QUBE HOLDINGS LIMITED

ANNUAL REPORT 2019

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Chairman's Message

As Qube Chairman, I'm pleased to report another positive result for Qube. The company's broad diversification and strong market positions protected the company from ongoing economic headwinds during the 2019 financial year.

In the face of the slowing economy, Qube achieved earnings growth across all divisions in FY19.

The Board has been focussed on broader strategic issues that will position Qube for further growth in the long-term. At the same time, we have supported management's initiatives to improve profitability and returns for shareholders.

The Moorebank Logistics Park project has been a specific focus of the Board and will continue to be so while significant development and capital spending is underway.

Highlights

- Underlying NPAT attributable to Qube up 15.4% to $123.2 million ($139.2 million pre-amortisation)
- Underlying revenue growth of 4.7% to $1.73 billion
- Statutory NPAT attributable to Qube of $196.6 million ($212.6 million pre-amortisation)
- Full year dividend of 6.7 cents per share fully franked

Safety performance

The Board remains closely focussed on maintaining and improving Qube's strong track record on safety and we continue to invest significantly in safety initiatives and the promotion of improved health and well-being amongst our workforce.

Although a tragic fatality occurred at the Port of Gisborne in New Zealand, total recordable injuries continued to fall throughout the year. A particular highlight was the Moorebank Logistics Park project that achieved more than a million hours injury-free.

Operating Division

Qube's diversification strategy across Ports, Bulk and Logistics operations delivered pleasing growth in underlying earnings considering certain ongoing challenges in parts of the business. Management continued its focus on growing market share, defending margins in a competitive environment while maintaining tight control of costs across the business units.

Moorebank Logistics Park

Progress at the Moorebank Logistics Park project was very pleasing throughout the year. Building Australia's largest logistics precinct was certain to produce some major challenges which I believe our teams are meeting very successfully. Construction of the IMEX Terminal and the rail link from the Southern Sydney Freight Line was completed. A major tenant, Target Australia, has commenced operations. Progress on attracting other tenants has been excellent and in accordance with the company's expectations.

The Board is confident the Moorebank project is living up to expectations and that, when fully operational, the project will transform rail and road freight handling in NSW.

Patrick

The Board is pleased with the performance of Patrick in which Qube holds a 50% interest.

Patrick delivered a solid result and improved its market share despite a slight slowdown in container volume growth nationwide. Patrick contributed $30.0 million NPAT to Qube, an increase of 11.5% on the prior year. Patrick's strong cashflow also allowed distributions of $100 million to Qube in the period through a combination of interest, franked dividends, repayment of shareholder loans and return of capital.

Board's actions on climate change

Qube supports the Australian Government's international commitments to respond to the effects of climate change and is committed to minimising our carbon footprint.

Qube has undertaken a climate change risk assessment aligned with the Task Force on Climate-related Financial Disclosures recommendations and against future, long-term climate change scenarios.

The assessment included a detailed assessment of six assets in Australia and one in New Zealand, collectively covering 27% of Qube's FY18 consolidated underlying revenue.

The analysis indicated that Qube has a low to moderate risk exposure to climate change.

Qube will continue to monitor its climate change risk and policies to ensure it remains appropriate to its activities.

Outlook

In FY20, Qube expects broadly similar overall economic and competitive conditions to FY19 with a continuation of the subdued trends in container, grain, vehicle and general cargo volumes.

Qube will seek to continue to mitigate these pressures through scale, diversification, further cost reductions where possible, and ongoing benefits of its investments.

In FY20, Qube expects to report another solid increase in underlying NPAT (pre-amortisation) and continued improvement in underlying earnings per share (pre-amortisation).

The Board believes the company's strategy of becoming Australia's lowest cost and most efficient logistics solutions provider is now widely understood by the market and we will continue to attract significant long-term investors interested in companies with strategic fixed assets and a history of growth.

Allan Davies

Allan Davies
21 August 2019

Managing Director's Report

The 2019 financial year was very positive in many respects with solid earnings in our underlying businesses and Patrick with management working hard to meet budgets and growth targets.

We continued to invest in activities that fit our primary strategy of meeting customer needs in a variety of import and export supply chain requirements across a diversified portfolio of assets and products.

Qube returned to underlying EPS growth and successfully refinanced our debt to maintain a conservative balance sheet.

Our investment in people and safety continued to deliver improved outcomes across a range of measures. Employee health and well-being is critical to a safe workplace and we have successfully delivered a number of initiatives through an enhanced and simple employee engagement process.

All of this could not have been achieved without the dedication and commitment of our management team and all employees working cooperatively to deliver efficient, cost effective and reliable services to our customers.

All business units in the Operating Division, Logistics, Ports and Bulk delivered growth despite operating in competitive markets, the effects of drought, declines in new car sales (and imports), a slowdown in container volume growth, tight operating margins and a decline in some commodities in the period. We continue to see further growth opportunities (both organic and acquisition) across a range of activities that fit our core strategy.

Infrastructure & Property also delivered earnings growth with both Moorebank Logistics Park (MLP) and Australian Amalgamated Terminals (AAT) exceeding expectations.

Patrick has established itself as the leading terminal operator in Australia and delivered earnings growth and increased market share together with a significantly improved safety outcome.

FY19 saw major progress on the development of the Moorebank Logistics Park and a spike in interest from potential tenants as the market came to understand the opportunities it presents.

We continued to work closely with our partners at the Commonwealth owned Moorebank Intermodal Company (MIC) and I am confident both of us will achieve our corporate and public policy objectives of transforming the freight logistics chain in NSW.

At the time of writing, Qube is considering a number of leasing opportunities with major players in the import-export supply chain and we expect more interest as the first port shuttle trains commence operations shortly.

Qube remains strongly committed to the benefits of intermodalism and as the MLP moves into the operational phase, we looked to Victoria for opportunities.

As a result, in late 2018, Qube entered into an exclusive call option to acquire more than 1000 hectares of land at Beveridge located around 40 kilometres north of Melbourne and adjacent to the ARTC's Melbourne to Sydney rail line.

Qube believes that the Beveridge site has the potential to become a major intermodal logistics hub in the medium term. Over the next three years we will continue to assess the opportunity to determine the optimal way to proceed with it in order to maximise value for Qube shareholders.

Over the past 12 months, Qube has focused on increasing employee engagement. To this effect, we launched the myQube employee app in October 2018 with the purpose of improving communication and sharing knowledge throughout the organisation. In less than 12 months, more than 50% of our employees have downloaded the app and we have shared more than 350 stories. The feedback from our employees had been very positive providing more evidence of the strong culture that thrives in Qube.

We also embarked on building Qube's online presence through social media and improvements to our website. In the past 12 months, we have published stories that showcased our organisation to a wider audience on LinkedIn and Twitter. Our stories have received over 1 million views and provided an insight into the day-to-day operations and culture of Qube.

Qube has been on a journey over the past 8 years to reduce injuries and illness at work by continuously focusing on safety, health and wellbeing. One aspect of our health and wellbeing focus has been the QubeCare program - a series of initiatives aimed at educating and improving the physical and mental wellbeing of our workers across 130 sites. To date, programs have been implemented to improve employee knowledge on mental health, sleep hygiene, exercise and healthy eating. Additionally, we implemented a Step Challenge where 1,200 of our workforce participated in a walking challenge. Encouragingly, Qube was awarded an icare NSW Aware Award for the QubeCare program.

The Qube Board and management understand the importance of improving diversity in our workplaces, particularly given that our operations have traditionally been male dominated work environments.

Consequently, in 2019 we placed particular emphasis on working with organisations and partners to implement programs that encourage diversity and inclusion. Qube believes that people from different backgrounds and different experiences provide value for our organization.

Qube is working in partnership with the Centre for Supply Chain and Logistics at Deakin University on the Wayfinder: Supply Chain Careers for Women Initiative focused on increasing the visibility of career opportunities for women in the sector.

For the past three years, in partnership with ConocoPhillips, Qube has provided opportunity for East Timorese trainees to travel to Darwin for one month of on-the-job training to complete a Certificate 3 in Warehousing.

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

All of these are important initiatives that will contribute to the sustainability of Qube's businesses into the future.

In conclusion, I'd like to thank all employees and contractors for their contributions and continued commitment to the success of Qube.

Maurice James
21 August 2019

Directors' Report

Your directors present their report on the consolidated entity consisting of Qube Holdings Limited and the entities it controlled ('Group' or 'Qube') at the end of, or during, the year ended 30 June 2019.

Directors

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

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

Principal Activities

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

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

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

	Cents per share	Total $M	Franked percentage	Payment date
Paid during the 2019 financial year				
2018 Final dividend	2.8¢	44.9	100%	19 October 2018
2018 Special dividend	2.0¢	32.1	100%	19 October 2018
2019 Interim dividend	2.8¢	44.9	100%	4 April 2019
2019 Special dividend	1.0¢	16.1	100%	4 April 2019
Paid during the 2018 financial year				
2017 Final dividend	2.8¢	44.9	100%	12 October 2017
2018 Interim dividend	2.7¢	43.3	100%	5 April 2018
Dividends declared by the Company after year end				
2019 Final dividend	2.9¢	47.0	100%	18 October 2019

Loans to directors and executives

There are no loans made during the year or outstanding to directors and executives as at 30 June 2019.

Information on directors and senior management

Information on directors and senior management including meetings of directors is set out on pages 7 to 11 and forms part of this Directors' Report.

Review of Operations

The Review of Operations on pages 12 to 17 forms part of this Directors' Report.

Auditor

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 50.

Non-audit services

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

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

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

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

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

	2019	2018
Taxation services	**$'000**	$'000
PwC Australian firm:		
Tax compliance services	**165.2**	137.1
Tax advisory services	**177.7**	90.2
Total remuneration for taxation services	**342.9**	227.3
Other services		
Due diligence services	**-**	131.0
Other services	**162.4**	235.2
Total remuneration for non-audit services	**505.3**	593.5

Remuneration Report

The Remuneration Report is set out on pages 18 to 49 and forms part of the Directors' Report for the financial year ended 30 June 2019.

Matters subsequent to the end of the period

Post the end of the financial year, Qube announced that it was moving to compulsorily acquire the remaining shares in Chalmers, which would give Qube 100% ownership. This acquisition is expected to be completed in September 2019. Other than as noted above, no other matters or circumstances have arisen since 30 June 2019 that significantly affect Qube's operations, results or state of affairs, or may do so in future years.

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*.

Rounding of amounts

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

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

Allan Davies

Allan Davies
Director

Sydney
21 August 2019

Information on Directors and Senior Management

Allan Davies *Bachelor Engineering (Mining) Hons, GAICD Chairman - Non-executive Director*

Experience and expertise

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

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

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

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

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

Directorships of listed companies held during the last three years:

- Non-executive Director of King Island Scheelite Limited from 30 September 2013 to 26 February 2019

Special responsibilities for Qube

Chair of Safety, Health and Environment Committee

Member of Nomination and Remuneration Committee

Sam Kaplan *Deputy Chairman – Non-executive Director*

Experience and expertise

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

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

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

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

Directorships of listed companies held during the last three years:

None

Special responsibilities for Qube

Chair of Audit and Risk Management Committee

Maurice James *Managing Director*

Experience and expertise

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

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

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

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

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

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

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

Directorships of listed companies held during the last three years:

None

Special responsibilities for Qube

Managing Director

Member of Safety, Health and Environment Committee

Ross Burney *Non-executive Director*

Experience and expertise

Mr. Burney is the Chief Executive of Hume Partners. He has over 25 years' experience as an accountant and investment manager previously having worked for BDO Chartered Accountants, Brierley Investments Limited, Guinness Peat Group and Taverners Group. The Taverners Group ceased to a substantial shareholder of Qube on 29 June 2017

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

Directorships of listed companies held during the last three years:

- Ruralco Holdings Limited – from September 2014 to February 2016

Special responsibilities for Qube

Member of Nomination and Remuneration Committee

Peter Dexter *AM, FAICD Non-executive Director*

Experience and expertise

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

Mr. Dexter is the Chairman of the Australian National Maritime Museum. He is also a director of Wilh. Wilhelmsen Investments Pty Ltd (Wilh. Wilhelmsen Holding Invest Malta Limited, an unrelated company, ceased to be a substantial shareholder of Qube on 2 August 2016).

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

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

Directorships of listed companies held during the last three years:

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

Special responsibilities for Qube

Member of Safety, Health and Environment Committee

Chair of Nomination and Remuneration Committee

Alan Miles *Non-executive Director*

Experience and expertise

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

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

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

Directorships of listed companies held during the last three years:

None

Special responsibilities for Qube

Member of Safety, Health and Environment Committee

Member of Audit and Risk Management Committee

Sue Palmer *Non-executive Director*

Experience and expertise

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

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

Ms. Palmer is currently Non-executive Director and Audit Committee Chair of ASX-listed Charter Hall Retail REIT and New Hope Corporation Limited.

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

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

Directorships of listed companies held during the last three years:

Charter Hall Retail REIT from 10 November 2015 to current

New Hope Corporation Limited from 1 November 2012 to current

RCR Tomlinson Limited (in Liq. – delisted 5 July 2019) from 21 August 2014 to 1 August 2019

Special responsibilities for Qube

Member of Audit and Risk Management Committee

Åge Holm *Alternate Non-executive Director*

Experience and expertise

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

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

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

Directorships of listed companies held during the last three years:

None

Special responsibilities for Qube

Alternate Director to Peter Dexter

Interest in shares

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

Meetings of directors

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

	Board meetings		Meetings of committees: Audit and Risk Management		Nomination and Remuneration		Safety, Health and Environment	
	A	B	A	B	A	B	A	B
Allan Davies	7	7		6*	5	5	4	4
Sam Kaplan	7	7	7	7				
Maurice James[1]	7	7		6*		5*	4	3
Ross Burney	7	6			5	5		
Peter Dexter	7	7		1*	5	5	4	4
Alan Miles	7	7	7	7			4	4
Sue Palmer	7	7	7	7				
Åge Holm (alternate)	7	1**						

A = Number of meetings held during the time the director held office (including acting as an alternate director) for Board meetings, or was a member of a Committee for Committee meetings, during the year.

B = Number of meetings attended

[1] Executive director

*Meetings attended as an invitee of the Committee or, in the case of the Managing Director, as a standing management attendee

** Meetings attended by an alternate director as an invitee

Not a member of the Committee during the year

During the year the following appointments/resignations occurred: NIL
In addition to the above formal meetings, strategy and briefing sessions and operating site tours were held for directors during the year.

Key Management Personnel

Chief Financial Officer

The Chief Financial Officer is Mr. Paul Lewis. He has been involved with Qube since its establishment in 2006 and is 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.

Chief Operating Officer

The Chief Operating Officer is Mr. Paul Digney. Mr. Digney has been involved with Qube since its establishment in 2006. Mr. Digney has 30 years of executive management experience in supply chain and port logistics across Australia, including as a senior executive at Patrick Corporation Limited prior to joining Qube. Mr. Digney was appointed Chief Operating Officer in 2016 and primarily oversees management of the businesses in Qube's Operating Division.

Director Strategic Assets, General Counsel and Company Secretary

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

Director, Infrastructure and Property

Mr. Greg Pauline has over 30 years of experience in infrastructure and property development working in senior management roles with Transfield, Downer EDI Lend Lease and Genesee & Wyoming Australia. Mr. Pauline joined Qube as Director Infrastructure and Property in December 2017 and is responsible for Qube's major property assets (the Minto property and the MLP) and AAT.

Review of Operations

Overview

Qube delivered a solid financial result in FY19 with earnings growth in all divisions despite ongoing challenges in parts of the business. This achievement reflects Qube's significant investment over many years in equipment, facilities and technology to build scale, improve efficiency and reduce costs, thereby enabling it to provide a cost-effective, reliable service to its diverse customer base.

The result also benefitted from several acquisitions that expanded Qube's service capability, geographic and product diversification and brought additional management depth and expertise to the Group.

Importantly, these investments are in line with Qube's strategy, are expected to meet or exceed Qube's financial hurdles, and meet Qube's rigorous risk assessment and are therefore expected to support continued long term earnings growth.

Progress with the development of the Moorebank Logistics Park (MLP) project was a key highlight during the period with completion of the construction of the import-export (IMEX) rail terminal, substantial progress with the precinct enabling infrastructure and the completion of the new NSW distribution centre for Target Australia (Target). The commencement of the Target operations occurred shortly after the end of the financial year and in line with Qube's timeline. The commencement of the initial IMEX terminal and the rail operations remain on track to commence in the September 2019 quarter.

Through the course of the year, Qube has seen increased tenant interest in leasing warehouse facilities within the precinct. This has resulted in several new agreements for lease and ongoing leasing discussions with a range of parties.

The ongoing dedication and focus of Qube's management team and broader employee group to develop and implement innovative and reliable logistics solutions for Qube's customers has been an essential element of Qube's continued success in FY19.

Underlying revenue in the period was approximately $1.7 billion (+4.7%), underlying earnings (EBITA) was $180.5 million (+9.5%) and underlying net profit after tax before amortisation (NPATA) was $139.2 million (+13.4%). Underlying earnings per share pre-amortisation (EPSA) was 8.7 cents, an increase of around 13.0% on the prior corresponding period.

Statutory revenue increased by 3.9% to approximately $1.8 billion and statutory profit after tax attributable to shareholders decreased by 1.4% to $196.6 million. Statutory diluted earnings per share decreased by 1.6% 12.2 cents per share. The statutory result includes a pre-tax profit of $155.5 million (FY18 $163.2 million) on the revaluation of Qube's investment properties, the largest component of which is Moorebank, as well as a pre-tax impairment expense of $14.0 million relating to Qube's investments in associates Quattro, Prixcar and NSS (FY 18 $9.3 million).

The underlying financial information is based on the statutory information excluding certain non-recurring and non-cash items in order to more clearly reflect the underlying earnings of the business. A reconciliation between statutory and underlying results is provided in note 2 to these financial statements.

Capital Expenditure and Funding

Qube spent approximately $632 million of capital expenditure in the period including around $190 million on acquisitions, with the balance on growth and maintenance capex including progressing the MLP development, the development of the BOMC facility in Indonesia and investing in equipment and facilities for new contracts. The majority of this expenditure did not contribute fully to Qube's earnings during FY19 and will therefore contribute to future earnings. Qube expects to continue to undertake significant investment in FY20 and beyond, including on enabling infrastructure, rail terminals and new warehousing at Moorebank, warehousing and equipment to support growth as well as efficient and reliable operations in the Operating Division and AAT as well as suitable acquisitions such as the completion of Qube's takeover of Chalmers Limited.

Qube actively manages its balance sheet and funding to ensure that it can fund these and other suitable investment opportunities while maintaining a strong balance sheet and minimising refinancing risk.

To achieve these objectives, Qube undertook several funding initiatives during the period, extending the maturity of the majority of its existing bilateral debt facilities and establishing a number of new bilateral debt facilities with its existing lenders. The net effect of these initiatives was to extend the weighted average maturity of Qube's debt facilities (4.6 years at 30 June 2019) and to increase Qube's available, undrawn debt facilities which were around $397 million at 30 June 2019.

Qube remains conservatively leveraged with a leverage ratio (net debt / net debt + equity) of around 32.5%, being towards the bottom end of its target leverage range of 30%-40%, and significant headroom to Qube's financial covenants.

Qube's net debt has been increasing as it continues to fund the Moorebank development including infrastructure and new warehousing. Qube continues to receive interest from a range of parties seeking to partner with Qube on financing warehouse development at the MLP. Qube currently intends to assess the benefits of a range of potential funding and ownership options in order to realise some of the substantial value that has been created from Qube's investment in the MLP and to reduce Qube's future funding requirements for this project.

Dividend and Revised Dividend Policy

Reflecting the strong financial performance and positive outlook, the final dividend for FY19 has been increased by 3.6% to 2.9 cents per share, fully franked, bringing the full year dividend to 6.7 cents inclusive of the 1.0 cent special dividend paid in April 2019.

The Board has determined that while the company is undertaking sizeable development projects such as the MLP project, it is appropriate to maintain maximum flexibility in determining the appropriate dividend to pay in any period. Therefore, the Board resolved to amend the dividend policy to remove the target payout range of 60% to 70% of underlying earnings per share and determine the appropriate dividend to pay in each period having regard to relevant considerations, including Qube's underlying earnings, cashflow, outlook and expected growth capital expenditure.

Operating Division

The Operating Division reported underlying revenue growth of 4.5% to $1.6 billion and underlying earnings growth (EBITA) of 6.8% to $160.6 million. This was a sound result given the continuation of a highly competitive environment and the full year impact of several contracts that ceased during the previous financial year. The revenue growth was largely attributable to improved bulk volumes, a full period's contribution from the MCS acquisition in December 2017, as well as a partial period contribution from investment and acquisitions undertaken during FY19. Reported margins were further impacted by reduced rail and export volumes.

The division remains highly diversified by geography, service, product, customer and mix of imports and exports, which assisted in generating continued growth. During the period, growth in lithium, manganese, lime, forestry products and project cargo, as well as pick up in general oil and gas related projects helped offset lower than expected volumes of motor vehicle imports, containers and grain. For FY19, the top 10 customers across the division represented around 22% of the Operating Division's total revenue. These customers included mining companies, shipping lines, oil and gas companies, manufacturers and retailers which ensure that Qube is not overly reliant on any one sector, product or customer.

The acquisition of LCR in May 2019 is expected to provide further product, service and geographical diversification for Qube, also adding to the experience and breadth of Qube's management team. This acquisition also broadens Qube's heavy lifting capabilities further enhancing Qube's ability to provide integrated logistics solutions. Qube believes that there will be meaningful revenue and cost synergies from this acquisition that can be achieved over the medium term.

The logistics operations generated revenue of approximately $711.3 million which was marginally lower than the prior period. The result was considered to be satisfactory given the low agricultural volumes, slowing of container volumes, competitive conditions and the end of the terminal services contract with Aurizon at North Dynon (VIC) during FY18 and Acacia Ridge (QLD) in November 2018.

In April 2019, Qube acquired a 49% interest in the Intermodal Group ("IMG") from Watco International (Watco) who remain the majority shareholder. IMG operates two rail terminals and a container park in the Perth area. The investment will enable Qube to further participate in the benefits of IMG's strategy of utilising rail haulage to and from ports where it can deliver cost and service efficiencies for its customers.

In June 2019, Qube launched an off-market takeover to acquire 100% of the shares in Chalmers Limited (Chalmers). Post-year end, Qube announced that it had received acceptances of over 90% and would therefore proceed to compulsory acquisition of the remaining shares. This acquisition is expected to be completed in September 2019. Chalmers' transport and logistics operations as well as its strategically located property assets are complementary to Qube's operations. Post completion, Qube will undertake a detailed review to determine the optimal use of these assets. Qube presently expects to derive significant operational synergies from combining the Chalmers assets and operations with Qube's existing activities, albeit the overall earnings contribution is not expected to be material to Qube.

Ports and Bulk operations generated revenue of approximately $913.3 million, representing an 8.6% increase compared to the prior period, which was mostly driven by the growth in the Bulk activities.

Bulk's operations were the highlight of the division and Qube continued to secure new contracts and ramp up the earnings from contracts secured in the prior period as well as from improved equipment utilisation and procurement benefits. The result was particularly pleasing given a decline in iron ore, concentrates and mineral sands volumes. The result was also assisted by the contribution from acquisitions and investment made during the period.

Qube retained its strong market positions across its Ports operations although only achieved modest overall revenue growth as strength in forestry products, energy activities and project cargo was largely offset by a decline in vehicle stevedoring, general cargo volumes and special projects. Earnings were impacted by higher costs at the ISO operations in New Zealand, some of which arose due to revised operating procedures following the unfortunate fatality in late 2018. Additionally, commencement and ramp up of operations at the BOMC facility in Indonesia was delayed but is now operational and an improved contribution is expected from the second half of FY20 underpinned by several new contracts secured towards the end of FY19.

