment, and expects imported motor vehicle volumes to increase over the short to medium term supported by population growth and the cessation of domestic manufacturing of vehicles.

Qube Ports & Bulk invested a total of around $130 million in the period on growth and maintenance capex including the Beaumont and Walmsley acquisitions, the Dampier Transfer facility and equipment to support new contracts.

Associates

Qube's three associates in the Ports & Bulk division delivered mixed underlying results in the period.

Australian Amalgamated Terminals (AAT), in which Qube has a 50% shareholding, reported a decline in net profit after tax with Qube's share reducing from $9.5 million in FY13 to $6.8 million in FY14. The reduction reflects the high fixed cost nature of AAT's business which meant the earnings were impacted by a considerable decline in project and general cargo and non-passenger vehicles across AAT's facilities as a result of weaker economic growth and reduced new mining projects and capex.

Prixcar Services (Prixcar) in which Qube owns a 25% indirect interest, delivered earnings to Qube of approximately $1.4 million, which was a substantial increase on the prior year's contribution of $0.4 million. Prixcar is continuing to invest and reorient its business towards an integrated service offering focussed on imported vehicles, and has had some success with this strategy in FY14 which should result in a continuation of the earnings growth over the medium term.

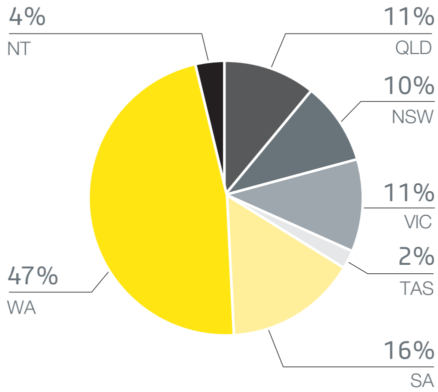
Qube's 50% interest in Northern Stevedoring Services (NSS) delivered earnings to Qube of approximately $3.2 million which was lower than the $5.2 million contribution in FY13. The result was consistent with Qube's expectations of a lower FY14 result due to a substantial reduction in project work during the year that had assisted the prior year's result.

The statutory result includes an impairment of the value of Qube's investment in NSS of approximately $7.2 million reflecting a revised lower long-term earnings outlook for this business.

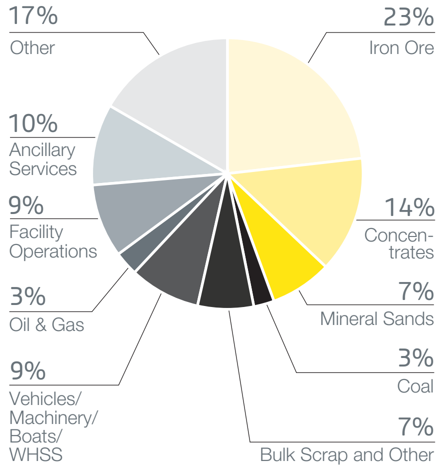
PORTS & BULK DIVISION

FY14 Indicative Revenue Segmentation

BY STATE



BY PRODUCT



STRATEGIC ASSETS

The Strategic Assets division includes Qube's controlling ownership of the strategic properties at Minto (100%) and Moorebank (67%) as well as Qube's investment in the Quattro Grain (Quattro) joint venture (37.5%) which was announced in March 2014.

Underlying revenue in the Strategic Assets division increased during the period from $27.6 million to $30.2 million reflecting the full year benefit of higher rental income at Moorebank following the lease extension in March 2013. The higher rental income flowed through to higher earnings, with Underlying EBITA increasing from $21.1 million in FY13 to $23.8 million in FY14. The increased earnings were achieved despite the costs incurred in relation to the Moorebank planning approvals over the SIMTA site (67% Qube, 33% Aurizon) and costs relating to the Expression of Interest (EOI) process commenced during the period by the Moorebank Intermodal Company (MIC) over its land which is across the road from Qube's majority owned Moorebank property.

Qube's underlying result includes a net loss after tax from the Quattro joint venture of $0.2 million (FY13: $nil), primarily relating to Qube's share of the costs associated with the formation of the joint venture and initial planning for the development of the new grain handling and storage facility. The facility is expected to be operational in late calendar 2015.

UNDERLYING REVENUE IN THE STRATEGIC ASSETS DIVISION INCREASED DURING THE PERIOD FROM $27.6 MILLION TO $30.2 MILLION.

The statutory result includes an upward fair value adjustment of Minto Properties of $6.5 million (2013: profit $9.1 million) and of the Moorebank Property of $4.7 million (Qube's share $3.1 million) (2013: $nil) based on an independent valuation as at 30 June 2014.

Progress was made during the year on the planning for the development of Moorebank as a major intermodal logistics hub for Sydney which should support Qube's Moorebank investment and broader logistics activities. SIMTA received Commonwealth Government environmental approval for its project and expects to receive State planning approval in the near future.

MIC announced in May 2014 that it would begin exclusive negotiations with SIMTA about the development and operation of the Moorebank intermodal terminals and associated precinct. These terminals will manage freight containers carried by rail to and from Port Botany as well as freight containers carried on the interstate rail network. The proposal is intended to increase the proportion of containerised freight carried by rail, in comparison to containers carried by truck.

Qube is leading exclusive negotiations with MIC on behalf of SIMTA and remains confident that a transaction can be executed that meets MIC's objectives while delivering long-term value to Qube's shareholders and substantial benefits for Sydney.

As noted above, Qube also announced the establishment of the Quattro joint venture in which Qube is the equal largest unitholder. Quattro brings together Qube and several leading grain industry participants to develop a new grain storage and handling facility at Port Kembla in New South Wales. Qube Logistics will also be providing rail services to Qube's partners in Quattro and Qube Ports & Bulk will be providing stevedoring services to Quattro. Construction of the facility is expected to be completed by October 2015. The unitholders in Quattro are actively seeking other locations around Australia to develop a similar multi-user grain facility.

SAFETY, HEALTH AND ENVIRONMENT

Qube strives for the highest standard of safety, health and environment and is committed to its Zero Harm value.

Qube's Zero Harm value reflects its belief that it operates in an environment where risks are managed and that work does not impact on its people's health and well-being.

Overall, the Company recorded a Lost Time Injury Frequency Rate of 3.9 in 2014, compared to 6.6 in 2013.

Qube has launched a new strategic safety, health and environment improvement plan for the year across all levels of the organisation. The strategy will deliver improvements in the following areas:

CAPABILITY AND SKILLS: Our managers and supervisors understand their health, safety and environmental compliance requirements and can identify, manage and control the risks in their business.

CORPORATE GOVERNANCE: We protect the Qube brand, shareholders and our people by ensuring compliance to safety, health and environment regulatory and legislative obligations.

CULTURE: Safety, health and environment is transparent and our managers take accountability and personal responsibility for safety outcomes and see that safety performance and business performance are integrated.

LEADERSHIP AND ADVOCACY: Our leaders lead safety, health and environment with emotional intelligence, integrity and congruence.

ENVIRONMENT: Consistent with our goal of Zero Harm, Qube is committed to operating to the highest environmental protection standards.

A key milestone in the Qube Environmental Management Framework was certification of the Safety, Health and Environment Management System (SHEMS) to the international standard AS/NZS ISO 14001:2004 Environmental Management Systems which was achieved in September 2013.

As part of our commitment to governance excellence, the focus has been on developing consistent standards for environmental management practices across our businesses with a particular emphasis on defining processes for consideration of environmental protection as part of operations planning and design and development of infrastructure.

QUBE STRIVES FOR THE HIGHEST STANDARD OF SAFETY, HEALTH AND ENVIRONMENT AND IS COMMITTED TO ITS ZERO HARM VALUE.

A programme of environmental management awareness training to all employees was commenced to introduce our workforce to the Qube expectations for environmental performance and ensure all levels of the organisation are aware of their responsibilities.

As Qube continues to improve and grow its safety, health and environment systems and culture, specific initiatives were undertaken in FY14 to improve our performance.

Chain of Responsibility

Qube has undertaken a comprehensive review and assessment of processes and procedures relating to Chain of Responsibility (COR) and has undertaken appropriate steps towards compliance including the following:

- Completing a legal compliance review across Qube, relating to COR
- Reviewing business practices and ensuring our work practices don't cause breaches
- Training staff to ensure they understand their obligations around COR
- Conducting audits/spot checks to ensure compliance
- Reviewing commercial arrangements to ensure they don't place the business in beach of chain responsibility laws.

Legal Compliance Audit

A legal audit was undertaken of the safety policies and procedures that comprise Qube's SHEMS, as well as an operational audit and gap analysis.

Consolidated SHEMS

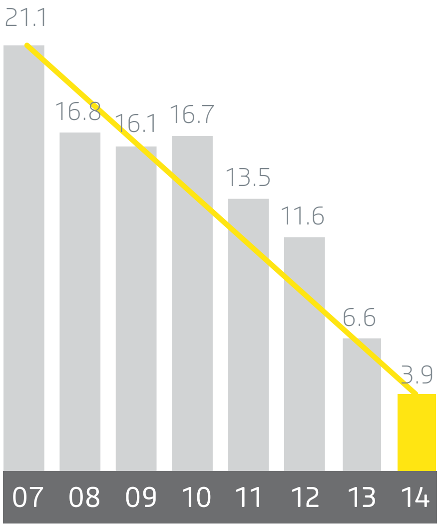
Each of Qube's businesses has good systems and processes in place for compliance with safety, health and environment laws. A national system is currently being developed that will provide clarity and consistency to Qube personnel as to the safety systems and requirements that apply to them for a given activity. It will also produce efficiencies across the Qube businesses in terms of implementation, monitoring, review and auditing processes.

On-Line Incident Reporting System

Qube is in the final stages of implementing a group-wide on-line incident reporting system (SCRIMS). Ports & Bulk has been using the system for 12 months. The business has seen significant improvement in the quality of incident reports, ability to analyse incident trends and tracking of corrective actions.

The Board and Management are committed to preventing injuries in the workplace and continue to work hard to instil a safe operating environment for all employees and contractors.

LTIFR QUBE HOLDINGS



QUBE CONTINUES TO IMPROVE AND GROW ITS SAFETY, HEALTH AND ENVIRONMENT SYSTEMS AND CULTURE.

FINANCIAL INFORMATION

QUBE HOLDINGS LIMITED

ABN 14 149 723 053
FOR THE YEAR ENDED 30 JUNE 2014

DIRECTORS' REPORT

30 JUNE 2014

Your directors present their report on the consolidated entity consisting of Qube Holdings Limited (Qube) and the entities it controlled at the end of, or during, the year ended 30 June 2014.

DIRECTORS

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

Chris Corrigan	Non-executive chairman	appointed 23 March 2011
Sam Kaplan	Non-executive deputy chairman	appointed 23 March 2011
Maurice James	Managing Director	appointed 23 March 2011
Ross Burney	Non-executive director	appointed 9 September 2011
Allan Davies	Non-executive director	appointed 26 August 2011
Peter Dexter	Non-executive director	appointed 1 September 2011
Robert Dove	Non-executive director	appointed 26 August 2011
Alan Miles	Non-executive director	appointed 1 April 2013
Åge Holm	Alternate to Peter Dexter	appointed 7 November 2011
Yoshiaki Kato	Alternate to Alan Miles	appointed 23 April 2013
Simon Moore	Alternate to Robert Dove	appointed 7 November 2011

PRINCIPAL ACTIVITIES

During the 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 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 2014 financial year				
2013 Final dividend	2.3¢	21.4	100%	4 October 2013
2014 Interim dividend	2.4¢	22.3	100%	4 April 2014
Paid during the 2013 financial year				
2012 Final dividend	2.1¢	19.0	100%	17 October 2012
2013 Interim dividend	2.2¢	20.0	100%	11 April 2013
Dividends paid or declared by the company after year end:				
2014 Final dividend	**2.7¢**	**28.4**	**100%**	**3 October 2014**

REVIEW OF OPERATIONS

Overview

Qube reported another record result in the year ended 30 June 2014 with statutory revenue increasing to approximately $1.22 billion (2013: $1.08 billion) and profit after tax attributable to shareholders of $87.9 million (2013: $77.3 million). Statutory earnings per share were 9.2 cents (2013: 8.4 cents).

Underlying revenue increased by 14% to $1.21 billion (2013: $1.07 billion) and underlying EBITA increased by 17% to $151.3 million (2013: $128.8 million). Qube's underlying net profit after tax increased by 20% to $88.6 million (2013: $74.0 million) and underlying earnings per share increased by 16% to 9.3 cents (2013: 8.0 cents) with underlying earnings per share pre-amortisation increasing to 9.8 cents from 8.5 cents.

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

Qube's two operating divisions once again reported record financial results reflecting a combination of organic growth and the contribution from capital expenditure and acquisitions. Qube's operating businesses are well placed to continue to deliver earnings growth over the medium to long-term.

The Strategic Assets division continued to generate reliable rental income in the period from its quality tenants. The future growth of this division was enhanced by the formation of the Quattro Grain joint venture to develop and operate a major grain handling and storage facility at Port Kembla in New South Wales, and by progress on the future development of Qube's majority owned Moorebank property into a major logistics site as part of a broader Moorebank precinct development. Qube's investment in Quattro is reported in the Strategic Assets division while the related rail and stevedoring activities will be reported in the Logistics division and Ports & Bulk division respectively.

Qube was pleased when the Commonwealth Government's Moorebank Intermodal Company (MIC) announced in May 2014 that it would begin exclusive negotiations with Qube and Aurizon (the SIMTA consortium) in regard to the development and operation of the Moorebank intermodal terminals and associated precinct.

Qube continued to invest during the year spending approximately $184 million on equipment, facilities and acquisitions to enhance its customer service, and support and diversify its operations. The vast majority of this investment was related to growth initiatives that will deliver increased revenue and earnings in FY15 and beyond.

The benefit of Qube's track record of investment was reflected in continued margin improvement in both divisions despite the ongoing challenging underlying conditions which placed pressure on volumes and pricing in some parts of the business. Pleasingly, both divisions continued to win new business in the period reflecting the innovative, cost effective and reliable logistics solutions for which Qube has established a solid reputation. Management remains focussed on continuing to achieve margin improvement over the long-term through a rigorous focus on costs, operating efficiencies, and the benefits of increasing scale across its equipment and facilities.

Qube continued to improve its safety record with its Lost Time Injury Frequency Rate (LTIFR) decreasing by around 30% from 6.6 Lost Time Injuries (LTIs) per million hours worked to 4.6 LTIs.

During the year, Qube strengthened its financial position through the completion of a $200 million institutional placement and a share purchase plan for existing shareholders that raised an additional $48 million. Qube finished the financial year with its leverage at around 17% providing substantial capacity for Qube to fund continued investment in equipment, facilities, projects and acquisitions to support continued innovation and growth.

The full year dividend increased by approximately 13% to 5.1 cents per share reflecting Qube's strong financial performance and is in line with Qube's dividend policy of paying out 50-60% of underlying earnings per share. The final dividend of 2.7 cents will be fully franked.

A reconciliation between statutory and underlying results is provided in note 4 to these financial statements.

Logistics Division

The Logistics division reported underlying revenue of $592.8 million (2013: $538.4 million), a 10% increase on the prior year's underlying results. Underlying earnings (EBITA) increased by 14% to $57.5 million (2013: $50.3 million). The underlying EBITA margin improved from 9.3% to 9.7% primarily reflecting a continued focus on costs and operating efficiencies as well as the benefits of scale from prior investment.

The Logistics division has continued to evolve from its origins as a predominantly road based logistics business oriented towards import activities to a diversified integrated logistics operator with a more even balance between import and export focussed activities. In this respect, Qube continued to grow its containerised rail operations, typically as part of a broader logistics solution, and also entered into its first bulk rail contracts for grain haulage with the partners in the Quattro Grain joint venture.

Qube expanded its logistics solutions for the rural commodities sector covering a range of commodities including grain, sugar and cotton, and also secured new contract wins in its more traditional container logistics activities. Qube's differentiated logistics solutions, supported by its national presence, scale and commitment to ongoing investment in equipment and facilities, has facilitated continued growth for Qube despite weakness in overall container volume growth through the ports and the continuation of competitive pressures in the logistics sector generally.

Qube Logistics invested a total of $49 million in the period on growth and maintenance capex, with major items including the IML acquisition, Vic Dock development and equipment to support new contracts.

The statutory result included an impairment of $1.8 million relating to Qube Logistics' investment in the Mackenzie Hillebrand joint venture. The joint venture recently lost its major customer and management has determined, given the outlook for the business, that it was appropriate to write the carrying value of Qube's investment to nil. Qube's investment in this joint venture contributed an underlying loss (NPAT) of approximately $0.5 million to Qube's FY14 contribution from associates and is expected to break even in the foreseeable future.

REVIEW OF OPERATIONS (CONT.)

Ports & Bulk Division

The Ports & Bulk division again delivered significant growth in the period with underlying revenue and EBITA increasing by 18% and 22% respectively to $588.4 million (2013: $499.1 million) and $80.1 million (2013: $65.8 million) compared to the prior year's underlying results. The underlying EBITA margin improved from 13.2% to 13.6% reflecting continued economies of scale, a higher margin business mix and the benefits from past investment.

The record result demonstrates the benefits of Qube's diversification strategy as well its success in leveraging its broad range of innovative, cost effective and reliable service offerings across its customer base.

Bulk

Qube's bulk activities have continued to deliver substantial growth and represented approximately 53% of the divisions' FY14 revenue. The main bulk commodities handled by Qube include iron ore, manganese, copper concentrate and coal. Importantly, given the continued volatility in certain commodity prices, management continues to adopt a prudent risk management focus to mitigate the impact of an unexpected downturn in a single commodity or customer.

Qube's single largest customer in the division accounted for approximately 8% of the total divisional revenue while the single largest commodity exposure, being iron ore, accounted for approximately 23% of total FY14 divisional revenue.

Qube's bulk activities relate to existing mines already in production and therefore the volatility in commodity pricing has not had a material impact on Qube as volumes have continued to remain strong. However, Qube continues to work closely with its customers to deliver reduced costs and improved efficiencies for the mutual benefit of Qube and its customers.

Qube enhanced its product and geographical capability with the acquisitions of Walmsley Bulk Haulage (Pilbara) in February 2014 and Beaumont Transport (South East Queensland) in March 2014. These acquisitions have been integrated into Qube's bulk logistics operations and are expected to contribute towards continued revenue and earnings growth in FY15.

Qube's facility at Utah Point exceeded expectations, handling volume over the year of almost 19 million tonnes.

Ports

Qube expanded its oil and gas activities with several new contracts in the period and completed the construction of a major new barge transfer and laydown facility at Dampier in April 2014.

The oil and gas sector provides a major growth opportunity for Qube to leverage its logistics expertise and assets to deliver improved supply chain efficiencies and cost savings to the oil and gas participants operating in Australia.

Qube's traditional port activities were fairly subdued reflecting declining motor vehicle sales volumes and the structural decline in general stevedoring activities and reduced project/mining cargo in Australia. In FY14, new vehicle sales, a key driver of Qube's vehicle stevedoring activities, declined by 1.4% over the prior year to around 1.1 million vehicles. Qube maintained its high market share of vehicle stevedoring in this segment, and expects imported motor vehicle volumes to increase over the short to medium term supported by population growth and the cessation of domestic manufacturing of vehicles.

Qube Ports & Bulk invested a total of around $130 million in the period on growth and maintenance capex including the Beaumont and Walmsley acquisitions, the Dampier Transfer facility and equipment to support new contracts.

Associates

Qube's three associates in the Ports & Bulk division delivered mixed underlying results in the period.

Australian Amalgamated Terminals (AAT), in which Qube has a 50% shareholding, reported a decline in net profit after tax with Qube's share reducing from $9.5 million in FY13 to $6.8 million in FY14. The reduction reflects the high fixed cost nature of AAT's business which meant the earnings were impacted by a considerable decline in project and general cargo and non-passenger vehicles across AAT's facilities as a result of weaker economic growth and reduced new mining projects and capex.

Prixcar Services (Prixcar) in which Qube owns a 25% indirect interest, delivered earnings to Qube of approximately $1.4 million, which was a substantial increase on the prior year's contribution of $0.4 million. Prixcar is continuing to invest and reorient its business towards an integrated service offering focussed on imported vehicles, and has had some success with this strategy in FY14 which should result in a continuation of the earnings growth over the medium term.

Qube's 50% interest in Northern Stevedoring Services (NSS) delivered earnings to Qube of approximately $3.2 million which was lower than the $5.2 million contribution in FY13. The result was consistent with Qube's expectations of a lower FY14 result due to a substantial reduction in project work during the year that had assisted the prior year's result.

The statutory result includes an impairment of the value of Qube's investment in NSS of approximately $7.2 million reflecting a revised lower long-term earnings outlook for this business.

Strategic Assets

The Strategic Assets division includes Qube's controlling ownership of the strategic properties at Minto (100%) and Moorebank (67%) as well as Qube's investment in the Quattro Grain (Quattro) joint venture (37.5%) which was announced in March 2014.

Underlying revenue in the Strategic Assets division increased during the period from $27.6 million to $30.2 million reflecting the full year benefit of higher rental income at Moorebank following the lease extension in March 2013. The higher rental income flowed through to higher earnings, with Underlying EBITA increasing from $21.1 million in FY13 to $23.8 million in FY14. The increased earnings were achieved despite the costs incurred in relation to the Moorebank planning approvals over the SIMTA site (67% Qube, 33% Aurizon) and costs relating to the Expression of Interest (EOI) process commenced during the period by the Moorebank Intermodal Company (MIC) over its land which is across the road from Qube's majority owned Moorebank property.

REVIEW OF OPERATIONS (CONT.)

Qube's underlying result includes a net loss after tax from the Quattro joint venture of $0.2 million (FY13: $nil), primarily relating to Qube's share of the costs associated with the formation of the joint venture and initial planning for the development of the new grain handling and storage facility. The facility is expected to be operational in late calendar 2015.

The statutory result includes an upward fair value adjustment of Minto Properties of $6.5 million (2013: profit $9.1 million) and of the Moorebank Property of $4.7 million (Qube's share $3.1 million) (2013: $nil) based on an independent valuation as at 30 June 2014.

Progress was made during the year on the planning for the development of Moorebank as a major intermodal logistics hub for Sydney which should support Qube's Moorebank investment and broader logistics activities. SIMTA received Commonwealth Government environmental approval for its project and expects to receive State planning approval in the near future.

MIC announced in May 2014 that it would begin exclusive negotiations with SIMTA about the development and operation of the Moorebank intermodal terminals and associated precinct. These terminals will manage freight containers carried by rail to and from Port Botany as well as freight containers carried on the interstate rail network. The proposal is intended to increase the proportion of containerised freight carried by rail, in comparison to containers carried by truck.

Qube is leading exclusive negotiations with MIC on behalf of SIMTA and remains confident that a transaction can be executed that meets MIC's objectives while delivering long-term value to Qube's shareholders and substantial benefits for Sydney.

As noted above, Qube also announced the establishment of the Quattro joint venture in which Qube is the equal largest unitholder. Quattro brings together Qube and several leading grain industry participants to develop a new grain storage and handling facility at Port Kembla in New South Wales. Qube Logistics will also be providing rail services to Qube's partners in Quattro and Qube Ports & Bulk will be providing stevedoring services to Quattro. Construction of the facility is expected to be completed by October 2015. The unitholders in Quattro are actively seeking other locations around Australia to develop a similar multi-user grain facility.

Funding

In August 2013, Qube completed amendments to its $550 million syndicated debt facility which extended the maturity of this facility and enabled a reduction in interest expense despite Qube's ongoing capital investment.

At 30 June 2014, Qube had net debt (being bank loans and finance lease liabilities less cash on hand) of approximately $279 million (2013: $464 million). Qube had available cash and undrawn debt facilities of over $415 million (2013: $260 million) providing Qube with substantial funding capacity to pursue further growth.

Qube's leverage ratio (net debt / (net debt plus equity)) has reduced from approximately 30% at 30 June 2013 to around 17% at 30 June 2014 primarily as a result of the capital raising completed in May 2014. This is below Qube's target leverage ratio of 30-40%.

Qube has no near term debt maturities under its term facilities and retains substantial headroom under its covenants.

Risk management

Risk management plans are focussed on identifying the major risks to Qube's business based on the likelihood of particular risks occurring, and mitigating the seriousness of the consequences for Qube if that risk did occur. Qube's businesses operate in a competitive market leveraged to economic activity. As such major risks identified to Qube's earnings include:

- economic growth
- demand for commodities
- new vehicle sales
- container volumes
- agri volumes/weather
- industrial relations
- interest rate
- Australian Dollar

Qube seeks to reduce the impact of these risks on its earnings occurring through its detailed operating and financial policies and systems as well as by diversifying its activities by product, customer and geography.

Safety

Qube continued to improve its safety performance with the lost time injury frequency rate decreasing by around 30%. Further investment was made in implementing new safety systems and training programs to ensure Qube continues to provide a safe work environment. This included a comprehensive review and assessment of processes and procedures relating to Chain of Responsibility (COR) and implementation of appropriate steps towards compliance including:

- completing legal compliance reviews across Qube, relating to COR;
- reviewing business practices and ensuring Qube's work practices comply;
- training staff to ensure they understand their obligations around COR;
- conducting audits/spot checks to ensure compliance; and
- reviewing commercial arrangements to ensure they do not place the business in breach of COR laws.

REVIEW OF OPERATIONS (CONT.)

Summary and Outlook

Qube's record financial results again demonstrated the benefits of a focussed strategy targeting the import and export supply chains within Australia where Qube's management has an unrivalled track record and expertise in providing innovative, valuable and reliable logistics solutions to its customers.

Qube invested in both operating divisions to ensure it delivers superior customer service, its assets are reliable and efficient, its facilities are of sufficient scale and quality, and it can provide comprehensive integrated logistics solutions.

The success of this strategy over a number of years has seen Qube's business continue to evolve into a much higher quality operation with a solid base business and a broad range of significant long-term growth options. This has enabled both operating divisions to report record revenue and earnings as well as margin improvement despite a challenging macroeconomic environment.

The substantial investment that Qube has undertaken to build scale has also placed Qube in a very strong position to benefit from any improvement in economic conditions and underlying volumes.

Qube expects to continue to invest in facilities, equipment and acquisitions to provide reliable, innovative logistics solutions, and to support diversification, scale and growth.

Qube will also focus on progressing plans for the development of the Moorebank precinct into a major logistics hub with the objective of delivering the optimal outcome for the precinct.

Qube expects to deliver another record result in FY15 with continued growth in revenue and earnings in both operating divisions flowing through to strong growth in underlying earnings per share. This assumes no material adverse change in economic conditions.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

During the period, no matter or circumstance has arisen that has significantly affected the Group's operations, results or state of affairs.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 1 July 2014 the Group acquired 100% of Oztran Aust. Pty Ltd, Oztran Assets Pty Ltd and Stanton Oztran Pty Ltd together with certain equipment assets ('Oztran'). Oztran is a bulk haulage transport business based in Port Hedland Western Australia. The purchase price for Oztran was approximately $25.1 million with a further maximum amount of $9.0 million in contingent consideration payable subject to Oztran business outcomes and performance thresholds over a 3 year period.

On 4 August 2014 the Group entered into an agreement with Aurizon to acquire 100% of CRT Group (CRT). CRT provides specialised bulk freight haulier services including handling, packaging, warehousing and distribution to the Australian polymer, food and industrial sectors and has a national network of depots, warehouses and container parks.
CRT employs approximately 250 people and has an annual turnover (revenue) of approximately $100 million. The purchase is subject to a number of conditions with settlement expected in or about October 2014.

Except for the new acquisitions discussed above no matter or circumstance has arisen since the end of the financial year that has significantly affected, or may significantly affect:

(a) the Group's operations in future financial years, or

(b) the results of those operations in future financial years, or

(c) 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.

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 Environment, Health and Safety 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

- Consolidated Media Holdings Limited – from 8 March 2006 to 19 November 2012
- 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

Member of the Nomination and Remuneration Committee

Sam Kaplan

Deputy Chairman – Non-executive director

Experience and expertise

Mr Kaplan is managing director of Kaplan Funds Management Pty Limited, the investment manager of Qube from its establishment in 2006 until the Qube Restructure in September 2011.

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

Mr Kaplan was one of the founders of Patrick Corporation and was involved in strategic planning with the company. During his tenure at Patrick Corporation, 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 Nomination and Remuneration Committee

Chair of Audit and Risk Management Committee

Maurice James

Managing Director

Experience and expertise

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

Mr James spent 12 years at Patrick Corporation with his last position being Executive Director, Ports.

Prior to Patrick, Mr James spent 15 years at the Port of Melbourne Corporation where his last position was Manager, Commercial Operations.

Mr James is a non-executive director of Coates Group Holdings Pty Limited.

Mr James is a member of the Victorian Government's Ministerial Freight Advisory Council and the NSW Freight Advisory Council.

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 Taverners Group. He has over 20 years' experience as an accountant and investment manager previously having worked for BDO Chartered Accountants, Brierley Investments Limited and Guinness Peat Group.

Mr Burney is chairman of Oncard International Limited and a director of Ruralco Holdings Limited.

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

Directorships of listed companies held during the last three years

- MSF Sugar Limited – from February 2006 to 8 September 2011
- Customers Limited – from November 2010 to 4 July 2012
- Oncard International Limited – from May 2010 to current
- Ruralco Holdings Limited – from 1 September to current

Special responsibilities

Member of the Audit and Risk Management Committee

Allan Davies

Non-executive director

Experience and expertise

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

Directorships of listed companies held during the last three years

- Executive director of Whitehaven Coal Limited – from 25 February 2009 to 1 November 2012
- Non-executive director of QR National Limited (renamed Aurizon Limited) – from 19 February 2009 to 13 December 2011
- Non-executive director of King Island Scheelite Limited – from 30th September 2013 to current

Special responsibilities

Chair of the Safety, Health and Environment Committee

Member of the Audit and Risk Management Committee

Peter Dexter AM

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 chairman/director of the Wilhelmsen Group companies operating in Australia.

Prior to his non-executive roles with the Wilhelmsen Group companies, he served as 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 the Safety, Health and Environment Committee

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 the 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, 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 the Safety, Health and Environment Committee

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 a director of Qube on 7 November 2011.

Directorships of listed companies held during the last three years

None

Special responsibilities

Alternate director for Peter Dexter

Yoshiaki Kato

Alternate non-executive director

Experience and expertise

Mr Kato has more than 29 years' experience in the shipping industry. Mr Kato has been with Kawasaki Kisen Kaisha, Ltd ("K" Line) since April 1985 and with "K" Line (Australia) Pty Limited since April 2013.

Mr Kato was appointed as a director of Qube on 22 April 2013.

Directorships of listed companies held during the last three years

None

Special responsibilities

Alternate director for Alan Miles

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 a director of Qube on 7 November 2011.

Other current directorships

- Non-executive director of Coates Group Holdings Pty Limited
- Non-executive director of Healthscope Holdings Pty Limited

Directorships of listed companies held during the last three years

None

Special responsibilities

Alternate director for Robert Dove

Chief Financial Officer

The Chief Financial Officer is Mr Paul Lewis. He has been involved with Qube since its establishment, 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. Mr Hara worked as General Counsel and Company Secretary at Lend Lease from 2007 – 2012.

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:

			Meetings of Committees					
	Full meetings of directors		Audit & Risk Management		Nomination & Remuneration		Safety, Health & Environment	
	A	B	A	B	A	B	A	B
Chris Corrigan	12	11			3	3		
Sam Kaplan	12	12	4	4	3	3		
Maurice James*	12	12					3	2
Ross Burney	12	12	4	4				
Allan Davies	12	12	4	4			3	3
Peter Dexter	12	12					3	3
Robert Dove	12	8			3	3		
Alan Miles	12	12					3	3
Åge Holm	–	–						
Yoshiaki Kato	–	–						
Simon Moore	4	4						

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

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 2014 (FY14).

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 Qube Group's guiding principle for the remuneration of its employees is that a significant portion of total remuneration should be at risk and tied to key metrics that are aligned with strong performance and shareholder wealth creation.

During the year, the Group implemented the enhancements to Qube's remuneration arrangements summarised in last year's remuneration report. The Committee believes that these enhancements were very effective in incentivising executives to generate the strong financial performance in the year ending 30 June 2014 and in building long-term shareholder value.

The Qube Group has grown significantly and as at the date of this report is in the top 100 of ASX companies by market capitalisation. To gain assurance that Qube's remuneration arrangements continue to be appropriate, the Committee engaged The Hay Group to undertake a benchmarking study. The study benchmarked the remuneration of Qube's Managing Director and other key management personnel against other ASX listed companies by market capitalisation, revenue and operating profit.

The benchmarking study showed that the remuneration levels for Qube's key management personnel were at or below the bottom quartile of comparable companies for fixed remuneration and below the top quartile of comparable companies for total remuneration opportunity. Consistent with Qube's guiding principle for remuneration, only small increases to fixed remuneration are proposed for FY15. Other increases in remuneration opportunity are at-risk and principally in the form of long-term incentives (performance rights).

Qube's reward strategy is to maintain comparatively low fixed remuneration and increase the proportion of remuneration at-risk principally through the short-term and long-term incentive plans. The reward strategy is closely aligned with Qube's growth-orientated strategy.

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 FY14.

Directors and executives disclosed in this report

Name	Position
Non-executive directors	
Chris 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 for Peter Dexter
Yoshiaki Kato	Alternate director for Alan Miles
Simon Moore	Alternate director for Robert Dove
Executive directors	
Maurice James	Managing Director
Other key management personnel	
Paul Digney	MD Logistics division
William Hara	General Counsel & Company Secretary
Paul Lewis	Chief Financial Officer
Don Smithwick	MD Ports & Bulk division

Principles used to determine the nature and amount of executive remuneration

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

For FY14 the executive remuneration framework consisted of total fixed remuneration, cash short-term incentives (with a deferral component) and long-term incentives.

	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 year.	Executives participate in an STI plan which assesses performance against financial and non-financial KPIs 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 that do not vest earlier than 3 years. The key performance conditions are as follows: • 25% of performance rights are subject to a relative total (share price and dividends) shareholder return (TSR) performance condition over the vesting period. • 75% of performance rights are subject to a compound annual growth in earnings per share (CAGR EPS) performance condition over a minimum of 3 financial years.

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 year, Qube engaged The Hay Group to provide a remuneration benchmarking report for the remuneration of the Managing Director, Chief Financial Officer, General Counsel and Business Unit Heads. The comparator groups included the 25 companies listed on ASX above and below Qube by capitalisation, revenue and operating profit. This engagement did not involve The Hay Group providing a 'remuneration recommendation' as defined in section 9B of the *Corporations Act 2001*.

4. 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 FY14, the relative proportions of remuneration (excluding legacy arrangements) 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	33%	33%	33%
Other key management personnel			
Paul Digney	38%	32%	30%
William Hara	40%	30%	30%
Paul Lewis	40%	30%	30%
Don Smithwick	40%	30%	30%

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 as well as 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 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.

4. EXECUTIVE REMUNERATION FRAMEWORK (CONT.)

Short-term incentives (STIs) (CONT.)

For FY15, enhancements have been made to the STI arrangements for the Managing Director, the KMP and other senior executives. These include:

- the remuneration mix has been re-weighted further to place an even greater proportion of remuneration at risk consistent with Qube's growth oriented strategy and to align executive's interests with those of our shareholders; and
- from FY15 onwards, executives can elect to take all or the deferred portion of any STI payment in Qube shares. Previously, any STI payment could only be made in cash. This change both incentivises employees to deliver the Group's strategy and is aligned with shareholder wealth creation.

Managing Director:			Other Key Management Personnel:		
KPI	Weighting	Measure	KPI	Weighting	Measure
Financial Performance	50%	Achieve and exceed Group underlying financial targets predominately NPAT but also including the following metrics: • EBIT • NPBT • Return on average capital employed (ROACE)	Financial Performance (including divisional targets)	30-40%	Achieve and exceed Group and divisional underlying financial targets, which include the following metrics: • EBIT • EBIT margin • NPBT • NPAT • Return on average capital employed (ROACE)
Strategy & Growth	35%	Achievement of financial and strategic objectives from major capital investment and acquisitions.	Strategy & Growth	20-45%	Achievement of financial and strategic objectives from major capital investment and acquisitions. Delivery on key divisional business projects including target growth in volumes and securing key contracts. Ensure an appropriate mix between funding and associated costs to support growth. Provide an effective contribution to Group-wide projects.
People & Leadership	5%	Employee engagement, including strategies used for the retention of talent and the promotion of a performance related culture.	People & Leadership	5-10%	Employee engagement, including strategies used for the retention of talent and the promotion of a performance related culture.
Business & Operations	10%	Operational targets such as driving improvements and delivery against key priorities for Board Committees. Effective stakeholder, Board and investor management.	Business & Operations	10-40%	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.

4. EXECUTIVE REMUNERATION FRAMEWORK (CONT.)

Short-term incentives (STIs) (CONT.)

Determination of FY14 STI Awards

Financial KPIs

Qube's FY14 financial performance exceeded targets with 100% of the STI relating to financial performance measures awarded to the Managing Director and to the KMP in corporate roles. However, the Managing Directors of both divisions did not meet all their respective divisional financial targets and an average 68% of the STI relating to financial performance measures was awarded.

Non-Financial KPIs

The Managing Director was awarded approximately 48% of the target STI relating to non-financial measures reflecting the effective management of growth projects, effective capital management and the management of various stakeholders. The STI awarded also reflected the continuing improvement in safety performance. STI targets relating to the achievement of strategic objectives were not met in full.

The other KMP were awarded approximately 82% of target STI relating to non-financial measures largely reflecting the success in securing new contracts, effective management of growth projects and continuing improvements in safety performance. STI targets relating to other growth projects were not met in full.

Long-term incentives (LTIs)

During FY14 Qube granted LTIs in the form of Performance Rights to incentivise and retain key executives to achieve share value based objectives that are subject to performance conditions tied directly to shareholder wealth creation.

The key terms and conditions for the FY14 grant are described below:

Participation	The Managing Director, other KMP and other executives who can directly influence the performance of Qube.
Valuation Date	9 September 2013
Grant Date	9 September 2013
Instrument	Performance Right (representing an entitlement to one ordinary Qube share) on achievement of certain performance conditions.
Performance Condition	25% of Performance Rights are subject to a Total Shareholder Return Hurdle (TSR Performance Rights) and 75% are subject to an Earnings Per Share Hurdle (EPS Performance Rights)
Exercise Price	$nil
Performance Period	3 years to 9 September 2016 (with retesting annually to 9 September 2018 for any EPS Performance Rights that have not vested and tested over the extended period)
Vesting Date	9 September 2016 (with retesting annually to 9 September 2018 for EPS Performance Rights only)
Expiry Date	TSR Performance Rights: 9 September 2016 EPS Performance Rights: 9 September 2018
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 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 will vest depending upon Qube's underlying EPS performance during the relevant performance period. If Qube's CAGR in EPS for the relevant performance period (based on the respective 30 June reported financial results) is: • less than the minimum EPS target, no EPS Performance Rights 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.

4. EXECUTIVE REMUNERATION FRAMEWORK (CONT.)

Long-term incentives (LTIs) (CONT.)

For FY15, Performance Rights under the LTI Plan are expected to be subject to a Total Shareholder Return hurdle and an Earnings Per Share hurdle.

The Committee believes that earnings per share growth is closely aligned to wealth creation for Qube shareholders and should be given a greater weighting as a performance condition than total shareholder return which assesses Qube's share price and dividend performance relative to other companies.

The Committee also believes that an EPS performance condition for cumulative growth in underlying EPS over a minimum 3 year period should be set at a high but achievable hurdle to both incentivise executives and deliver strong shareholder returns.

Prior to the introduction of Performance Rights, Qube's LTI plan that applied up to and including FY13 was the ELTIP. The key terms and conditions of the ELTIP were described in the FY13 Remuneration Report.

Legacy arrangements

A legacy plan known as The Shadow Equity Plan will remain in place until December 2014 however no further grants will occur under that plan. The terms of the Shadow Equity Plan in the FY13 Remuneration Report are unchanged.