Qube remains uniquely positioned to provide its customers with an end-to-end logistics solution covering bulk haulage of product, storage of product and stevedoring, and completed the construction of several new warehouses in the period to provide additional capacity for its customers.

The associates in the division (ex-Patrick) achieved improved results with an overall contribution to underlying NPAT of around $0.8 million compared to a small loss in the prior corresponding period.

Infrastructure & Property Division

The financial performance of the Infrastructure & Property division was above expectations, with underlying revenue and underlying EBITA increasing in FY19 by 8.8% and 18.4% to $103.8 million and $39.2 million, respectively. This was predominantly a result of higher earnings from the MLP project, driven by increased management fees and ancillary income, and increased earnings from the Minto investment property benefitting from additional leases that commenced in FY19. AAT's earnings were lower in FY19 due to the full period impact of the exit from Webb Dock West in Melbourne in December 2017 and the impact of weaker motor vehicle imports and RoRo cargos across AAT's facilities. These lower earnings more than offset the impact of higher project cargo and bulk volumes as well as new customers attracted from other locations.

The associates in the division generated an overall NPAT loss of $1.3 million that was mainly attributable to Quattro, which continues to be impacted by the lack of export grain volumes through its facility due to the drought.

The Moorebank Logistics Park (MLP) project continued to make sound progress in the period across planning, construction and leasing activities, with key milestones achieved during the year.

From a planning perspective, all significant approvals are in place for Moorebank Precinct East (MPE) for the IMEX terminal (250,000 TEU capacity in manual operation and automated operations to 500,000 TEU) and 300,000m^2 of warehousing. A future application will be submitted to expand the capacity of the IMEX terminal to 1.0 million TEU.

The current approval under assessment relates to Moorebank Precinct West (MPW) Stage 2, which enables Qube to construct the interstate rail terminal and an additional 215,000m^2 of warehouse on MPW. The MPW Stage 2 application was progressed through from the Department of Planning & Environment (DPE) to the Independent Planning Commission (IPC) towards the end of the financial year. The IPC has had its mandatory public hearing, met with Qube and carried out a site visit. Qube currently expects the determination by the IPC with the associated consent conditions by the end of September 2019.

Future MPW approvals will be sought for Qube to construct the final 335,000m^2 of warehousing on MPW, expected to be submitted during calendar year 2020.The realignment of Moorebank Avenue will form part of a separate planning approval process expected to be submitted during calendar year 2020.

From a construction perspective, the 37,830m^2 new warehouse for Target Australia NSW distribution centre was completed this year.

The IMEX terminal, for manual operation mode, was also completed during the year. Qube Logistics secured the accreditation from the Office of National Rail Safety Regulator (ONRSR) for the IMEX terminal and rail connection. Rail operations and manual operations at the IMEX terminal remain on track to commence in the September quarter 2019.

Qube signed several new agreements for lease in the period and is in various discussions with a range of potential additional tenants for the site.

Qube has finalised two Agreement for Lease (AFL) with BRW Logistics and Ceasarstone for one new multi-tenant warehouse of 19,020m2. Negotiations are well advanced for another new multi-tenant warehouse of 23,262m2, with Qube having agreed on commercial terms with one party for part of this warehouse and progressing negotiations with another party for the remaining space. Completion of the two warehouses is expected in the March quarter 2020 and June quarter 2020, respectively.

As previously disclosed, Qube Logistics will be constructing a 51,250m^2 warehouse at MLP, and is well advanced in securing tenants to occupy this facility. Construction is expected to be undertaken during FY20 and be completed by the June quarter 2020.

The tenants that either have been secured or are expected to be secured in the near term are expected to utilise 120,100m^2 of new warehouses (14% of total warehousing capacity once fully built) and generate annual volumes through the IMEX rail terminal of around 100,000-150,000 TEUs (10%-15% of the automated IMEX capacity) on an annualised basis once the warehouses are all fully operational.

During the period, the previously disclosed commercial dispute with the Moorebank Intermodal Company (MIC) relating to land preparation works undertaken for MIC on the western side of the Moorebank Avenue was resolved to the satisfaction of both parties.

At 30 June 2019, there is an ongoing dispute between Qube and MIC in relation to the interpretation of provisions of the Development and Operations Deed (DOD). The DOD sets out the respective rights and obligations of Qube and MIC with respect to the project including the allocation of responsibility between the parties for funding various parts of the development, including with respect to certain road upgrade works. Qube believes that these disputes are not unusual for a project of this nature and scale and are not expected to have a material adverse impact on the overall deliverability or financial returns from the project.

In September 2018, Qube entered into an exclusive call option to acquire 1,100 hectares of land at Beveridge located around 60 kilometres north of Melbourne (Beveridge Project).

Qube believes that the Beveridge Project has the potential to be a major intermodal logistics hub in the medium term. The option arrangements provide Qube with time to progress its financial analysis, obtain planning approvals and assess suitable partnering options to enable it to determine the optimal way to proceed with this opportunity to maximise value for Qube shareholders.

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Patrick

The underlying contribution from Qube's 50% interest in Patrick was $30.0 million NPAT and $38.1 million NPATA, an increase of 11.5% and 9.5%, respectively, over the prior corresponding period. This contribution is inclusive of Qube's share of interest income ($16.7 million post-tax) on the shareholder loans provided to Patrick. Patrick continued to generate strong cashflow in the period, distributing $100 million to Qube in the period through a combination of interest, franked dividends, repayment of shareholder loans and return of capital. The statutory contribution to Qube's NPAT (being interest income on shareholder loans and share of profit after tax) was a profit of $28.4 million.

Although Patrick generated solid growth in earnings, the result was slightly lower than expectations largely because of the slowdown in container volumes in the second half of the period. Full year market volumes (TEUs) grew by around 1.9% over the 12 months to 30 June 2019, including growth of 4.4% in the first half of FY19 and negative growth of 0.7% in the second half of FY19 compared to the prior FY18 corresponding periods. Patrick achieved an above market growth in lifts of 5.8% in FY19 compared to market growth of 1.2%. This reflected gains in market share (FY19 market share of around 46% (lifts)) from the full year benefit of contracts secured in FY18 as well as FY19 service wins and a high level of customer retention.

External interest costs were lower following the successful refinancing of Patrick's debt in March 2019 which reduced the cost of Patrick's debt and provided much greater flexibility and headroom to covenants, although net interest expense was slightly higher in FY19 compared to FY18 as Patrick generated less interest income in the period.

Work has commenced at Patrick's Port Botany terminal to enhance the rail capacity and operating efficiency. During the period, pre-feasibility studies and design work have been undertaken whilst construction is expected to commence in the September quarter 2019.

Patrick is continuing to progress discussions regarding the terms of the lease extension at Fremantle that expired on 30 June 2019. This process is expected to be finalised in the near term.

Safety, Health and Sustainability

Safety

Qube continues to invest significantly in safety initiatives and the promotion of improved health and well-being amongst its workforce. It was therefore pleasing that Qube's Total Recordable Injury Frequency Rate (TRIFR) declined from 9.3 to 8.9 in the period. The TRIFR measures the combined number of recordable return to work, medical treatment and lost time injuries for every million hours worked. Following the fatality in October 2018 at Qube's ISO forestry operations in Gisborne, New Zealand, Qube has undertaken a comprehensive review of its operating and safety procedures as well as its ongoing safety training to further improve its work place safety environment.

Strategy for Safety, Health and Sustainability

The Group's FY19 strategy consisted of four key priorities that focused on safety, health and sustainability initiatives across the Group:

- Culture/People
- Risk and Opportunity
- Governance
- Training and Innovation

Qube has consistent values and standards around behaviours and attitudes and actively engaged with employees, clients and stakeholders across the business by the following actions:

- Continuation of Leadership walks for Board Safety, Health and Sustainability Committee members, Executive and Senior Managers (Divisional Leads and GMs), focusing on critical risks and behaviours.

- Focus on business and front line leaders including the introduction of a customised safety/leadership program to enhance safety culture and responsibilities towards safety ownership and leadership.

- Continued engagement with operational teams through quarterly Safety, Health and Sustainability Executive Committee meetings. The Committee reviewed Qube's performance against KPIs and targets, monitored the implementation of Safety, Health and Sustainability initiatives and programs, and considered material Safety, Health and Sustainability issues.

- Health and well-being - Qube recognises that employee well-being, including psychological and physical well-being, is a significant component of Fitness for Work. In FY19, Qube continued a targeted health promotion campaign, focusing on key lifestyle factors that relate to general ill health e.g. mental health, diet and fitness.

Diversity and Inclusion

Qube is committed to providing a diverse, non-discriminatory workplace and during FY19 continued its development of training initiatives to proactively source in future years a diverse employment pipeline, including through:

- developing a Qube Cadet Program to offer (females and males) the opportunity to gain training and development in a logistics/transport environment; and
- rolling out mandatory unconscious bias awareness training to managers across all Qube divisions delivered through Qube's online training system.

The proportion of women overall increased during the WGEA reporting period (1 April 2018 to 31 March 2019) from 9.3% in the prior reporting period to 10.3%. Women occupy 10.5% of managerial roles, 41% of professional and 56% of clerical and administrative roles.

Through Qube's continued sponsorship of the Wayfinder Initiative, Qube aims to improve community understanding about supply chain and logistics careers for females. It is focused on raising community awareness about supply chain and logistics, increasing understanding about the industry and its significance to Australia's economic future, and showcasing to women and girls the careers available to them.

Climate Change

During the period, Qube undertook a climate change risk assessment aligned with the Task Force on Climate-related Financial Disclosures recommendations and against future, long-term climate change scenarios. The assessment included a detailed assessment of six potentially higher risk assets in Australia and one in New Zealand, collectively covering 27% of Qube's FY18 consolidated underlying revenue. Based on this analysis and Qube's review of it, Qube's climate change risk exposure was assessed to be low-to-moderate. This reflects the nature of Qube's activities as well as multiple initiatives undertaken to minimise greenhouse gas emissions and fuel and electricity consumption including:

- modal shift from road to rail being a pillar of the long term strategy of the Group;
- investment in greener and energy efficient equipment (e.g. Euro 5/6 compliant truck and plant fleet) when shift to rail is not achievable;
- development of an embedded energy grid at the MLP to capture solar energy from the roof of warehouses to be constructed on the site; and
- adoption across the Group of energy efficient or renewable energy installations including solar panels and LED lighting.

Qube will continue to monitor its climate change risk and policies to ensure they remain appropriate to its activities.

Risk Management

Qube's risk management framework, as described in the Corporate Governance Statement and on Qube's website, incorporates effective risk management into its strategic planning processes and requires business operating plans to effectively manage key risks. The key risks to Qube's ability to achieve its financial and strategic objectives and respective mitigating actions are summarised below.

Economic and Market Conditions

Qube's revenue and earnings are influenced by a range of factors including global and domestic economic conditions (which directly and indirectly affects the demand for Qube's customers' products and therefore Qube's activity levels) as well as the intensity of competition in Qube's core markets. Qube aims to leverage its scale and investment to provide reliable, low cost logistics solutions. As a result, Qube has developed and retained a loyal, diverse customer base so that it is not unduly dependent on any individual customer, product or geography. Qube seeks to secure minimum revenue commitments when it undertakes material capital investment for new contracts. These factors assist Qube in mitigating the impact of any material slowdown in economic activity or increased competitive conditions.

IT and Cyber Security

The unauthorised access to or use of Qube's IT systems could adversely impact Qube's ability to serve its customers or compromise customer or employee data, resulting in reputational damage, financial loss and/or adverse operational consequences. An IT strategy (incorporating Cyber security) has been implemented utilising technologies and processes to protect systems and to detect and promptly respond to unauthorised or inappropriate activities. These controls include, but are not limited to, e-mail filtering, anti-virus software, security awareness and training, as well as the use of penetration testing across our network.

Regulation and Compliance

Qube operates in regulated industries and operates its facilities under various permits, licenses, approvals and authorities from regulatory bodies. If those permits, licenses, approvals and authorities are revoked or if Qube breaches its permitted operating conditions, it may lose its right to operate those facilities, whether temporarily or permanently. This could adversely impact Qube's operations and profitability. Changes in laws and government policy in Australia or elsewhere, including regulations and license conditions could materially impact Qube's operations, assets, contracts, profitability and prospects.

Qube applies strict operating standards, policies, procedures and training to ensure that it remains in compliance with its various permits, licenses, approvals and authorities. Additionally, Qube proactively manages regulatory risks through a combination of vigilance regarding current regulations, contact with relevant bodies/agencies and working in partnership with various stakeholders to reduce the likelihood of significant incidents that could impact Qube and/or the communities in which it operates. Qube engages with regulatory bodies and industry associations to keep abreast of changes to laws. Qube has in place a stakeholder engagement plan that is actively managed to mitigate the impact from major policy changes.

Industrial Relations

There is a risk that Qube may not be able to acquire, deploy or retain the necessary labour for operations and development projects, may only be able to do so at higher costs, or that Qube's operations may be disrupted by labour disputes. This may disrupt operations or lead to financial loss. Qube aims to be an employer of choice, pays appropriate levels of remuneration that are market competitive with an emphasis on performance based pay, and to engage proactively with its workforce including through ongoing focus and programs targeting safety, health and general well-being.

Summary and Outlook

The strength and diversity of Qube's business enabled it to report another solid financial result for the twelve months to 30 June 2019 despite continuing challenging conditions in some parts of the business. The investment and acquisitions undertaken in the period are expected to support continued growth in Qube's earnings over the medium to long term.

In FY20, Qube expects broadly similar overall economic and competitive conditions to FY19 with a continuation of the subdued trends in container, grain, vehicle and general cargo volumes and no significant change in conditions in Qube's other key markets including bulk commodities, forestry products and oil and gas related activities.

Qube will seek to continue to mitigate any pressures through its scale, diversification, further cost reductions where possible, and the ongoing benefits of its investments.

The Operating Division is expected to generate solid growth in revenue and earnings, mainly reflecting the full year earnings contribution from the FY19 acquisitions, growth capex and new contracts as well as an initial earnings contribution from BOMC from the second half of FY20. These positives will be partially offset by the full period impact of the end of the Aurizon contract in Acacia Ridge and a net loss expected from the start-up of the logistics activities at the MLP. Ports and Bulk activities are expected to continue to be impacted by subdued general cargo and vehicle volumes as well as a decline in some commodities.

Infrastructure and Property is expected to report a modest decline in underlying contribution to Qube's FY20 earnings compared to FY19, reflecting lower contributions from the MLP and AAT operations, whilst the Minto activities are anticipated to deliver a broadly flat result. The MLP contribution is expected to reflect start-up losses from the rail infrastructure and IMEX operations as well as lower ancillary income compared to FY19, partially offset by an initial contribution from new warehouse leases. The AAT result is anticipated to reflect continued low vehicle volumes and lower project cargo compared to FY19.

Whilst container market growth is expected to remain subdued and below long term average levels, Qube expects Patrick to continue to deliver solid growth in its underlying earnings contribution to Qube in FY20 (comprising interest income on shareholder loans and underlying share of profit), reflecting the full period impact of market share gains, continued efficiencies across the business and lower interest costs which are expected to be partly offset by cost increases associated with landside operations, maintenance and utilities. Consolidation of international shipping lines and restructuring of consortiums present some uncertainties in future volumes/market share.

During FY20, Patrick is expected to finalise the Fremantle and Melbourne lease extensions and to progress negotiations on the Enterprise Bargaining Agreements that are due to expire in June 2020.

Cash distributions from Patrick are expected to be lower compared to FY19 due to higher capex requirements relating to the Fremantle lease extension and the rail automation project in Port Botany.

Qube's Corporate costs (EBIT) are expected to increase in FY20 reflecting the increased size and breadth of activities of the Group.

Qube currently expects total capital expenditure of around $500 million to $600 million in FY20, comprising approximately 20% maintenance capex and 80% growth capex, including the completion of the Chalmers acquisition (cash and scrip). The largest component of this expenditure is the MLP development including precinct infrastructure, progress of the construction of the automated IMEX terminal and three new warehouses to be funded by Qube, and will also include investment in new facilities and equipment across the Group. The actual level of capital expenditure to be funded by Qube may vary materially up or down from this indicative forecast depending on timing, opportunities and any partnering/ownership initiatives that Qube progresses in relation to the MLP that reduces Qube's funding requirement.

Qube's organic growth opportunities, combined with the earnings from its recent and future capital expenditure, are expected to support sustainable earnings growth over the medium to long term.

In FY20, subject to no material adverse change in economic or market conditions, Qube expects to report another solid increase in underlying NPAT (pre-amortisation) and continued improvement in underlying earnings per share (pre-amortisation).

From FY20 onwards, Qube's statutory accounts will reflect the introduction of new leasing standard (IFRS16 Leases). This standard is expected to reduce statutory earnings but will not impact Qube's underlying earnings, cashflow or compliance with covenants.

Message from the Nomination and Remuneration Committee

Dear Shareholder,

On behalf of the Nomination and Remuneration Committee of the Qube Board, I present to you the Remuneration Report for the year ended 30 June 2019 (FY19). This report has been audited in accordance with section 308(3C) of the Corporations Act 2001.

Qube has developed and embedded a remuneration framework that provides the foundation for retaining and incentivising talented employees to deliver the Group's strategy and that is aligned with shareholder wealth creation. We present information in this Report to show how the remuneration outcomes are in line with financial and company performance for the year.

Short Term Incentive (STI)

Qube delivered solid financial performance in FY19 with underlying net profit after tax pre-amortisation around 13.4% higher than FY18 and underlying earnings per share (pre-amortisation) increasing by around 13.0%. Despite this very pleasing financial performance, the challenging financial targets set for FY19 were not fully achieved and this was reflected in the short term remuneration for the KMP. Whilst operational performance was good, the KMP did not fully achieve the new safety KPIs set for them in FY19 and this too reduced their short term remuneration. Actual STI awards ranged from 88% to 96% of executives' target incentive opportunity and 63% to 69% of their maximum STI opportunity.

Long Term Incentive (LTI)

Qube delivered a very strong return for shareholders in FY19 with a total return, comprising share growth and dividends paid in the period, of around 32.0% compared to a 13.4% return for the ASX 200. Qube believes this pleasing return reflects a recognition by investors of the strength and quality of Qube's business as well as the substantial progress with the planning, construction and leasing of the Moorebank Logistics Park project.

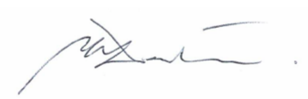
In FY18, the Board imposed additional conditions for the vesting of the FY15 and FY16 LTIs to ensure sustainable shareholder value had been created. Pleasingly, this has been confirmed with an independent valuation of the Moorebank property seeing a further significant uplift in value during the financial year. Compound growth in EPS also exceeded targets. In addition, the Moorebank LTI performance hurdles were partially met. As a result, three tranches of LTI that were granted in 2014 and 2015 vested in the current financial year and coincides with the very strong return for shareholders in FY19. The Board considers this a good outcome for executives and shareholders.

The Board also notes that the vesting of the FY15 and FY16 LTIs, and the FY16 Moorebank LTI awards during FY19 brings to an end the legacy LTI plans. The current LTI plan is in the form of share appreciation rights that only have value if the share price increases and is therefore directly aligned with value creation for shareholders.

Stakeholder engagement

Since the last remuneration report, the Committee has engaged with shareholders and proxy advisers. We have enhanced the presentation of data relating to the STIs and this year's Remuneration Report shows the performance of the KMP against the KPIs in detail in a new Performance Scorecard contained in Section 5 of this Report. We have also included a more detailed assessment of LTI outcomes and the link to shareholder wealth creation.

I invite you to review the full report, and thank you for your interest.



Peter Dexter
Nomination and Remuneration Committee Chair

Sydney
21 August 2019

Remuneration Report

Contents

1. Key Management Personnel

This remuneration report sets out remuneration information for Qube's non-executive directors, the Managing Director and other key management personnel (KMP) for FY19. Directors and executives disclosed in this report are as follows:

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

2. Remuneration Summary

a. Principles used to determine the nature and amount of executive remuneration

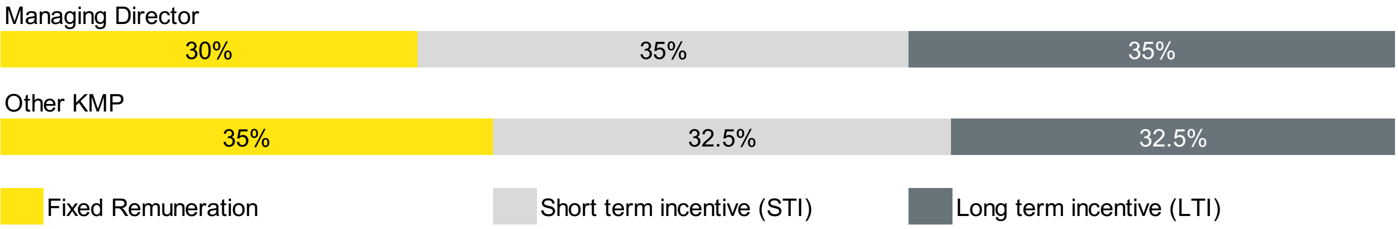
Qube's Vision	Qube's Strategy	Qube's Remuneration Strategy	Qube's Remuneration Strategy Principles
To be Australia's leading provider of integrated logistics solutions focused on import and export supply chains	To remain focused on the most efficient, lowest cost operations, and expand our import and export supply chains by investing in assets, strategic sites and technology that provides barriers to entry, creates economies of scale, and ensures Qube's business remains diversified, including by geography, customer and product, to deliver sustained long term earnings for shareholders	Qube's remuneration strategy is to provide remuneration and benefits that will attract, retain and incentivise employees to deliver the Group's strategy and that are aligned with shareholder wealth creation.	Simplicity: simple, transparent and easy to communicate Alignment: aligned with shareholder wealth creation Balance: a significant portion of remuneration is at risk but can be earned by achieving exceptional performance

b. Executive remuneration framework

Remuneration Components	**Fixed Remuneration**	**Short Term Incentive**	**Long Term Incentive**
Purpose	Reflects the market value of the role and the executive's skills and experience	Incentive for achievement of financial and non-financial KPI's for the financial year	Incentive for long term shareholder value creation and to assist in retention of key executives
Design	Benchmarked at market median	Financial metrics that measure the achievement of the expected earnings consistent with company business plans and strategy Non-financial measures to focus management on a balance of safety, strategic and operational measures that underpin sustainability and growth of Qube Outcome is determined based on performance against scorecard, consisting of financial and non-financial measures	Performance period over three years to retain and incentivise management to deliver the Group's strategy Qube's strategy to invest in assets and strategic sites is expected to create significant shareholder wealth in the medium to long term and be reflected in the Qube share price. For this reason, the LTI has an implicit share price performance hurdle and only has value if the share price increases Award is delivered in share appreciation rights, with a three year performance period. Following vesting, there is a further retention period of two years to ensure long term focus
Alignment with Shareholders	Attract and retain appropriately qualified and experienced executives to ensure shareholder interests are managed in an efficient and effective manner	Payments need to be fully funded from current year's profits and represent value for money to shareholders	Only have value if the share price increases Significant deferral of long term incentives into Qube shares (refer to the Remuneration Delivery table below)
Total Remuneration	Opportunity to achieve market upper quartile where exceptional results are achieved The Remuneration Mix reflects the greater portion of remuneration is variable, or 'at risk', with an even weighting between STI and LTI (refer to the Remuneration Mix table below)		
Business and Operational Risks	Financial and non-financial KPIs that appropriately take into account long tail risk and profitability Malus provisions and deferral of incentives KPIs that include key operational risks such as safety		

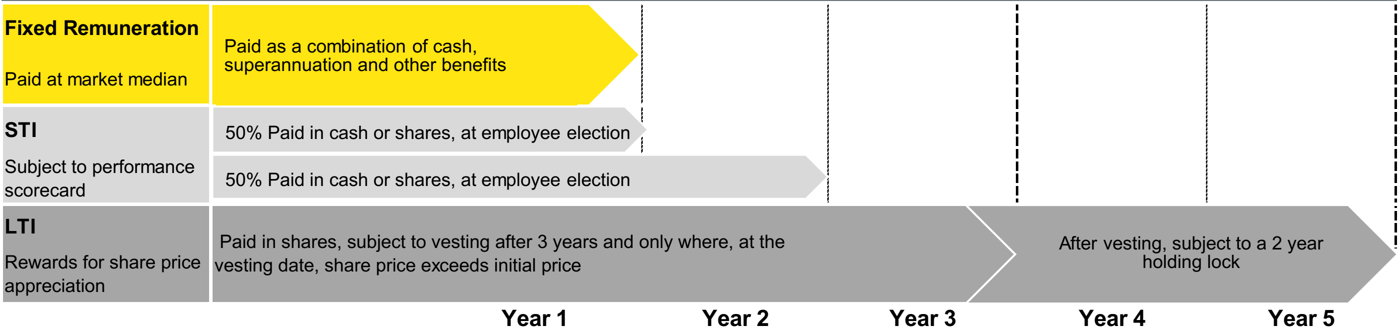
2. Remuneration Summary CONTINUED

Remuneration Mix



The Remuneration Mix reflects opportunity based on achievement of Target measures for the variable pay components of STI and LTI.