5. 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 2014 $'000	30 June 2013 $'000	30 June 2012* $'000	30 June 2011* $'000	30 June 2010* $'000
Revenue from sales and services	**1,173,677**	1,027,212	776,818	190,782	N/A
Profit for the year attributable to owners of Qube Holdings Limited	**87,909**	77,343	(2,525)	61,838	24,324

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

	30 June 2014	30 June 2013	30 June 2012	30 June 2011	30 June 2010
Dividend/Distribution per share/unit (cents)	**5.1¢**	4.5¢	4.1¢	3.8¢	3.5¢
Dividend payout ratio (%)	**55%**	56%	58%	N/A	N/A
Total KMP incentives as a percentage of underlying/adjusted EBITDA for the year (%)	**1.2%**	1.2%	3.6%	N/A	N/A

6. 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 the Qube Group's STI and LTI plans. Other key provisions of the agreements relating to remuneration are set out below.

The service agreements for the MD of the 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 agreements for the Managing Director and the MD of the Ports & Bulk Division's provide for 6 months' notice by the executive and 12 months' notice by the company.

Name	Term of agreement	Fixed remuneration including superannuation *	Termination benefit **
Maurice James, *Managing Director*	On-going commencing 1 September 2011	$728,000 per annum	12 months base salary
Paul Digney, *MD Logistics division*	On-going commencing 1 September 2011	$446,366 per annum	6 months base salary
William Hara, *Company Secretary*	On-going commencing 21 January 2013	$400,000 per annum	6 months base salary
Paul Lewis, *Chief Financial Officer*	On-going commencing 1 September 2011	$386,573 per annum	6 months base salary
Don Smithwick, *MD Ports & Bulk division*	On-going commencing 1 September 2011	$603,185 per annum	12 months base salary

* Base salaries quoted are for FY14; 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.

7. 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 following per annum fees have applied from 1 January 2013.

	Base Fee $	Audit & Risk Management Committee $	Safety, Health & Environment Committee $	Nomination & Remuneration Committee $
Chairman	185,000	–	–	–
Deputy Chairman	140,000	–	–	–
Non-executive director	85,000	–	–	–
Committee Chairman	–	35,000	25,000	25,000
Committee Member	–	17,500	12,500	12,500

7. NON-EXECUTIVE DIRECTORS (CONT.)

Directors' fees (CONT.)

The allocation of fees for FY14 based on responsibility per non-executive director are as follows:

	Board Fees			Board Committee Fees: Audit & Risk Management		Board Committee Fees: Safety, Health & Environment		Board Committee Fees: Nomination & Remuneration		
	Chair $	Deputy Chair $	Base Director $	Chair $	Member $	Chair $	Member $	Chair $	Member $	Total $
Chris Corrigan	185,000	–	–	–	–	–	–	–	12,500	197,500
Sam Kaplan	–	140,000	–	35,000	–	–	–	25,000	–	200,000
Ross Burney	–	–	85,000	–	17,500	–	–	–	–	102,500
Allan Davies	–	–	85,000	–	17,500	25,000	–	–	–	127,500
Peter Dexter	–	–	85,000	–	–	–	12,500	–	–	97,500
Robert Dove	–	–	85,000	–	–	–	–	–	12,500	97,500
Alan Miles	–	–	85,000	–	–	–	12,500	–	–	97,500
Åge Holm	–	–	–	–	–	–	–	–	–	–
Yoshiaki Kato	–	–	–	–	–	–	–	–	–	–
Simon Moore	–	–	–	–	–	–	–	–	–	–
	185,000	140,000	425,000	35,000	35,000	25,000	25,000	25,000	25,000	920,000

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.

Director's interests

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

	Opening balance as at 1 July 2013	Held at time of becoming a Director	Dividend reinvestment	Disposed	Other changes	Balance as at 30 June 2014*	Balance as at date of report*
Chris Corrigan	15,993,553	–	–	(5,000,000)	–	10,993,553	10,993,553
Sam Kaplan	[A]11,431,696	–	–	–	–	[A]11,431,696	[A]11,431,696
Maurice James	5,870,855	–	–	–	7,076	5,877,931	5,877,931
Ross Burney	–	–	–	–	–	–	–
Allan Davies	2,595,795	–	–	–	14,152	2,609,947	2,609,947
Peter Dexter	175,000	–	–	–	11,793	186,793	186,793
Robert Dove	–	–	–	–	–	–	–
Alan Miles	5,600	–	–	–	–	5,600	5,600
Åge Holm	–	–	–	–	–	–	–
Yoshiaki Kato	–	–	–	–	–	–	–
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.

[A] – 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.

8. STATUTORY REMUNERATION DISCLOSURES

Total amounts of remuneration

Details of the remuneration of the directors and the key management personnel of the Group are set out in the following tables.

2014	Short-term employee benefits			Post employ-ment benefits	Long-term benefits	Equity based payments		
Name	Cash salary and fees $	Cash bonus[A] $	Non-monetary benefits $	Super-annuation $	Long service leave $	LTI $	Legacy schemes $	Total $
Non-executive directors								
Chris Corrigan	145,995	–	25,000	26,505	–	–	–	197,500
Sam Kaplan	183,066	–	–	16,934	–	–	–	200,000
Ross Burney	93,822	–	–	8,678	–	–	–	102,500
Allan Davies	116,705	–	–	10,795	–	–	–	127,500
Peter Dexter	89,245	–	–	8,255	–	–	–	97,500
Robert Dove	97,500	–	–	–	–	–	–	97,500
Alan Miles	89,245	–	–	8,255	–	–	–	97,500
Åge Holm	–	–	–	–	–	–	–	–
Yoshiaki Kato	–	–	–	–	–	–	–	–
Simon Moore	–	–	–	–	–	–	–	–
Sub total Non-executive directors	**815,578**	**–**	**25,000**	**79,422**	**–**	**–**	**–**	**920,000**
Executive directors								
Maurice James	710,225	431,250	–	17,775	–	387,140	–	1,546,390
Other key management personnel								
Paul Digney	430,290	142,500	–	16,076	4,132	109,449	354,078	1,056,525
William Hara	382,225	217,500	3,183	17,775	–	130,405	–	751,088
Paul Lewis	361,573	206,250	3,183	25,000	7,627	110,027	–	713,660
Don Smithwick	603,180	315,000	3,183	–	–	130,520	102,053	1,153,936
Total key management personnel compensation (Group)	**3,303,071**	**1,312,500**	**34,549**	**156,048**	**11,759**	**867,541**	**456,131**	**6,141,599**

A – Cash bonus represents 75% of the approved FY14 STI, a further $448,750 will be paid in FY15 subject to certain conditions being met.

8. STATUTORY REMUNERATION DISCLOSURES (CONT.)

Total amounts of remuneration (CONT.)

2013	Short-term employee benefits			Post employment benefits	Long-term benefits	Equity based payments		
Name	Cash salary and fees $	Cash bonus $	Non-monetary benefits $	Super-annuation $	Long service leave $	LTI $	Legacy schemes $	Total $
Non-executive directors								
Chris Corrigan	116,514	–	38,000	10,486	–	–	–	165,000
Sam Kaplan	183,118	–	–	13,757	–	–	–	196,875
Ross Burney	80,275	–	–	7,225	–	–	–	87,500
Allan Davies	100,344	–	–	9,031	–	–	–	109,375
Peter Dexter	83,716	–	–	7,534	–	–	–	91,250
Robert Dove	85,000	–	–	–	–	–	–	85,000
Alan Miles	22,362	–	–	2,013	–	–	–	24,375
Yutaka Nakagawa*	60,625	–	–	–	–	–	–	60,625
Åge Holm	–	–	–	–	–	–	–	–
Alan Miles	–	–	–	–	–	–	–	–
Simon Moore	–	–	–	–	–	–	–	–
Sub total Non-executive directors	**731,954**	**–**	**38,000**	**50,046**	**–**	**–**	**–**	**820,000**
Executive directors								
Maurice James	713,900	477,750	–	14,100	–	306,653	–	1,512,403
Other key management personnel								
Paul Digney	428,273	120,000	–	19,270	12,540	71,597	255,979	907,659
William Hara[B]	173,080	90,000	1,296	7,432	–	143,195	–	415,003
Paul Lewis	357,030	169,943	2,956	16,470	20,498	108,555	–	675,452
Don Smithwick	603,180	281,989	2,956	–	–	71,597	73,779	1,033,501
Total key management personnel compensation (Group)	**3,007,417**	**1,139,682**	**45,208**	**107,318**	**33,038**	**701,597**	**329,758**	**5,364,018**

* – Resigned 1 April 2013

[B] – Joined the company 21 January 2013

For FY14, 50% of the cash bonuses to KMP are to be paid after the audit of the financial results is completed which would be in the financial year immediately following the financial year to which the bonus relates. The remaining 50% is deferred for one year.

For FY13, all of the cash bonuses to KMP were paid after the audit of the financial results was completed.

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 FY14 is set out in the following pages.

8. STATUTORY REMUNERATION DISCLOSURES (CONT.)

Equity settled compensation

Performance Rights

During FY14 Qube made one grant of Performance Rights to eligible senior executives. The terms and conditions of the FY14 grant of Performance Rights affecting remuneration in the current or a future reporting periods are as follows:

Grant Date	Vesting date	Expiry date**	Issue price	Value per right at Grant Date	Target Hurdle*	Performance achieved	% Vested
FY14 Performance Rights issue							
TSR hurdle – 25% of issue							
9 Sept 2013	9 Sept 2016	9 Sept 2016	–	$1.775	TSR ranking at or above the 75th percentile at the end of the vesting period.	–	–
EPS hurdle – 75% of issue							
9 Sept 2013	9 Sept 2016	9 Sept 2018	–	$1.775	Compound Annual Growth Rate (CAGR) over the vesting period in EPS of 9%.	–	–

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

**- Last possible Vesting Date.

Details of Performance Rights the company provided as remuneration to Qube Directors and KMP are set out below.

Name	Held at 1 July	Granted during the year	Fair value of Performance Rights granted ($)*	Amount expensed during the year ($)	Vested during the year	Transferred during the year	Lapsed during the year	Held at 30 June
Directors of Qube Holdings Limited								
Maurice James	–	388,536	689,651	153,390	–	–	–	388,536
Other key management personnel of the Group								
Paul Digney	–	192,133	341,036	75,852	–	–	–	192,133
William Hara	–	160,111	284,197	63,210	–	–	–	160,111
Paul Lewis	–	154,774	274,724	61,103	–	–	–	154,774
Don Smithwick	–	245,504	435,770	96,923	–	–	–	245,504

*The value at Grant Date calculated in accordance with AASB 2 Share-Based Payment of options granted during the year as part of remuneration.

The assessed fair value at the date the Performance Rights 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 as follows:

TSR Performance Rights

For the TSR Performance Rights a Monte Carlo simulation based model has been used to test the likelihood of attaining the TSR 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 TSR Performance Rights.

EPS Performance Rights

For the EPS Performance Rights 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 Hurdle has not been included.

8. STATUTORY REMUNERATION DISCLOSURES (CONT.)

Equity settled compensation (CONT.)

ELTIP

In addition to the 2012 ELTIP issue on 1 September 2011, Qube made two additional issues under the ELTIP for FY13, one on 29 June 2012 for senior executives other than the Managing Director, and another to the Managing Director on 14 November 2012 following approval by shareholders.

The terms and conditions of each grant of the 2012 and 2013 ELTIP affecting remuneration in the current or a future reporting period are as follows:

Grant Date	Vesting Date	Expiry Date**	Issue Price	Value per Share at Grant Date	Target Hurdle*	Perfor-mance Achieved	% Vested
FY12 ELTIP issue							
ASR increase > 10% compound							
1 Sept 2011	31 Aug 2012	30 Nov 2014	$1.3575	$0.21	$1.4933	Y	100
1 Sept 2011	31 Aug 2013	30 Nov 2014	$1.3575	$0.26	$1.6426	Y	100
1 Sept 2011	31 Aug 2014	30 Nov 2014	$1.3575	$0.27	$1.8068	–	–
EPS increase > 11% compound							
1 Sept 2011	31 Aug 2013	30 Nov 2014	$1.3575	$0.20	$0.0789	Y	100
1 Sept 2011	31 Aug 2014	30 Nov 2014	$1.3575	$0.17	$0.0875	–	–
FY13 ELTIP issue							
ASR increase > 10% compound							
29 June 2012	29 June 2013	28 Sept 2015	$1.5135	$0.24	$1.6649	Y	100
29 June 2012	29 June 2014	28 Sept 2015	$1.5135	$0.29	$1.8313	Y	100
29 June 2012	29 June 2015	28 Sept 2015	$1.5135	$0.29	$2.0145	–	–
14 Nov 2012	29 June 2013	28 Sept 2015	$1.5448	$0.20	$1.6649	Y	100
14 Nov 2012	29 June 2014	28 Sept 2015	$1.5448	$0.26	$1.8313	Y	100
14 Nov 2012	29 June 2015	28 Sept 2015	$1.5448	$0.28	$2.0145	–	–
EPS increase > 11% compound							
29 June 2012	29 June 2013	28 Sept 2015	$1.5135	$0.22	$0.0789	Y	100
29 June 2012	29 June 2014	28 Sept 2015	$1.5135	$0.20	$0.0875	Y	100
29 June 2012	29 June 2015	28 Sept 2015	$1.5135	$0.18	$0.0972	–	–
14 Nov 2012	29 June 2013	28 Sept 2015	$1.5448	$0.19	$0.0789	Y	100
14 Nov 2012	29 June 2014	28 Sept 2015	$1.5448	$0.18	$0.0875	Y	100
14 Nov 2012	29 June 2015	28 Sept 2015	$1.5448	$0.17	$0.0972	–	–

* – For the ASR hurdle it is prior to adjustment for dividends. For the EPS hurdle, the target is based on the financial year ended 30 June.

** – Last possible Vesting Date.

The plan rules contain a restriction on removing the ‘at risk’ aspect of the instruments granted to executives. Plan participants may not enter into any transaction designed to remove the ‘at risk’ aspect of an instrument before it vests.

8. STATUTORY REMUNERATION DISCLOSURES (CONT.)

Equity settled compensation (CONT.)

ELTIP (CONT.)

Details of ELTIP shares in the company provided as remuneration to Qube Directors and key management personnel are set out below.

Name	Held at 1 July	Granted during the year	Fair value of Plan Shares granted ($)*	Amount expensed during the year ($)	Vested during the year	Trans-ferred during the year	Lapsed during the year	Held at 30 June
Directors of Qube Holdings Limited								
Maurice James	4,000,000	–	–	$233,750	1,333,333	–	–	4,000,000
Other key management personnel of the Group								
Paul Digney	500,000	–		$33,597	166,666	–	–	500,000
William Hara	1,000,000	–		$67,194	333,334	–	–	1,000,000
Paul Lewis	1,000,000		–	$48,924	333,332	–	–	1,000,000
Don Smithwick	500,000	–		$33,597	166,666	–	–	500,000

* The value at Grant Date calculated in accordance with AASB 2 Share-Based Payment of options granted during the year as part of remuneration.

The assessed fair value at Grant Date of Plan Shares granted to the individual is allocated over the period from Grant Date to Vesting Date, and the amount is included in the remuneration tables above. Fair values at Grant Date are independently determined using a Monte Carlo simulation pricing model that takes into account the loan value, the term, the share price at Grant Date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term.

Cash settled compensation

Legacy arrangements

The terms and conditions of each grant of shares under the Shadow Equity Plan and Equity Growth Plan affecting remuneration in the current or a future reporting period are as follows:

Shadow Equity Plan

Name	Year	Capable of Vesting %	Fair value of notional shares granted $	Forfeited %	Financial years in which notional shares may vest	Amount expensed during the year $
Paul Digney	FY 2012	–	1,062,234	–	2011/2012	192,075
	FY 2013	–	–	–	2012/2013	354,078
	FY 2014	–	–	–	2013/2014	354,078
	FY 2015	100%	–	–	2014/2015	162,003
Don Smithwick	FY 2012	–	306,159	–	2011/2012	55,360
	FY 2013	–	–	–	2012/2013	102,053
	FY 2014	–	–	–	2013/2014	102,053
	FY 2015	100%	–	–	2014/2015	46,693

The assessed fair value at Grant Date under the Shadow Equity Plan, granted to the individual is allocated equally over the period from Grant Date to Vesting Date, and the amount is included in the remuneration tables above. Fair values at Grant Date are determined using a valuation methodology approved by the Committee that takes into account the share price at Grant Date, expected price volatility of the underlying shares and the expected dividend yield over the term.

8. STATUTORY REMUNERATION DISCLOSURES (CONT.)

Equity Growth Bonus Plan

Name	Year	Vested %	Amount expensed during the year $	Forfeited %	Year payable	Amount payable
Paul Digney	FY 2012	100%	1,300,000	–	2012	–
	FY 2013	–	–	–	2013	650,000
	FY 2014	–		–	2014	650,000
Don Smithwick	FY 2012	100%	1,300,000	–	2012	–
	FY 2013	–	–	–	2013	650,000
	FY 2014	–		–	2014	650,000

The Equity Growth Bonus Plan fair value granted to the individual is equivalent to the cash bonus agreed on terminating the scheme. The impact of discounting for future payments was considered insignificant.

Messrs James, Lewis and Hara did not participate in these legacy arrangements.

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

2014 Name	Balance at the start of the year	Granted as compensation	Exercised (options)/ vested rights	Other changes	Vested and exercisable	Balance at the end of the year	Unvested
Maurice James	–	388,536	–	–	–	388,536	388,536
Paul Digney	–	192,133	–	–	–	192,133	192,133
William Hara	–	160,111	–	–	–	160,111	160,111
Paul Lewis	–	154,774	–	–	–	154,774	154,774
Don Smithwick	–	245,504	–	–	–	245,504	245,504

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

b) Ordinary share holdings

2014 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	5,870,855	–	7,076	5,877,931
Paul Digney	2,962,573	–	(2,241,157)	721,416
William Hara	1,000,000	–	–	1,000,000
Paul Lewis	1,150,000	–	(150,000)	1,000,000
Don Smithwick	2,701,854	–	(369,745)	2,332,109

8. STATUTORY REMUNERATION DISCLOSURES (CONT.)

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) Aggregates for key management personnel

2014	Balance at the start 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 $
	11,067,502	–	(600,000)	359,279		10,467,502	5

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

2014	Balance at the start 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 $	Highest indebtedness during the year $
Maurice James*	5,804,600	–	–	188,000	–	5,804,600	5,804,600
Paul Digney*A	1,557,152	–	(600,000)	53,779	–	957,152	1,557,152
William Hara*	1,513,500	–	–	47,000	–	1,513,500	1,513,500
Paul Lewis*	1,435,500	–	–	47,000	–	1,435,500	1,435,500
Don Smithwick*	756,750	–	–	23,500	–	756,750	756,750

* – 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.

A – Mr Digney's closing loan balance also includes $200,402 in employee loans provided by Qube Logistics (Aust) Pty Limited.

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

Other transactions with key management personnel

Aggregate amounts of each of the above types of other transactions with key management personnel of Qube Holdings Limited:

	2014 $	2013 $
Amounts recognised as revenue		
Director fees	**60,000**	97,900

Aggregate amounts of assets at the end of each reporting period relating to the above types of other transactions with key management personnel of the Group:

	2014 $	2013 $
Non-current assets	**200,402**	800,402

LOANS TO DIRECTORS AND EXECUTIVES

Information on loans to directors and executives, including amounts, interest rates and repayment terms are set out on page 42.

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 its 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:

	2014 $	2013 $
Non-audit services		
Taxation services		
PwC Australian firm:		
Tax compliance services	**135,810**	126,336
Tax consulting services	**21,190**	71,770
Total remuneration for taxation services	**157,000**	198,106
Other services		
Other services	**9,173**	10,000
Total remuneration for non-audit services	**166,173**	208,106

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 45.

Rounding of amounts

The Group is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that Class Order 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.

S. Kaplan

Sam Kaplan
Director
SYDNEY
21 August 2014

AUDITOR'S INDEPENDENCE DECLARATION

Auditor's Independence Declaration

As lead auditor for the audit of Qube Holdings Limited for the year ended 30 June 2014, I declare that to the best of my knowledge and belief, there have been:

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

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

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

N R McConnell
Partner
PricewaterhouseCoopers

Sydney
21 August 2014

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2014

	Notes	2014 $'000	2013 $'000
Revenue from continuing operations			
Revenue from sales and services	5	**1,173,677**	1,027,212
Other income	6	**49,515**	54,912
		1,223,192	1,082,124
Direct transport and logistics costs		**(305,040)**	(272,884)
Repairs and maintenance costs		**(77,591)**	(59,157)
Employee benefits expense	7	**(427,643)**	(384,687)
Fuel, oil and electricity costs		**(104,726)**	(83,120)
Occupancy and property costs		**(62,641)**	(62,962)
Depreciation and amortisation expense	7	**(69,914)**	(58,975)
Professional fees		**(10,450)**	(9,235)
Other expenses	7	**(21,634)**	(23,959)
Total expenses		**(1,079,639)**	(954,979)
Finance income		**1,963**	2,662
Finance costs	7	**(29,186)**	(35,412)
Net finance costs		**(27,223)**	(32,750)
Share of net profit of associates accounted for using the equity method		**10,336**	15,536
Profit before income tax		**126,666**	109,931
Income tax expense	8	**33,335**	28,861
Profit for the period		**93,331**	81,070
Other comprehensive income net of tax:			
Items that may be reclassified to profit or loss		**–**	–
Items that will not be reclassified to profit or loss		**–**	–
Total comprehensive income for the period		**93,331**	81,070
Total comprehensive income for the period is attributable to:			
Owners of Qube Holdings Limited		**87,909**	77,343
Non-controlling interests		**5,422**	3,727
		93,331	81,070

		Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic earnings per share	41	**9.2**	8.4
Diluted earnings per share	41	**9.2**	8.4

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

CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2014

	Notes	2014 $'000	2013 $'000
ASSETS			
Current assets			
Cash and cash equivalents	9	**111,671**	57,729
Trade and other receivables	10	**196,250**	165,847
Inventories	11	**2,716**	3,511
Total current assets		**310,637**	227,087
Non-current assets			
Trade and other receivables	14	**948**	2,649
Financial assets at fair value through profit or loss	12	**828**	840
Investments accounted for using the equity method	15	**194,430**	197,424
Property, plant and equipment	16	**639,887**	513,622
Investment properties	17	**308,500**	293,431
Intangible assets	19	**606,740**	605,137
Other assets		**728**	728
Total non-current assets		**1,752,061**	1,613,831
Total assets		**2,062,698**	1,840,918
LIABILITIES			
Current liabilities			
Trade and other payables	20	**111,174**	96,337
Borrowings	21	**16,969**	18,169
Derivative financial instruments	13	**19**	449
Current tax payable		**21,947**	10,234
Provisions	22	**57,322**	52,764
Deferred revenue		**21,161**	3,006
Total current liabilities		**228,592**	180,959
Non-current liabilities			
Trade and other payables	20	**6,781**	2,668
Borrowings	23	**372,350**	502,781
Derivative financial instruments	13	**1,880**	1,274
Deferred tax liabilities	24	**199**	2,145
Provisions	25	**7,550**	9,008
Total non-current liabilities		**388,760**	517,876
Total liabilities		**617,352**	698,835
Net assets		**1,445,346**	1,142,083
EQUITY			
Contributed equity	26	**1,281,335**	1,031,260
Reserves	27(a)	**(30,898)**	(34,843)
Retained earnings	27(b)	**111,296**	66,240
Capital and reserves attributable to owners of Qube		**1,361,733**	1,062,657
Non-controlling interests	28	**83,613**	79,426
Total equity		**1,445,346**	1,142,083

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2014

	Notes	Attributable to owners of Qube					
		Con-tributed equity $'000	Reserves $'000	Retained earnings $'000	Total $'000	Non-con-trolling interests $'000	Total equity $'000
Balance at 30 June 2012		1,019,583	(34,138)	27,903	1,013,348	77,892	1,091,240
Profit for the year		–	–	77,343	77,343	3,727	81,070
Other comprehensive income		–	–	–	–	–	–
Total comprehensive income for the year		–	–	77,343	77,343	3,727	81,070
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs and tax	26	8,587	–	–	8,587	1,781	10,368
Acquisition of options from management of subsidiaries							
Transactions with non-controlling interests		–	–	–	–	(3,974)	(3,974)
Non-controlling interests acquired							
Dividends/distributions provided for or paid	27(b)	–	–	(39,006)	(39,006)	–	(39,006)
Employee share scheme	27(a)	3,090	(705)	–	2,385	–	2,385
		11,677	(705)	(39,006)	(28,034)	(2,193)	(30,227)
Balance at 30 June 2013		1,031,260	(34,843)	66,240	1,062,657	79,426	1,142,083
Profit for the year		–	–	87,909	87,909	5,422	93,331
Other comprehensive income		–	–	–	–	–	–
Total comprehensive income for the year		**–**	**–**	**87,909**	**87,909**	**5,422**	**93,331**
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs and tax	26	**256,151**	**–**	**–**	**256,151**	**2,544**	**258,695**
Acquisition of treasury shares	26(c)	**(6,076)**	**–**	**–**	**(6,076)**	**–**	**(6,076)**
Transactions with non-controlling interests		**–**	**–**	**–**	**–**	**(3,779)**	**(3,779)**
Dividends provided for or paid	27(b)	**–**	**–**	**(42,853)**	**(42,853)**	**–**	**(42,853)**
Employee share scheme	27(a)	**–**	**3,945**	**–**	**3,945**	**–**	**3,945**
		250,075	**3,945**	**(42,853)**	**211,167**	**(1,235)**	**209,932**
Balance at 30 June 2014		**1,281,335**	**(30,898)**	**111,296**	**1,361,733**	**83,613**	**1,445,346**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2014

	Notes	2014 $'000	2013 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**1,324,404**	1,161,652
Payments to suppliers and employees (inclusive of goods and services tax)		**(1,107,658)**	(982,957)
		216,746	178,695
Dividends and distributions received		**6,031**	10,406
Interest received		**1,963**	2,800
Other revenue		**1,346**	-
Interest paid		**(29,645)**	(35,943)
Income taxes paid		**(23,289)**	(11,139)
Net cash inflow from operating activities	40	**173,152**	144,819
Cash flows from investing activities			
Payment for acquisition of subsidiary, net of cash acquired	35	**(42,012)**	(47,132)
Payments for property, plant and equipment	16	**(138,902)**	(175,111)
Payments for investment property development expenditure	17	**(2,729)**	(5,476)
Payments for additional investment in associates		**(2,250)**	(20,000)
Payments for settlement of contingent consideration on acquisitions		**(4,635)**	(5,500)
Loans to related entities		**(800)**	(291)
Loan repayments from related entities		**1,100**	–
Proceeds from sale of property, plant and equipment		**6,155**	4,331
Net cash outflow from investing activities		**(184,073)**	(249,179)
Cash flows from financing activities			
Proceeds from issues of shares and other equity securities		**247,953**	–
Proceeds from the issue of units to non-controlling interests		**2,544**	1,781
Share issue transaction costs		**(3,505)**	–
Payments for Treasury Shares		**(6,076)**	–
Proceeds from borrowings		**112,500**	253,992
Repayment of borrowings		**(229,000)**	(153,318)
Finance lease payments		**(21,467)**	(23,054)
Dividends paid to company's shareholders		**(32,202)**	(30,416)
Distributions paid to non-controlling interests		**(5,884)**	(5,461)
Net cash inflow from financing activities		**64,863**	43,524
Net increase/(decrease) in cash and cash equivalents		**53,942**	(60,836)
Cash and cash equivalents at the beginning of the financial year		**57,729**	118,565
Cash and cash equivalents at end of year	9	**111,671**	57,729
Non-cash investing and financing activities	40(a)	**10,650**	11,677

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

1. CORPORATE INFORMATION

The consolidated financial statements of Qube Holdings Limited and its subsidiaries (collectively, the Group) for the year ended 30 June 2014 were authorised for issue in accordance with a resolution of the directors on 21 August 2014.

Qube Holdings Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activities of the Group are described in the directors' report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*. Qube is a for-profit entity for the purpose of preparing the financial statements.

(i) Compliance with IFRS

The consolidated financial statements of Qube also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(ii) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for its annual reporting period commencing 1 July 2013:

- AASB 10 *Consolidated Financial Statements*, AASB 11 *Joint Arrangements*, AASB 12 *Disclosure of Interests in Other Entities*, AASB 128 *Investments in Associates and Joint Ventures*, AASB 127 *Separate Financial Statements* and AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards*
- AASB 2012-10 *Amendments to Australian Accounting Standards – Transition Guidance and other Amendments* which provides an exemption from the requirement to disclose the impact of the change in accounting policy on the current period
- AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13*
- AASB 119 *Employee Benefits (September 2011)* and AASB 2011-10 *Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)*
- AASB 2012-5 *Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle*
- AASB 2012-2 *Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities*

The adoption of AASB 13 has resulted in changes to accounting policy as well as disclosures in the notes to the financial statements. The adoption of the other standards has only affected disclosures in the notes to the financial statements where the impact is considered material.

(iii) Early adoption of standards

The Group has not elected to apply any pronouncements before its operative date in the annual reporting period beginning 1 July 2013.

(iv) Historical cost convention

These financial statements 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.

(v) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

(vi) Comparative information

Consistent with its disclosure at 30 June 2014, the Group has changed the classification of some of its income and major expense items in the statement of comprehensive income to better reflect the operations of the Group. Deferred tax balances have also been offset in the balance sheet as there is a legally enforceable right to offset balances that relate to the same taxation authority. The comparative information has been reclassified accordingly and there is no change to the net result or net assets of the Group.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Qube Holdings Limited ("company" or "parent entity") as at 30 June 2014 and the results of all subsidiaries for the year then ended. Qube Holdings Limited and its subsidiaries together are referred to in these financial statements as the Group or the consolidated entity.

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 2(i)).

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(b) Principles of consolidation (CONT.)

(i) Subsidiaries (CONT.)

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.

(ii) Associates

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 (refer to note 38).

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.

(iii) 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.

(c) Segment reporting

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.

(d) Foreign currency translation

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.

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.

(e) Revenue recognition

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) Provision of services

Revenue earned from the provision of services is recognised on delivery of those services, at the time that a vessel loading or unloading is completed or in accordance with agreed contractual terms in the period to which they relate.

(ii) Storage

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

(f) Other income

Significant classes of other income and their measurement criteria are as follows:

(i) Asset sales

The gain or loss on disposal of assets is recognised when title has transferred on the assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(f) Other income (CONT.)

(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. Other changes in fair value for such instruments are recorded in accordance with the polices described in note 2(n).

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) Rental Income

Rent from investment property is recognised in the statement of comprehensive income on a straight-line basis over the lease term. Rent not received at balance 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.

(iv) Dividends

Dividend income is recognised on the ex-dividend date with any related foreign withholding tax recorded as an expense.

(g) Income tax

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 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.

(i) 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.

(h) Leases

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(h) Leases (CONT.)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases (note 33). 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.

Lease income from operating leases, where the Group is the lessor is recognised in other income on a straight line basis over the lease term (note 17(e)).

(i) Business combinations

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.

(j) Impairment of assets

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 (cash-generating units). 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.

(k) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(l) Trade receivables

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 in accordance with the policy set out in note 2(f). 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(l) Trade receivables (CONT.)

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.

(m) Inventories

Inventories on hand

Inventories are stated at the lower of cost and net realisable value. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Costs are assigned to individual items of inventory on the basis of weighted average costs.

(n) Investments and other financial assets or financial instruments at fair value through profit or loss

Classification

Financial assets at fair value through profit or loss are financial assets held for trading. Assets in this category are classified as current assets if they are expected to settle within 12 months; otherwise they are classified as non-current. The Group's investments comprise of financial instruments designated at fair value through profit or loss upon initial recognition.

These include investments in exchange traded equity instruments.

Financial assets designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with Qube's documented investment strategy.

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade date, the date on which Qube commits to purchase or sell the asset.

Financial assets not carried at fair value through profit or loss are initially recognised at fair value plus transaction costs.

Financial assets carried at fair value through profit or loss are initially brought to account at fair value and transaction costs expensed through profit and loss.

Subsequent to initial recognition, the financial assets at fair value through profit or loss are measured at fair value with changes in their fair value recognised in profit or loss.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Investments that have been brought to account by the Group include interests in listed securities of companies and trusts.

The fair value of financial assets traded in active markets is based on the quoted market price at balance date. The quoted market price used for financial assets held by the Group is the closing bid price. Dividends and other distributions are recognised in profit or loss when entitled.

Measurement

Qube has designated its investments in financial assets and liabilities at fair value (excluding borrowings) through profit or loss. Investments in financial assets and liabilities are revalued at each reporting date, or when there is a change in the nature of the investments or to their fair values in accordance with AASB 139 Financial Instruments: Recognition and Measurement. Changes in the fair values of investments in financial assets and liabilities, both positive and negative, have been recognised in profit or loss for the year.

(o) Derivatives

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.

(p) Property, plant and equipment

All 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(p) Property, plant and equipment (CONT.)

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 assets' 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.

(q) Investment properties

Investment properties principally comprise freehold land that is 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.

(r) Intangible assets

(i) Goodwill

Goodwill is measured as described in note 2(i). Goodwill on acquisitions of businesses is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. 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 cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or group of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segments (note 4).

(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.

(s) Trade and other payables

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.

(t) Borrowings

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 recognised as prepayments 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(u) Borrowing costs

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

(v) Provisions

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.

(w) 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 national government 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 created a constructive obligation.

(v) Employee benefit on-cost

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 the legacy shadow equity plan. 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 shadow equity plan (a legacy scheme that will terminate in December 2014) includes a service based hurdle only. The fair value of the incentives under this scheme is expensed to the profit or loss over the period for which the employee incentive is applicable.

(x) Contributed equity

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.

(y) Dividends

Provision is made for treatment of any dividend declared being 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(z) Earnings per share

(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.

(aa) 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.

(ab) Rounding of amounts

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

(ac) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2014 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) (effective for annual reporting periods beginning on or after 1 January 2017).

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 periods after 1 January 2017.

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.

This standard is not expected to have a material impact on the Group's financial statements.

(ad) Parent entity financial information

The financial information for the parent entity disclosed in note 45 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(ad) Parent entity financial information (CONT.)

(ii) Tax consolidation legislation (CONT.)

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.

(iii) Financial guarantees

Where the parent entity has provided financial guarantees in relation to loans and payables of subsidiaries for no compensation, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of investment.

(iv) Share-based payments

The grant by the company of shares to employees of subsidiary undertakings in the Group is treated as a capital contribution to that subsidiary undertaking. The fair value of employee services rendered, measured by reference to the Grant Date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

(ae) Changes in accounting policy

Fair Value Measurement

AASB 13 *Fair Value Measurement* aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across Australian Accounting Standards. The standard does not extend the use of fair value accounting but provides guidance on how it should be applied where its use is already required or permitted by other Australian Accounting Standards.

Previously the fair value of financial liabilities (including derivatives) was measured on the basis that the financial liability would be settled or extinguished with the counterparty. The adoption of AASB 13 has clarified that fair value is an exit price notion, and as such, the fair value of financial liabilities should be determined based on a transfer value to a third party market participant. As a result of this change, the fair value of derivative liabilities changed on transition to AASB 13, due to incorporating own credit risk into the valuation.

As required under AASB 13, the change to fair value measurements on adoption of the standard is applied prospectively, in the same way as a change in an accounting estimate. As a consequence of the adoption there has been no material impact on the fair value of items recorded in the Group's balance sheet.

Consolidated financial statements and joint arrangements

AASB 10 *Consolidated Financial Statements* was issued in August 2011 and replaces the guidance on control and consolidation in AASB 127 *Consolidated and Separate Financial Statements* and in Interpretation 112 *Consolidation – Special Purpose Entities*.

The Group has reviewed its investments in other entities to assess whether the conclusion to consolidate is different under AASB 10 than under AASB 127. No differences were found and therefore no adjustments to any of the carrying amounts in the financial statements are required as a result of the adoption of AASB 10.

Under AASB 11 *Joint Arrangements*, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group's accounting for its interests in joint ventures and or arrangements was not affected by the adoption of the new standard since the Group had already applied the equity method in accounting for these interests.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2(j). The recoverable amounts of cash generating units have been determined based on value in use calculations. These calculations require the use of assumptions. Refer to note 19 for details of these assumptions and the potential impact of changes to the assumptions.

(ii) Income taxes

The Group has recognised deferred tax assets in relation to timing differences on the basis that they can be utilised in the future. The utilisation of these assets depends on the Group's ability to satisfy certain tests at the time of recoupment.

(iii) Estimated fair values of investment properties

The Group carries its investment properties at fair value with changes in the fair values recognised in profit or loss. It 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 44.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT.)

(a) Critical accounting estimates and assumptions (CONT.)

(iv) Estimated impairment of investments accounted for using the equity method

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 9.5%.

4. SEGMENT INFORMATION

(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 its recently expanded activities into 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 is focused on the provision of 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 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, manganese, 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 (66.7%), a strategically located property at Minto in Sydney's south west (100%) and Qube's 37.5% interest in the Quattro Grain joint venture which was announced in April 2014.

Both of Qube's properties are located adjacent to the dedicated Southern Sydney Freight Line (SSFL). These assets are being leased to quality third party tenants to generate income while Qube undertakes the necessary analysis and planning with a view to obtaining the required development approvals to transform these assets into operating logistics properties predominantly involving inland rail terminals and related logistics activities.

The Quattro Grain joint venture has started construction of a new grain storage and handling facility at Port Kembla in New South Wales, expected to be operational in late calendar 2015.

Corporate and Other

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

Costs relating to certain development projects in the planning and analytical phase are also reported within this segment.

4. SEGMENT INFORMATION (CONT.)

(b) Segment information provided to the Board

Qube's Board assesses the performance of the operating segments on a measure of underlying revenue, EBITDA and EBITA which is allocated into segments as follows:

2014	Logistics $'000	Ports & Bulk $'000	Strategic Assets $'000	Corporate & Other $'000	Total $'000
Revenue from external customers	**592,793**	**588,398**	**41,517**	**484**	**1,223,192**
Fair value underlying adjustments	–	–	(11,235)	–	(11,235)
Other underlying adjustments	–	–	–	(212)	(212)
Underlying revenue	**592,793**	**588,398**	**30,282**	**272**	**1,211,745**
A reconciliation of net profit/(loss) before income tax to underlying net profit attributable after tax to members is as follows:					
Net profit/(loss) before income tax	**49,907**	**77,167**	**28,808**	**(29,216)**	**126,666**
Share of (profit)/loss of associates	460	(11,020)	224	–	(10,336)
Interest income	(370)	(469)	(213)	(911)	(1,963)
Interest expense	770	2,715	6,215	19,310	29,010
Fair value of derivatives	–	–	(436)	612	176
Depreciation & amortisation	26,020	43,477	410	7	69,914
EBITDA	**76,787**	**111,870**	**35,008**	**(10,198)**	**213,467**
Impairment losses on investments in associates	1,846	7,234	–	–	9,080
Cost of legacy incentive schemes	2,482	452	–	–	2,934
Fair value gains (net)	–	–	(11,235)	100	(11,135)
Underlying EBITDA	**81,115**	**119,556**	**23,773**	**(10,098)**	**214,346**
Depreciation	(23,625)	(39,444)	–	(7)	(63,076)
Underlying EBITA	**57,490**	**80,112**	**23,773**	**(10,105)**	**151,270**
Amortisation	(2,395)	(4,033)	(410)	–	(6,838)
Underlying EBIT	**55,095**	**76,079**	**23,363**	**(10,105)**	**144,432**
Interest expense (net)	(400)	(2,246)	(6,002)	(18,399)	(27,047)
Underlying share of profit of associates	(460)	11,417	(224)	–	10,733
Underlying net profit/(loss) before income tax	**54,235**	**85,250**	**17,137**	**(28,504)**	**128,118**
Income tax expense	(16,408)	(22,150)	(5,208)	8,551	(35,215)
Underlying net profit/(loss)	**37,827**	**63,100**	**11,929**	**(19,953)**	**92,903**
Non-controlling interests	–	–	(4,313)	–	(4,313)
Underlying net profit/(loss) after tax attributable to members	**37,827**	**63,100**	**7,616**	**(19,953)**	**88,590**
Underlying earnings per share (cents per share)	–	–	–	–	**9.3**
Total segment assets	**671,778**	**1,036,772**	**326,999**	**27,149**	**2,062,698**
Total assets includes:					
Investments in associates	–	192,404	2,026	–	194,430
Additions to non-current assets (other than financial assets and deferred tax)	57,277	146,324	5,040	22	208,663
NCI share of total assets	–	–	84,554	–	84,554
Total segment liabilities	**91,135**	**177,554**	**123,552**	**225,111**	**617,352**

4. SEGMENT INFORMATION (CONT.)

(b) Segment information provided to the Board (CONT.)