Remuneration Delivery



c. Governance

The Nomination and Remuneration Committee	The Committee is responsible for reviewing, assessing and recommending to the Board, remuneration policies and practices, and broader strategic human resources policies, that encourage sustainable enterprise outcomes, enhance long term shareholder returns, and are in accordance with applicable regulatory requirements. The Committee reviews, applies judgement and where appropriate, endorses the recommendations made by management and submits for Board approval. The Committee may seek information from other Qube Board Committees and from management and employees of the Qube Group in order to perform its duties. The Committee considers the interests of all stakeholders in fulfilling its responsibilities.
The Board	The Board, through the Nomination and Remuneration Committee, ultimately decides the fixed and short term remuneration outcomes for non-executive directors and executives and determines what is value for money for shareholders. There are strict arrangements in place for interactions with the Board's remuneration adviser. No Remuneration recommendations were sought or received during the 2019 financial year.

3. Take home pay of Managing Director and other KMP

The following table sets out details of the take home pay of Qube's Managing Director and other KMP i.e. the gross salary package and actual incentives paid in FY19 consistent with the STI and LTI outcomes described in the following sections. This table has been included to give shareholders a better understanding of the amounts the Managing Director and other KMP were entitled to receive for each component of remuneration during FY19. This information is not compliant with International Financial Reporting Standards ('IFRS') and is unaudited. The full statutory remuneration table (which is prepared in accordance with the accounting standards) can be found in Section 8 of this report.

The table below shows:

- small increases in fixed remuneration from last year
- approximately the same amount of short term incentives paid this year even though financial performance of the Company was stronger than last year demonstrating the Board's commitment to setting stretch performance targets each year
- the vesting in FY19 of three tranches of LTI that were granted in 2014 and 2015 resulting in a large increase in long term incentives paid, compared to FY18. This finalises payments under all legacy long term incentive plans.

Name	Fixed annual remuneration ($)[1]	Current year STI non deferred component ($)[2]	Prior year STI deferred component ($)[2]	Vested long term incentives ($)[3]	Total take home pay ($)	Performance related remuneration (%)
Managing Director						
Maurice James						
FY19	1,310,904	694,500	674,650	2,545,445	5,225,499	75%
FY18	1,285,200	674,650	661,500	571,150	3,192,500	60%
Other key management personnel						
Paul Digney						
FY19	728,280	306,000	301,950	1,067,605	2,403,835	70%
FY18	714,000	301,950	309,000	282,436	1,607,386	56%
William Hara						
FY19	590,864	235,500	263,500	1,210,927	2,300,791	74%
FY18	563,756	263,500	254,500	235,365	1,317,121	57%
Paul Lewis						
FY19	592,088	261,000	251,950	980,426	2,085,464	72%
FY18	580,209	251,950	247,000	227,519	1,306,678	56%
Greg Pauline						
FY19	609,464	236,000	118,900	-	964,364	37%
FY18[4]	323,929	118,900	-	-	442,829	27%

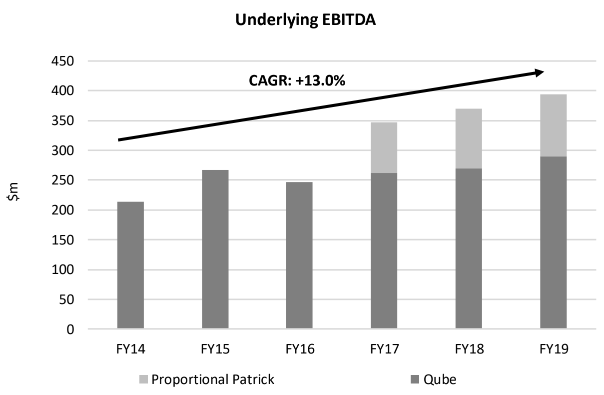
1. Fixed annual remuneration is based on current gross salary package, that includes base salary, superannuation contributions and the value of non-monetary benefits provided to the executive (inclusive of all taxes) but excludes accrued leave and adjusted for leave taken without pay.
2. Current year STI non-deferred component represents the actual STI to be paid in September 2019 being 50% of the FY19 STI award. The remaining 50% of the FY19 STI award is deferred and will be paid around September 2020. The prior year STI deferred component represents 50% of the FY18 STI award and will be paid in September 2019.
3. Vested long term incentives represents the value of the equity instruments at the date of the grant of the long term incentives that have vested in the year. For FY19, this includes payments of the FY15 LTI, FY16 LTI and Moorebank FY16 LTI legacy plans subject to additional conditions being met. Refer to Section 6 of this report for more detail.
4. Mr Pauline joined Qube during the FY18 year, being appointed on 4th December 2017.

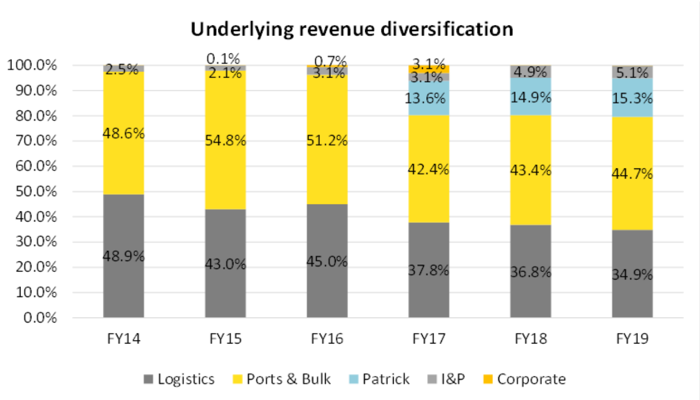
4. Performance – FY19 and prior periods

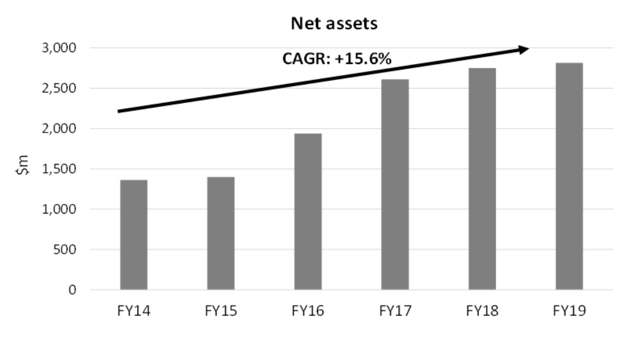
Qube has been implementing its strategy of building a high quality, diversified business within its core target markets that is able to deliver sustainable long term earnings for shareholders. This has involved Qube undertaking significant investment in a range of areas including in acquisitions to build scale and expand Qube's geographic and service capabilities, mobile equipment to support new contracts, technology, land and warehousing. Additionally, Qube's focus on ensuring its activities remain highly diversified including by geography, customer and product are fundamental to the long term strategy of building shareholder wealth, as reflected in the divisional revenue chart below. Some of this investment will take time to achieve the long run expected rates of return and earnings, however, it will still deliver immediate value to Qube's overall business. Qube has undertaken a number of debt and equity funding initiatives, including several capital raisings, to ensure it can fund this investment while still maintaining a robust balance sheet. Qube's prudent approach to funding has meant that Qube's underlying earnings per share in recent periods has not increased as strongly as its total earnings, market capitalisation and share price. However, Qube's approach should ensure that Qube is well placed to deliver sustainable long term returns to shareholders and this is already being reflected in the FY19 financial results and shareholder returns.

For a detailed analysis of Qube Group and Segment Performance, please refer to the Financial Report section of the Annual Report. A summary is included below:

Key Underlying Financials		FY19	FY18	Percentage movement
Key Metrics				
Revenue	$m	1,728.4	1,650.7	4.7%
EBITA	$m	180.5	164.8	9.5%
Net profit after tax (NPAT)	$m	123.2	106.8	15.4%
Net profit after tax pre amortisation (NPATA)	$m	139.2	122.8	13.4%
Net Assets attributable to Qube	$m	2,814.6	2,750.4	2.3%
Net Debt	$m	1,356.4	862.1	57.3%
Gearing	%	32.5%	23.9%	8.6%
Key Returns				
Earnings per share (EPS)	cents	7.7	6.7	14.9%
Earnings per share pre amortisation (EPS)	cents	8.7	7.7	13.0%
Ordinary dividend per share	cents	5.7	5.5	3.6%
Special dividend per share	cents	1.0	2.0	-50.0%
Weighted av diluted shares	n. (m)	1,605.5	1,604.2	0.1%



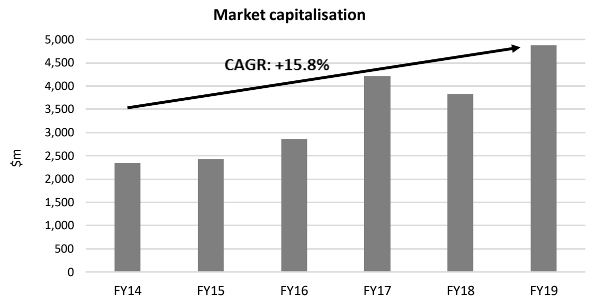


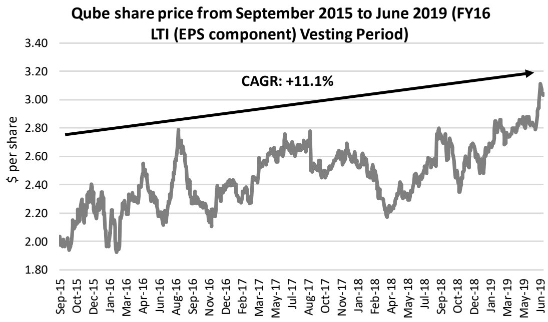


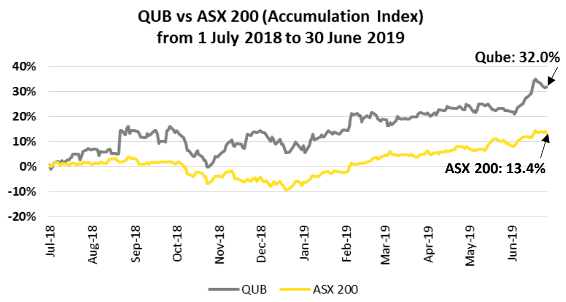
4. Performance – FY19 and prior periods CONTINUED

Shareholder Returns

Shareholders have received in excess of A$1 billion of value through dividends and share price appreciation over the performance periods of the LTIs that vested in FY19, highlighting the alignment between management incentives and shareholder value creation. Qube also delivered a very strong return for shareholders in FY19 with a total return of around 32.0%, comprising share price growth and dividends paid in the period, compared to a 13.4% return for the ASX 200.







5. Short term incentive

a. Key terms

The key terms and conditions of the Short Term Incentive Plan are described below:

Participation	The Managing Director and other KMP
Grant date	13 September 2018
Target and maximum opportunity	In FY19, the target STI opportunity for the Managing Director is 117% of Fixed Remuneration and for the other KMP, the target STI opportunity is approximately 93% of Fixed Remuneration. The maximum STI opportunity is 140% of the target STI opportunity.
Performance conditions	The performance scorecard contains a mix of financial hurdles (50%), safety hurdles (5%-10%) and non-financial hurdles linked to strategy and growth (20%-22.5%) and business and operations (20%-22.5%). This provides an appropriate balance between focussing on achieving short term financial outcomes and achieving key operational and strategic priorities that support longer term value creation. Participants are then provided with specific performance conditions aligned to their role where appropriate.
Payments	50% of any STI payment is taken at the end of the performance period
Deferral	50% of any STI payment is deferred for 1 year
Share election	At the time of grant the Participant may elect to take all or part of any STI payment in shares
Resignation	If the participant resigns during the financial year, the STI grant for that financial year is not awarded. If the participant's employment is terminated as a "bad leaver" during the following financial year the deferred component of the STI is forfeited.
Malus	If there has been a material misstatement of the annual financial statements or a participant breaches a post-employment condition all or part of the deferred component of the STI is forfeited.

5. Short term incentive CONTINUED

b. Managing Director and other KMP STI Performance Scorecard

Set out below is the Managing Director and other KMP STI Performance Scorecard. The % refers to the weighting or score out of 100%.

In regard to the financial KPIs, the actual underlying performance achieved during the financial year is assessed against the divisional and/or group Financial targets set at the start of the year (Targets). In the assessment of financial performance at the end of the period the Board will take into account unexpected circumstances to ensure that management is not unfairly rewarded or penalised for events that could not reasonably be foreseen at the time the Targets were established. In FY19, as a result of the adjustments, the Targets used to determine FY19 STI outcome were higher than originally set.

The Managing Director achieved 96% of his financial KPIs at Target and 68% at Maximum; the other KMP achieved between 84% and 98% of their financial KPIs at Target and between 60% and 70% at Maximum.

The Managing Director achieved 82% of his non-financial KPIs at Target. The other KMP achieved between 84% and 91% of their non-financial KPIs.

Performance Measures	Description	Weighting		Reason Chosen	Performance Assessment
		MD	Other KMP		
Financial Performance					
Group Budget NPATA	Broadly based on underlying Budget NPATA, a sliding scale applies for outperformance against Target	30%	30%	Focuses the Managing Director and other KMP on the delivery of financial results in the year	Performance was marginally behind Target. The MD achieved 96% of his financial KPIs at Target and 68% at Maximum; the other KMP achieved between 84% and 98% at Target and between 60% and 70% at Maximum
Budget EBITA – Operating Division	Broadly based on underlying Budget EBITA, a sliding scale applies for outperformance against Target	10%	0% - 20%		Performance was marginally behind Target
Budget EBITA – Infrastructure and Property	Broadly based on underlying Budget EBITA, a sliding scale applies for outperformance against Target	10%	0% - 20%		Performance was well ahead of Target
Budget NPATA – Strategic Assets	Broadly based on underlying Budget NPATA, a sliding scale applies for outperformance against Target	n/a	0% - 5%		Performance did not achieve Target
Safety and Health					
Group Safety Outcomes	Performance against targets for LTIFR, TRIFR, Class 3 environmental incidents, corrective action closure within due date and critical incident frequency rate. Implementation of SHE strategic priorities and no avoidable fatalities	10%	2.5% - 10%	Qube is committed to the safety and wellbeing of all of its employees. Safety leadership behaviours underpin outcomes in assessing the overall performance of the Managing Director and each senior executive	Safety KPIs weighted assessment marginally below Target, with a further reduction due to a critical incident during the year
Divisional Safety Outcomes	Performance against targets for TRIFR, implementation of initiatives and no fatalities except if caused by a third party, suicide, medical related or where due to a pre-existing medical condition	n/a	0% - 7.5%		

5. Short term incentive CONTINUED

<table>
<tr><th rowspan="2">Performance Measures</th><th rowspan="2">Description</th><th colspan="2">Weighting</th><th rowspan="2">Reason Chosen</th><th rowspan="2">Performance Assessment</th><th rowspan="2">FY19 Result (% of KPI awarded based on KPI multiplier)</th></tr>
<tr><th>MD</th><th>Other KMP</th></tr>
<tr><td colspan="7">Strategy and Growth</td></tr>
<tr><td>Managing Director</td><td>Performance in implementing Group strategy, delivery of major project financial objectives and key milestones, maintaining relationship with key counterparties, furthering opportunities for Qube Logistics and Moorebank Project, delivering Patrick budget and business development initiatives, oversee and review potential strategic acquisitions, overseeing the implementation of strategies with respect to strategic assets, review and recommend other new growth projects and acquisitions that are identified.</td><td>20%</td><td></td><td rowspan="2">To ensure the key management personnel are focussed on a range of objectives that underpin the growth of the Group</td><td rowspan="2">Personal outcomes for the Managing Director and Other KMP varied between marginally below Target and at Target depending on performance against individual KPIs</td><td>90%</td></tr>
<tr><td>KMP</td><td>Performance hurdles for the Executive KMP are established on an annual basis by the Managing Director, and approved by the Remuneration Committee. For the director roles, the KPIs include the identification, execution and integration of acquisitions consistent with the Group strategy and other initiatives to deliver sustainable earnings growth. For corporate roles, the KPIs include implementing effective funding strategies or legal strategies to support the growth and objectives of the business units and Group.</td><td></td><td>20% - 22.5%</td><td>90%</td></tr>
<tr><td colspan="7">Business and Operations</td></tr>
<tr><td>Managing Director</td><td>Delivery of key priorities in risk management (other than SHE) as determined by the Risk and Audit Committee, succession planning, effectiveness as Chair of Patrick, effective stakeholder management including investors, government, customers, port authorities, effective management of Board priorities.</td><td>20%</td><td></td><td rowspan="2">To ensure the key management personnel are focussed on a range of objectives that underpin the sustainability of the Group's business and operations</td><td rowspan="2">Personal outcomes for the Managing Director and Other KMP varied between marginally below Target and at Target depending on performance against individual KPIs</td><td>95%</td></tr>
<tr><td>KMP</td><td>Performance hurdles for the Executive KMP are established on an annual basis by the Managing Director, and approved by the Remuneration Committee. The KPIs include delivery on key priorities in the management of risk including those identified by the Safety Health and Environment Committee and the Audit and Risk Management Committee.</td><td></td><td>20% - 22.5%</td><td>95%</td></tr>
</table>

5. Short term incentive CONTINUED

c. STI awards and rights to equity settled compensation

Name	FY	Value of STI award ($)	STI award as % of Target opportunity %	STI award as % of Maximum opportunity %	Expensed during the year ($)*	Award vested %	Value yet to vest ($)
Managing Director							
Maurice James	**2019**	1,389,000	90.8%	64.9%	1,379,075	50%	694,500
	2018	1,349,300	90.0%	64.3%	1,177,350	50%	674,650
Other KMP							
Paul Digney	**2019**	612,000	90.5%	64.6%	609,975	50%	306,000
	2018	603,900	91.1%	65.1%	530,175	50%	301,950
William Hara	**2019**	471,000	88.9%	63.5%	485,000	50%	235,500
	2018	527,000	88.3%	63.1%	458,875	50%	263,500
Paul Lewis	**2019**	522,000	96.5%	68.9%	517,475	50%	261,000
	2018	503,900	95.0%	67.9%	439,675	50%	251,950
Greg Pauline	**2019**	472,000	94.4%	67.4%	413,450	50%	236,000
	2018	237,800	92.7%	66.2%	178,350	50%	118,900

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

** Mr Pauline joined Qube during the FY18 year, being appointed on 4th December 2017

6. Long term incentive

a. Key features

Qube's current Long Term Incentive Plan is in the form of Share Appreciation Rights (SARs) to retain and reward executives for effectively delivering Qube's strategy, including delivering underlying earnings growth and the successful integration, operation and development of Qube's assets. SARs are strongly aligned with the interests of shareholders and only have value if the share price appreciates over an approximately three-year period. The value of any share appreciation is delivered to the participant in shares issued at the Vesting Price, that are subject to trading restriction for a further two years, continuing the alignment between management and shareholders' interests. The issue of any vested shares under the FY17 to FY19 LTI (SAR) Plan have been approved by Shareholders.

Participation	The Managing Director, other KMP and other executives who can directly influence the performance of Qube
Instrument	Share Appreciation Rights
Performance condition	As at the Vesting Date the share price must be higher than the Initial Price for the SARs to have any value. The Initial Prices for the SARs are:
	FY17 LTI (SAR) - $2.53
	FY18 LTI (SAR) - $2.55
	FY19 - LTI (SAR) - $2.65
	The Initial Prices have been adjusted for the special dividends paid in FY18 and FY19 in accordance with market practice.
Performance period	3 years
Vesting price	The volume-weighted average price (VWAP) of Qube Shares calculated over the 15 trading days before the Vesting Date and the subsequent 15 trading days
Vesting date	The date of release of audited financial statements, approximately 3 years after the date of grant
Retention period	2 years from the Vesting date
Dividends	Dividends are not paid on SARs but are paid on vested Shares including during the Retention Period

b. FY19 LTI grant

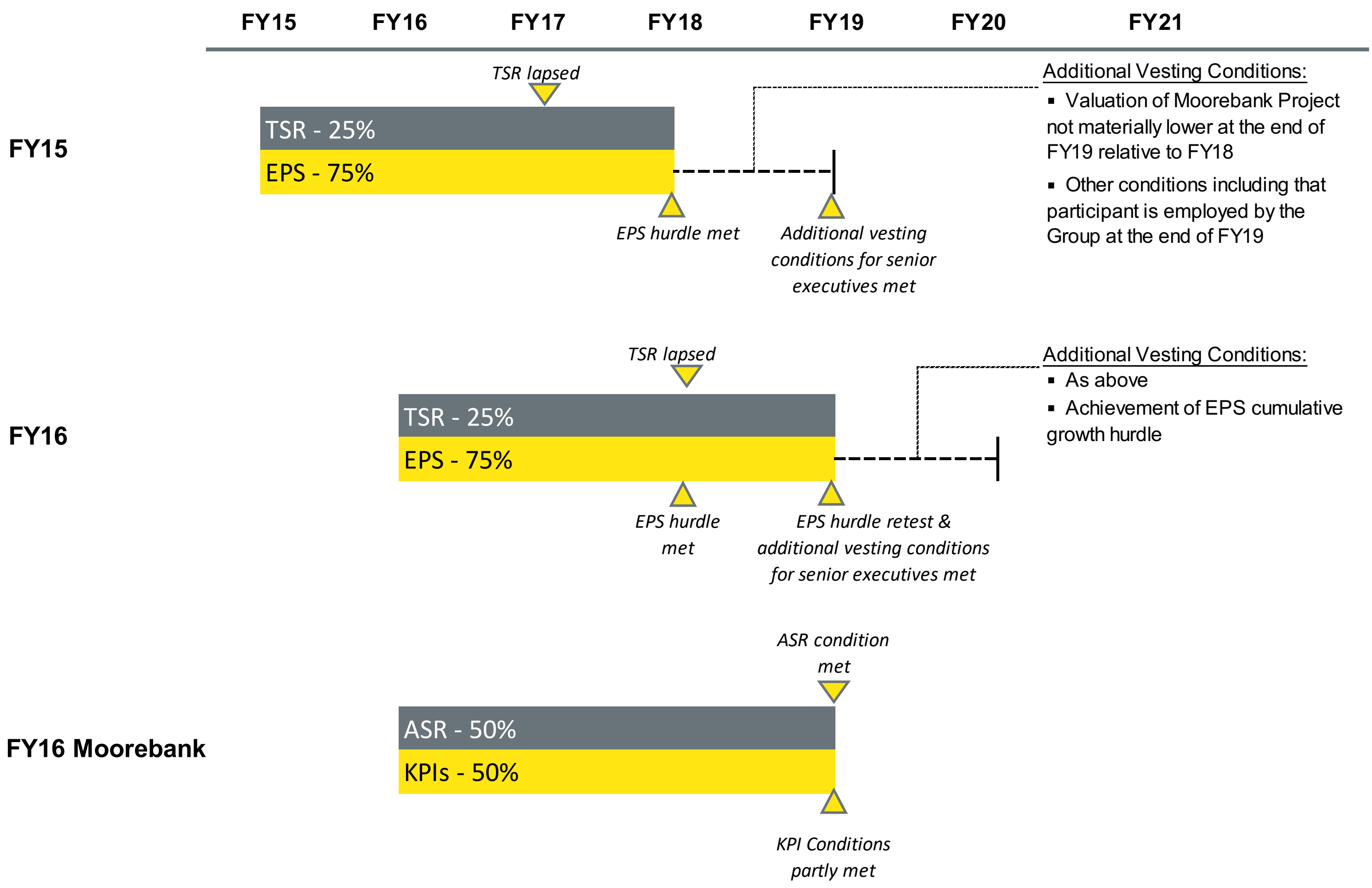
Grant date	Vesting date	Expiry date*	Initial price	Value per right at grant date
13-Sep-18	13-Sep-21	13-Sep-23	$2.68	$0.36

* End of holding lock period.

6. Long term incentive CONTINUED

c. Historic LTI Assessment

The diagram below shows both the historic assessment and conditions for vesting of the FY15 LTI and FY16 LTI, and the FY16 Moorebank LTI that had potential to vest in FY19. Shareholders approved the issue of shares pursuant to these LTI plans at the Annual General Meetings held in November 2014 and November 2015.



6. Long term incentive CONTINUED

Grant date	Earliest & Retested Vesting dates	Performance Hurdle	Additional Vesting Conditions	Required Hurdle	Achieved Outcome	% Vested
FY15 LTI Performance Rights grant						
TSR hurdle – 25% of grant						
5-Sep-14	5-Sep-17	Relative TSR 75th percentile		50th percentile	No	0%
EPS hurdle – 75% of grant						
5-Sep-14	5-Sep-17	9.0% compound EPS growth for full vesting	• Valuation of Moorebank Project not materially lower at the end of FY19 compared to FY18	9.0%	10.3%	100%
	30-Jun-18		• Other conditions including that participant is employed by the Group at the end of FY19			

Discussion

The Group's cumulative growth in statutory earnings per share for remuneration purposes from the date of grant of the FY15 LTI to the end of FY18 was 10.3% which exceeded the performance hurdle of 9% for the EPS component of the LTI. The EPS outcome was assessed based on statutory earnings excluding certain non-recurring and non-cash items in accordance with the LTI Plan Rules.

The largest adjustments to the statutory earnings for LTI assessment purposes was to remove the non-cash mark-to-market fair value adjustment on Qube's interest rate hedges (which are part of Qube's interest rate risk management policy), and to adjust the actual tax expense to reflect a 30% tax rate on Qube's pre-tax earnings (excluding associates) which reflects Qube's normalised long term tax rate.

Although the EPS growth hurdle was achieved in FY18, the Board determined to qualify the assessment for vesting of the EPS component of the FY15 LTI for the KMP and certain other executives by imposing additional conditions to ensure that the significant valuation uplift of the MLP in FY18 was sustained in FY19. The conditions for vesting of the EPS component of the remaining FY15 LTI grant are included above.

An independent valuation of the investment property component of the Moorebank Logistics Park (MLP) project as at the end of FY19 was obtained which resulted in a pre-tax increase of around $144 million in the value compared to the valuation obtained as at the end of FY18 (adjusted for capex spent during FY19).

In FY19 management made significant progress in the delivery of the MLP project including nearing completion of the construction of the Import-Export (IMEX) rail terminal and rail connection to the Southern Sydney Freight Line. The first new warehouse for Target Australia was completed in June 2019. Significant remediation and enabling infrastructure works have been undertaken across the area known as Moorebank Precinct East. In addition, two new agreements for lease have been entered into for a new warehouse to be occupied by BRW Logisitcs and Caesarstone. The Qube warehouse is fully designed and construction tenders have been issued.

Board's Assessment

The Board continues to believe that including the significant value increase in the MLP property in assessing the EPS hurdle of the LTI scheme is appropriate as it recognises management's contribution in the acquisition, planning, development, funding and commercialisation of this very strategic asset which has benefitted all shareholders.

The Group's cumulative growth in statutory earnings per share for remuneration purposes from the date of grant of the FY15 LTI to the end of FY18 was 10.3% which exceeded the performance hurdle of 9% for the EPS component of the LTI. Accordingly the remaining EPS component of the FY15 LTI grant fully vested. The additional conditions referred to above were also met and accordingly the remaining FY15 LTI grant fully vested.

6. Long term incentive CONTINUED

Grant date	Earliest & Retested Vesting dates	Performance Hurdle	Additional Vesting Conditions	Required Hurdle	Achieved Outcome	% Vested
FY16 LTI Performance Rights and Options grant						
TSR hurdle – 25% of grant						
3-Sep-15	3-Sep-18	Relative TSR 75th percentile		50th percentile	No	0%
EPS hurdle – 75% of grant						
3-Sep-15	3-Sep-18 30-Jun-19	6.0% compound EPS growth for full vesting	• Valuation of Moorebank Project not materially lower at the end of FY19 compared to FY18 • achieve Target EPS growth • Other conditions including that participant is employed by the Group at the end of FY19	6.0%	8.9%	100%

Discussion

The Group's cumulative growth in statutory earnings per share for remuneration purposes from the date of grant of the FY16 LTI to the end of FY19 was 8.9% which exceeded the performance hurdle of 6% for the EPS component of the LTI. The EPS outcome was assessed based on statutory earnings excluding certain non-recurring and non-cash items in accordance with the LTI Plan Rules.

The largest adjustments to the statutory earnings for LTI assessment purposes was to remove the non-cash mark-to-market fair value adjustment on Qube's interest rate hedges (which are part of Qube's interest rate risk management policy), and to adjust the actual tax expense to reflect a 30% tax rate on Qube's pre-tax earnings (excluding associates) which reflects Qube's normalised long term tax rate

Although the EPS growth hurdle was achieved in FY18, the Board determined to qualify the assessment for vesting of the EPS component of the FY15 LTI for the KMP and certain other executives by imposing additional conditions. The conditions for vesting of the EPS component of the remaining FY16 LTI grant are included above.

Board's Assessment

The Group's cumulative growth in statutory earnings per share for remuneration purposes from the date of grant of the FY16 LTI to the end of FY19 was 8.9% which exceeded the performance hurdle of 6.0% for the EPS component of the FY16 LTI. Accordingly the remaining EPS component of the FY16 LTI grant fully vested.

The additional conditions referred to above were also met and accordingly the remaining FY16 LTI grant fully vested.

6. Long term incentive CONTINUED

Grant date	Earliest & Retested Vesting dates	Performance Hurdle	Additional Vesting Conditions	Required Hurdle	Achieved Outcome	% Vested
FY16 Moorebank Performance Rights and Options grant						
ASR hurdle – 50% of grant						
3-Sep-15	3-Sep-18	4.5% compound ASR over the vesting period		4.5% pa	8.1% pa	100%
KPI hurdle – 50% of grant						
3-Sep-15	3-Sep-18	• Development of the IMEX terminal • Development of the rail link to the SSFL • Prepare and commence implementation of a warehouse leasing strategy • Prepare and commence implementation of a funding strategy • Commission IMEX terminal and commence rail shuttle operations • Prepare and commence implementation of Qube Logistics' warehousing requirements.				75%

Discussion

In FY16 the Board made a grant of the Moorebank LTI to the KMP and other key executives involved in the delivery of the Moorebank Intermodal Project to retain and incentivise them to achieve key execution milestones. This was the only tranche of Moorebank LTI granted.

50% of the FY16 Moorebank LTI had a performance ASR hurdle over the 3-year performance period. This performance hurdle was chosen because the Board considered that the successful execution of the Moorebank Intermodal Project had to be reflected in minimum share price increase over the period. The performance hurdle was achieved.

The other 50% of the FY16 Moorebank LTI had a Moorebank Targets (KPI) Performance Condition, noted in the table above.

Vesting of the Moorebank Targets would be assessed as at September 2018 by the Board based on overall achievement of the Moorebank Targets as follows:

- Overall did not meet Moorebank Targets – zero vesting
- Overall met Moorebank Targets – 75% vesting
- Overall exceeded Moorebank Targets – 100% vesting.

Board's Assessment

The Board determined that as at the vesting date in September 2018, management had overall met the Moorebank Targets. However the Board noted that whilst the targets for development of the IMEX terminal and rail link to the SSFL had been met, those targets along with the target to commission the IMEX terminal and commence rail shuttle operations had not been exceeded and therefore 100% vesting was not appropriate. In accordance with the vesting criteria noted on the prior page, 75% of this portion of the Moorebank LTI vested.

7. Employment conditions

Service agreements

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

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

Name	Term of agreement	Fixed remuneration including superannuation*	Termination Notice Period**
Maurice James, Managing Director	On-going commencing 1 September 2011	$1,310,904 per annum	12 months
Paul Digney, Chief Operating Officer	On-going commencing 1 September 2011	$728,280 per annum	6 months
William Hara, Company Secretary and General Counsel and Director Strategic Assets	On-going commencing 21 January 2013	$581,400 per annum***	6 months ****
Paul Lewis, Chief Financial Officer	On-going commencing 1 September 2011	$582,624 per annum***	6 months
Greg Pauline, Director Infrastructure & Property	On-going commencing 4 December 2017	$600,000 per annum***	6 months

* Fixed Remuneration quoted is for FY19; reviewed annually by the Committee.

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

*** Excludes non-monetary benefits.

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

8. Statutory remuneration disclosures

a. Total KMP remuneration

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

	Short term employee benefits			Post-employment benefits	Long term benefits			
Name	Cash salary and fees	Incentive award (cash and shares)*	Non-monetary benefits**	Super-annuation	Long service leave	LTI Standard	LTI Moorebank	Total
	$	$	$	$	$	$	$	$
Executive Directors								
Maurice James								
FY19	**1,285,904**	**1,379,075**	**-**	**25,000**	**26,974**	**1,397,075**	**72,065**	**4,186,093**
FY18	1,260,200	1,342,725	-	25,000	35,017	1,222,416	199,081	4,084,439
Other key management personnel								
Paul Digney								
FY19	**703,280**	**609,975**	**-**	**25,000**	**12,231**	**582,376**	**45,641**	**1,978,503**
FY18	689,000	607,425	-	25,000	31,989	473,226	126,085	1,952,725
William Hara								
FY19	**560,869**	**485,000**	**9,464**	**20,531**	**16,250**	**482,282**	**72,065**	**1,646,461**
FY18	534,698	522,500	9,009	20,049	33,979	445,902	199,081	1,765,218
Paul Lewis								
FY19	**557,624**	**517,475**	**9,464**	**25,000**	**13,349**	**486,332**	**47,712**	**1,656,956**
FY18	546,200	501,425	9,009	25,000	24,415	409,606	125,900	1,641,555
Greg Pauline***								
FY19	**575,000**	**413,450**	**9,464**	**25,000**	**-**	**148,097**	**-**	**1,171,011**
FY18	307,100	178,350	5,134	11,695	-	41,774	-	544,053

* Incentive award represents 25% of the FY18 STI, plus 75% of the approved FY19 STI; the remaining 25% of the FY19 STI will be recognised in FY20 subject to certain conditions being met.

** Non-monetary benefits for FY18 have been re-valued to gross up for FBT

*** Mr Pauline joined Qube during the FY18 year, being appointed on 4th December 2017

Of the cash incentive awards to KMP awarded in FY19, 50% are to be paid in September 2019. The remaining 50% are deferred for one year.

b. Equity settled compensation

(i) STI awards and rights to equity settled compensation

In FY18 Qube offered eligible senior executives the option to elect to take all or any portion of their FY19 STI payment in Qube shares. Eligible senior executives were required to make this election shortly after the offer was made.

To determine the maximum number of STI share rights to be granted under the STI to eligible senior executives, the maximum value of the STI subject to the election, was divided by $2.68, being the volume weighted average price of the Qube shares calculated over the 20 trading days prior to the award date.

At the end of the financial year, the amount of the STI payable is determined. 50% of the payment is made in cash or shares and the other 50% is deferred for 12 months and paid in cash or shares.

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

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

8. Statutory remuneration disclosures CONTINUED

Name	Election Date	Total Target STI opportunity ($)	Target STI Forfeited %	Value of STI award ($)	Expensed during the year ($)*	Award vested %	Value yet to vest ($)
Managing Director							
Maurice James	**Sep-18**	**1,529,388**	**9%**	**1,389,000**	**1,379,075**	**50%**	**694,500**
	Sep-17	1,499,400	10%	1,349,300	1,342,725	50%	674,650
Other key management personnel							
Paul Digney	**Sep-18**	**676,260**	**10%**	**612,000**	**609,975**	**50%**	**306,000**
	Sep-17	663,000	9%	603,900	607,425	50%	301,950
William Hara	**Sep-18**	**530,000**	**11%**	**471,000**	**485,000**	**50%**	**235,500**
	Sep-17	596,700	12%	527,000	522,500	50%	263,500
Paul Lewis	**Sep-18**	**541,008**	**4%**	**522,000**	**517,475**	**50%**	**261,000**
	Sep-17	530,400	5%	503,900	501,425	50%	251,950
Greg Pauline**	**Sep-18**	**500,000**	**6%**	**472,000**	**413,450**	**50%**	**236,000**
	Sep-17	256,438	7%	237,800	178,350	50%	118,900

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

** Mr Pauline joined Qube during the FY18 year, being appointed on 4th December 2017

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

Name	Rights may vest	STI award taken as rights Current %	STI award taken as rights Deferred %	Value per right ($)	Total no. of rights taken as STI award	No. of rights vested during the year
Executive Directors						
Maurice James	**Sept 19 – Sept 20**	**25%**	**25%**	**2.68**	**129,571**	**131,646**
	Sept 18 – Sept 19	25%	25%	2.52	133,722	131,938
Other key management personnel						
Paul Digney	**Sept 19 – Sept 20**	**-**	**-**	**-**	**-**	**-**
	Sept 18 - Sept 19	-	-	-	-	-
William Hara	**Sept 19 – Sept 20**	**100%**	**100%**	**2.68**	**175,746**	**192,329**
	Sept 18 - Sept 19	100%	100%	2.52	208,912	204,604
Paul Lewis	**Sept 19 – Sept 20**	**-**	**-**	**-**	**-**	**-**
	Sept 18 - Sept 19	-	**100%**	2.52	99,877	97,197
Greg Pauline	**Sept 19 – Sept 20**	**10%**	**10%**	**2.68**	**17,612**	**18,233**
	Sept 18 - Sept 19	20%	20%	2.52	18,854	9,427

Notes:

1. Figures exclude entitlement relating to dividends earned on shares over the vesting period.
2. Vesting of rights shown above are based on the anticipated position at the 30 September 2019 vesting date which is consistent with the STI accrual in the financial statements.
3. Comprises 50% of current year and 50% of prior year STI award.
4. Adjusted for the impact of the entitlement offer.
5. Number of vested rights during the year comprise the current year non-deferred and the prior year deferred STI components

8. Statutory remuneration disclosures CONTINUED

(ii) LTI Plans – Share Appreciation Rights (SARs)

In FY17, FY18, and FY19 Qube made a grant of Share Appreciation Rights (SARs) to eligible senior executives. The terms and conditions of the grants affecting remuneration in the current or future reporting periods are as follows:

Grant date	Vesting date	Expiry date*	Initial price	Value per right at grant date	Target hurdle for 100% vesting
24-Nov-16	23-Aug-19	24-Aug-21	$2.56	$0.34	Completion of service requirement over the vesting period.
29-Sep-17	28-Sep-20	27-Sep-22	$2.58	$0.34	Completion of service requirement over the vesting period.
13-Sep-18	13-Sep-21	13-Sep-23	$2.68	$0.36	Completion of service requirement over the vesting period.

* End of holding lock period.

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

8. Statutory remuneration disclosures CONTINUED

b. Equity settled compensation (continued)

(iii) LTI Plans – Performance Rights and Options

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

Grant date	Earliest Vesting date	Expiry date*	Issue price	Value per right/option at grant date	Target hurdle for 100% Vesting	% Vested
FY16 LTI Performance Rights and Options issue						
TSR hurdle – 25% of issue						
3-Sep-15	3-Sep-18	3-Sep-18 3-Dec-20	$2.24	$1.156 – PR $0.298 - Option	TSR ranking at or above the 75th percentile at the end of the vesting period.	-
EPS hurdle – 75% of issue						
3-Sep-15	3-Sep-18	3-Sep-20 3-Dec-20	$2.24	$2.069– PR $0.369- Option	Compound Annual Growth Rate (CAGR) over the vesting period in EPS of 6%.	100%
FY15 LTI Performance Rights issue						
TSR hurdle – 25% of issue						
5-Sep-14	5-Sep-17	5-Sep-17	$2.39	$1.62 – PR	TSR ranking at or above the 75th percentile at the end of the vesting period.	-
EPS hurdle – 75% of issue						
5-Sep-14	5-Sep-17	5-Sep-19	$2.39	$2.50 – PR	Compound Annual Growth Rate (CAGR) over the vesting period in EPS of 9%.	100%
FY14 LTI Performance Rights issue						
TSR hurdle – 25% of issue						
9-Sep-13	9-Sep-16	9-Sep-16	$1.87	$1.22 – PR	TSR ranking at or above the 75th percentile at the end of the vesting period.	75%
EPS hurdle – 75% of issue						
9-Sep-13	9-Sep-16	9-Sep-18	$1.87	$1.96 – PR	Compound Annual Growth Rate (CAGR) over the vesting period in EPS of 9%.	100%
For the EPS hurdle it is for the financial year ended 30 June.						
FY16 Moorebank Performance Rights and Options issue						
ASR hurdle – 50% of issue						
3-Sep-15	3-Sep-18	3-Sep-20 3-Dec-20	$2.24	$1.073 – PR $0.333 - Option	Qube achieving a cumulative 4.5% compound ASR over the vesting period.	100%
KPI hurdle – 50% of issue						
3-Sep-15	3-Sep-18	3-Sep-20 3-Dec-20	$2.24	$2.069 – PR $0.369 - Option	Exceed overall Moorebank Project targets - refer to Annexure 1 of this Report for more detail.	75%

* Last possible vesting date

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

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

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

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

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

A summary of the key terms and conditions of these grants is set out in Section 6.

8. Statutory remuneration disclosures CONTINUED

b. Equity settled compensation (continued)

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

Granted	Vested (%)	Vested number*	Forfeited (%)	Financial years in which rights may vest**	Value yet to vest ($)	Amount expensed during the year ($)
Executive Directors						
Maurice James						
Sep-18	0%	-	0%	FY22	1,070,572	276,872
Sep-17	0%	-	0%	FY21	976,354	336,674
Sep-16	0%	-	0%	FY20	875,163	318,241
Sep-15	0%	-	25%	FY19-FY21	770,954	347,556
Sept 2015(M)	87.5%	1,445,197	12.5%	FY19-FY21	-	72,065
Sep-14	0%	-	25%	FY18-FY20	1,177,323	117,732
Sep-13	87.5%	324,607	12.5%	FY17–FY19	-	-
		1,769,804			4,870,366	1,469,140
Other key management personnel						
Paul Digney						
Sep-18	0%	-	0%	FY22	473,382	122,426
Sep-17	0%	-	0%	FY21	431,721	148,869
Sep-16	0%	-	0%	FY20	386,977	140,719
Sep-15	0%	-	25%	FY19-FY21	289,107	130,333
Sept 2015(M)	87.5%	915,290	12.5%	FY19-FY21	-	45,641
Sep-14	0%	-	25%	FY18-FY20	400,290	40,029
Sep-13	87.5%	160,519	12.5%	FY17–FY19	-	-
		1,075,809			1,981,477	628,017
William Hara						
Sep-18	0%	-	0%	FY22	245,000	63,362
Sep-17	0%	-	0%	FY21	388,549	133,982
Sep-16	0%	-	0%	FY20	348,279	126,647
Sep-15	0%	-	25%	FY19-FY21	276,258	124,541
Sept 2015(M)	87.5%	1,445,197	12.5%	FY19-FY21	-	72,065
Sep-14	0%	-	25%	FY18-FY20	337,500	33,750
Sep-13	87.5%	133,767	12.5%	FY17–FY19	-	-
		1,578,964			1,595,586	554,347
Paul Lewis						
Sep-18	0%	-	0%	FY22	378,706	97,941
Sep-17	0%	-	0%	FY21	345,377	119,095
Sep-16	0%	-	0%	FY20	309,581	112,575
Sep-15	0%	-	25%	FY19-FY21	276,258	124,541
Sept 2015(M)	87.5%	726,808	12.5%	FY19-FY21	-	47,712
Sep-14	0%	-	25%	FY18-FY20	321,803	32,180
Sep-13	87.5%	129,308	12.5%	FY17–FY19	-	-
		856,116			1,631,725	534,044
Greg Pauline						
Sep-18	0%	-	0%	FY22	350,000	90,517
Sep-17	0%	-	0%	FY21	166,983	57,580
		0			516,983	148,097

* Adjusted for entitlement offer.

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

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

8. Statutory remuneration disclosures CONTINUED

b. Equity settled compensation (continued)

Granted	Vested (%)	Vested number*	Forfeited (%)	Financial years in which rights may vest**	Value yet to vest ($)	Amount expensed during the year ($)
Executive Directors						
Maurice James						
Sep-18	0%	-	0%	FY22	1,070,572	276,872
Sep-17	0%	-	0%	FY21	976,354	336,674
Sep-16	0%	-	0%	FY20	875,163	318,241
Sep-15	0%	-	25%	FY19-FY21	770,954	347,556
Sept 2015(M)	87.5%	1,445,197	12.5%	FY19-FY21	-	72,065
Sep-14	0%	-	25%	FY18-FY20	1,177,323	117,732
Sep-13	87.5%	324,607	12.5%	FY17–FY19	-	-
		1,769,804			4,870,366	1,469,140
Other key management personnel						
Paul Digney						
Sep-18	0%	-	0%	FY22	473,721	122,426
Sep-17	0%	-	0%	FY21	431,721	148,869
Sep-16	0%	-	0%	FY20	386,977	140,719
Sep-15	0%	-	25%	FY19-FY21	289,107	130,333
Sept 2015(M)	87.5%	915,290	12.5%	FY19-FY21	-	45,641
Sep-14	0%	-	25%	FY18-FY20	400,290	40,029
Sep-13	87.5%	160,519	12.5%	FY17–FY19	-	-
		1,075,809			1,981,816	628,017
William Hara						
Sep-18	0%	-	0%	FY22	245,000	63,362
Sep-17	0%	-	0%	FY21	388,549	133,982
Sep-16	0%	-	0%	FY20	348,279	126,647
Sep-15	0%	-	25%	FY19-FY21	276,258	124,541
Sept 2015(M)	87.5%	1,445,197	12.5%	FY19-FY21	-	72,065
Sep-14	0%	-	25%	FY18-FY20	337,500	33,750
Sep-13	87.5%	133,767	12.5%	FY17–FY19	-	-
		1,578,964			1,595,586	554,347
Paul Lewis						
Sep-18	0%	-	0%	FY22	378,706	97,941
Sep-17	0%	-	0%	FY21	345,377	119,095
Sep-16	0%	-	0%	FY20	309,581	112,575
Sep-15	0%	-	25%	FY19-FY21	276,258	124,541
Sept 2015(M)	87.5%	726,808	12.5%	FY19-FY21	-	47,712
Sep-14	0%	-	25%	FY18-FY20	321,803	32,180
Sep-13	87.5%	129,308	12.5%	FY17–FY19	-	-
		856,116			1,631,725	534,044
Greg Pauline						
Sep-18	0%	-	0%	FY22	350,000	90,517
Sep-17	0%	-	0%	FY21	166,983	57,580
		0			516,983	148,097

* Adjusted for entitlement offer.
** Rights and Options with EPS hurdle are able to be retested for two years post vesting date.
(M) Relates to the Moorebank Project Long Term Incentive Plan.