2013	Logistics $'000	Ports & Bulk $'000	Strategic Assets $'000	Corporate & Other $'000	Total $'000
Revenue from external customers	**538,369**	**507,014**	**36,746**	**(5)**	**1,082,124**
Fair value underlying adjustments	–	–	(9,100)	–	(9,100)
Release of contingent consideration payable	–	(7,956)	–	–	(7,956)
Other underlying adjustments	–	–	–	5	5
Underlying Revenue	**538,369**	**499,058**	**27,646**	**–**	**1,065,073**
A reconciliation of net profit/(loss) before income tax to underlying net profit attributable after tax to members is as follows:					
Net profit/(loss) before income tax	**46,444**	**71,872**	**25,915**	**(34,300)**	**109,931**
Share of profit of associates	(418)	(15,118)	–	–	(15,536)
Interest income	(684)	(743)	(209)	(1,026)	(2,662)
Interest expense	1,775	3,382	4,883	26,312	36,352
Fair value of derivatives	(104)	(505)	(756)	425	(940)
Depreciation & amortisation	24,829	33,732	410	4	58,975
EBITDA	**71,842**	**92,620**	**30,243**	**(8,585)**	**186,120**
Impairment losses on investments in associates	–	10,500	–	–	10,500
Release of contingent consideration payable	–	(7,956)	–	–	(7,956)
Cost of legacy incentive schemes	1,536	319	–	–	1,855
Fair value gains (net)	–	–	(9,100)	135	(8,965)
Underlying EBITDA	**73,378**	**95,483**	**21,143**	**(8,450)**	**181,554**
Depreciation	(23,081)	(29,699)	–	(4)	(52,784)
Underlying EBITA	**50,297**	**65,784**	**21,143**	**(8,454)**	**128,770**
Amortisation	(1,749)	(4,032)	(410)	–	(6,191)
Underlying EBIT	**48,548**	**61,752**	**20,733**	**(8,454)**	**122,579**
Interest expense (net)	(1,091)	(2,639)	(4,674)	(25,286)	(33,690)
Underlying share of profit of associates	418	15,118	–	–	15,536
Underlying net profit/(loss) before income tax	**47,875**	**74,231**	**16,059**	**(33,740)**	**104,425**
Income tax expense	(14,237)	(17,734)	(4,860)	10,122	(26,709)
Underlying net profit/(loss)	**33,638**	**56,497**	**11,199**	**(23,618)**	**77,716**
Non-controlling interests	–	–	(3,727)	–	(3,727)
Underlying net profit/(loss) after tax attributable to members	**33,638**	**56,497**	**7,472**	**(23,618)**	**73,989**
Underlying earnings per share (cents per share)					8.0
Total segment assets	**636,036**	**900,738**	**301,119**	**3,025**	**1,840,918**
Total assets includes:					
Investments in associates	2,306	195,118	–	–	197,424
Additions to non-current assets (other than financial assets and deferred tax)	129,962	90,298	5,476	15	225,751
NCI share of total assets	–	–	80,068	–	80,068
Total segment liabilities	**84,285**	**136,664**	**120,846**	**357,040**	**698,835**

Underlying Information is determined as follows:

Underlying revenues and expenses are statutory revenues and expenses adjusted to exclude non-cash and non-recurring items such as fair value adjustments on investment properties, cost of legacy incentive schemes, impairments and release of contingent consideration payable to reflect core earnings. Income tax expense is based on a prima-facie 30% tax charge on profit before tax and associates.

4. SEGMENT INFORMATION (CONT.)

(c) 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 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 financial statements. These liabilities are allocated based on the operations of the segment.

The Group's borrowings (excluding finance leases and facilities specifically relating to the Strategic Assets segment) are not considered to be segment liabilities but rather managed centrally by the treasury function.

5. REVENUE

	2014 $'000	2013 $'000
From continuing operations		
Sales revenue		
Transport and logistics services rendered	**1,173,677**	1,027,212
	1,173,677	1,027,212

6. OTHER INCOME

	2014 $'000	2013 $'000
Net gain on disposal of property, plant and equipment	**314**	527
Fair value losses on financial liabilities at fair value through profit or loss	**(12)**	(155)
Fair value gains on investment property	**11,235**	9,100
Management fees	**146**	98
Dividend income	**31**	31
Rental and property related income	**33,863**	37,335
Gain from de-recognition of contingent consideration payable.	**955**	7,956
Other	**2,983**	20
	49,515	54,912

7. EXPENSES

	2014 $'000	2013 $'000
Profit before income tax includes the following specific expenses:		
Depreciation		
Buildings	**891**	822
Plant and equipment	**56,950**	47,178
Leasehold improvements	**5,235**	4,784
Total depreciation	**63,076**	52,784
Amortisation		
Customer contracts	**6,428**	5,781
Operating rights	**410**	410
Total amortisation	**6,838**	6,191
Depreciation and amortisation expense	**69,914**	58,975
Finance expenses		
Interest and finance charges paid/payable	**25,649**	31,194
Fair value adjustments – derivative instruments	**176**	(940)
Finance lease charges expensed	**3,361**	5,158
Finance costs expensed	**29,186**	35,412
Rental expense relating to operating leases		
Property	**49,397**	48,540
Motor vehicles	**3,470**	4,026
Plant and equipment	**39,805**	39,673
Total rental expense relating to operating leases	**92,672**	92,239
Employee benefits expense		
Defined contribution superannuation expenses	**24,957**	23,659
Share-based payment expenses	**5,117**	3,912
Other employee benefits expense	**397,569**	357,116
Total employee benefits expenses	**427,643**	384,687
Other expenses includes:		
Impairment of investment in associates (note 38)		
Mackenzie Hillebrand	**1,846**	–
Northern Stevedoring Services Pty Ltd	**7,234**	10,500
	9,080	10,500

8. INCOME TAX EXPENSE

(a) Income tax expense:

	2014 $'000	2013 $'000
Current tax	**36,735**	28,098
Deferred tax assets	**(5,789)**	189
Deferred tax liabilities	**1,673**	1,364
Adjustments for current tax of prior periods	**716**	(790)
	33,335	28,861
Deferred income tax expense included in income tax expense comprises:		
(Increase)/decrease in deferred tax assets (note 18)	**(5,789)**	189
Increase in deferred tax liabilities (note 24)	**1,673**	1,364
	(4,116)	1,553

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

	2014 $'000	2013 $'000
Profit before income tax expense	**126,666**	109,931
Tax at the Australian tax rate of 30% (2013: 30%)	**38,000**	32,979
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-assessable equity accounted profit	**(3,101)**	(4,661)
Reset of tax cost bases for property plant and equipment	**–**	2,570
De-recognition of contingent consideration	**(286)**	(2,460)
Fair value gain on revaluation of investment properties	**(3,370)**	(2,730)
Fair value loss on impairment of an associate	**2,724**	3,150
Utilisation of previously unrecognised capital losses	**(1,578)**	–
Sundry items	**946**	13
Income tax expense	**33,335**	28,861

(c) Amounts recognised directly in equity

	2014 $'000	2013 $'000
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:		
Current tax credited directly to equity	**–**	–
Net deferred tax – debited (credited) directly to equity (note 18)	**(1,051)**	–
	(1,051)	–

9. CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	2014 $'000	2013 $'000
Cash at bank and on hand	**111,671**	57,729
Short-term deposits	**–**	–
	111,671	57,729

(a) Reconciliation to cash at the end of the year

The above figures are reconciled to cash at the end of the financial year as shown in the consolidated statement of cash flows as follows:

	2014 $'000	2013 $'000
Balances as above	**111,671**	57,729
Balances per consolidated statement of cash flows	**111,671**	57,729

(b) Risk exposure

The Group's exposure to interest rate risk is discussed in note 43. The maximum exposure to credit risk at the end of each reporting period is the carrying amount of each class of cash and cash equivalents mentioned above.

10. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	2014 $'000	2013 $'000
Trade receivables	**168,283**	143,586
Provision for impairment of receivables (a)	**(4,289)**	(2,952)
	163,994	140,634
Prepayments	**13,447**	11,829
Accrued revenue	**12,939**	11,525
Other	**5,870**	1,859
	196,250	165,847

(a) Impaired trade receivables

As at 30 June 2014 current trade receivables of the Group with a nominal value of $4,289,000 (2013: $2,952,000) were impaired. The amount of the provision was $4,289,000 (2013: $2,952,000). 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.

The ageing of these receivables is as follows:

	2014 $'000	2013 $'000
Up to 3 months	**190**	468
3 months and greater	**4,099**	2,484
	4,289	2,952
Movements in the provision for impairment of receivables are as follows:		
At 1 July	**(2,952)**	(2,033)
Provision for impairment recognised during the year	**(1,995)**	(1,313)
Receivables written off during the year as uncollectible	**664**	394
Provisions acquired as part of an acquisition	**(6)**	–
	(4,289)	(2,952)

The creation and release of the provision for impaired receivables has been included in 'other expenses' in profit or loss. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

10. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES (CONT.)

(b) Past due but not impaired

As at 30 June 2014, trade receivables of $14,488,000 (2013: $12,148,000) 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:

	2014 $'000	2013 $'000
Up to 3 months	**12,008**	11,773
3 months and greater	**2,480**	375
	14,488	12,148

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 and credit risk

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

The maximum exposure to credit risk at the end of each reporting period is the carrying amount of each class of receivables mentioned above. Refer to note 43 for more information on the risk management policy of the Group and the credit quality of the entity's trade receivables.

11. CURRENT ASSETS – INVENTORIES

	2014 $'000	2013 $'000
At cost		
Fuel	**985**	891
Containers	**1,731**	1,673
Spare parts and other inventory	**–**	947
	2,716	3,511

(a) Inventory expense

Inventories recognised as an expense during the year ended 30 June 2014 amounted to $61,996,000 (2013: $52,208,000).

Write downs of inventories to net realisable value recognised as an expense during the year ended 30 June 2014 amounted to $783,000 (2013: $nil).

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The following table presents the Group's financial assets measured and recognised at fair value:

	2014 $'000	2013 $'000
Non-current assets		
Listed investments	**828**	840

(a) Risk exposure and fair value measurements

Information about the Group's exposure to price risk and about the methods and assumptions used in determining fair value is provided in note 43.

13. DERIVATIVE FINANCIAL INSTRUMENTS

	2014 $'000	2013 $'000
Current liabilities		
Interest rate swap contracts	**19**	449
Non-current liabilities		
Interest rate swap contracts	**1,880**	1,274

(a) 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 43).

Information about the Group's methods and assumptions used in determining fair value is provided in note 44.

Interest rate hedging instruments

Bank loans of the Group currently bear an average variable interest rate of 5.2% 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 62% (2013: 50.0%) of the variable loan principal outstanding and have a weighted average minimum and maximum base rate of 3.1% and 4.6% respectively. The current weighted average base rate is 3.1%.

(b) 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.

14. NON-CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	2014 $'000	2013 $'000
Loans to employees	**948**	2,649

(a) Impaired receivables and receivables past due

None of the non-current receivables are impaired or past due but not impaired.

(b) Fair values

The fair values and carrying amounts of non-current receivables are as follows:

	2014		2013	
	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Loans to employees	**948**	**948**	2,649	2,649

The fair values are based on cash flows discounted using a current lending rate based on the ATO benchmark for loans to employees.

(c) Risk exposure

Information about the Group's exposure to credit risk, foreign exchange and interest rate risk is provided in note 43. The maximum exposure to credit risk at the end of each reporting period is the carrying amount of each class of receivables mentioned above.

15. NON-CURRENT ASSETS – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	2014 $'000	2013 $'000
Investments in associates (note 38)	**194,430**	197,424

16. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

	Land and buildings $'000	Plant and equipment $'000	Leasehold improve-ments $'000	Total $'000
At 1 July 2012				
Cost	26,486	296,569	76,782	399,837
Accumulated depreciation	(109)	(31,703)	(5,092)	(36,904)
Net book amount	26,377	264,866	71,690	362,933
Year ended 30 June 2013				
Opening net book amount	26,377	264,866	71,690	362,933
Acquisition of subsidiary	–	32,164	–	32,164
Additions	59,047	103,393	12,671	175,111
Disposals	(6)	(3,796)	–	(3,802)
Depreciation charge	(822)	(47,178)	(4,784)	(52,784)
Closing net book amount	84,596	349,449	79,577	513,622
At 30 June 2013				
Cost	85,527	428,330	89,453	603,310
Accumulated depreciation	(931)	(78,881)	(9,876)	(89,688)
Net book amount	84,596	349,449	79,577	513,622
Year ended 30 June 2014				
Opening net book amount	**84,596**	**349,449**	**79,577**	**513,622**
Acquisition of subsidiary	**–**	**44,314**	**1,180**	**45,494**
Additions	**6,978**	**78,770**	**63,939**	**149,687**
Disposals	**–**	**(5,424)**	**(416)**	**(5,840)**
Reclassifications	**(5,306)**	**5,447**	**(141)**	**–**
Depreciation charge	**(885)**	**(52,767)**	**(9,424)**	**(63,076)**
Closing net book amount	**85,383**	**419,789**	**134,715**	**639,887**
At 30 June 2014				
Cost	**87,045**	**546,458**	**153,332**	**786,835**
Accumulated depreciation	**(1,662)**	**(126,669)**	**(18,617)**	**(146,948)**
Net book amount	**85,383**	**419,789**	**134,715**	**639,887**

(a) Leased assets

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

	2014 $'000	2013 $'000
Leased equipment		
Cost	**79,949**	86,521
Accumulated depreciation	**(23,578)**	(36,985)
Net book amount	**56,371**	49,536

(b) Non-current assets pledged as security

Refer to note 23 for information on non-current assets pledged as security by the Group.

17. NON-CURRENT ASSETS – INVESTMENT PROPERTIES

	2014 $'000	2013 $'000
At fair value		
Opening balance at 1 July	**293,431**	279,400
Capitalised subsequent expenditure	**2,790**	5,476
Net gain from fair value adjustments	**11,235**	9,100
Straight-lining of operating lease rental income	**1,044**	(545)
Closing balance at 30 June	**308,500**	293,431

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

	2014 $'000	2013 $'000
Rental income	**30,282**	27,646
Direct operating expenses from property that generated rental income	**(5,070)**	(5,119)
Direct operating expenses from property that did not generate rental income	**(82)**	(72)

(b) 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. Changes in fair value are presented in profit or loss as part of other income.

(c) Non-current assets pledged as security

Refer to note 23 for information on non-current assets pledged as security by the Group.

(d) Contractual obligations

Refer to note 33 for disclosure of any contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

(e) 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:

	2014 $'000	2013 $'000
Minimum lease payments under non-cancellable operating leases of investment properties not recognised in the financial statements are receivable as follows:		
Within one year	**25,340**	24,669
Later than one year but not later than 5 years	**61,724**	77,562
Later than 5 years	**–**	–
	87,064	102,231

(f) Fair value estimates

Information about the valuation of investment properties is provided in note 44.

18. NON-CURRENT ASSETS – DEFERRED TAX ASSETS

	2014 $'000	2013 $'000
The balance comprises temporary differences attributable to:		
Employee benefits	**20,943**	17,691
Plant and equipment	**638**	–
Deferred revenue	**3,853**	–
Other provisions	**4,328**	4,931
Total deferred tax assets	**29,762**	22,622
Set-off of deferred tax liabilities pursuant to set-off provisions (note 24)	**(29,762)**	(22,622)
Net deferred tax assets	**–**	–
Deferred tax assets expected to be recovered within 12 months	**25,025**	16,824
Deferred tax assets expected to be recovered after more than 12 months	**4,737**	5,798
	29,762	22,622

Movements	Employee benefits $'000	Plant and equipment $'000	Tax losses $'000	Deferred revenue $'000	Other $'000	Total $'000
At 1 July 2012	13,300	450	1,355	–	7,706	22,811
(Charged)/credited						
– to profit or loss	4,391	(450)	(1,355)	–	(2,775)	(189)
At 30 June 2013	17,691	–	–	–	4,931	22,622
(Charged)/credited						
– to profit or loss	**2,952**	**638**	**–**	**3,853**	**(1,654)**	**5,789**
– directly to equity	**–**	**–**	**–**	**–**	**1,051**	**1,051**
Acquisition of subsidiary	**300**	**–**	**–**	**–**	**–**	**300**
At 30 June 2014	**20,943**	**638**	**–**	**3,853**	**4,328**	**29,762**

19. NON-CURRENT ASSETS – INTANGIBLE ASSETS

	Goodwill $'000	Operating rights $'000	Customer contracts $'000	Total $'000
At 1 July 2012				
Cost	550,447	7,609	48,800	606,856
Accumulated amortisation and impairment	–	(1,268)	(5,885)	(7,153)
Net book amount	550,447	6,341	42,915	599,703
Year ended 30 June 2013				
Opening net book amount	550,447	6,341	42,915	599,703
Finalisation of acquisition accounting	(1,375)	–	–	(1,375)
Acquisition of business	12,200	–	800	13,000
Amortisation charge	–	(410)	(5,781)	(6,191)
Closing net book amount	561,272	5,931	37,934	605,137
At 30 June 2013				
Cost	561,272	7,609	49,600	618,481
Accumulated amortisation and impairment	–	(1,678)	(11,666)	(13,344)
Net book amount	561,272	5,931	37,934	605,137
Year ended 30 June 2014				
Opening net book amount	**561,272**	**5,931**	**37,934**	**605,137**
Acquisition of business	**4,101**	**–**	**4,340**	**8,441**
Amortisation charge	**–**	**(410)**	**(6,428)**	**(6,838)**
Closing net book amount	**565,373**	**5,521**	**35,846**	**606,740**
At 30 June 2014				
Cost	**565,373**	**7,609**	**53,940**	**626,922**
Accumulated amortisation and impairment	**–**	**(2,088)**	**(18,094)**	**(20,182)**
Net book amount	**565,373**	**5,521**	**35,846**	**606,740**

Amortisation of $6,838,000 (2013: $6,191,000) is included in depreciation and amortisation expense in profit or loss.

(a) Impairment tests for goodwill

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.

	2014 $'000	2013 $'000
Logistics	**222,558**	219,508
Ports & Bulk	**342,815**	341,764
	565,373	561,272

(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.

19. NON-CURRENT ASSETS – INTANGIBLE ASSETS (CONT.)

(c) Key assumptions used for value-in-use calculations

The CGU cash flow projections used for impairment testing assume no material adverse change to economic conditions for the 2015 to 2017 period. No significant changes to the methodology of the underlying models and assumptions have been made.

Terminal values after year three have been determined using a stable growth model, having regard to post-tax discount rates and long-term growth rates. The equivalent pre-tax discount rate has been disclosed below.

	Growth rate		Discount rate	
CGU	2014 %	2013 %	2014 %	2013 %
Logistics	**2.5**	2.5-3.5	**12.3**	13.1
Ports & Bulk	**2.5**	2.5-3.5	**12.3**	12.9

(d) Impact of possible changes in key assumptions

The base case 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 1% and the EBITDA margin decreased by 10% in each year of the valuation it would not result in an impairment of goodwill.

20. TRADE AND OTHER PAYABLES

	2014 $'000	2013 $'000
Current:		
Trade payables and accruals	**101,426**	82,112
Share-based compensation payable	**5,465**	3,800
Contingent consideration	**–**	5,585
GST payable	**4,283**	4,840
	111,174	96,337
Non-current:		
Trade payables and accruals	**89**	–
Share-based compensation payable	**–**	2,668
Contingent consideration	**6,692**	–
	6,781	2,668

21. CURRENT LIABILITIES – BORROWINGS

	2014 $'000	2013 $'000
Secured		
Finance lease liabilities (note 33)	**16,969**	18,169
Total secured current borrowings	**16,969**	18,169

(a) Security and fair value disclosures

Information about the security relating to each of the secured liabilities and the fair value of each of the borrowings is provided in note 23.

(b) Risk exposures

Details of the Group's exposure to risks arising from current and non-current borrowings are set out in note 43.

22. CURRENT LIABILITIES – PROVISIONS

	2014 $'000	2013 $'000
Employee benefits	**54,909**	50,519
Onerous contract (property lease)	**1,956**	1,749
Provision for distribution	**457**	496
	57,322	52,764

(a) Movements in provisions

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

2014	Onerous contracts $'000	Provision for distribution $'000	Total $'000
Current			
Carrying amount at start of year	**1,749**	**496**	**2,245**
Charged/(credited) to profit or loss			
– additional provisions recognised	**–**	**5,846**	**5,846**
Transferred from non-current provision	**1,896**	**–**	**1,896**
Amounts used during the year	**(1,689)**	**(5,885)**	**(7,574)**
Carrying amount at end of year	**1,956**	**457**	**2,413**

(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 entire amount of the provision is presented as current, since the Group does not have an unconditional right to defer settlement for any of these obligations. 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.

	2014 $'000	2013 $'000
Leave obligations expected to be settled after 12 months	**24,848**	19,378

23. NON-CURRENT LIABILITIES – BORROWINGS

	2014 $'000	2013 $'000
Unsecured		
Bank loans	**228,852**	346,080
Secured		
Bank loans	**119,546**	119,326
Finance lease liabilities (note 33)	**23,952**	37,375
Total non-current borrowings	**372,350**	502,781

(a) Secured liabilities and assets pledged as security

The total secured liabilities (current and non-current) are as follows:

Bank loan	**119,546**	119,326
Finance lease liabilities	**40,921**	55,544
Total secured liabilities	**160,467**	174,870

The Group has a $550 million unsecured, non-amortising syndicated debt facility which comprises a $200 million term loan facility and a $350 million revolving loan facility which expire on 16 August 2016 and 16 August 2018 respectively.

The Group also has a $120 million syndicated term debt facility in relation to its Strategic Assets division expiring in June 2016. The facility is secured by fixed and floating charges over certain assets in the Strategic Asset division including the Minto properties and units in MIPT. In addition Qube has guaranteed the obligations of the borrower under this facility.

The borrowing facilities require certain financial ratios to be maintained. Further detail of these ratios is set out in note 26(h). The Group is currently in compliance with its covenants under these facilities.

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:

	2014 $'000	2013 $'000
Current		
Floating charge		
Cash and cash equivalents	**4,225**	153
Total current assets pledged as security	**4,225**	153
Non-current		
First mortgage		
Investment in Moorebank Industrial Property Trust	**163,968**	155,489
Investment properties	**61,000**	54,500
	224,968	209,989
Finance lease		
Plant and equipment (note 16(a))	**56,371**	49,536
Total non-current assets pledged as security	**281,339**	259,525
Total assets pledged as security	**285,564**	259,678

23. NON-CURRENT LIABILITIES – BORROWINGS (CONT.)

(b) Fair value

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

	2014		2013	
	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
On-balance sheet				
Non-traded financial liabilities				
Bank loans	**348,398**	**348,398**	465,406	465,406
Finance lease liabilities	**40,921**	**40,921**	55,544	55,544
Traded financial liabilities				
Interest rate hedging instruments	**1,899**	**1,899**	1,723	1,723
	391,218	**391,218**	522,673	522,673

(c) Risk exposures

Details of the Group's exposure to risks arising from current and non-current borrowings are set out in note 43.

24. NON-CURRENT LIABILITIES – DEFERRED TAX LIABILITIES

	2014 $'000	2013 $'000
The balance comprises temporary differences attributable to:		
Plant and equipment	**17,650**	12,943
Intangible assets	**10,558**	11,160
Other provisions	**1,753**	664
	29,961	24,767
Set-off of deferred tax liabilities pursuant to set-off provisions (note 18)	**(29,762)**	(22,622)
Net deferred tax liabilities	**199**	2,145
Deferred tax liabilities expected to be settled within 12 months	**3,944**	3,310
Deferred tax liabilities expected to be settled after more than 12 months	**26,017**	21,457
	29,961	24,767

Movements	Plant and equipment $'000	Intangible assets $'000	Financial assets at fair value through profit and loss $'000	Other provisions $'000	Total $'000
At 1 July 2012	10,008	12,875	19	501	23,403
(Charged)/credited					
– to profit or loss	2,935	(1,715)	(19)	163	1,364
At 30 June 2013	12,943	11,160	–	664	24,767
(Charged)/credited					
– to profit or loss	**4,348**	**(1,904)**	**–**	**(771)**	**1,673**
– directly to equity	**–**	**–**	**–**	**–**	**–**
Acquisition of subsidiary	**359**	**1,302**	**–**	**1,860**	**3,521**
At 30 June 2014	**17,650**	**10,558**	**–**	**1,753**	**29,961**

25. NON-CURRENT LIABILITIES – PROVISIONS

	2014 $'000	2013 $'000
Employee benefits	**7,550**	7,112
Onerous contract (Property lease)	**–**	1,896
	7,550	9,008

(a) Movements in provisions

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

2014	Onerous contract $'000	Total $'000
Carrying amount at start of year	**1,896**	1,896
Amounts transferred to current provision	**(1,896)**	(1,896)
Carrying amount at end of year	**–**	–

26. CONTRIBUTED EQUITY

(a) Share capital

	Notes	2014 Shares	2013 Shares	2014 $'000	2013 $'000
Ordinary shares					
Fully paid	(c),(f)	**1,051,172,929**	928,965,547	**1,281,335**	1,031,260
Total contributed equity		**1,051,172,929**	928,965,547	**1,281,335**	1,031,260

(b) Movements in ordinary shares:

Date	Details	Number of shares	Issue price	$'000
1 July 2012	Opening balance	921,407,185		1,019,583
17 October 2012	Dividend reinvestment plan	3,082,660	$1.4385	4,434
14 November 2012	Managing Director 2013 ELTIP issue	2,000,000	$1.5448	3,090
15 April 2013	Dividend reinvestment plan	2,475,702	$1.6777	4,153
30 June 2013	Balance	928,965,547		1,031,260
4 October 2013	Dividend reinvestment plan	2,467,952	$1.9208	4,740
3 April 2014	Placement	94,339,623	$2.1200	200,000
4 April 2014	Dividend reinvestment plan	2,778,034	$2.1272	5,908
16 May 2014	Share purchase plan	22,621,773	$2.1200	47,957
	Less: Transaction costs arising on share issues			(3,505)
	Deferred tax credit recognised directly in equity			1,051
30 June 2014	Closing balance	**1,051,172,929**		**1,287,411**

(c) Movements in treasury shares:

Date	Details	Number of shares	Average purchase price	$'000
1 July 2013	Opening balance	–		–
	Treasury shares purchased	(2,961,418)	$2.0517	(6,076)
30 June 2014	Closing Balance	**(2,961,418)**	**$2.0517**	**(6,076)**

26. CONTRIBUTED EQUITY (CONT.)

(d) 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.

(e) 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.

(f) Employee share scheme

Information relating to the employee share schemes, including details of shares issued under these schemes is set out in note 42.

(g) 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 42.

(h) 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
- 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 net debt to EBITDA, interest cover ratio and other gearing ratios. Compliance with external imposed covenants has been outlined in note 23.

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.

27. RESERVES AND RETAINED EARNINGS

(a) Reserves

	2014 $'000	2013 $'000
Business combination reserve	**28,436**	28,436
Share-based payments	**(19,786)**	(23,731)
Transactions with non-controlling interests	**(39,548)**	(39,548)
	(30,898)	(34,843)
Movements:		
Business combination reserve		
Balance 1 July	**28,436**	28,436
Revaluation – subsidiary	**–**	–
Balance 30 June	**28,436**	28,436
Share-based payments		
Balance 1 July	**(23,731)**	(23,026)
ELTIP loans	**–**	(3,090)
Loans repaid	**1,763**	190
Employee share plan expense	**2,182**	2,195
Balance 30 June	**(19,786)**	(23,731)
Transactions with non-controlling interests		
Balance 1 July	**(39,548)**	(39,548)
Acquisition of additional ownership in subsidiary	**–**	–
Balance 30 June	**(39,548)**	(39,548)

(b) Retained earnings

Movements in retained earnings were as follows:

Balance 1 July	**66,240**	27,903
Net profit for the year	**87,909**	77,343
Dividends paid (note 29)	**(42,853)**	(39,006)
Balance 30 June	**111,296**	66,240

(c) 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

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

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.

28. NON-CONTROLLING INTERESTS

(a) Transactions with non-controlling interests

	2014 $'000	2013 $'000
Interest in:		
Share capital	**106,834**	104,290
Reserves	**–**	–
Retained earnings/(losses)	**(23,221)**	(24,864)
	83,613	79,426

(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 is before intercompany eliminations.

Moorebank Industrial Property Trust	2014 $'000	2013 $'000
Summarised balance sheet		
Current assets	**6,162**	1,330
Current liabilities	**(1,753)**	(1,733)
Current net assets/(liabilities)	**4,409**	(403)
Non-current assets	**247,501**	238,875
Non-current liabilities	**–**	–
Non-current net assets	**247,501**	238,875
Net assets	**251,910**	238,472
Accumulated NCI	**83,613**	79,426
Summarised statement of comprehensive income		
Revenue	**29,723**	22,314
Profit for the period	**23,336**	16,285
Other comprehensive income	**–**	–
Total comprehensive income	**23,336**	16,285
Profit allocated to NCI	**5,442**	3,727
Distributions paid to NCI	**5,885**	5,461
Summarised cash flows		
Cash flows from operating activities	**17,652**	16,529
Cash flows from investing activities	**(2,827)**	(5,420)
Cash flows from financing activities	**(10,020)**	(11,048)
Net increase in cash and cash equivalents	**4,805**	61

29. DIVIDENDS

(a) Ordinary shares

	2014 $'000	2013 $'000
Final dividend for the year ended 30 June 2013 of 2.3 cents per fully paid share paid on 4 October 2013 (2012: 2.1 cents per share paid on 17 October 2012)		
Fully franked based on tax paid @ 30%	**20,958**	19,015
Interim dividend for the year ended 30 June 2014 of 2.4 cents per fully paid share paid 4 April 2014 (2013: 2.2 cents per share paid on 11 April 2013)		
Fully franked based on tax paid @ 30%	**21,895**	19,991
	42,853	39,006

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

	2014 $'000	2013 $'000
In addition to the above dividends, since year end the directors have recommended the payment of a final dividend of 2.7 cents per fully paid ordinary share, (2013: 2.3 cents) fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 3 October 2014 (2013: 4 October 2013) out of retained earnings at 30 June 2014 (2013: 30 June 2013), but not recognised as a liability at the end of the year, is	**28,382**	21,366

(c) Franked dividends

The franked portions of the final dividends recommended after 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 2014.

	Consolidated		Parent entity	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Franking credits available for subsequent financial years based on a tax rate of 30% (2013: 30%)	**72,715**	55,331	**72,715**	55,331

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.

30. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Key management personnel compensation

	2014 $	2013 $
Short-term employee benefits	**4,650,120**	4,192,307
Post-employment benefits	**156,048**	107,318
Long-term benefits	**11,759**	33,038
Share-based payments	**1,323,672**	1,031,355
	6,141,599	5,364,018

Detailed remuneration disclosures are provided in the Remuneration Report on pages 28 to 42.

(b) Equity instrument disclosures relating to key management personnel

Shareholdings

The numbers of 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.

2014	Balance at the start 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				
Ordinary shares	**36,172,499**	**–**	**(4,966,979)**	**31,205,520**
Other key management personnel of the Group				
Ordinary shares	**7,814,427**	**–**	**(2,760,902)**	**5,053,525**
2013				
Directors of Qube Holdings Limited				
Ordinary shares	58,172,499	2,000,000	(24,000,000)	36,172,499
Other key management personnel of the Group				
Ordinary shares	10,074,222	–	(2,259,795)	7,814,427

(c) 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) Aggregates for key management personnel

	Balance at the start of the year $	Loans granted to new KMP $	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
2014	**11,067,502**	**–**	**–**	**(600,000)**	**359,279**	**–**	**10,467,502**	**5**
2013	6,464,402	1,513,500	3,089,600	–	319,366	–	11,067,502	5

31. REMUNERATION OF AUDITORS

During the 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:

(a) PwC Australia

	2014 $	2013 $
(i) Audit and other assurance services		
Audit and review of financial statements	**516,750**	539,808
Other assurance services		
Audit of other subsidiary financial statements	**29,300**	–
Total remuneration for audit and other assurance services	**546,050**	539,808
(ii) Taxation services		
Tax compliance services	**135,810**	126,336
Tax advisory services	**21,190**	71,770
Total remuneration for taxation services	**157,000**	198,106
(iii) Other services		
Other services	**9,173**	10,000
Total remuneration of PwC Australia	**712,223**	747,914

(b) Non-PwC audit firms

	2014 $	2013 $
(i) Audit and other assurance services		
Audit and review of financial statements	**–**	46,350
(ii) Other services		
Other services	**–**	40,685
(iii) Taxation services		
Tax compliance services	**–**	6,500
Total remuneration of Non-PwC audit firms	**–**	93,535
Total auditors' remuneration	**712,223**	841,449

32. CONTINGENCIES

Contingent liabilities

The Group had contingent liabilities at 30 June 2014 in respect of:

Guarantees

The parent entity has provided financial guarantees in respect of bank loans of subsidiaries amounting to $120,000,000 (2013: $120,000,000) secured by registered mortgages over the freehold property and investment in units of the subsidiaries.

The parent entity has also provided unsecured bank guarantees amounting to $15,632,000 (2013: $7,270,000).

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

Qube's subsidiary Qube Logistics has unsecured bank guarantees amounting to $5,027,000 (2013: $4,892,000).

Qube's subsidiary Qube Ports & Bulk has unsecured bank guarantees amounting to $4,209,000 (2013: $4,249,000).

33. COMMITMENTS

(a) Capital commitments

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

	2014 $'000	2013 $'000
Payable:		
Within one year	**40,303**	52,215
Later than one year but not later than five years	**–**	–
Later than five years	**–**	–
	40,303	52,215

Included within the above balance is $19,727,000 in capital expenditure for rolling stock by Qube Logistics and $18,600,000 in capital expenditure required for contracted works by Qube Ports & Bulk.

(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.

	2014 $'000	2013 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**72,309**	66,825
Later than one year but not later than five years	**126,541**	126,476
Later than five years	**119,065**	77,609
	317,915	270,910
Sub-lease payments		
Future minimum lease payments expected to be received in relation to non-cancellable sub-leases of operating leases:	**4,201**	4,492

There are no other outstanding contingent assets and liabilities or commitments as at 30 June 2014 (2013: Nil).

33. COMMITMENTS (CONT.)

(b) Lease commitments: Group as lessee (CONT.)

(ii) Finance leases

The Group leases various plant and equipment with a carrying amount of $56,371,000 (2013: $49,536,000) 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.

	2014 $'000	2013 $'000
Commitments in relation to finance leases are payable as follows:		
Within one year	**9,906**	21,699
Later than one year but not later than five years	**34,989**	41,015
Later than five years	**–**	–
Minimum lease payments	**44,895**	62,714
Future finance charges	**(3,974)**	(7,170)
Total lease liabilities	**40,921**	55,544
Representing lease liabilities:		
Current (note 21)	**16,969**	18,169
Non-current (note 23)	**23,952**	37,375
	40,921	55,544
The present value of finance lease liabilities is as follows:		
Within one year	**16,969**	18,169
Later than one year but not later than five years	**23,952**	37,375
Later than five years	**–**	–
Present value of minimum lease payments	**40,921**	55,544

34. RELATED PARTY TRANSACTIONS

(a) Parent entities

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 36.

(c) Key management personnel

Disclosure relating to key management personnel are set out in note 30.

(d) Transactions with other related parties

The following transactions occurred with related parties:

	2014 $'000	2013 $'000
Stevedoring services		
– received from associates	**1,414**	127
– received from other related entities	**66,017**	64,821
– paid to associates	**40,740**	45,337
Logistics services		
– received from other related entities	**277**	1,569
Management fees earned		
– from associates	**146**	98
Management fees paid		
– to the trustee of a related trust	**25**	25
Rental income		
– from associates	**5,420**	5,331
Dividend income		
– from associates	**6,000**	10,375

34. RELATED PARTY TRANSACTIONS (CONT.)

(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:

	2014 $'000	2013 $'000
Current receivables (provision of services)		
Associates and other related parties	**6,144**	4,997
Current payables (payment for services)		
Associates and other related parties	**7,315**	9,609

(f) Loans to/from related parties

	2014 $'000	2013 $'000
Loans from Qube Holdings Limited (ultimate Australian parent entity)		
Beginning of the year	**10,267**	5,664
Loans granted to new KMP	**–**	1,514
Loans advanced	**–**	3,089
Interest charged	**329**	259
Interest paid	**(329)**	(259)
End of year	**10,267**	10,267
Loans from Qube Logistics (Aust) Pty Limited		
Beginning of the year	**800**	800
Loans advanced	**800**	–
Loans repaid	**(600)**	–
Interest charged	**30**	60
Interest paid	**(30)**	(60)
End of year	**1,000**	800

Loan repayments of $500,000 (2013: $nil) were received from associated entities during the year. Loans to associates are considered part of the Group's investment in associates.

There is no allowance account for impaired receivables in relation to any outstanding balances, and no expense has been recognised in respect of impaired receivables due from related parties.

(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.

35. BUSINESS COMBINATION

(a) Transport and haulage acquisitions

Qube acquired 100% of the issued capital of Walmsley Bulk Haulage on 20 February 2014 and Beaumont Transport and its subsidiaries on 21 March 2014 for a total purchase price of $33.0 million including contingent consideration but excluding stamp duty and associated transaction costs. Walmsley Bulk Haulage operates in Port Hedland and has established itself as a specialist ore haulage business servicing key Pilbara customers. Beaumont Transport operates in southern and central Queensland and northern New South Wales in the bulk tipper and pneumatic market.

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

	$'000
Purchase consideration	
Cash paid	**31,000**
Contingent consideration	**2,000**
Total purchase consideration	**33,000**

The provisionally determined fair values of the assets and liabilities recognised as a result of these acquisitions are as follows:

	Fair value $'000
Cash and cash equivalents	**295**
Trade and other receivables	**6,793**
Plant and equipment	**36,141**
Trade and other payables	**(3,466)**
Provision for employee benefits	**(970)**
Finance lease liabilities	**(6,843)**
Net identified assets acquired	**31,950**
Add: goodwill	**1,050**
Net assets acquired	**33,000**

The goodwill is attributable to the strategic advantages and market positioning these acquisitions will provide Qube. None of the goodwill is expected to be deductible for tax purposes.

(i) Contingent consideration

Actual consideration payable is contingent on there being no warranty claims arising from pre-acquisition liabilities for a 24 month period from date of acquisition.

(ii) Acquisition related costs

Acquisition related costs of $250,000 are included in professional fees in the income statement.

(iii) Acquired receivables

The fair value of trade and other receivables is $6,793,000 which is expected to be collectible.

(iv) Revenue and profit contribution

It is impracticable and unreliable to report separate revenue and profit contributions from the time of acquisition or from the commencement of the financial year for both acquisitions. This is the result of the structure and nature of these transactions. Operationally the business assets acquired have been integrated within Qube Ports & Bulk's existing business almost immediately.

(i) Purchase consideration – cash outflow

	2014 $'000
Outflow of cash to acquire subsidiary, net of cash acquired	
Cash consideration	**31,000**
Less: Balances acquired	
Cash	**(295)**
Outflow of cash – investing activities	**30,705**

35. BUSINESS COMBINATION (CONT.)

(b) Intercon Holdings Pty Limited (IML Logistics) acquisition

On 2 December 2013, the Group acquired 100% of the issued share capital of IML Logistics and its operating subsidiaries for $16.7 million including contingent consideration but excluding stamp duty and associated transaction costs. IML Logistics is an established Australian company specialising in logistics solutions for a range of industries including mining and resource project logistics, specialised transport, warehousing and distribution services to a range of organisations across Western Australia. The acquisition provides additional scale and synergies for Qube's existing Western Australian operations.