8. Statutory remuneration disclosures CONTINUED

c. Equity instruments held by key management personnel

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

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

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

(i) Options and rights

Options

2019 Name	Balance at the start of the year	Granted as compensation (Standard) LTI	Lapsed	Cancelled for net value	Other changes*	Balance at the end of the year	Unvested
Maurice James	3,563,348	-	-699,943	-1,336,255	-	1,527,150	1,527,150
Paul Digney	1,730,770	-	-311,793	-846,296	-	572,681	572,681
William Hara	2,256,787	-	-373,303	-	-	1,883,484	547,229
Paul Lewis	1,408,371	-	-267,251	-593,891	-	547,229	547,229
Greg Pauline	-	-	-	-	-	-	-

Performance Rights

2019 Name	Balance at the start of the year*	Granted as compensation (Standard) STI**	Lapsed	Vested	Other changes*	Balance at the end of the year	Unvested
Maurice James	1,120,296	66,792	-54,087	-466,439	787	667,349	667,349
Paul Digney	444,956	-	-24,093	-212,811	295	208,347	208,347
William Hara	535,487	104,348	-28,846	-326,250	282	285,021	285,021
Paul Lewis	547,628	99,774	-32,047	-341,613	282	274,024	274,024
Greg Pauline	-	9,417	-	-	-	9417	9,417

* Includes adjustment for entitlement offer.

** FY19 STI taken in shares not included as rights are granted in September 2019. FY18 STI taken in shares is included in opening balance.

Share Appreciation Rights

2019 Name	Balance at the start of the year*	Granted as compensation (Standard) LTI	Lapsed	Vested	Other changes	Balance at the end of the year*	Unvested
Maurice James	6,929,334	4,248,300	-	-	127,426	11,305,060	11,305,060
Paul Digney	3,063,991	1,878,500	-	-	56,344	4,998,835	4,998,835
William Hara	2,757,591	972,223	-	-	42,518	3,772,332	3,772,332
Paul Lewis	2,451,192	1,502,800	-	-	45,076	3,999,068	3,999,068
Greg Pauline	596,368	1,388,889	-	-	22,632	2,007,889	2,007,889

* Includes adjustment for entitlement offer.

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

8. Statutory remuneration disclosures CONTINUED

ii) Ordinary share holdings

2019 Name	Balance at the start of the year	Received during the year as part of an LTI scheme*	Received during the year as part of an STI scheme*	Other changes during the year	Balance at the end of the year
Maurice James	6,348,377	433,544	136,835	-	6,918,756
Paul Digney	408,921	229,514	-	-	638,435
William Hara	1,792,710	242,704	212,189	(100,000)	2,147,603
Paul Lewis	98,000	262,226	101,375	(406,601)	55,000
Greg Pauline	-	-	9,723		9,723

* Figures include dividend entitlement and adjustments for incentive award element of entitlement offers under scheme.

d. Loans to key management personnel

There were no loans made to directors of Qube Holdings Limited nor any other key management personnel of the Group, including their personally related parties, during the financial year.

e. Subordinated debt securities

Name	Opening balance as at 1 July 2018	Disposed	Other changes	Balance as at 30 June 2019	Balance as at date of this report
Maurice James	6,000	-	-	6,000	6,000
William Hara	19,000	-	-	19,000	19,000

9. 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.

a. Directors' fees

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

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

The allocation of fees for FY19 based on responsibility per non-executive director are as follows:

				Board Committee Fees						
	Board Fees			Audit & Risk Management		Nomination & Remuneration		Safety, Health & Environment		
Name	Chair	Deputy Chair	Base Director	Chair	Member	Chair	Member	Chair	Member	Total
	$	$	$	$	$	$	$	$	$	$
Allan Davies	217,949						14,153	28,305		260,407
Sam Kaplan		164,934		35,700						200,634
Ross Burney			100,139				14,153			114,292
Peter Dexter			100,139			25,500			14,153	139,792
Alan Miles			100,139		17,850				14,153	132,142
Sue Palmer			100,139		17,850					117,989
Åge Holm										-
Totals	217,949	164,934	400,556	35,700	35,700	25,500	28,306	28,305	28,306	965,256

b. 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.

c. Total remuneration for non-executive directors

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

9. Non-executive directors CONTINUED

	Primary		Post employment benefits	
Name	**Cash salary and fees $**	**Non-monetary benefits $**	**Superannuation $**	**Total Remuneration $**
Non executive Directors				
Allan Davies				
2019	**239,875**	**-**	**20,532**	**260,407**
2018	239,701	-	20,049	259,750
Sam Kaplan				
2019	**183,227**	**-**	**17,407**	**200,634**
2018	179,635	-	17,065	196,700
Ross Burney				
2019	**104,376**	**-**	**9,916**	**114,292**
2018	108,721	-	10,329	119,050
Peter Dexter				
2019	**127,664**	**-**	**12,128**	**139,792**
2018	121,096	-	11,504	132,600
Alan Miles				
2019	**120,678**	**-**	**11,464**	**132,142**
2018	118,310	-	11,240	129,550
Sue Palmer				
2019	**107,753**	**-**	**10,236**	**117,989**
2018	84,304	-	8,009	92,313
Åge Holm				
2019	-	**-**	-	-
2018	-	**-**	-	-

10. Directors' interests

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

Name	Opening balance as at 1 July 2018	Dividend reinvestment	Disposed	Other changes (Acquired)	Balance as at 30 June 2019	Balance as at date of this report
Allan Davies	3,416,659	-	-	-	3,416,659	3,416,659
Sam Kaplan[1]	2,923,244	-	1,285,000	-	1,638,244	1,638,244
Maurice James	6,348,377	-	-	570,379	6,918,756	6,918,756
Ross Burney	-	-	-	-	-	-
Peter Dexter	244,534	-	44,500	-	200,034	200,034
Alan Miles	38,855	-	-	176	39,031	39,031
Sue Palmer	45,000	-	-	-	45,000	45,000
Åge Holm	-	-	-	-	-	-

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

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

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

Name	Opening balance as at 1 July 2018	Disposed	Other changes	Balance as at 30 June 2019	Balance as at date of this report
Allan Davies	5,154	-	-	5,154	5,154
Sam Kaplan[1]	3,000	-	-	3,000	3,000
Maurice James	6,000	-	-	6,000	6,000
Ross Burney	-	-	-	-	-
Peter Dexter	1,000	-	-	1,000	1,000
Alan Miles	-	-	-	-	-
Sue Palmer	-	-	-	-	-
Åge Holm	-	-	-	-	-

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

Annexure 1 – Legacy Long Term Incentive Scheme Summary

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

The grant dates, performance conditions of the grants are described in Section 6 of this report. Other key terms and conditions for the grants are described below:

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

Annexure 1 – Legacy Long Term Incentive Scheme Summary CONTINUED

Long term incentives (LTIs) (continued)

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

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

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

Annexure 2

Glossary	
Managing Director	The Chief Executive Officer of the company who is also a Board member
KMP	Key Management Personnel, are those with authority and responsibility for planning, directing and controlling the activities of the entity.
Senior executives	Senior managers who can directly influence the performance of the business, although not necessarily key management personnel.
Non-executive Directors	A non-executive director is a member of a company's board of directors who is not part of the executive team. A non-executive director typically does not engage in the day-to-day management of the organization but is involved in policymaking and planning exercises.
Fixed Remuneration	The Fixed component of a remuneration package, generally consisiting of base salary and superannuation, it may also include other guaranteed cash and benefits for example the value of a company motor vehicle.
STI	Short term incentive, part of an executive's variable or 'at risk' pay.
LTI	Long term incentive, part of an executive's variable or 'at risk' pay.
SARs	Share Appreciation Rights, entitle the participant to a payment in cash or shares equal to the appreciation in the company's stock over a specified period.
Performance Rights	A contractual right to receive a given number of ordinary shares if a nominated performance milestone is achieved.
Options	An option to subscribe for or purchase ordinary shares that can be exercised if a performance condition is achieved.
Amortisation	A regular repayment of an asset over a fixed time period. For example, if a $12,000 loan is amortized over one year without any interest, the monthly repayments will be $1,000.
EBITDA	Earnings before interest, income tax expense, depreciation and amortisation. An indicator of a company's operational profitability.
NPATA	Net Profit After Tax and Amortisation
LTIFR	Lost Time Injury Frequency Rate
TRIFR	Total Recordable Injury Frequency Rate
TSR	Total shareholder return. Measured by the growth in share price over the measurement period and any dividend paid during that period.
EPS	Earnings per share. The portion of profit allocated to each share.
ASR	Annual Shareholder Return. Measured by the growth in share price from award date to end of performance period and any dividends paid during that period.
KPI	Key performance indicators. Used to assess and monitor the performance of one, or a group of executives

This concludes the Remuneration Report

Auditor's independence declaration

Auditor's Independence Declaration

As lead auditor for the audit of Qube Holdings Limited for the year ended 30 June 2019, 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.

Jane Reilly
Partner
PricewaterhouseCoopers

Sydney
21 August 2019

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Financial Report

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Consolidated Statement of Comprehensive Income

For the year ended 30 June 2019

	Notes	2019 $m	2018 $m
Revenue from continuing operations			
Revenue	3	**1,667.1**	1,600.3
Other income	3	**171.8**	169.8
		1,838.9	1,770.1
Direct transport and logistics costs		**(417.4)**	(424.4)
Repairs and maintenance costs		**(88.0)**	(81.1)
Employee benefits expense	4	**(651.1)**	(617.5)
Fuel, oil and electricity costs		**(118.8)**	(98.5)
Occupancy and property costs		**(93.3)**	(92.9)
Depreciation and amortisation expense	4	**(120.0)**	(116.0)
Professional fees		**(13.3)**	(7.7)
Impairment of non-current assets	4	**(14.0)**	(9.3)
Other expenses		**(17.3)**	(25.5)
Total expenses		**(1,533.2)**	(1,472.9)
Finance income		**26.7**	26.2
Finance costs	4	**(59.4)**	(41.2)
Net finance costs		**(32.7)**	(15.0)
Share of net profit of associates accounted for using the equity method		**11.0**	4.6
Profit before income tax		**284.0**	286.8
Income tax expense	13	**(88.3)**	(87.8)
Profit for the year		**195.7**	199.0
Other comprehensive income net of tax:			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations	18(a)	**4.3**	(2.4)
Change in fair value of cash flow hedges and cost of hedging	18(a)	**(0.4)**	-
Share of other comprehensive income of joint venture	18(a)	**(3.6)**	1.0
Total comprehensive income for the year		**196.0**	197.6
Profit for the year is attributable to:			
Owners of Qube Holdings Limited		**196.6**	199.3
Non-controlling interests		**(0.9)**	(0.3)
		195.7	199.0
Total comprehensive income for the year is attributable to:			
Owners of Qube Holdings Limited		**196.9**	197.9
Non-controlling interests		**(0.9)**	(0.3)
		196.0	197.6
Earnings per share for profit attributable to the ordinary equity holders of the Company:		**Cents**	Cents
Basic earnings per share	5	**12.3**	12.5
Diluted earnings per share	5	**12.2**	12.4

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

Consolidated Balance Sheet

As at 30 June 2019

	Notes	2019 $m	2018 $m
ASSETS			
Current assets			
Cash and cash equivalents	20(a)	**139.9**	103.9
Trade and other receivables	6	**361.2**	320.7
Inventories		**4.5**	2.4
Derivative financial instruments	29	**1.0**	0.4
Total current assets		**506.6**	427.4
Non-current assets			
Loans and receivables	7	**300.2**	328.8
Investment in equity accounted investments	23	**678.9**	716.8
Property, plant and equipment	8	**1,315.4**	1,006.7
Investment properties	9	**1,031.6**	701.6
Intangible assets	10	**863.8**	833.6
Derivative financial instruments	29	**31.2**	1.5
Other assets		**19.9**	18.6
Total non-current assets		**4,241.0**	3,607.6
Total assets		**4,747.6**	4,035.0
LIABILITIES			
Current liabilities			
Trade and other payables	11	**179.8**	144.8
Borrowings	19	**51.8**	1.7
Current tax payable	13(c)	**19.2**	17.9
Derivative financial instruments	29	**-**	0.2
Provisions	12	**95.7**	80.2
Total current liabilities		**346.5**	244.8
Non-current liabilities			
Trade and other payables	11	**2.4**	0.4
Borrowings	19	**1,444.5**	964.3
Deferred tax liabilities	15	**110.8**	64.8
Derivative financial instruments	29	**20.5**	0.9
Provisions	12	**9.5**	9.7
Total non-current liabilities		**1,587.7**	1,040.1
Total liabilities		**1,934.2**	1,284.9
Net assets		**2,813.4**	2,750.1
EQUITY			
Contributed equity	17	**2,466.6**	2,454.9
Reserves	18	**12.5**	18.7
Retained earnings	18	**335.5**	276.8
Capital and reserves attributable to owners of Qube		**2,814.6**	2,750.4
Non-controlling interests	25	**(1.2)**	(0.3)
Total equity		**2,813.4**	2,750.1

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

Consolidated Statement of Changes in Equity

As at 30 June 2019

		Attributable to owners of Qube					
	Notes	Contributed equity $m	Reserves $m	Retained earnings $m	Total $m	Non-controlling interests $m	Total equity $m
Balance at 30 June 2017		2,450.5	(3.0)	165.1	2,612.6	-	2,612.6
Profit for the year		-	-	199.3	199.3	(0.3)	199.0
Other comprehensive income		-	(1.4)	-	(1.4)	-	(1.4)
Total comprehensive income for the year		-	(1.4)	199.3	197.9	(0.3)	197.6
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs and tax	17(a)	2.8	-	-	2.8	-	2.8
Issue of treasury shares to employees	17(b)	1.6	-	-	1.6	-	1.6
Dividends provided for or paid		-	-	(87.6)	(87.6)	-	(87.6)
Employee share scheme	18(a)	-	23.1	-	23.1	-	23.1
		4.4	23.1	(87.6)	(60.1)	-	(60.1)
Balance at 30 June 2018		**2,454.9**	**18.7**	**276.8**	**2,750.4**	**(0.3)**	**2,750.1**
Profit for the year		**-**	**-**	**196.6**	**196.6**	**(0.9)**	**195.7**
Other comprehensive income		**-**	**0.3**	**-**	**0.3**	**-**	**0.3**
Total comprehensive income for the year		**-**	**0.3**	**196.6**	**196.9**	**(0.9)**	**196.0**
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs and tax	17(a)	**3.4**	**-**	**-**	**3.4**	**-**	**3.4**
Issue of treasury shares to employees	17(b)	**14.5**	**-**	**-**	**14.5**	**-**	**14.5**
Acquisition of treasury shares	17(b)	**(3.9)**	**-**	**-**	**(3.9)**	**-**	**(3.9)**
Fair value movement on allocation and vesting of securities	17(b)	**(2.3)**	**-**	**-**	**(2.3)**	**-**	**(2.3)**
Dividends provided for or paid		**-**	**-**	**(137.9)**	**(137.9)**	**-**	**(137.9)**
Employee share scheme	18(a)	**-**	**(6.5)**	**-**	**(6.5)**	**-**	**(6.5)**
		11.7	**(6.5)**	**(137.9)**	**(132.7)**	**-**	**(132.7)**
Balance at 30 June 2019		**2,466.6**	**12.5**	**335.5**	**2,814.6**	**(1.2)**	**2,813.4**

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 2019

	Notes	2019 $m	2018 $m
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**1,870.9**	1,720.4
Payments to suppliers and employees (inclusive of goods and services tax)		**(1,566.1)**	(1,490.5)
		304.8	229.9
Dividends and distributions received		**18.4**	9.1
Interest received		**28.2**	39.0
Other revenue		**1.1**	0.5
Interest paid		**(56.1)**	(46.2)
Income taxes paid		**(37.6)**	(26.0)
Net cash inflow from operating activities	30(a)	**258.8**	206.3
Cash flows from investing activities			
Payment for acquisition of businesses, net of cash acquired	22	**(129.0)**	(92.2)
Payments for property, plant and equipment		**(330.2)**	(195.4)
Payments for investment property		**(157.4)**	(120.9)
Payment for investment in equity accounted investments		**(16.3)**	(1.2)
Payments for non-current other assets		**(9.2)**	-
Loans to related entities		**(11.6)**	(5.8)
Loan repayments from related entities		**28.7**	14.9
Proceeds from reduction in capital from equity accounted investments		**33.0**	28.0
Proceeds from sale of property, plant and equipment		**10.3**	9.2
Net cash outflow from investing activities		**(581.7)**	(363.4)
Cash flows from financing activities			
Share issue transaction costs		**-**	(3.5)
Payment for treasury shares	17(b)	**(3.9)**	-
Proceeds from borrowings		**819.8**	629.6
Repayment of borrowings		**(321.4)**	(470.0)
Finance lease payments		**(1.7)**	(1.5)
Dividends paid to Company's shareholders		**(134.5)**	(84.1)
Net cash inflow from financing activities		**358.3**	70.5
Net increase/(decrease) in cash and cash equivalents		**35.4**	(86.6)
Cash and cash equivalents at the beginning of the financial year		**103.9**	190.8
Effects of exchange rate changes on cash and cash equivalents		**0.6**	(0.3)
Cash and cash equivalents at end of year		**139.9**	103.9
Non-cash investing and financing activities	30(b)	**3.4**	3.4

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

Notes to the financial statements

1. About this report

Qube Holdings Limited is a for-profit company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange. The consolidated financial statements, comprising the Company, Qube Holdings Limited (referred to as the 'Company' or 'parent entity') and its subsidiaries (collectively referred to as the 'Group' or 'Qube'), for the year ended 30 June 2019 were authorised for issue in accordance with a resolution of the directors on 21 August 2019. The directors have the power to amend and reissue the financial statements.

The consolidated financial statements are general purpose financial statements which:

- have been prepared in accordance with the requirements of the Corporations Act 2001, including complying with Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB);
- have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through profit or loss and investment property;
- are presented in Australian dollars, which is Qube's functional and presentation currency, with all amounts rounded to the nearest hundred thousand dollars, unless otherwise indicated, in accordance with ASIC Corporations Instrument 2016/191;
- adopts all new and amended Accounting Standards and interpretations issued by the AASB that are relevant to the Group and effective for reporting periods beginning on or before 1 July 2018. Refer to note 37(d) for further details; and
- equity accounts for associates listed at note 23.

The notes to the consolidated financial statements

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

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

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

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

Critical accounting judgements and estimates

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

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

FINANCIAL RESULTS FOR THE YEAR

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

2. Segment information

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

(a) Description of segments

Management has determined the operating segments based on the reports used by the Board to make strategic decisions. To reflect how the business is being managed and reported internally, the Logistics and Ports & Bulk divisions are now presented as a single combined segment being the Operating Division.

Operating Division

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

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

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

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

Infrastructure & Property (including Strategic Assets)

This division currently comprises the Moorebank Logistics Park Project, AAT, the Minto properties and the Strategic Assets division which comprises a non-controlling interest in the Quattro Grain joint venture 47.2% and TQ Holdings Pty Limited, a 50% joint venture with Japanese petroleum group JXTG Group.

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

AAT is a multi-user facility provider to the Australian stevedoring industry, operating terminals with facilities for importing and exporting motor vehicles, projects and general cargo.

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

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

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

Patrick

Qube owns a 50% interest in Patrick with the other 50% owned by Brookfield and its managed funds.Patrick is an established national operator providing container stevedoring services in the Australian market with operations in the four largest container terminal ports in Australia. Given the material nature of this investment to Qube, this joint venture is being reported as a separate segment.

Corporate and Other

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

(b) Segment information provided to the Board

2019	Operating Division***	Infrastructure & Property	Corporate & Other	Patrick*	Total
	$m	$m	$m	$m	$m
Revenue and other income	**1,625.3**	**213.4**	**0.2**	**-**	**1,838.9**
Intercompany trading	-	45.2	-	-	45.2
Fair value gains	(0.7)	(154.8)	-	-	(155.5)
Underlying revenue	**1,624.6**	**103.8**	**0.2**	**-**	**1,728.6**

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

	Operating Division***	Infrastructure & Property	Corporate & Other	Patrick*	Total
Net profit/(loss) before income tax	**187.4**	**139.9**	**(78.9)**	**35.6**	**284.0**
Share of (profit)/loss of equity accounted investments	(0.6)	1.3	-	(11.7)	(11.0)
Net finance (income) / cost	(0.8)	0.2	57.2	(23.9)	32.7
Depreciation and amortisation	110.2	9.6	0.2	-	120.0
EBITDA	**296.2**	**151.0**	**(21.5)**	**-**	**425.7**
Impairment of investment in associate	10.5	3.5	-	-	14.0
Fair value gains	(0.7)	(154.8)	-	-	(155.5)
Intercompany trading	(45.2)	45.2	-	-	-
Share based payment expense adjustment	0.4	0.2	0.9	-	1.5
Acquisition costs	1.3	-	-	-	1.3
Other	0.8	-	1.5	-	2.3
Underlying EBITDA	**263.3**	**45.1**	**(19.1)**	**-**	**289.3**
Depreciation	(102.7)	(5.9)	(0.2)	-	(108.8)
Underlying EBITA	**160.6**	**39.2**	**(19.3)**	**-**	**180.5**
Amortisation	(7.5)	(3.7)	-	-	(11.2)
Underlying EBIT	**153.1**	**35.5**	**(19.3)**	**-**	**169.3**
Underlying net finance income/(cost)	0.8	0.2	(37.8)	23.9	(12.9)
Share of profit/(loss) of equity accounted investments	0.6	(1.3)	-	11.7	11.0
Underlying adjustments:					
Other non-recurring transaction & restructure costs	0.2	-	-	2.1	2.3
Prima facie tax adjustment	-	-	-	(0.5)	(0.5)
Underlying share of profit/(loss) of equity accounted investments	**0.8**	**(1.3)**	**-**	**13.3**	**12.8**
Underlying net profit/(loss) before income tax	**154.7**	**34.4**	**(57.1)**	**37.2**	**169.2**
Underlying income tax expense	(46.1)	(10.7)	17.1	(7.2)	(46.9)
Underlying net profit/(loss) after tax	**108.6**	**23.7**	**(40.0)**	**30.0**	**122.3**
Underlying non-controlling interests	0.9	-	-	-	0.9
Underlying net profit/(loss) after tax attributable to members	**109.5**	**23.7**	**(40.0)**	**30.0**	**123.2**
Underlying net profit/(loss) after tax before amortisation attributable to members**	**114.8**	**26.3**	**(40.0)**	**38.1**	**139.2**
Underlying diluted earnings per share (cents per share)					**7.7**
Underlying diluted earnings per share pre-amortisation (cents per share)					**8.7**
Total segment assets	**2,269.5**	**1,502.2**	**73.5**	**902.4**	**4,747.6**
Total assets include:					
Investments in associates and joint ventures	36.6	40.1	-	602.2	678.9
Loans to equity accounted investments	-	-	15.6	300.2	315.8
Additions to non-current assets (other than financial assets and deferred tax)	378.8	288.4	-	-	667.2
Total segment liabilities	**284.7**	**42.6**	**1,606.9**	**-**	**1,934.2**

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

2018	Logistics	Ports & Bulk	Operating Division***	Infrastructure & Property	Corporate & Other	Patrick*	Total
	$m	$m	$m	$m	$m	$m	$m
Revenue and other income	**714.3**	**840.7**	**1,555.0**	**214.8**	**0.3**	**-**	**1,770.1**
Intercompany trading	-	-	-	45.7	-	-	45.7
Fair value gains	-	-	-	(163.2)	-	-	(163.2)
Other adjustments	-	-	-	(1.9)	-	-	(1.9)
Underlying revenue	**714.3**	**840.7**	**1,555.0**	**95.4**	**0.3**	**-**	**1,650.7**

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

	Logistics	Ports & Bulk	Operating Division***	Infrastructure & Property	Corporate & Other	Patrick*	Total
Net profit/(loss) before income tax	**57.4**	**110.8**	**168.2**	**144.3**	**(58.8)**	**33.1**	**286.8**
Share of (profit)/loss of equity accounted investments	-	1.7	1.7	2.4	-	(8.7)	(4.6)
Net finance (income) / cost	(0.1)	0.6	0.5	0.2	38.7	(24.4)	15.0
Depreciation and amortisation	32.0	73.9	105.9	9.9	0.2	-	116.0
EBITDA	**89.3**	**187.0**	**276.3**	**156.8**	**(19.9)**	**-**	**413.2**
Impairment of investment in associate	-	9.3	9.3	-	-	-	9.3
Fair value gains	-	-	-	(163.2)	-	-	(163.2)
Intercompany trading	-	(45.7)	(45.7)	45.7	-	-	-
Share based payment expense adjustment	1.0	1.4	2.4	-	1.0		3.4
Acquisition costs	0.7	3.8	4.5	-	-	-	4.5
Other	1.6	-	1.6	-	0.4	-	2.0
Underlying EBITDA	**92.6**	**155.8**	**248.4**	**39.3**	**(18.5)**	**-**	**269.2**
Depreciation	(29.8)	(68.2)	(98.0)	(6.2)	(0.2)	-	(104.4)
Underlying EBITA	**62.8**	**87.6**	**150.4**	**33.1**	**(18.7)**	**-**	**164.8**
Amortisation	(2.2)	(5.7)	(7.9)	(3.7)	-	-	(11.6)
Underlying EBIT	**60.6**	**81.9**	**142.5**	**29.4**	**(18.7)**	**-**	**153.2**
Underlying net finance income/(cost)	0.1	(0.6)	(0.5)	0.1	(35.2)	24.4	(11.2)
Share of profit/(loss) of equity accounted investments	-	(1.7)	(1.7)	(2.4)	-	8.7	4.6
Underlying adjustments:							
Other non-recurring transaction & restructure costs	-	1.4	1.4	-	-	2.2	3.6
Prima facie tax adjustment	-	-	-	-	-	(1.1)	(1.1)
Underlying share of profit/(loss) of equity accounted investments	**-**	**(0.3)**	**(0.3)**	**(2.4)**	**-**	**9.8**	**7.1**
Underlying net profit/(loss) before income tax	**60.7**	**81.0**	**141.7**	**27.1**	**(53.9)**	**34.2**	**149.1**
Underlying income tax expense	(18.2)	(24.4)	(42.6)	(8.9)	16.2	(7.3)	(42.6)
Underlying net profit/(loss) after tax	**42.5**	**56.6**	**99.1**	**18.2**	**(37.7)**	**26.9**	**106.5**
Underlying non-controlling interests	-	0.3	0.3	-	-	-	0.3
Underlying net profit/(loss) after tax attributable to members	**42.5**	**56.9**	**99.4**	**18.2**	**(37.7)**	**26.9**	**106.8**
Underlying net profit/(loss) after tax before amortisation attributable to members**	**44.0**	**60.9**	**104.9**	**20.8**	**(37.7)**	**34.8**	**122.8**
Underlying diluted earnings per share (cents per share)							**6.7**
Underlying diluted earnings pre- amortisation (cents per share)							**7.7**
Total segment assets	**870.5**	**1,089.2**	**1,959.7**	**1,079.9**	**25.0**	**970.4**	**4,035.0**
Total assets include:							
Investments in associates and joint ventures	-	30.3	30.3	44.9	-	641.6	716.8
Loans to equity accounted investments	-	-	-	-	8.2	328.8	337.0
Additions to non-current assets (other than financial assets and deferred tax)	131.8	117.6	249.4	187.2	0.4	-	437.0
Total segment liabilities	**85.8**	**146.4**	**232.2**	**30.0**	**1,022.7**	**-**	**1,284.9**

*A reconciliation of the Patrick underlying contribution to the Qube results can be found in note 23.
**Underlying net profit/(loss) after tax pre-amortisation, includes an adjustment for Qube's proportionate share of Patrick amortisation net of tax.
***Logistics and ports & Bulk divisions have been combined into the Operating Division.

Underlying Information is determined as follows:

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

(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 consolidated financial statements. These assets are allocated based on the operations of the segment and the location of the asset.

(ii) Segment liabilities

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

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

ACCOUNTING POLICY

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

3. Revenue and Other income

	2019 $m	2018 $m
Revenue		
Logistics revenue	**706.6**	712.0
Ports & Bulk revenue	**905.3**	838.6
Rental and property related revenue	**24.5**	15.2
Management fees	**9.1**	7.2
Other revenue	**21.6**	27.3
Total revenue	**1,667.1**	1,600.3
Other income		
Fair value gains on investment property	**155.5**	163.2
Net gain on disposal of property, plant & equipment	**3.2**	3.1
Other	**13.1**	3.5
Total other income	**171.8**	169.8

ACCOUNTING POLICY

Recognition and measurement

Logistics revenue

Logistics provides a broad range of services relating to the import and export of mainly containerised cargo as well as outsourced industrial logistics services across heavy transport, mobile crane and renewable energy industries. The services provided include the physical and documentary processes and tasks of the import/export supply chain such as road and rail transport of containers to and from ports, operation of container parks, customs and quarantine services, warehousing, intermodal terminals, international freight forwarding, provision of lifting services or equipment and bulk rail haulage for rural commodities.

Client contracts outline the services to be provided and the rate. The rate for storage and warehousing is time based (i.e. daily storage) and service rates are based on the service obligations to be provided (task). Revenue is recognised over time in relation to services rendered, storage and warehousing. Work in progress (accrued revenue) is recognised for any unbilled stages of the tasks.

Ports & Bulk revenue

Ports and Bulk has two core activities comprising port logistics and bulk logistics. It provides a range of logistics services relating to the import and export of mainly non-containerised freight, with a major focus on automotive, forestry, bulk and break bulk products. The services provided include stevedoring, storage, vehicle handling and road transport.

Client contracts outline the service to be provided and the rate. The rate for services are based on the service obligations to be provided (task). Revenue is recognised over time in relation to services rendered. Work in progress (accrued revenue) is recognised for any unbilled stages of the tasks.

Rental and property related revenue

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

Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. Consequently, the Group does not adjust any of the transaction prices for the time value of money.

4. Expenses

	2019	2018
	$m	$m
Profit before income tax includes the following specific expenses:		
Depreciation		
Buildings	**3.5**	3.0
Plant and equipment	**97.7**	90.8
Leasehold improvements	**7.6**	10.6
Total depreciation *(refer note 8)*	**108.8**	104.4
Amortisation		
Customer contracts	**7.5**	7.9
Port concessions	**3.7**	3.7
Total amortisation *(refer note 10)*	**11.2**	11.6
Total depreciation and amortisation expense	**120.0**	116.0
Finance costs		
Interest and finance costs paid/payable	**53.6**	46.4
Finance lease charges expensed	**0.6**	0.5
Total interest and finance charges expense	**54.2**	46.9
Interest capitalised	**(14.1)**	(6.1)
Fair value adjustments – derivative instruments	**19.3**	0.4
Total finance costs	**59.4**	41.2
Rental expense relating to operating leases		
Property	**72.7**	75.2
Motor vehicles	**2.8**	2.1
Plant and equipment	**28.8**	32.3
Total rental expense relating to operating leases	**104.3**	109.6
Employee benefits expense		
Defined contribution superannuation expenses	**38.2**	36.1
Share-based payment expenses *(refer note 34 c)*	**6.5**	9.7
Other employee benefits expense	**606.4**	571.7
Total employee benefits expense	**651.1**	617.5
Other expenses includes:		
Impairment of investments in associate (*refer note 23)*	**14.0**	9.3
	14.0	9.3

ACCOUNTING POLICY

Borrowing costs

Borrowing costs are expensed in the period in which they are incurred less amounts, which have been capitalised in the cost of qualifying assets.

Rental expense

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

Employee benefits

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

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

(ii) Long service leave

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

(iii) Superannuation

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

(iv) Bonus plans

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

(v) Employee benefit on-costs

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

(vi) Share-based payments

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

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

5. Earnings per share

	2019	2018
(a) Basic earnings per share	**Cents**	Cents
Total basic earnings per share attributable to the ordinary equity holders of the Company	**12.3**	12.5
(b) Diluted earnings per share		
Total diluted earnings per share attributable to the ordinary equity holders of the Company	**12.2**	12.4
(c) Earnings used in calculating earnings per share	**$m**	$m
Profit attributable to the ordinary equity holders of the Company used in calculating basic and diluted earnings per share	**196.6**	199.3
(d) **Weighted average number of shares used as the denominator**	**Number**	Number
Weighted average number of ordinary shares used as the denominator in calculating:		
Basic earnings per share	**1,603,415,591**	1,597,357,172
Diluted earnings per share	**1,605,924,744**	1,604,218,845

ACCOUNTING POLICY

(i) Basic earnings per share

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

(ii) Diluted earnings per share

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

OPERATING ASSETS AND LIABILITIES

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

6. Trade and other receivables

Current	**2019 $m**	2018 $m
Trade receivables	**265.2**	255.5
Loss allowance (a)	**(6.1)**	(8.5)
	259.1	247.0
Prepayments	**34.4**	24.8
Accrued revenue	**43.1**	36.3
Interest receivable	**1.8**	0.8
Other	**22.8**	11.8
	361.2	320.7

(a) Impaired trade receivables

As at 30 June 2019 the loss allowance was $6.1 million (2018: $8.5 million). The Group expects that a portion of the receivables may be recovered. The individually impaired receivables are mainly the result of a difficult global and domestic economic environment that has impacted Qube's customers.

	2019 $m	**2018 $m**
The ageing of these receivables is as follows:		
Up to 3 months	**-**	-
3 months and greater	**(6.1)**	(8.5)
	(6.1)	(8.5)
Movements in the loss allowance for impairment of receivables is as follows:		
Carrying amount at start of year	**(8.5)**	(8.2)
Provision for impairment recognised during the year	**0.4**	(3.6)
Receivables written off during the year as uncollectible	**2.1**	3.3
Provisions acquired as part of acquisition	**(0.1)**	-
Carrying amount at end of year	**(6.1)**	(8.5)

(b) Past due but not impaired

As at 30 June 2019, current trade receivables of $61.2 million (2018: $61.3 million) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2019	2018
	$m	$m
Up to 3 months	**56.1**	57.6
3 months and greater	**5.1**	3.7
	61.2	61.3

The other classes within trade and other receivables do not contain impaired assets and are not past due. The Group does not hold any collateral in relation to these receivables.

(c) Fair value

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

ACCOUNTING POLICY

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

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

The Group measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses (“ECL’s”). The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor’s current financial position. The ECL’s are adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

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

7. Loans and Receivables

	2019	2018
	$m	$m
Loans and receivables	**300.2**	328.8

The Group has provided a related party loan to Patrick as part of the acquisition of its 50% interest the balance of which is $300.2 million at 30 June 2019 (2018: $328.8m). The loan is for a fixed term of 10 years, subordinated to all creditors, with an effective interest rate of 7.3% and no conversion rights.

(a) Fair value

The credit quality of all loans and receivables, including those neither past due nor impaired, is assessed and monitored on an ongoing basis. To determine the necessity of whether a loss allowance is required for any given financial year, the Group considers how economic and market conditions will affect the creditworthiness of certain entities. The Group does not believe impairment is required at 30 June 2019 based on the current forecasts provided by Patrick. On this basis the fair value of loans and receivables approximates their carrying values.

ACCOUNTING POLICY

At initial recognition, the Group measures loans and receivables at fair value plus transaction costs that are directly attributable to the acquisition of the loan and receivables.

Loans and receivables are held for collection of contractual cash flows. The cash flows solely represents payments of principal and interest and therefore the loans and receivables are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses). Impairment losses are presented as separate line item in the statement of profit or loss.

The Group assesses on a forward looking basis the expected credit losses associated with its loans and receivables carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. A loss allowance for impairment of loans and receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the loans and receivables. The amount of the loss allowance is the difference between the asset's carrying amount and its fair value, which is estimated as the present value of estimated future cash flows, discounted at the effective interest rate where relevant. The amount of the loss allowance is recognised in the Income Statement.

8. Property, plant and equipment

	Land & Buildings $m	Plant & Equipment $m	Leasehold Improvements $m	Total $m
Year ended 30 June 2018				
Opening net book amount	142.0	568.4	196.2	906.6
Acquisition of business	0.9	9.1	5.1	15.1
Additions	25.8	173.1	0.1	199.0
Disposals	-	(9.5)	-	(9.5)
Exchange rate differences	-	(2.2)	-	(2.2)
Reclassification from investment property	1.0	-	1.1	2.1
Depreciation charge	(3.0)	(90.8)	(10.6)	(104.4)
Closing net book amount	166.7	648.1	191.9	1006.7
At 30 June 2018				
Cost	191.0	1,124.6	249.6	1,565.2
Accumulated depreciation	(24.3)	(476.5)	(57.7)	(558.5)
Net book amount	166.7	648.1	191.9	1,006.7
Year ended 30 June 2019				
Opening net book amount	**166.7**	**648.1**	**191.9**	**1,006.7**
Acquisition of business	**5.5**	**84.3**	**-**	**89.8**
Additions	**32.2**	**286.8**	**15.4**	**334.4**
Disposals	**-**	**(6.0)**	**(0.1)**	**(6.1)**
Exchange rate differences	**-**	**(0.6)**	**-**	**(0.6)**
Depreciation charge	**(3.5)**	**(97.7)**	**(7.6)**	**(108.8)**
Closing net book amount	**200.9**	**914.9**	**199.6**	**1,315.4**
At 30 June 2019				
Cost	**232.6**	**1,566.2**	**264.9**	**2,063.7**
Accumulated depreciation	**(31.7)**	**(651.3)**	**(65.3)**	**(748.3)**
Net book amount	**200.9**	**914.9**	**199.6**	**1,315.4**

(a) Leased assets

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

	2019 $m	2018 $m
Leased equipment		
Cost	**11.2**	9.5
Accumulated depreciation	**(4.3)**	(5.0)
Net book amount	**6.9**	4.5

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

ACCOUNTING POLICY

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

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

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

- Buildings 2.5% to 10.0%
- Leasehold improvements 2.5% to 10.0%
- Furniture, fittings and equipment 10.0% to 20.0%
- Plant and equipment 4.0% to 33.3%

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

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

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

Leased assets

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

Impairment

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

CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

Estimated impairment of property, plant and equipment

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

9. Investment properties

	2019 $m	2018 $m
Opening balance at 1 July	**701.6**	394.5
Capitalised subsequent expenditure	**122.4**	138.7
Net gain from fair value adjustments	**155.5**	163.2
Acquisition of investment property	**41.3**	-
Reclassification to property, plant & equipment	**-**	(2.1)
Finance lease asset	**1.0**	2.1
Capitalised interest	**9.8**	4.9
Straight-lining of operating lease rental income	**-**	0.3
Closing balance at 30 June	**1,031.6**	701.6

(a) Measuring investment property at fair value

Investment properties, principally land and property held at strategic locations at Moorebank, Minto and Russell Park are currently either in development or held for rental yield. These Properties are not occupied by the Group. They are carried at fair value in accordance with the Qube's accounting policy.

In August 2018, Qube completed the acquisition of the Russell Park Industrial Estate located in Henderson, Western Australia for $41.3 million.

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

	2019 $m	2018 $m
Rental income	**18.6**	9.1
Direct operating expenses from property that generated rental revenue	**(7.2)**	(5.0)
Direct operating expenses from property that did not generate rental revenue	**-**	-

(c) Leasing arrangements

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

	2019 $m	2018 $m
Minimum lease receivables not recognised in the financial statements under non-cancellable operating leases of investment properties are receivable as follows:		
Within one year	**19.6**	12.7
Later than one year but not later than 5 years	**50.5**	34.6
Later than 5 years	**49.0**	-
	119.1	47.3

ACCOUNTING POLICY

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

Industrial assets, such as the warehousing component of the Moorebank Logistics Park which are currently under development are classified as investment properties and stated at their fair value at each balance date. Fair value is assessed by management using a static valuation approach based on an independent valuation leveraging relevant market comparable data including capitalisation and land rate per square metre information.

Finance costs incurred on this project are capitalised and included in the cost of the development.

As at 30 June 2019, the fair value for the warehousing component of the Moorebank Logistics Park development has been assessed by the Directors after considering the latest valuations and subsequent capital works-in-progress.

CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

Estimated fair values of investment properties

The Group obtains independent valuations at least annually or as otherwise required. At the end of each reporting period, the directors update their assessment of the fair value of each property, taking into account the most recent independent valuations. The key assumptions used in this determination are set out in note 21.

10. Intangible assets

	Goodwill $m	Port Concessions $m	Customer contracts $m	Total $m
Year ended 30 June 2018				
Opening net book amount	646.4	111.3	24.5	782.2
Acquisition of business	71.8	-	-	71.8
Sale of business	(8.0)	-	-	(8.0)
Exchange differences	(0.7)	-	(0.1)	(0.8)
Amortisation charge	-	(3.7)	(7.9)	(11.6)
Closing net book amount	709.5	107.6	16.5	833.6
At 30 June 2018				
Cost	709.5	113.5	67.3	890.3
Accumulated amortisation and impairment	-	(5.9)	(50.8)	(56.7)
	709.5	107.6	16.5	833.6
Year ended 30 June 2019				
Opening net book amount	**709.5**	**107.6**	**16.5**	**833.6**
Acquisition of business	**33.9**	**-**	**6.7**	**40.6**
Exchange differences	**0.8**	**-**	**-**	**0.8**
Amortisation charge	**-**	**(3.7)**	**(7.5)**	**(11.2)**
Closing net book amount	**744.2**	**103.9**	**15.7**	**863.8**
At 30 June 2019				
Cost	**744.2**	**113.5**	**74.0**	**931.7**
Accumulated amortisation and impairment	**-**	**(9.6)**	**(58.3)**	**(67.9)**
Net book amount	**744.2**	**103.9**	**15.7**	**863.8**

(a) Allocation of goodwill to CGUs

Goodwill is allocated to the Group's cash generating units (CGUs) identified according to operating segments as presented below. The carrying amount of goodwill allocated to each CGU was recoverable at year end.

	2019 $m	2018 $m
Operating Division	**697.9**	663.2
Infrastructure & Property	**46.3**	46.3
	744.2	709.5

(b) Impairment tests for goodwill

The recoverable amount of a CGU is determined based on cash flow projections based on financial budgets and forecasts prepared by management typically covering a four-year period. Cash flows beyond a four-year period are extrapolated using the estimated growth rates. The growth rate does not exceed the long-term average growth rate for the business for which the CGU operates. Long-term growth rates and discount rates have been noted in Critical Accounting Judgements and Estimates.

ACCOUNTING POLICY

(i) Goodwill

Goodwill on acquisitions of businesses is included in intangible assets and is measured as described in note 22. Goodwill is not amortised. Instead, goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to CGUs for the purpose of impairment testing. The allocation is made to those CGUs or group of CGUs that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segments (note 2).

(ii) Customer contracts

Customer contracts acquired as part of a business combination are recognised separately from goodwill. The customer contracts are carried at their fair value at the date of acquisition less accumulated amortisation and impairment losses. Amortisation is calculated based on the timing of projected cash flows of the contracts over their estimated useful life which is between 4 to 11 years.

(iii) Port Concessions

Tenancy agreements (Port Concessions) with port authorities acquired as part of a business combination are recognised separately from goodwill. The Port Concessions are carried at their fair value at the date of acquisition less accumulated amortisation and impairment losses. Amortisation is calculated based on the length of the tenancy agreement (including options) which is between 24 to 30 years.

Impairment

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

Estimated impairment of goodwill

The CGU cash flow projections used for impairment testing assume no material adverse change to economic conditions for the 2020 to 2023 period. No significant changes to the methodology of the underlying models and assumptions have been made.

Terminal values after year four (or after year five in the case of AAT) have been determined using a stable growth model, having regard to post-tax discount rates and long-term growth rates. The equivalent pre-tax discount rate has been disclosed below. Management determined budgeted and forecast EBITDA margins based on past performance and its expectations for the future.

Since 1 July 2019, Qube has been reporting the Operating Division as a single segment rather than separately reporting Logistics and Ports & Bulk, reflecting the manner in which the related businesses are being managed and operated. Accordingly, the Operating Division now represents the lowest CGU at which the goodwill previously allocated to the Logistics and Ports & Bulk businesses can be monitored and tested for impairment. It is noted that prior to combining the Logistics and Ports & Bulk divisions into the Operating Division, each division had significant headroom between their respective carrying values and assessed values.

	Long-term growth rate		**Discount rate**	
CGU	**2019**	**2018**	**2019**	**2018**
	%	**%**	**%**	**%**
Logistics	**n/a**	**2.5**	**n/a**	12.3
Ports & Bulk	**n/a**	**2.5**	**n/a**	12.2
Operating Division (Logistics and Ports & Bulk)	**2.5**	**n/a**	**11.7**	n/a
Infrastructure & Property (AAT)	**2.5**	**2.5**	**11.2**	11.3

Impact of possible changes in critical assumptions

The base case long-term growth and discount rates used in the impairment testing of goodwill for each CGU where goodwill has been identified have been disclosed above. If the discount rate increased by 0.5% or the EBITDA decreased by 5% in each year of the valuation and all other assumptions used in the valuation assessment remained unchanged, it would not result in an impairment of goodwill for any of the Infrastructure & Property or Operating divisions.

11. Trade and other payables

	2019	2018
	$m	$m
Current		
Trade payables and accruals	**174.6**	137.7
GST payable	**5.2**	7.1
	179.8	144.8
Non-current		
Trade payables and accruals	**0.5**	0.4
Deferred consideration	**1.9**	-
	2.4	0.4

ACCOUNTING POLICY

These amounts represent unsecured liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Trade and other payables are recognised as current liabilities unless payment is not due within 12 months from the reporting date. They are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method where the impact is material.

12. Provisions

	2019			2018		
	Current	**Non-current**	**Total**	Current	Non-current	Total
	$m	**$m**	**$m**	$m	$m	$m
Employee benefits	**92.9**	**9.5**	**102.4**	79.8	9.7	89.5
Onerous contract (property lease)	**1.6**	**-**	**1.6**	-	-	-
Other	**1.2**	**-**	**1.2**	0.4	-	0.4
	95.7	**9.5**	**105.2**	80.2	9.7	89.9

(a) Movements in provisions

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

2019	**Onerous contract $m**	**Other $m**	**Total $m**
Carrying amount at beginning of year	**-**	**0.4**	**0.4**
Provision reclassification	**-**	**0.7**	**0.7**
Goodwill acquisition adjustment	**3.7**	**-**	**3.7**
Charged/(credited) to profit or loss			
• additional provisions recognised	**-**	**0.1**	**0.1**
• unused amounts reversed	**-**	**-**	**-**
Amounts used during the year	**(2.1)**	**-**	**(2.1)**
Carrying amount at end of year	**1.6**	**1.2**	**2.8**

(b) Amounts not expected to be settled within the next 12 months

The current provision for employee benefits includes accrued annual leave, vesting sick leave and long service leave. For long service leave it covers all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The amount of the provision where the Group does not have an unconditional right to defer settlement for any of these obligations is presented as current.

However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. The following amounts reflect leave that is not expected to be taken or paid within the next 12 months:

	2019	2018
	$m	$m
Leave obligations expected to be settled after 12 months	**18.4**	15.9

ACCOUNTING POLICY

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of each reporting period.

The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in a provision due to the passage of time is recognised as interest expense.

Provisions are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

INCOME TAXES

This section provides information on the income tax charge for the year along with the reconciliation of the effective tax rate to the standard corporate tax rate, details of the deferred tax balances and movements in these balances during the year, including the relevant accounting policies applied and critical judgements and estimates used.