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

	$'000
Purchase consideration	
Cash paid	**12,050**
Contingent consideration	**4,692**
Total purchase consideration	**16,742**

The determined fair values of the assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value $'000
Cash and cash equivalents	**743**
Trade and other receivables	**3,501**
Inventories	**55**
Plant and equipment	**9,353**
Customer contracts	**4,340**
Trade and other payables	**(2,416)**
Provision for employee benefits	**(583)**
Deferred tax liabilities	**(1,302)**
Net identified assets acquired	**13,691**
Add: goodwill	**3,051**
Net assets acquired	**16,742**

The goodwill is attributable to the cost synergies and the scale this acquisition will provide Qube. None of the goodwill is expected to be deductible for tax purposes.

(i) Contingent consideration

Actual consideration payable is contingent on certain future conditions including financial results and volume related targets. The minimum amount payable is $nil, and the maximum is $5,000,000.

(ii) Acquisition related costs

Acquisition related costs of $70,000 are included in professional fees in the income statement.

(iii) Acquired receivables

The fair value of trade and other receivables is $3,501,000 all of which are expected to be collectible.

(iv) Revenue and profit contribution

The acquired business contributed revenues of $13,828,000 and net profit after tax of $638,000 to the Group for the period from 2 December 2013 to 30 June 2014. If the acquisition had occurred on 1 July 2013, consolidated revenue and net profit after tax for the year ended 30 June 2014 would have been $25,996,000 and $2,446,000 respectively.

(i) Purchase consideration – cash outflow	2014 $'000
Outflow of cash to acquire subsidiary, net of cash acquired	
Cash consideration	**12,050**
Less: Balances acquired	
Cash	**(743)**
Outflow of cash – investing activities	**11,307**

36. SUBSIDIARIES AND TRANSACTIONS WITH NON-CONTROLLING INTERESTS

Significant investments in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2(b).

Name of entity	Country of incorporation	Class of shares/units	Equity holding	
			2014 %	2013 %
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**	–
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 (formerly known as KFM Asian Logistics 1 Pty Ltd)*	Australia	Ordinary	**100**	100
KFM Europe Logistics 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
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 (formerly known as Continental Freight Services (Aust.) Pty. Ltd)*	Australia	Ordinary	**100**	100
Markhaven Pty. Ltd*	Australia	Ordinary	**100**	100
Qube Defence Logistics Pty Ltd*	Australia	Ordinary	**100**	100
Stonecrest Enterprises Pty Ltd*	Australia	Ordinary	**100**	100
Giacci Holdings Pty Ltd*	Australia	Ordinary	**100**	100
Giacci Port Services Pty Ltd*	Australia	Ordinary	**100**	100
Giacci Limestone Pty Ltd*	Australia	Ordinary	**100**	100
Giacci Group Operations Pty Ltd*	Australia	Ordinary	**100**	100
Giacci SA Pty Ltd*	Australia	Ordinary	**100**	100
Giacci Bros. Pty Ltd*	Australia	Ordinary	**100**	100
Giacci Management Services Pty Ltd*	Australia	Ordinary	**100**	100
Giacci NT Pty Ltd*	Australia	Ordinary	**100**	100
Giacci Contracting Pty Ltd*	Australia	Ordinary	**100**	100
Jamlewin Enterprises Pty Ltd*[1]	Australia	Ordinary	**100**	–

36. SUBSIDIARIES AND TRANSACTIONS WITH NON-CONTROLLING INTERESTS (CONT.)

Significant investments in subsidiaries (CONT.)

Name of entity	Country of incorporation	Class of shares/units	Equity holding 2014 %	Equity holding 2013 %
Qube Learning Pty Ltd	Australia	Ordinary	**100**	–
W Qube Port of Dampier Pty Ltd*[1]	Australia	Ordinary	**100**	–
Beaumont Transport Pty Ltd*[1]	Australia	Ordinary	**100**	–
BBH Services Pty Ltd*[1]	Australia	Ordinary	**100**	–
Latot Pty Ltd*[1]	Australia	Ordinary	**100**	–
Qube Logistics:				
K-POTA Pty Ltd*	Australia	Ordinary	**100**	100
Qube Logistics (Aust) Pty Ltd*	Australia	Ordinary	**100**	100
Qube Logistics subsidiaries:				
Qube Logistics (Qld) Pty Ltd*	Australia	Ordinary	**100**	100
Qube Logistics (Global) Pty Ltd*	Australia	Ordinary	**100**	100
POTA Global Management (NZ) Limited	New Zealand	Ordinary	**100**	100
Qube Logistics (SB) Pty Ltd*	Australia	Ordinary	**100**	100
Qube Logistics (NSW) Pty Ltd*	Australia	Ordinary	**100**	100
Qube Logistics (QldT) Pty Ltd*	Australia	Ordinary	**100**	100
Qube Logistics (QldT1) Pty Ltd*	Australia	Ordinary	**100**	100
Qube Logistics (QldT2) Pty Ltd*	Australia	Ordinary	**100**	100
Qube Logistics (QldT3) Pty Ltd*	Australia	Ordinary	**100**	100
Qube Logistics (QldT4) Pty Ltd*	Australia	Ordinary	**100**	100
Qube Logistics (QldT5) Pty Ltd*	Australia	Ordinary	**100**	100
Qube Logistics (QldT6) Pty Ltd*	Australia	Ordinary	**100**	100
Qube Logistics (Vic) Pty Ltd*	Australia	Ordinary	**100**	100
Qube Logistics (WA) Pty Ltd*	Australia	Ordinary	**100**	100
Qube Logistics (WA1) Pty Ltd*	Australia	Ordinary	**100**	100
Qube Logistics (H&S) Pty Ltd*	Australia	Ordinary	**100**	100
Qube Logistics (Rail) Pty Ltd*	Australia	Ordinary	**100**	100
Qube Logistics (SA) Pty Ltd*	Australia	Ordinary	**100**	100
Qube Logistics (SA1) Pty Ltd*	Australia	Ordinary	**100**	100
Macarthur Intermodal Shipping Terminal Pty Ltd*	Australia	Ordinary	**100**	100
Independent Railways of Australia Pty Ltd*	Australia	Ordinary	**100**	100
Independent Railroad of Australia Pty Ltd*	Australia	Ordinary	**100**	100
Rail Equipment Leasing Pty Ltd*	Australia	Ordinary	**100**	100
Bowport All Roads Transport Pty Ltd*	Australia	Ordinary	**100**	100
Indy Equipment Pty Ltd*	Australia	Ordinary	**100**	100
Qube Logistics (WA2) Pty Ltd*[1]	Australia	Ordinary	**100**	–

* These subsidiaries have taken advantage of relief from the necessity to prepare financial reports in accordance with Class Order 98/1418 issued by the Australian Securities and Investments Commission. For further information refer to note 37.

[1] These entities have been added to the Class Order during the financial year.

37. DEED OF CROSS GUARANTEE

The parent entity and the companies noted in note 36 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 directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

(a) Consolidated income statement, statement of comprehensive income and summary of movements in consolidated retained earnings

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'.

Set out below is a consolidated income statement, a consolidated statement of comprehensive income and a summary of movements in consolidated retained earnings for the year ended 30 June 2014 of the closed group consisting of the parent entity and the entities listed in note 36.

	2014 $'000	2013 $'000
Consolidated income statement		
Revenue from continuing operations	**1,173,194**	1,026,638
Other income	**14,255**	32,559
Direct transport and logistics costs	**(304,954)**	(297,965)
Repairs and maintenance costs	**(77,591)**	(54,850)
Employee benefits expense	**(427,482)**	(373,202)
Fuel, oil and electricity costs	**(104,726)**	(83,115)
Occupancy and property costs	**(58,824)**	(53,280)
Depreciation and amortisation expense	**(69,503)**	(58,562)
Professional fees	**(10,331)**	(8,520)
Other expenses	**(20,232)**	(19,161)
Total expenses	**(1,073,643)**	(948,655)
Finance income	**1,749**	2,453
Finance costs	**(23,408)**	(31,321)
Net finance costs	**(21,659)**	(28,868)
Share of net profit of associates accounted for using the equity method	**10,336**	15,536
Profit before income tax	**102,483**	97,210
Income tax expense*	**27,730**	20,749
Profit for the year	**74,753**	76,461
Consolidated statement of comprehensive income		
Profit for the year	**74,753**	76,461
Other comprehensive income net of tax:		
Items that may be reclassified to profit or loss	**–**	–
Items that will not be reclassified to profit or loss	**–**	–
Other comprehensive income for the year, net of tax	**–**	–
Total comprehensive income for the year	**74,753**	76,461
Total comprehensive income attributable to:		
Owners of Qube	**74,753**	76,461
Non-controlling interests	**–**	–
	74,753	76,461
Summary of movements in consolidated retained earnings		
Retained earnings at the beginning of the financial year	**73,711**	36,256
Profit for the year	**74,753**	76,461
Dividends provided for or paid	**(42,853)**	(39,006)
Retained earnings at the end of the financial year	**105,611**	73,711

* – The prior year income tax expense includes $2,789,000 of income tax credits relating to deferred tax balances re-allocated to the closed group.

37. DEED OF CROSS GUARANTEE (CONT.)

(b) Consolidated balance sheet

Set out below is a consolidated balance sheet as at 30 June 2014 of the closed group consisting of the parent entity and the entities listed in note 36.

	2014 $'000	2013 $'000
ASSETS		
Current assets		
Cash and cash equivalents	**100,739**	56,118
Trade and other receivables	**195,211**	164,304
Inventories	**2,717**	3,511
Total current assets	**298,667**	223,933
Non-current assets		
Trade and other receivables	**948**	2,649
Other financial assets	**112,737**	107,774
Investments accounted for using the equity method	**194,430**	197,424
Financial assets at fair value through profit or loss	**828**	840
Property, plant and equipment	**639,886**	513,620
Intangible assets	**601,219**	599,206
Other	**728**	728
Total non-current assets	**1,550,776**	1,422,241
Total assets	**1,849,443**	1,646,174
LIABILITIES		
Current liabilities		
Trade and other payables	**130,573**	98,079
Borrowings	**16,969**	18,169
Derivative financial instruments	**19**	13
Current tax payable	**19,771**	7,898
Provisions	**56,843**	52,241
Total current liabilities	**224,175**	176,400
Non-current liabilities		
Trade and other payables	**6,781**	2,668
Borrowings	**252,804**	383,455
Derivative financial instruments	**1,880**	1,274
Deferred tax liabilities	**204**	3,242
Provisions	**7,550**	9,008
Total non-current liabilities	**269,219**	399,647
Total liabilities	**493,394**	576,047
Net assets	**1,356,049**	1,070,127
EQUITY		
Contributed equity	**1,281,335**	1,031,260
Reserves	**(30,897)**	(34,844)
Retained earnings	**105,611**	73,711
Capital and reserves attributable to owners of Qube Holdings Limited	**1,356,049**	1,070,127
Non-controlling interests	**–**	–
Total equity	**1,356,049**	1,070,127

38. INVESTMENTS IN ASSOCIATES

(a) Movements in carrying amounts

Set out below are the associates of the Group as at 30 June 2014. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held. All entities are accounted for using the equity method.

Name of entity	Place of business/country of incorporation	% ownership interest		Carrying amount	
		2014 %	2013 %	2014 $'000	2013 $'000
Australian Amalgamated Terminals Pty Ltd[1]	Australia	50	50	**116,342**	116,208
Northern Stevedoring Services Pty Ltd	Australia	50	50	**43,344**	47,344
Prixcar Services Pty Ltd[2]	Australia	25	25	**32,718**	31,566
Mackenzie Hillebrand[3]	Australia	50	50	**–**	2,306
Quattro Grain Trust[3]	Australia	37.5	–	**2,026**	–
				194,430	197,424

1. Included within Australian Amalgamated Terminals' Liabilities is $53.3 million (2013: $53.8 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 Group's investment in Mackenzie Hillebrand and the Quattro Grain Trust are considered individually immaterial and are discussed in part (c) below.

38. INVESTMENTS IN ASSOCIATES (CONT.)

(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 Holdings Limited's share of those amounts. They have been amended to reflect the adjustments made by the entity when using the equity method, including fair value adjustments and modifications for differences in accounting policy where material:

	Australian Amalgamated Terminals Pty Ltd		Northern Stevedoring Services Pty Ltd		"K" Line Auto Logistics Pty Ltd (Prixcar)	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Summarised balance sheet						
Current assets	**19,363**	21,894	**19,416**	27,130	**88**	78
Non-current assets	**93,723**	94,829	**39,320**	32,746	**65,390**	63,095
Current liabilities	**5,038**	9,415	**24,521**	27,366	**43**	41
Non-current liabilities	**105,782**	106,311	**9,282**	14,045	**–**	–
Net assets	**2,266**	997	**24,933**	18,465	**65,435**	63,132
Reconciliation to carrying amounts						
Opening net assets 1 July	**997**	1,453	**18,465**	8,643	**63,132**	23,562
Additional investment	**–**	–	**–**	–	**–**	40,000
Profit(loss) for the period	**13,269**	19,044	**6,468**	9,822	**2,303**	820
Dividends paid	**(12,000)**	(19,500)	**–**	–	**–**	(1,250)
Closing net assets	**2,266**	997	**24,933**	18,465	**65,435**	63,132
Group's share in %	**50%**	50%	**50%**	50%	**50%**	50%
Group's share in $	**1,133**	499	**12,467**	9,233	**32,718**	31,566
Impairment charge	**–**	–	**(7,234)**	(10,500)	**–**	–
Loan to associates	**52,516**	53,016	**–**	–	**–**	–
Goodwill	**62,693**	62,693	**38,111**	48,611	**–**	–
Carrying amount	**116,342**	116,208	**43,344**	47,344	**32,718**	31,566
Summarised statement of comprehensive income						
Revenue	**70,511**	76,389	**79,422**	89,504	**167**	163
Profit for the period	**13,269**	19,044	**6,468**	9,822	**2,303**	820
Other comprehensive income	**–**	–	**–**	–	**–**	–
Total comprehensive income	**13,269**	19,044	**6,468**	9,822	**2,303**	820
Dividends received from associates	**6,000**	9,750	**–**	–	**–**	625

38. INVESTMENTS IN ASSOCIATES (CONT.)

(c) 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.

	2014 $'000	2013 $'000
Aggregate carrying amount of individually immaterial associates	**2,026**	2,306
Aggregate amounts of the Group's share of:		
Profit/(loss) from continuing operations	**(684)**	418
Post-tax profit or loss from discontinued operations	**–**	–
Other comprehensive income	**–**	–
Total comprehensive income	**(684)**	418

(d) Contingent liabilities of associates

Qube's share of the contingent liabilities of its associates has been disclosed in note 32.

(e) Impairment loss recognised – Northern Stevedoring Services

Qube has recognised an impairment charge against the carrying value of its investment in NSS of $7.2 million. The impairment reflects reduced medium-long-term earnings expectations for NSS.

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.

(f) 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.

39. EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 1 July 2014 the Group acquired 100% of Oztran Aust. Pty Ltd, Oztran Assets Pty Ltd and Stanton Oztran Pty Ltd together with certain equipment assets ('Oztran'). Oztran is a bulk haulage transport business based in Port Hedland Western Australia. The purchase price for Oztran was approximately $25.1 million with a further maximum amount of $9.0 million in contingent consideration payable subject to Oztran business outcomes and performance thresholds over a 3 year period.

On 4 August 2014 the Group entered into an agreement with Aurizon to acquire 100% of CRT Group (CRT). CRT provides specialised bulk freight haulier services including handling, packaging, warehousing and distribution to the Australian polymer, food and industrial sectors and has a national network of depots, warehouses and container parks. CRT employs approximately 250 people and has an annual turnover (revenue) of approximately $100m. The purchase is subject to a number of conditions with settlement expected in or about October 2014.

Except as outlined above and in these consolidated financial statements, there have been no other events that have occurred subsequent to 30 June 2014 and up to the date of this report that have had a material impact on Qube's financial performance or position.

40. RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2014 $'000	2013 $'000
Profit for the year	**93,331**	81,070
Depreciation and amortisation	**69,914**	58,975
Non-cash employee benefits expense – share-based payments	**3,353**	2,195
Fair value adjustment to investment property	**(11,235)**	(9,100)
Impairment of investments in associates	**9,080**	10,500
Gain from de-recognition of contingent consideration payable	**(955)**	(7,956)
Profit on sale of property plant and equipment	**(314)**	(527)
Share of profits of associates (net of dividends received)	**(4,336)**	(4,743)
Change in operating assets and liabilities, net of effects from purchase of controlled entities		
(Increase) in trade debtors and other receivables	**(25,641)**	(15,606)
Decrease in inventories	**174**	3,005
Decrease/(increase) in financial instruments at fair value through profit or loss	**189**	(175)
(Increase)/decrease in deferred tax assets	**(6,089)**	1,828
Increase/(decrease) in trade creditors	**3,500**	(16,520)
Increase in other operating liabilities	**25,929**	16,860
Increase in provision for income taxes payable	**12,536**	16,610
Increase/(decrease) in deferred tax liabilities	**3,604**	(745)
Increase in other provisions	**112**	9,148
Net cash inflow from operating activities	**173,152**	144,819

(a) Non-cash investing and financing activities

	2014 $'000	2013 $'000
The following items were financed through the issue of Qube shares:		
ELTIP issues	**–**	3,090
Dividend reinvestment plan	**10,650**	8,587
	10,650	11,677

41. EARNINGS PER SHARE

(a) Basic earnings per share	2014 Cents	2013 Cents
From continuing operations attributable to the ordinary equity holders of the company	**9.2**	8.4
Total basic earnings per share attributable to the ordinary equity holders of the company	**9.2**	8.4

(b) Diluted earnings per share	2014 Cents	2013 Cents
From continuing operations attributable to the ordinary equity holders of the company	**9.2**	8.4
Total diluted earnings per share attributable to the ordinary equity holders of the company	**9.2**	8.4

(c) Reconciliations of earnings used in calculating earnings per share	2014 $'000	2013 $'000
Basic and diluted earnings per share		
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share		
– From continuing operations	**87,909**	77,343

(d) Weighted average number of shares used as the denominator	2014 Number	2014 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**956,025,593**	925,334,074
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	**957,238,901**	925,334,074

42. SHARE-BASED PAYMENTS

(a) Performance Rights

During FY14 Qube granted Long-term Incentives (LTIs) in the form of Performance Rights to incentivise and retain key executives to achieve share value based objectives that are subject to performance conditions tied directly to shareholder wealth creation.

The key terms and conditions for the FY14 grant are described below:

Participation	The Managing Director, other KMP and other executives who can directly influence the performance of Qube.
Valuation Date	9 September 2013
Grant Date	9 September 2013
Instrument	Performance Right (representing an entitlement to one ordinary Qube share on achievement of certain performance conditions
Performance Condition	25% of Performance Rights are subject to a Total Shareholder Return Hurdle (TSR Performance Rights) and 75% are subject to an Earnings Per Share Hurdle (EPS Performance Rights)
Exercise Price	$nil
Performance Period	3 years to 9 September 2016 (with retesting annually to 9 September 2018 for any EPS Performance Rights that have not vested and tested over the extended period)
Vesting Date	9 September 2016 (with retesting annually to 9 September 2018 for EPS Performance Rights only)
Expiry Date	TSR Performance Rights: 9 September 2016 EPS Performance Rights: 9 September 2018
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 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 will vest depending upon Qube's underlying EPS performance during the relevant performance period. If Qube's CAGR in EPS for the relevant performance period (based on the respective 30 June reported financial results) is: • less than the minimum EPS target, no EPS Performance Rights 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.

42. SHARE-BASED PAYMENTS (CONT.)

(a) Performance Rights (CONT.)

Set out below are summaries of Performance Rights granted under the scheme:

Grant Date	Last possible vesting Date	Issue Price ($)	Balance at start of year (number)	Granted during the year (number)	Vested/ transferable during the year (number)	Forfeited during the year (number)	Balance at end of year (number)	Vested and transferable at end of year (number)
9 Sept 2013	9 Sept 2018	1.87	–	2,962,461	–	(60,014)	2,902,447	–

Fair value of Plan Shares granted:

The fair value at Grant Date is independently determined taking into account the following:

TSR Performance Rights

For the TSR Performance Rights a Monte Carlo simulation based model has been used to test the likelihood of attaining the TSR 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 TSR Performance Rights.