13. Income tax expense

	2019 $m	2018 $m
(a) Income tax expense		
Current tax	**48.7**	47.5
Deferred tax assets	**(6.7)**	(9.5)
Deferred tax liabilities	**45.5**	51.0
Adjustments for deferred tax of prior periods	**-**	(2.1)
Adjustments for current tax of prior periods	**0.8**	0.9
	88.3	87.8
Deferred income tax expense included in income tax expense comprises:		
Decrease / (Increase) in deferred tax assets	**(6.7)**	(9.5)
(Decrease) / Increase in deferred tax liabilities	**45.5**	48.9
	38.8	39.4

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

	2019 $m	2018 $m
Profit before income tax expense	**284.0**	286.8
Tax at the Australian tax rate of 30% (2018: 30%)	**85.2**	86.0
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Non-assessable equity accounted profit	**(3.3)**	(1.4)
Deferred tax not recognised on investment properties fair value gain	**-**	(2.1)
Deferred tax not recognised on impairment of an associate	**4.2**	2.8
Share-based payments	**-**	0.1
Net deferred consideration paid	**-**	0.7
Losses not recognised in overseas jurisdictions	**1.1**	0.5
Difference in overseas tax rate	**(0.2)**	-
Prior year adjustments	**0.8**	0.9
Sundry items	**0.5**	0.3
Income tax expense	**88.3**	87.8

(c) Numerical reconciliation of prima facie tax payable to income tax payable

	2019 $m	2018 $m
Income tax expense	**88.3**	87.8
Movement in deferred tax	**(38.8)**	(41.4)
PAYG Instalments paid	**(30.3)**	(28.5)
Income tax payable	**19.2**	17.9

(d) Amounts recognised directly in equity	**2019 $m**	2018 $m
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly debited or credited to equity:		
Net deferred tax – debited directly to equity	**-**	0.2

(e) Effective tax rates

	2019	2018
Australian accounting consolidated group effective tax rate	**31%**	31%

The above effective tax rate has been calculated as income tax expense divided by accounting profit for the Australian accounting consolidated group.

14. Deferred tax assets

	2019 $m	2018 $m
The balance comprises temporary differences attributable to:		
Employee benefits	**29.7**	26.7
Plant and equipment	**14.8**	15.5
Capital losses	**5.9**	5.4
Other	**20.2**	11.7
Total deferred tax assets	**70.6**	59.3
Set-off of deferred tax assets/liabilities pursuant to set-off provisions	**(70.6)**	(59.3)
Net deferred tax assets	**-**	-
Deferred tax assets expected to be recovered within 12 months	**32.0**	40.0
Deferred tax assets expected to be recovered after more than 12 months	**38.6**	19.3
	70.6	59.3

Movements in deferred tax assets:	**Employee benefits $m**	**Plant and equipment $m**	**Capital Losses $m**	**Other $m**	**Total $m**
At 30 June 2017	23.7	14.8	1.1	10.2	49.8
Credited/(charged)					
• to profit or loss	2.8	0.7	4.3	1.7	9.5
• to other comprehensive income	-	-	-	-	-
• directly to equity	-	-	-	0.2	0.2
Acquisition of subsidiary	0.2	-	-	(0.4)	(0.2)
At 30 June 2018	26.7	15.5	5.4	11.7	59.3
Credited/(charged)					
• to profit or loss	**3.0**	**(2.4)**	**0.5**	**5.6**	**6.7**
• to other comprehensive income	**-**	**-**	**-**	**0.2**	**0.2**
Acquisition of subsidiary	**-**	**1.7**	**-**	**2.7**	**4.4**
At 30 June 2019	**29.7**	**14.8**	**5.9**	**20.2**	**70.6**

15. Deferred tax liabilities

	2019	2018
	$m	$m
The balance comprises temporary differences attributable to:		
Plant and equipment	**28.0**	24.7
Intangible assets	**33.7**	37.0
Investment property	**115.0**	61.3
Other provisions	**4.7**	1.1
	181.4	124.1
Set-off of deferred tax assets/liabilities pursuant to set-off provisions	**(70.6)**	(59.3)
Net deferred tax liabilities	**110.8**	64.8
Deferred tax liabilities expected to be settled within 12 months	**2.8**	0.4
Deferred tax liabilities expected to be settled after more than 12 months	**178.6**	123.7
	181.4	124.1

Movements in deferred tax liabilities:	**Plant and equipment**	**Intangible assets**	**Investment property**	**Other provisions**	**Total**
	$m	**$m**	**$m**	**$m**	**$m**
At 30 June 2017	22.4	40.5	11.3	1.0	75.2
Charged/(credited)					
• to profit or loss	2.3	(3.5)	50.0	0.1	48.9
• to other comprehensive income	-	-	-	-	-
• directly to equity	-	-	-	-	-
Acquisition of subsidiaries	-	-	-	-	-
At 30 June 2018	24.7	37.0	61.3	1.1	124.1
Charged/(credited)					
• to profit or loss	**1.8**	**(3.5)**	**46.4**	**0.8**	**45.5**
• to other comprehensive income	**-**	**-**	**-**	**0.1**	**0.1**
• other	**-**	**-**	**7.3**	**2.7**	**10.0**
Acquisition of subsidiaries	**1.5**	**0.2**	**-**	**-**	**1.7**
At 30 June 2019	**28.0**	**33.7**	**115.0**	**4.7**	**181.4**

ACCOUNTING POLICY

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

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

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

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

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

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

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

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

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

Investment allowances and similar tax incentives

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

CAPITAL AND BORROWINGS

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

16. Dividends

(a) Ordinary shares	**2019 $m**	2018 $m
Final dividend for the year ended 30 June 2018 of 2.8 cents per fully paid share and a special dividend of 2.0 cents per fully paid share paid on 19 October 2018 (2017: 2.8 cents per share paid on 12 October 2017)		
Fully franked based on tax paid at 30%	**77.0**	44.9
Interim dividend for the year ended 30 June 2019 of 2.8 cents per fully paid share and a special dividend of 1.0 cents per fully paid share paid on 4 April 2019 (2018: 2.7 cents per share paid on 5 April 2018)		
Fully franked based on tax paid at 30%	**61.0**	43.3
	138.0	88.2

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

Since the financial year end the directors have recommended the payment of a final dividend of 2.9 cents per fully paid ordinary share, (2018: 2.8 cents) fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 18 October 2019 (2018: 19 October 2018) out of retained earnings at 30 June 2019, but not recognised as a liability at the end of the year, is	**47.0**	44.9
In the prior year the directors recommended the payment of a special dividend of 2.0 cents fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend in the prior year paid on 19 October 2018 out of retained earnings at 30 June 2019, but not recognised as a liability at the end of the year, was	**-**	32.1

(c) Franked dividends

The franked portions of the final dividends recommended after the financial year end will be franked out of existing franking credits or out of franking credits arising from the payment of income tax for the year ended 30 June 2019.

	Consolidated		**Parent entity**	
	2019 $m	2018 $m	**2019 $m**	2018 $m
Franking credits available for subsequent financial years based on a tax rate of 30% (2018: 30%)	**106.3**	126.1	**106.3**	126.1

The above amounts represent the balance of the franking account as at the end of the reporting period, adjusted for:

(i) franking credits that will arise from the payment of the amount of the provision for income tax;
(ii) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and
(iii) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

The consolidated amounts include franking credits that would be available to the parent entity if distributable profits of non-wholly owned subsidiaries were paid as dividends. The impact on the franking account of the dividend recommended by the directors since the end of the reporting period, but not recognised as a liability at the end of each reporting period, will be a reduction in the franking account.

ACCOUNTING POLICY

Provision is made for any dividend declared that is appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

17. Contributed equity

Share capital	Notes	2019 Shares	2018 Shares	2019 $m	2018 $m
Ordinary shares					
Fully paid	(a)	**1,606,252,093**	1,604,988,151	**2,475.4**	2,472.0
Less: Treasury shares	(b)	**(2,128,736)**	(6,861,673)	**(8.8)**	(17.1)
Total contributed equity		**1,604,123,357**	1,598,126,478	**2,466.6**	2,454.9

(a) Movements in ordinary shares:

Date	Details	Number of shares	Issue price	$m
1 July 2017	Opening Balance	1,603,556,503		2469.2
12 October 2017	Dividend reinvestment plan	674,190	$2.5234	1.7
5 April 2018	Dividend reinvestment plan	757,458	$2.3117	1.7
	Less: Share issue transaction costs, net of tax			(0.6)
30 June 2018	Closing balance	1,604,988,151		2,472.0
19 October 2018	Dividend reinvestment plan	**557,133**	**$2.6461**	**1.5**
4 April 2019	Dividend reinvestment plan	**706,809**	**$2.7411**	**1.9**
30 June 2019	Closing balance	**1,606,252,093**		**2,475.4**

(b) Movements in treasury shares:

Date	Details	Number of shares	Average purchase price	$m
1 July 2017	Opening balance	(7,566,410)		(18.7)
	Transfer of treasury shares	710,131	$2.291	1.6
	Treasury shares purchased	(5,394)	$1.514	-
	Fair value movement on allocation and vesting of securities	-		-
1 July 2018	Opening balance	(6,861,673)		(17.1)
	Transfer of treasury shares	**6,232,937**	**$2.332**	**14.5**
	Treasury shares purchased	**(1,500,000)**	**$2.605**	**(3.9)**
	Fair value movement on allocation and vesting of securities	**-**		**(2.3)**
30 June 2019	Closing Balance	**(2,128,736)**		**(8.8)**

(c) Ordinary Shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

(d) Dividend reinvestment plan

The Company has established a dividend reinvestment plan under which holders of ordinary shares may elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares rather than by being paid in cash. Shares issued under the plan may be at a discount (which is determined by the Board) to the market price.

(e) Treasury shares

Treasury shares are shares in Qube Holdings Limited held by the Qube Employee Share Trust for the purpose of allocating shares that vest under the Performance Rights scheme. Details of the plans are set out in note 34.

(f) Capital risk management

The role of capital risk management at Qube is to support the creation of shareholder value having regard to risk. Qube's capital risk management strategy, therefore, is to establish a framework that supports and facilitates the pursuit of Qube's business strategy while minimising Qube's costs of funding having regard to appropriate business risks.

Specifically, the components of Qube's financial strategy are to:

- Optimise the capital structure to reduce the cost of capital;
- Provide sufficient financial flexibility to enable Qube to develop its businesses;
- Maintain access to a broad range of funding sources and diversifying the tenor; and
- Subject to the above, raise funds in the most cost effective manner possible.

Qube continues to maintain a conservative approach to its capital structure with a long-term target gearing range of 30-40%.

Qube monitors its net debt and available funding capacity through a range of measures including interest cover ratio and other gearing ratios.

Qube maintains adequate headroom to its covenant levels to provide it with financial flexibility to take advantage of opportunities and the ability to manage an unexpected downturn in earnings which is important given Qube's leverage to economic activity.

ACCOUNTING POLICY

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases the Company's equity instruments, for example as the result of a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of Qube Holdings Limited as treasury shares until the shares are cancelled or reissued.

Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects is included in equity attributable to the owners of Qube Holdings Limited.

Shares held by Qube Employee Share Accumulation Plan Pty Limited (Qube Employee Share Trust) are disclosed as treasury shares and deducted from contributed equity.

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18. Reserves and retained earnings

	2019	2018
	$m	$m
Reserves		
Business combination reserve	**28.4**	28.4
Transactions with non-controlling interests reserve	**(40.2)**	(40.2)
Share-based payments reserve	**25.3**	31.8
Foreign currency translation reserve	**2.0**	(2.3)
Cash flow hedging reserve	**(0.4)**	-
Share of other comprehensive income of joint venture	**(2.6)**	1.0
	12.5	18.7

(a) Movements in reserves:

Share-based payments reserve		
Balance 1 July	**31.8**	8.7
Loans repaid	**-**	13.4
Share- based payments	**(13.0)**	-
Employee share plan expense	**6.5**	9.7
Balance 30 June	**25.3**	31.8
Foreign currency translation reserve		
Balance 1 July	**(2.3)**	0.1
Currency translation differences, net of tax	**4.3**	(2.4)
Balance 30 June	**2.0**	(2.3)
Hedging reserve		
Balance 1 July	**-**	-
Cumulative (gain)/loss arising on changes in fair value of hedging instruments		
• Forward exchange contracts – Cash flow hedge reserve	**(0.3)**	0.4
• Cross currency interest rate swaps – Cash flow hedge reserve	**1.1**	0.7
• Cross currency interest rate swaps – Cost of hedging reserve	**(0.6)**	(1.1)
• Foreign exchange options – Cash flow hedge reserve	**1.7**	-
• Foreign exchange option – Cost of hedging reserve	**(2.5)**	-
Deferred tax arising on cash flow hedges	**0.2**	-
Balance 30 June	**(0.4)**	-
Share of other comprehensive income of joint venture		
Balance 1 July	**1.0**	-
Share of Patrick's other comprehensive income	**(3.6)**	1.0
Balance 30 June	**(2.6)**	1.0

Nature and purpose of reserves

(i) Business combination reserve

The business combination reserve represents the difference between the consideration paid to acquire a non-controlling interest in a subsidiary, versus the carrying value of the shares acquired.

(ii) Share-based payments reserve

The share-based payments reserve is used to recognise the loans and value of share-based payments provided to employees under share-based payment schemes. The initial fair value of the benefit provided is recognised on a straight-line basis over the vesting period.

(iii) Transactions with non-controlling interests reserve

This reserve is used to record the differences which may arise as a result of transactions with non-controlling interests that do not result in a loss of control.

(iv) Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income as described in note 37 and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

(v) Hedging reserve

The hedging reserve includes the cash flow hedge reserve and the costs of hedging reserve, see note 29 for details. The cash flow hedge reserve is used to recognise the effective portion of gains or losses on derivatives that are designated and qualify as cash flow hedges, as described in note 29. Amounts are subsequently either transferred to the initial cost of the asset or reclassified to profit or loss as appropriate.

The Group defers the time value of option contracts in the costs of hedging reserve. These deferred costs of hedging are included in the initial cost of the related asset when it is recognised.

Retained earnings

Movements in retained earnings were as follows:	**2019** **$m**	2018 $m
Balance 1 July	**276.8**	165.1
Net profit for the year	**196.6**	199.3
Dividends paid	**(137.9)**	(87.6)
Balance 30 June	**335.5**	276.8

19. Borrowings

	2019	2018
	$m	$m
Current		
Unsecured		
Bank loans	**50.0**	-
Secured		
Finance lease liabilities (note 27b(ii))	**1.8**	1.7
Total current borrowings	**51.8**	1.7
Non-current		
Unsecured		
Bank loans	**770.5**	320.6
Other financiers	**150.0**	150.0
Medium term notes	**218.8**	191.5
Subordinated notes	**305.0**	305.0
Less capitalised establishment costs	**(11.3)**	(10.9)
	1,433.0	956.2
Secured		
Finance lease liabilities ((note 27b(ii))	**11.5**	8.1
Total non-current borrowings	**1,444.5**	964.3

Bank and other facilities

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

		2019		2018	
Facility	**Maturity**	**Facility**	**Utilised***	Facility	Utilised*
Bank Loans		**$m**	**$m**	$m	$m
Bilateral term facility	Jul-19	**50.0**	**50.0**	50.0	50.0
Bilateral revolving facility (NZD)**	Dec-19	**-**	**-**	38.5	35.6
Bilateral revolving facility (NZD)**	Aug-22	**62.1**	**45.5**	-	-
Bilateral revolving facilities	Aug-22	**100.0**	**-**	938.4	235.0
Bilateral revolving facilities	Aug-23	**75.0**	**75.0**	-	-
Bilateral revolving facilities	Oct-23	**611.5**	**400.0**	-	-
Bilateral revolving facilities	Nov-23	**250.0**	**250.0**	-	-
Bilateral revolving facilities	Nov-25	**100.0**	**-**	-	-
Other Financiers					
Bilateral term facility	Jun-24	**150.0**	**150.0**	150.0	150.0
US Private Placement					
Medium term notes (USD)**	Oct-24	**57.8**	**57.8**	51.5	51.5
Medium term notes (USD)**	Oct-27	**117.1**	**117.1**	102.2	102.2
Medium term notes (USD)**	Oct-29	**43.9**	**43.9**	37.8	37.8
Subordinated notes	Oct-23	**305.0**	**305.0**	305.0	305.0

* Excludes bank guarantees drawn totaling $30.9 million (2018: $32.7 million) drawn under the Bilateral Revolving Facilities.

** Australian dollar equivalent.

Several funding initiatives were undertaken during the period that had the overall effect of extending the weighted average maturity of Qube's debt facilities 4.6 years at 30 June 2019 (4.9 years at 30 June 2018) and increasing its total available facilities by approximately $220 million.

Other than one facility for $50 million (expiring in July 2019) which was repaid from undrawn facilities, all debt facilities have a maturity in excess of 3 years and have been classified as non-current liabilities by the Group.

The notes issued in United States dollars (USD) have been converted back to Australian dollar (AUD) principal and AUD floating coupons through cross currency interest rate swaps (CCIRS). The CCIRS have been designated as cash flow and fair value hedges as described in note 29.

(a) Secured liabilities and assets pledged as security

	2019 $m	2018 $m
The total secured liabilities (current and non-current) are as follows:		
Finance lease liabilities	**13.3**	9.8
Total secured liabilities	**13.3**	9.8

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:

	2019 $m	2018 $m
Finance lease		
Plant and equipment (note 8(a))	**6.9**	4.5

(b) Compliance with loan covenants

The Group has complied with the financial covenants of its borrowing facilities during the 2019 and 2018 reporting periods.

(c) Fair value

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

	2019		2018	
	Carrying amount $m	Fair value* $m	Carrying amount $m	Fair value* $m
On-balance sheet				
Non-traded financial liabilities				
Bank loans	**814.7**	**820.5**	316.4	320.6
Other financiers	**149.3**	**150.0**	149.1	150.0
Medium term notes	**217.6**	**218.8**	190.1	191.5
Subordinated notes	**301.4**	**305.0**	300.6	305.0
Finance lease liabilities	**13.3**	**13.3**	9.8	9.8
	1,496.3	**1,507.6**	966.0	976.9

* Fair value excludes capitalised establishment fees offset against loan carrying amounts.

ACCOUNTING POLICY

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities which are material and not an incremental cost relating to the actual draw down of the facility, are offset against the loan and amortised on a straight-line basis over the term of the facility.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

RISK MANAGEMENT

This section provides information on the Group's exposure to various financial risks, explains how they affect the Group's financial position and performance and how the Group manages these risks.

20. Financial risk management

The Group has exposure to a variety of financial risks including credit risk, market risk (interest rate risk and foreign exchange risk) and liquidity risk arising from the financial instruments it holds.

The board of directors is tasked with the risk management process for Qube. The risk management process involves a detailed analysis of cash flows and forecasts. The board of directors undertakes a continuous review of the performance and prospects of Qube. This includes consideration of overall gearing levels and the impact of adverse movements in interest rates, the level and predictability of cash flows to meet debt obligations and capital expenditure, as well as any change in strategy that changes the underlying risk profile of the Group.

The carrying amounts of Qube's financial assets and liabilities at the balance sheet date approximate their fair value.

(a) Credit risk

Credit risk is the risk that a counterparty will fail to perform contractual obligations, either in whole or in part, under a contract.

Qube is exposed to credit risk as a result of its deposits and favourable derivative financial instruments with financial institutions. Qube mitigates the credit risk arising by conducting transactions with financial institutions above a certain credit rating and regularly monitors the net exposure. In relation to trade receivables, where possible, Qube only transacts with credit worthy customers and monitors the outstanding amounts for impairment on an ongoing basis as set out in note 6.

Other than as set out in notes 6 and 7 no financial assets are impaired nor past due but not impaired at 30 June 2019 (30 June 2018: Nil).

There was no significant credit risk to counterparties at 30 June 2019 or 30 June 2018.

The carrying amounts of cash and cash equivalents, receivables and inventories best represent the maximum credit risk exposure at the balance sheet date. The credit quality of these securities is set out in the table below.

	2019	2018
	$m	$m
Cash and cash equivalents		
AA-	**139.9**	103.9

(b) Market risk

(i) Interest rate risk

Qube's primary interest rate risk relates to its variable rate borrowings and cash held on deposit, which expose the Group to interest rate risk. Qube's operating businesses are leveraged to the economy such that movements in interest rates, which typically reflect changes in economic conditions and outlook, are likely to correlate with movements in Qube's earnings. The primary objectives of Qube's interest rate risk management strategy therefore are to protect against adverse movements in interest rates which Qube cannot fully or largely offset through its earnings. However for debt used to fund assets with passive income streams (such as warehouse rental) that are not leveraged to the economy and have limited to no ability to increase revenues beyond the set annual increases, Qube aims to hedge between 70-100% subject to an overall cap on hedging of 60% of gross debt.

Qube's exposure to interest rate risk is set out in the following table:	**2019** **$m**	2018 $m
Borrowings (excluding finance leases and capitalised establishment costs)	**1,494.3**	967.1
Less: Fixed rate loans	**(200.0)**	(200.0)
Cash	**(139.9)**	(103.9)
Net exposure to interest rate risk	**1,154.4**	663.2
Interest rate hedging in place*	**730.0**	290.0

* Includes forward start hedges totalling $345 million (2018: $155 million)

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Qube's exposure to fair value interest rate risk relates primarily to interest rate hedging instruments referred to above.

(ii) Sensitivity analysis

The following table summarises the sensitivity of Qube's after tax operating profit and net assets attributable to shareholders to interest rate risk. The Group analyses its interest rate exposure on a dynamic basis. The analysis is based on the assumption that interest rates changed +/- 100 basis points (2018 +/- 100 basis points) from the year end rates with all other variables held constant.

The reasonably possible movements in the risk variables have been determined based on management's best estimate, having regard to a number of factors, including historical levels of changes in interest rates and market volatility. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of the economies and markets in which Qube invests. As a result, historic variations in risk variables are not a definitive indicator of future variations in the risk variables.

	Interest rate risk			
	-100 bps		**+100 bps**	
	Profit	Equity	Profit	Equity
2019	$m	$m	$m	$m
Total increase/(decrease)	**8.0**	**8.0**	**(8.5)**	**(8.5)**
2018				
Total increase/(decrease)	3.7	3.7	(4.5)	(4.5)

(iii) Foreign exchange risk

Foreign exchange risk arises from commercial transactions and recognised liabilities that are denominated in or related to a currency that is not the Group's functional currency. The Group's foreign exchange exposure relates largely to the USD denominated medium term note borrowings issued in October 2018. The Group also has exposure to movements in foreign currency exchange rates through anticipated purchases of parts and equipment in relation to the Moorebank IMEX rail terminal automation.

To mitigate the risk of adverse movements in foreign exchange and interest rates in relation to the USD denominated medium term notes, the Group has entered into CCIRS agreements through which it replaces the related foreign currency principal and interest liability payments with Australian Dollar principal and interest payments. The CCIRS have been designated as cash flow and fair value hedges in order to reduce the volatility in the Groups reported earnings.

The Group utilised forward exchange contracts and options to manage its foreign exchange risk arising from purchases of parts and equipment in relation to the Moorebank IMEX rail terminal automation. These contracts are hedging highly probable forecast foreign currency exposures. The forward exchange contracts and options are designated as cash flow hedges and are timed to mature when foreign currency payments are scheduled to be made.

As at the reporting date, the Group's exposure to foreign exchange risk after taking into consideration hedges in relation to the USD medium term notes and the forecast foreign currency transactions is not considered material.

(c) Liquidity risk

Liquidity risk is the risk that Qube will experience difficulty in either realising assets or otherwise raising sufficient funds to satisfy commitments associated with financial instruments.