EPS Performance Rights

For the EPS Performance Rights 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 Qube achieving the EPS Hurdle has not been included.

The model inputs for Performance Rights expensed during the year ended 30 June 2014 included:

	TSR condition Performance Rights	EPS condition Performance Rights
Vesting Date	9 Sept 2016	9 Sept 2018
Grant Date	9 Sept 2013	9 Sept 2013
VWAP at Grant Date ($)	$1.97	$1.97
Exercise Price ($)	$0.00	$0.00
Volatility of share (%)	30%	30%
Distribution yield (%)	3.36%	3.36%
Risk free rate (%)	2.87%	2.87%
Probability of achievement	90%	90%
Expected life (years)	3.0	3.0
Correlation matrix	*	N/A
Performance Right – fair value at Grant Date ($)	$1.22	$1.96

* – 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.

42. SHARE-BASED PAYMENTS (CONT.)

(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%, 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 referable 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 start of 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 end of year (number)	Vested and transferable at end of year (number)
1 Sept 2011*	30 Nov 2014	1.3575	3,900,000	–	1,300,000	–	–	3,900,000	2,600,000
29 June 2012	30 Nov 2015	1.5135	11,875,000	–	3,507,502	(530,002)	(634,998)	10,710,000	5,167,503
14 Nov 2012	30 Nov 2015	1.5448	2,000,000	–	666,666	–	–	2,000,000	999,999

* – The first tranche of the ELTIP issue has only the ASR performance hurdle applicable to it.

42. SHARE-BASED PAYMENTS (CONT.)

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

Fair value of Plan Shares granted:

The fair value at Grant Date is 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 2014 included:

	ASR condition Plan Shares (Tranche 1)	ASR condition Plan Shares (Tranche 2)	ASR condition Plan Shares (Tranche 3)	EPS condition Plan Shares (Tranche 1)	EPS condition Plan Shares (Tranche 2)
Vesting Date	31 August 2012	31 August 2013	31 August 2014	31 August 2013	31 August 2014
Grant Date	1 Sept. 2011	1 Sept. 2011	1 Sept. 2011	1 Sept. 2011	1 Sept. 2011
VWAP at Grant Date ($)	1.36	1.36	1.36	1.36	1.36
Exercise Price (Plan Loan) ($)	1.36	1.36	1.36	1.36	1.36
Volatility of share (%)	30%	30%	30%	30%	30%
Dividend yield in year one	3.2%	3.2%	3.2%	3.2%	3.2%
Risk free rate (%)	3.8%	3.7%	3.8%	3.7%	3.8%
Probability of achievement	100%	100%	100%	75%	60%
Expected life (years)	1.0	2.0	3.0	2.5	3.0
Plan Share value at Grant Date ($)	0.21	0.26	0.27	0.26	0.28

	ASR condition Plan Shares (Tranche 1)	ASR condition Plan Shares (Tranche 2)	ASR condition Plan Shares (Tranche 3)	EPS condition Plan Shares (Tranche 1)	EPS condition Plan Shares (Tranche 2)	EPS condition Plan Shares (Tranche 3)
Vesting Date	29 June 2013	29 June 2014	29 June 2015	29 June 2013	29 June 2014	29 June 2015
Grant Date	29 June 2012	29 June 2012	29 June 2012	29 June 2012	29 June 2012	29 June 2012
VWAP at Grant Date ($)	1.51	1.51	1.51	1.51	1.51	1.51
Exercise Price (Plan Loan) ($)	1.51	1.51	1.51	1.51	1.51	1.51
Volatility of share (%)	30%	30%	30%	30%	30%	30%
Dividend yield in year one	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%
Dividend yield in year two	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%
Dividend yield in year three	4.9%	4.9%	4.9%	4.9%	4.9%	4.9%
Risk free rate (%)	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%
Probability of achievement	100%	100%	100%	80%	70%	60%
Expected life (years)	1.0	2.0	3.0	2.1	2.6	3.1
Plan Share value at Grant Date ($)	0.24	0.29	0.29	0.22	0.20	0.18

42. SHARE-BASED PAYMENTS (CONT.)

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

Fair value of Plan Shares granted: (CONT.)

	ASR condition Plan Shares (Tranche 1)	ASR condition Plan Shares (Tranche 2)	ASR condition Plan Shares (Tranche 3)	EPS condition Plan Shares (Tranche 1)	EPS condition Plan Shares (Tranche 2)	EPS condition Plan Shares (Tranche 3)
Vesting Date	29 June 2013	29 June 2014	29 June 2015	29 June 2013	29 June 2014	29 June 2015
Grant Date	14 Nov. 2012	14 Nov. 2012	14 Nov. 2012	14 Nov. 2012	14 Nov. 2012	14 Nov. 2012
ASR Measurement price ($)	1.51	1.51	1.51	1.51	1.51	1.51
VWAP at Grant Date ($)	1.54	1.54	1.54	1.54	1.54	1.54
Exercise Price (Plan Loan) ($)	1.54	1.54	1.54	1.54	1.54	1.54
Volatility of share (%)	30%	30%	30%	30%	30%	30%
Dividend yield in year one	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%
Dividend yield in year two	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
Dividend yield in year three	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Risk free rate (%)	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%
Probability of achievement	100%	100%	100%	80%	70%	60%
Expected life (years)	0.6	1.6	2.6	1.7	2.2	2.7
Plan Share value at Grant Date ($)	0.20	0.26	0.28	0.19	0.18	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) Shadow Equity Plan

This scheme was offered in FY12 to certain senior executives of Qube's Logistics and Ports & Bulk divisions to encourage retention of senior employees and focus on growth in the value of Qube. The scheme was closed in the year ended 30 June 2012 to new participants and is being phased out.

Under the terms of the scheme, executives had been granted an economic interest in a total of 3,081,470 Qube shares. Subject to achieving the vesting hurdle (continue to be employed by the respective business till 31 December 2014 and/or not terminated due to adverse circumstances including serious misconduct), they will be paid a cash bonus in January 2015 equal to the value of those Qube shares.

The value will be adjusted for items including dividends paid (disregarding franking credits), pro-rata entitlement issues, share splits and similar transactions from the commencement of the scheme to the payment date (Refer to note 20).

42. SHARE-BASED PAYMENTS (CONT.)

(c) Shadow Equity Plan (CONT.)

Set out below is a summary of notional shares granted under the plan:

Grant Date	Expiry Date	Issue Price ($)	Balance at start of year (number)	Notional shares granted during the year (number)	Notional shares vested/ exercised during the year (number)	Notional shares forfeited during the year (number)	Balance at end of year (number)	Notional shares expensed at end of year (number)
15 December 2011	31 December 2014	1.35	3,071,470	–	–	(14,000)	3,057,470	2,352,130

Fair value of notional shares granted:

The assessed fair value at Grant Date under the Shadow Equity Plan, granted to the individual is allocated equally over the period from Grant Date to Vesting Date. Fair values at Grant Date are determined using a valuation methodology approved by the Nomination and Remuneration Committee that takes into account the share price at Grant Date, expected price volatility of the underlying shares and the expected growth rate over the term.

The model inputs for shares granted during the year ended 30 June 2012 included (no shares granted during the years ended 30 June 2013 or 30 June 2014):

(i) share price at Grant Date: $1.35

(ii) share price at year end (including accumulated dividends): $2.39

(iii) expected remaining life (years): 0.5 years

(iv) expected growth rate (including dividends): 10%

(v) discount rate: 6.9%

(d) 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:

	2014 $'000	2013 $'000
Equity based compensation – expensed		
Performance Rights	**1,146**	–
Executive long-term incentive plan (ELTIP)	**1,037**	2,195
Legacy schemes:		
Shadow Equity plan	**2,934**	1,717
	5,117	3,912

43. FINANCIAL RISK MANAGEMENT

Qube is exposed to credit risk, market risk (interest rate risk, foreign exchange 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 investments in fixed interest securities 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 2(j).

Other than as set out in note 10 no financial assets are impaired nor past due but not impaired at 30 June 2014 (30 June 2013 – Nil).

There were no significant concentrations of credit risk to counterparties at 30 June 2014 or 30 June 2013.

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.

	2014 $'000	2013 $'000
Cash and cash equivalents		
AA-	**111,671**	57,729

(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.

43. FINANCIAL RISK MANAGEMENT (CONT.)

(b) Market risk (CONT.)

(i) Cash flow and fair value Interest rate risk (CONT.)

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

	2014 $'000	2013 $'000
Bank loans	**350,000**	466,500
Cash	**(111,671)**	(57,729)
Net exposure to cash flow interest rate risk	**238,329**	408,771

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 (c) below. The analysis is based on the assumption that interest rates changed +/100 basis points (2013 +/100 basis points) from the year end rates with all other variables held constant.

(ii) Foreign exchange risk

The Group may purchase assets internationally and as such is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The foreign exchange risk relating to non-monetary assets and liabilities is a component of price risk not foreign exchange risk. However, management monitors the exposure on all foreign currency denominated assets and liabilities. Qube's exposure to foreign exchange risk is minimal as it mainly purchases assets denominated in Australian dollars.

The sensitivities of the Group's monetary assets and liabilities to foreign exchange risk is summarised in (c). The analysis is based on the assumption that the Australian dollar weakened/strengthened by 5% (2013 5%) against the US dollar. The impact arises from Qube's purchase of US dollar assets mainly to fund equipment purchases.

(c) 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 and other price 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 and foreign exchange 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				Foreign exchange risk (USD)			
	-100 bps		+100 bps		-5%		+5%	
2014	Profit $'000	Equity $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000
Total increase/(decrease)	**569**	**569**	**(1,349)**	**(1,349)**	**455**	**455**	**(412)**	**(412)**

	Interest rate risk				Foreign exchange risk (USD)			
	-100 bps		+100 bps		-5%		+5%	
2013	Profit $'000	Equity $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000
Total increase/(decrease)	1,267	1,267	(1,509)	(1,509)	836	836	(757)	(757)

43. FINANCIAL RISK MANAGEMENT (CONT.)

(d) 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 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:

	2014 $'000	2013 $'000
Floating rate		
– Expiring within one year	**–**	–
– Expiring beyond one year*	**304,368**	196,030
	304,368	196,030

* – Undrawn facilities adjusted for $15,632,000 in bank guarantees (2013: $7,270,000) drawn under the working capital facility.

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 years (2013: 3 years).

Maturity of financial liabilities

The table below analyses Qube's financial liabilities excluding gross settled derivative financial liabilities into relevant maturity groupings based on the remaining period to the earliest possible contractual maturity date at the year-end date. The amounts in the table are contractual undiscounted cash flows.

	Less than 1 month $'000	1-6 months $'000	6-12 months $'000	Greater than 1 year $'000
Consolidated As at 30 June 2014				
Trade and other payables	**111,174**	**–**	**7,104**	**–**
Provisions	**3,125**	**13,340**	**16,009**	**32,398**
Financial liabilities at fair value through profit or loss	**–**	**19**	**–**	**1,609**
Borrowings	**1,551**	**7,758**	**9,308**	**376,278**
Total financial liabilities	**115,850**	**21,117**	**32,421**	**410,285**

	Less than 1 month $'000	1-6 months $'000	6-12 months $'000	Greater than 1 year $'000
Consolidated As at 30 June 2013				
Trade and other payables	96,337	–	–	5,307
Provisions	3,237	13,704	16,445	28,616
Financial liabilities at fair value through profit or loss	–	426	184	2,003
Borrowings	1,709	8,547	10,258	508,700
Total financial liabilities	101,283	22,677	26,887	544,626

44. FAIR VALUE MEASUREMENT

(a) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments and non-financial assets that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments and non-financial assets into the three levels prescribed under the Accounting Standards. An explanation of each level follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities,

Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly, and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table presents the Group's financial and non-financial assets and liabilities measured and recognised at their fair value at 30 June 2014 on a recurring basis:

At 30 June 2014	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Recurring fair value measurements				
Assets				
Investment properties	**–**	**–**	**308,500**	**308,500**
Financial assets at fair value through profit or loss	**828**	**–**	**–**	**828**
Total assets	**828**	**–**	**308,500**	**309,328**
Liabilities				
Contingent consideration payable	**–**	**–**	**6,692**	**6,692**
Derivatives used for hedging	**–**	**1,899**	**–**	**1,899**
Total liabilities	**–**	**1,899**	**6,692**	**8,591**

At 30 June 2013	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Recurring fair value measurements				
Assets				
Investment properties	–	–	293,431	293,431
Financial assets at fair value through profit or loss	840	–	–	840
Total assets	840	–	293,431	294,271
Liabilities				
Contingent consideration payable	–	–	5,585	5,585
Derivatives used for hedging	–	1,723	–	1,723
Total liabilities	–	1,723	5,585	7,308

There were no transfers between levels 1 and 2 for recurring fair value measurements during the year. For transfers in and out of level 3 measurements see (c) 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 2014 or 30 June 2013.

(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.
- 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).

44. FAIR VALUE MEASUREMENT (CONT.)

(b) Valuation techniques used to determine fair values (CONT.)

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 independent valuations. 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 both of the Group's investment properties was the term and reversion approach, which resulted in fair value estimates for properties 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 in year ended 30 June 2014 (30 June 2013: $nil). Further, in the current year there were also no changes made to any of the valuation techniques applied as of 30 June 2013.

(ii) Valuation inputs and relationships to fair value

Contingent consideration

Actual consideration payable is contingent on certain future conditions including financial results, warranty periods and volume related targets. The minimum amount payable is $nil, and the maximum is $7,000,000 over the relevant period at a rate of approximately 2.7%, which is equivalent to Qube's weighted average deposit rate.

(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 pre-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.

44. FAIR VALUE MEASUREMENT (CONT.)

(c) Fair value measurements using significant unobservable inputs (level 3) (CONT.)

Non-financial assets

The following table presents the changes in level 3 items for the period ended 30 June 2014 for recurring fair value measurements:

	Investment Properties $'000
Opening balance 1 July 2013	**–**
Adoption of AASB 13	**293,431**
Depreciation and impairment	**–**
Development expenditure capitalised	**2,790**
Straight-lining of operating lease rental income	**1,044**
Gains recognised in other income*	**11,235**
Closing balance 30 June 2014	**308,500**

* Unrealised gains or (losses) recognised in profit or loss attributable to assets held at the end of the reporting period (included in gains/(losses) recognised in other income above).

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

There were no transfers between the levels of the fair value hierarchy in year ended 30 June 2014.

(ii) 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 2014 $'000	Unobservable inputs	Range of inputs (probability – weighted average)	Relationship of unobservable inputs to fair value
Investment properties	308,500	Discount rate	7.75% – 9.5%	The higher the discount rate and terminal yield, the lower the fair value
		Terminal yield	7.8%	
		Capitalisation rate	7.5% – 8.0%	The higher the capitalisation rate and expected vacancy rate, the lower the fair value
		Expected vacancy rate	–%	
		Rental growth rate	2.8% – 3.0%	The higher the rental growth rate, the higher the fair value

(iii) Valuation processes

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 2014, the fair values of the investment properties have been determined by Knight Frank.

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 Knight Frank 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.

45. PARENT ENTITY FINANCIAL INFORMATION

(a) Summary financial information

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

	2014 $'000	2013 $'000
Balance sheet		
Current assets	**33,820**	16,997
Total assets	**1,739,355**	1,545,710
Current liabilities	**4,739**	4,472
Total liabilities	**235,560**	351,926
Shareholders' equity		
Issued capital	**1,430,708**	1,174,557
Reserves		
Share-based payments	**(28,502)**	(24,979)
Retained earnings	**101,589**	44,206
	1,503,795	1,193,784
Profit or loss for the year	**101,059**	86,268
Total comprehensive income	**101,059**	86,268

(b) Guarantees entered into by the parent entity

The parent entity has provided financial guarantees in respect of bank loans of subsidiaries amounting to $120,000,000 (2013: $120,000,000) secured by registered mortgages over freehold property and investment in units of the subsidiaries.

In addition, there are cross guarantees given by the parent entity and the companies noted in note 36. 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.

DIRECTORS' DECLARATION

In the directors' opinion:

(a) the financial statements and notes set out on pages 46 to 111 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 2014 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 36 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 37.

Note 2(a) 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.

Sam Kaplan
Director
SYDNEY
21 August 2014

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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 2014, 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 2, the directors also state, in accordance with 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

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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 2014 and of its performance for the year ended on that date; and

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

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 2.

Report on the Remuneration Report

We have audited the remuneration report included in pages 28 to 42 of the directors' report for the year ended 30 June 2014. 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 2014 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

N R McConnell

N R McConnell
Partner

Sydney
21 August 2014

SHAREHOLDER INFORMATION

Top 20 Shareholders

As at 17 September 2014, the top 20 shareholders of Qube were as follows:

Rank	Name	Number of shares	% of capital
1	HSBC Custody Nominees (Australia) Limited	150,208,822	14.29
2	J P Morgan Nominees Australia Limited	121,952,190	11.60
3	CIP Investments (UK) LP	121,453,446	11.55
4	National Nominees Limited	91,569,283	8.71
5	Kawasaki (Australia) Pty Limited	54,525,000	5.19
6	Patterson Cheney Investments Pty Ltd	43,710,132	4.16
7	Taverners No. 10 Pty Ltd	36,908,652	3.51
8	Citicorp Nominees Pty Limited	32,763,476	3.12
9	Taverners No. 10 Pty Ltd	20,057,943	1.91
10	BNP Paribas Noms Pty Ltd <DRP>	17,842,081	1.70
11	Mr Peter Giacci <P L Giacci Family a/c>	13,567,317	1.29
12	Australian Foundation Investment Company Limited	13,117,654	1.25
13	Laddara Pty Limited	11,314,417	1.08
14	Kaplan Partners Pty Limited	9,664,916	0.92
15	Lutovi Investments Pty Ltd	7,420,283	0.71
16	Liangrove Media Pty Limited	5,386,555	0.51
17	HSBC Custody Nominees (Australia) Limited <NT-Comnwlth Super Corp a/c>	5,027,486	0.48
18	Fern Estates Pty Ltd	4,760,237	0.45
19	Qube Employee Share Accumulation Plan Pty Ltd <Qube Employee Share a/c>	4,682,070	0.45
20	AMP Life Limited	4,434,194	0.42
	Total	770,366,154	73.29

Substantial Shareholders

As at 17 September 2014, Qube had received notification regarding the following substantial holders:

Substantial shareholder	Number of shares	Notice date	% of capital (as at notice date)
TC Group Infrastructure, L.L.C. and its controlled entities including but not limited to, CIP Investments (UK), L.P. (Limited Partnership No. LP 14315) by its general partner, Carlyle Infrastructure G.P., Ltd	128,982,461	3 April 2014	12.54
Wilh. Wilhelmsen Holding Invest Malta Limited (WWHI Malta)	66,000,000	4 September 2013	7.10
Taverners No. 10 Pty Ltd	57,638,637	12 September 2013	6.20
Kawasaki (Australia) Pty Limited and Kawasaki Kisen Kasiha Ltd	54,525,000	7 April 2014	5.30

Unmarketable Parcels

As at 17 September 2014, 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	298	7,431

Distribution Schedule

As at 17 September 2014, the distribution of holdings of Qube shares was as follows:

Range	Total holders	Shares	% of capital
1 – 1,000	1,070	514,038	0.05%
1,001 – 5,000	2,785	8,504,720	0.81%
5,001 – 10,000	2,006	15,642,379	1.49%
10,001 – 100,000	4,082	112,748,644	10.73%
100,001 and over	366	913,763,148	86.92%
Total	**10,309**	**1,051,172,929**	**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.

CORPORATE DIRECTORY

Directors	Chris Corrigan (Chairman) Sam Kaplan (Deputy Chairman) Maurice James (Managing Director) Ross Burney Allan Davies Peter Dexter Robert Dove Alan Miles Åge Holm (Alternate Director to Peter Dexter) Yoshiaki Kato (Alternate Director to Alan Miles) Simon Moore (Alternate Director to Robert Dove)
Secretary	William Hara
Principal registered office in Australia	Level 22 44 Market Street Sydney NSW 2000 Telephone 9080 1900
Security exchange listings	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 Telephone (Australia) 1300 729 310 (Overseas) +61 3 9415 4608

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