The Group manages liquidity risk by maintaining adequate cash reserves, banking facilities and undrawn borrowing facilities and by continuously monitoring forecast and actual cash flows, and where possible matching the maturity profiles of financial assets and liabilities. Set out below is a listing of undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

Financing arrangements

The Group has access to the following undrawn borrowing facilities at the end of the reporting period:

	2019	2018
Floating rate	**$m**	$m
Expiring within one year	**-**	-
Expiring beyond one year*	**397.2**	673.6
	397.2	673.6

* Undrawn facilities are adjusted for $ 30.9 million in bank guarantees (2018: $32.7 million) drawn under the working capital facilities.

Subject to the continuance of satisfactory covenant compliance, the borrowing facilities may be drawn down at any time and have an average maturity of 4.6 years (2018: 4.9 years).

Maturity of financial liabilities

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

	Less than 1 year $m	**Between 1 and 5 years $m**	**Greater than 5 years $m**	**Total contractual cash flows $m**
Consolidated as at 30 June 2019				
Trade and other payables	**171.0**	**-**	**-**	**171.0**
Financial liabilities at fair value through profit or loss	**-**	**10.8**	**1.3**	**12.1**
Borrowings	**92.1**	**1,365.2**	**235.5**	**1,692.8**
Total financial liabilities	**263.1**	**1,376.0**	**236.8**	**1,875.9**
Consolidated as at 30 June 2018				
Trade and other payables	136.5	-	-	136.5
Financial liabilities at fair value through profit or loss	0.1	1.8	0.5	2.4
Borrowings	37.2	451.7	696.9	1,185.8
Total financial liabilities	173.8	453.5	697.4	1,324.7

21. Fair value measurement

(a) Fair value hierarchy

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

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

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

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

The following table presents the Group's financial and non-financial assets and liabilities measured and recognised at their fair value at 30 June 2019 on a recurring basis:

	Level 1	Level 2	Level 3	Total
At 30 June 2019	**$m**	**$m**	**$m**	**$m**
Recurring fair value measurements				
Assets				
Investment properties	**-**	**-**	**1,031.6**	**1,031.6**
Derivatives designated as hedges	**-**	**32.2**	**-**	**32.2**
Total assets	**-**	**32.2**	**1,031.6**	**1,063.8**
Liabilities				
Derivatives not designated as hedges	**-**	**20.5**	**-**	**20.5**
Total liabilities	**-**	**20.5**	**-**	**20.5**
At 30 June 2018				
Recurring fair value measurements				
Assets				
Investment properties	-	-	701.6	701.6
Derivatives designated as hedges	-	1.9	-	1.9
Total assets	-	1.9	701.6	703.5
Liabilities				
Derivatives not designated as hedges	-	1.1	-	1.1
Total liabilities	-	1.1	-	1.1

There were no transfers between levels 1 and 2 for recurring fair value measurements during the financial year. For transfers in and out of level 3 measurements see (c(iv)) below.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. The Group did not measure any assets or liabilities at fair value on a non-recurring basis as at 30 June 2019 or 30 June 2018.

(b) Valuation techniques used to determine fair values

Financial instruments

Specific valuation techniques used to value financial instruments include:

- CCIRS, interest rate swaps and collars - Present value of the estimated future cash flows using an appropriate market based yield curve, which is independently derived. Yield curves are sourced from readily available market data quoted for all major currencies.
- Forward exchange contracts and options - Quoted forward exchange rates at reporting date for contracts with similar maturity profiles.
- Other techniques, such as discounted cash flow analysis are used to determine fair value for the remaining financial instruments such as contingent consideration.

All of the resulting fair value estimates are included in levels 1 and 2 except for contingent consideration payable explained in (c) below.

Non-financial assets

The Group obtains independent valuations for its investment properties at least annually. At the end of each reporting period, the directors update their assessment of the fair value of each property, taking into account the most recent valuations performed by an independent valuer who holds a recognised and relevant qualification and any other relevant factors. The directors determine a property's value within a range of reasonable fair value estimates.

The best evidence of fair value is current prices in an active market for similar properties. Where such information is not available the directors consider information from a variety of sources including independent valuations prepared by third party valuers. These valuations typically include information such as:

- Current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences;
- Term and reversion calculations which reflect the certainty of income to lease expiry, the nature of any current property improvements and any deferred underlying land value and underlying re-development of a property;
- Capitalised income projections based upon a property's estimated net market income, and a capitalisation rate derived from an analysis of market evidence; and
- Discounted cash flow projections based on reliable estimates of future cash flows.

In relation to properties under development for future use as investment property, where reliably measurable, fair value is determined based on the market value of the asset on the assumption it had already been completed at the valuation date (using the methodology as outlined in (c)(vi) below).

The primary valuation methodology for the Group's Minto and Russell Park investment properties was the discounted cash flow and capitalisation approaches, which resulted in fair value estimate for these properties being included in level 3. As the Moorebank Logistics Park is considered investment property in development, it is also included in level 3.

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

Financial instruments

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

There were no transfers between the levels of the fair value hierarchy for financial instruments in year ended 30 June 2019 (30 June 2018: Nil).

Further, in the current year there were also no changes made to any of the valuation techniques applied as of 30 June 2018.

(ii) Valuation inputs and relationships to fair value

<u>Contingent consideration</u>

Actual consideration payable is contingent on certain future conditions including financial results, warranty periods and volume related targets. The minimum amount payable is $nil, and the maximum is $6.3 million over the relevant period.

(iii) Valuation processes

The finance department of the Group performs the valuations of non-property assets required for financial reporting purposes, including level 3 fair values. This team reports directly to the Chief Financial Officer (CFO). Discussions of valuation processes and results are held between the CFO and the Audit and Risk Management Committee at least once every six months, in line with the Group's reporting dates.

The main level 3 inputs used by the Group in measuring the fair value of financial instruments are derived and evaluated as follows:

- Discount rates: these are determined using the weighted average cost of capital model to calculate a post-tax rate that reflects current market assessments of the time value of money and the risks specific to the underlying business.
- Contingent consideration payable – expected cash outflows: these are estimated based on the terms of the sale contract, the entity's knowledge of the business, assessment of the likelihood of reaching any financial hurdles and how the current economic environment is likely to impact it.

Material changes in level 2 and 3 fair values are analysed at each reporting date during the half yearly valuation discussion between the CFO, and the Audit and Risk Management Committee. As part of this discussion the CFO presents a report that explains the reason for the fair value movements.

Non-financial assets

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

There were no transfers between the levels of the fair value hierarchy for the year ended 30 June 2019.

(v) Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements. See below for the valuation techniques adopted:

Description	**Fair value at 30 June 2019 $m**	**Unobservable inputs**	**Range of inputs (probability – weighted average)**	**Relationship of unobservable inputs to fair value**
Investment property	**$1,031.6**	Discount rate	**6.5% - 9.5%**	The higher the discount rate and terminal yield, the lower the fair value
		Terminal yield	**5.1% - 9.5%**	
		Capitalisation rate	**4.9% - 9.0%**	The higher the capitalisation rate and expected vacancy rate, the lower the fair value
		Current vacancy rate	**-**	
		Rental growth rate	**3.2%**	The higher the rental growth rate, the higher the fair value
		Land rate (per sqm)	**$652**	The land rate is the market land value per sqm of fully serviced and benched developable site area for the property (i.e. freehold land value).

(vi) Valuation processes

For level 3 assets being independently valued the Group engages external, independent and qualified valuers to determine the fair value at least annually.

The main level 3 inputs used by the Group are derived and evaluated as follows: Property assets – discount rates, terminal yields, expected vacancy rates and rental growth rates are estimated by an independent valuer or management based on comparable transactions and industry data.

For level 3 assets currently under development such as the Moorebank Logistics Park, an internal valuation is performed by management using a static valuation approach based on an independent valuation leveraging relevant market comparable data including capitalisation and land rate per square metre information. This value is then adjusted for factors including the NPV of ground rental payments, cost to complete and contingencies. Qube's interest in the Land Trust is independently valued.

GROUP STRUCTURE

This section provides information on the Group structure and helps users understand how changes in the Group structure affect the financial position and performance of the Group, including relevant accounting policies applied and critical judgements and estimates used.

22. Business combinations

On 10 May 2019 Qube acquired 100% of the issued capital of Crane and Haulage Partners Holdings Ltd (LCR) for a total purchase consideration of $136.9 million.

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

	$'m
Purchase consideration	
Purchase price	**136.9**
Completion adjustments	**-**
Total purchase consideration	**136.9**

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

	Fair value $'m
Cash	**12.3**
Trade receivables	**17.7**
Inventories	**1.9**
Other receivables and prepayments	**10.0**
Property, plant and equipment	**88.2**
Intangible assets	**6.7**
Deferred tax asset	**3.2**
Trade payables	**(8.5)**
Provision for employee benefits	**(6.1)**
Other payables and accruals	**(11.4)**
Borrowings	**(1.7)**
Net identified assets acquired	**112.3**
Add: goodwill	**24.6**
Net assets acquired	**136.9**

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

(i) Acquisition related costs

Acquisition related costs of $0.9 million are included in the consolidated statement of comprehensive income.

(ii) Acquired receivables

The trade and other receivables of $12.2 million have all been recovered.

(iii) Revenue and profit contribution

The acquired business contributed revenues of $25.9 million and earnings before interest and tax (EBIT) of $2.4 million to the Group for the period from 10 May 2019 to 30 June 2019. If the acquisition had occurred on 1 July 2018, consolidated revenue and EBIT for the year ended 30 June 2019 would have increased to $148.7 million and $11.3 million respectively.

Purchase consideration – cash outflow

	$'m
Outflow of cash to acquire LCR, net of cash acquired	
Cash consideration	**136.9**
Less: Cash balances acquired	**(12.3)**
Net cash consideration	**124.6**
Minor acquisitions	**4.4**
Outflow of cash – investing activities	**129.0**

The Group made other minor acquisitions during the year. These included the purchase of Australian Grain Handlers Pty Ltd (AGH), Lasso Logistics Pty Ltd (Lasso), Pacific Shipping Services Ltd and Kiwi Forest Industries Ltd. The combined purchase price of these acquisitions was $7.5 million. $5.6 million was paid in cash with a further $1.9 million recognised in deferred consideration in relation to Pacific Shipping Services Ltd. Goodwill of $6.7 million was recognised on acquisition. The goodwill is attributable to the strategic advantages and market positioning these acquisitions will provide Qube. The acquired businesses have been integrated into the Operating Division. Net Cash consideration was $4.4 million with $1.2 million in cash balances acquired.

ACCOUNTING POLICY

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary.

Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interests in the acquiree either at fair value or at the non-controlling interests' proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred and the amount of any non-controlling interests in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

23. Investment in equity accounted investments

(a) Movements in carrying amounts

Set out below are the associates and joint ventures of the Group as at 30 June 2019. The entities listed below have share capital/units consisting solely of ordinary shares/units, which are held directly by the Group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held. All entities are accounted for using the equity method.

		% ownership interest		**Carrying amount**	
		2019	2018	**2019**	2018
Name of entity	**Place of business/country of incorporation**	**%**	%	**$m**	$m
Patrick[1]	Australia	**50**	50	**602.2**	641.6
Other equity accounted investments				**76.7**	75.2
				678.9	716.8

1. The Group's 50% investment in Patrick is held through PTH No. 1 Pty Ltd. The carrying amount above excludes shareholder loans provided by Qube to PTH No.1 of $ 300.2 million ($328.8 million in June 2018) which also forms part of Qube's total investment in Patrick.

Other than Patrick, the Group's equity accounted investments are considered individually immaterial and are discussed in part (e) below.

(b) Joint operations

A subsidiary of the Group has a 34.67% interest in a joint arrangement called Precinct Land Trust (Land Trust) which was set up as a trust together with Moorebank Intermodal Company (MIC) to hold a leasehold interest in the precinct land at Moorebank contributed by Qube and MIC. Qube retains its residual freehold interest in the Moorebank Industrial Property Trust (MIPT) land at the end of the 99 year lease period and will enter into leases with Land Trust over time to get use of the combined precinct.

The principal place of business of the joint operation is in Australia.

The joint venture agreements in relation to Land Trust require unanimous consent from all parties for all relevant activities. As Qube will be providing substantially all of the cash inflows of Land Trust through lease payments and because there is joint control over Land Trust, it is accounted for a joint operation from Qube's perspective.

(c) Summarised financial information of joint ventures

The tables below provide summarised statutory financial information for those joint ventures that are material to the Group. The information disclosed reflects the amounts presented in the financial statements of the relevant joint ventures and not Qube Holdings Limited's share of those amounts. They have been amended to reflect the adjustments made by the entity when using the equity method, including fair value adjustments and modifications for differences in accounting policy where material.

	PTH No. 1 Pty Ltd (Patrick)	
	30 June 2019	**30 June 2018**
	$m	**$m**
Summarised balance sheet		
Current assets		
Cash and cash equivalents	**20.4**	101.3
Other current assets	**116.0**	97.2
Total current assets	**136.4**	198.5
Non-current assets	**2,782.1**	2,848.6
Current liabilities		
Financial liabilities*	**-**	-
Other current liabilities	**124.9**	109.1
Total current liabilities	**124.9**	109.1
Non-current liabilities		
Financial liabilities*	**1,003.8**	993.4
Shareholder loans	**602.3**	659.2
Other non-current liabilities	**110.3**	129.2
Total non-current liabilities	**1,716.4**	1,781.8
Net Assets	**1,077.2**	1,156.2

* - (excluding trade payables)

	PTH No. 1 Pty Ltd (Patrick)	
	30 June 2019	**30 June 2018**
	$m	**$m**
Reconciliation to carrying amounts		
Opening net assets	**1,156.2**	1,209.2
Profit for the period	**23.4**	17.4
Dividends	**(29.2)**	(12.6)
Return of capital	**(66.1)**	(57.2)
Movement in reserves	**(7.1)**	(0.6)
Closing net assets	**1,077.2**	1,156.2
Group's share in %	**50%**	50%
Group's share in $	**538.6**	578.1
Goodwill	**63.6**	63.5
Carrying amount	**602.2**	641.6
Summarised statement of comprehensive income		
Revenue	**624.9**	576.1
Interest Income	**3.5**	5.1
Depreciation & amortisation	**(90.2)**	(91.0)
Interest expense	**(89.6)**	(87.4)
Income tax expense	**(10.3)**	(6.2)
Profit for the period	**23.4**	17.4
Other comprehensive income	**(7.1)**	2.0
Total comprehensive income	**16.3**	19.4

A reconciliation of the underlying trading performance of Patrick to Qube's share of underlying net profit after tax per note 2 is included in the table below for the years ended 30 June 2019 and 30 June 2018.

Patrick underlying contribution reconciliation (100%) For the year ended 30 June 2019	**Statutory $m**	**Underlying Adjustments[2] $m**	**Underlying $m**
Revenue	**624.3**	**-**	**624.3**
EBITDA	**209.4**	**0.7**	**210.1**
EBITA	**142.4**	**0.7**	**143.1**
EBIT	**119.2**	**0.7**	**119.9**
Interest expense (net) - External	**(37.7)**	**3.5**	**(34.2)**
Interest expense - Shareholders	**(47.8)**	**-**	**(47.8)**
Net profit before tax	**33.7**	**4.2**	**37.9**
Tax (@ 30%)	**(10.3)**	**(1.1)**	**(11.4)**
Net profit after tax	**23.4**	**3.1**	**26.5**
Net profit after tax pre-amortisation	**39.6**	**3.1**	**42.7**
Qube share (50%) of net profit after tax	**11.7**	**1.6**	**13.3**
Qube interest income net of tax from Patrick[1]	**16.7**	**-**	**16.7**
Qube net profit after tax from Patrick	**28.4**	**1.6**	**30.0**
Qube share (50%) of net profit after tax pre-amortisation	**19.8**	**1.6**	**21.4**
Qube net profit after tax pre-amortisation from Patrick (50%)	**36.5**	**1.6**	**38.1**

Patrick underlying contribution reconciliation (100%) For the year ended 30 June 2018	**Statutory $m**	**Underlying Adjustments[2] $m**	**Underlying $m**
Revenue	576.1	-	576.1
EBITDA	196.8	4.4	201.2
EBITA	128.4	4.4	132.8
EBIT	105.8	4.4	110.2
Interest expense (net) - External	(33.5)	-	(33.5)
Interest expense - Shareholders	(48.7)	-	(48.7)
Net profit before tax	23.6	4.4	28.0
Tax (@ 30%)	(6.2)	(2.2)	(8.4)
Net profit after tax	17.4	2.2	19.6
Net profit after tax pre-amortisation	33.2	2.2	35.4
Qube share (50%) of net profit after tax	8.7	1.1	9.8
Qube interest income net of tax from Patrick[1]	17.1	-	17.1
Qube net profit after tax from Patrick	25.8	1.1	26.9
Qube share (50%) of net profit after tax pre-amortisation	16.6	1.1	17.7
Qube net profit after tax pre-amortisation from Patrick (50%)	33.7	1.1	34.8

1. Qube's share of shareholder interest income is subject to a prima facie 30% tax charge by Qube, whereas Qube's share of profit from Patrick trading results has already been tax effected.
2. For the year ended 30 June 2019 underlying adjustments included $4.2 million in other non-recurring debt transaction and restructure costs. The prior year underlying adjustments included $4.4 million in other non-recurring separation and set-up costs.

(d) Impairment

Qube has recognised an impairment charge of $8.1 million against the carrying value of its loans and investment in Prixcar, which is held through its 50% ownership of K Line Auto Logistics Pty Ltd (Prixcar). The impairment reflects weaker than expected FY19 results as well as uncertainty around timing of the turnaround of the business currently underway, and subdued motor vehicle imports and sales.

Qube has recognised an impairment charge of $2.4 million against the carrying value of its investment in Northern Stevedoring Services Pty Ltd (NSS). The impairment reflects a loss of volumes expected during FY20 due to a highly competitive environment and non-continuation of the energy related projects, which benefited recent years.

Qube has recognised an impairment charge of $3.5 million against the carrying value of its investment in Quattro Grain Trust. The impairment is due the ongoing impact of the drought resulting in poor FY19 financial performance with minimal improvement in grain exports expected in FY20.

The recoverable amounts of the above equity accounted investments were determined based on a value-in-use calculation using cash flow projections derived from financial budgets and forecasts covering a four to six year period with a terminal value. The post-tax discount rates used were as follows:

- Prixcar – 12.10%
- NSS – 9.35%
- Quattro – 9.60%

(e) Individually immaterial associates

In addition to the interests disclosed above in Patrick, the Group also has interests in a number of individually immaterial associates[1] that are accounted for using the equity method.

	2019 $m	2018 $m
Aggregate carrying amount of individually immaterial associates	**76.7**	75.2
Aggregate amounts of the Group's share of:		
Loss for the year	**(0.7)**	(4.1)
Other comprehensive income	**-**	-
Total comprehensive income	**(0.7)**	(4.1)

[1] 'K' Line Auto Logistics Pty Ltd, Northern Stevedoring Services Pty Ltd, Quattro Grain Trust, TQ Holdings Pty Ltd, Intermodal Group Pty Ltd, Intermodal Train Services Pty Ltd and Southern Export Terminals Pty Ltd.

(f) Contingent liabilities of associates

Qube's share of the contingent liabilities of its associates has been disclosed in note 26.

ACCOUNTING POLICY

Under AASB 11 *Joint Arrangements* investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has both joint operations and joint ventures.

Joint operations

Qube recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the financial statements under the appropriate headings. Details of the joint operation are set out in (b) above.

Joint ventures

Interests in joint ventures are accounted for using the equity method, after initially being recognised at cost in the consolidated balance sheet.

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its joint arrangements and associates' post acquisition profits or losses is recognised in profit or loss and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. The cumulative post acquisition movements are adjusted against the carrying amount of the investment. Dividends received or receivable from joint arrangements or associates are recognised as reduction in the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint arrangement or associate.

Unrealised gains on transactions between the Group and its joint arrangements and associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of joint arrangements and associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

Estimated impairment of investments accounted for using the equity method

Where indicators of impairment exist, the Group has undertaken a valuation of its investments accounted for using the equity method based on its proportionate ownership of these businesses. The recoverable amount of each investment is determined using a discounted cash flow model which requires the use of assumptions that may be subject to change. The general valuation assumptions also include a post tax discount rate range of 8.65% (Patrick) to 12.10% (Prixcar).

Indicators of impairment were identified for Qube’s investments in Prixcar, Quattro and NSS with all three investments found to be impaired.

Significant judgement: consolidation of entities with 50% ownership

The directors have concluded that where the Group holds 50% of the voting rights of an entity that this does not in itself confer that the Group has control of that entity. To establish whether control exists, the Group determines whether it is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. In the case of PTH No.1 Pty Ltd, Northern Stevedoring Services Pty Ltd, ’K’ Line Auto Logistics Pty Ltd, TQ Holdings Pty Limited, Southern Export Terminals Pty Ltd, Intermodal Group Pty Ltd, Intermodal Train Services Pty Ltd and Quattro Grain Trust the Group does not have the ability to affect returns of these entities without the prior consent of the remaining shareholders.

24. Significant investments in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries:

Name of entity	Country of incorporation	Class of shares/units	Equity holding 2019 (%)	Equity holding 2018 (%)
Qube Holdings Limited*	Australia	Ordinary		
Qube Employee Share Accumulation Plan Pty Ltd	Australia	Ordinary	**100**	100
Qube Logistics Trust*	Australia	Ordinary	**100**	100
Qube Equity Ltd*	Australia	Ordinary	**100**	100
KW Auto Logistics Pty Ltd*	Australia	Ordinary	**100**	100
K-NSS Pty Ltd*	Australia	Ordinary	**100**	100
Oversea & General Stevedoring Co Pty Ltd*	Australia	Ordinary	**100**	100
K-AA Terminals Pty Ltd*	Australia	Ordinary	**100**	100
P&O Wharf Management Pty Ltd*	Australia	Ordinary	**100**	100
Jingle SPV1 Pty Ltd	Australia	Ordinary	**100**	100
Jingle SPV2 Pty Ltd	Australia	Ordinary	**100**	100
Qube Infrastructure & Property Division:				
Qube Terminals Pty Ltd*	Australia	Ordinary	**100**	100
Qube Terminals Investments Pty Ltd	Australia	Ordinary	**100**	100
Qube Property Management Services Pty Ltd*	Australia	Ordinary	**100**	100
Qube RE Services Pty Ltd*	Australia	Ordinary	**100**	100
Qube Properties Pty Ltd*	Australia	Ordinary	**100**	100
Qube Agri Investments Pty Ltd*	Australia	Ordinary	**100**	100
Qube Bulk Liquids Pty Ltd*	Australia	Ordinary	**100**	100
KIL Property Investments Pty Ltd*	Australia	Ordinary	**100**	100
KFM Property Logistics 1 Pty Ltd*	Australia	Ordinary	**100**	100
Minto Properties Pty Ltd*	Australia	Ordinary	**100**	100
Moorebank Industrial Property Trust*	Australia	Ordinary	**100**	100
Qube RE Services (No.2) Pty Ltd*	Australia	Ordinary	**100**	100
Qube MB Warehousing Pty Ltd*	Australia	Ordinary	**100**	100
Moorebank Industrial Hold Trust*	Australia	Ordinary	**100**	100
Moorebank Industrial Investment Trust*	Australia	Ordinary	**100**	100
Qube Moorebank Warehousing Trust*	Australia	Ordinary	**100**	100
Moorebank Industrial Warehouse Hold Trust*	Australia	Ordinary	**100**	100
Moorebank Industrial Warehouse Trust*	Australia	Ordinary	**100**	100
Moorebank Industrial Terminals Asset Hold Trust*	Australia	Ordinary	**100**	100
Moorebank Industrial Terminals Asset Trust*	Australia	Ordinary	**100**	100
Moorebank Industrial Terminals Operations Hold Trust*	Australia	Ordinary	**100**	100
Moorebank Industrial Terminals Operations Trust*	Australia	Ordinary	**100**	100
Qube (AU) Moorebank Holding Pty Ltd*	Australia	Ordinary	**100**	100
Qube (AU) Moorebank Pty Ltd*	Australia	Ordinary	**100**	100
Qube (AU) Moorebank Investment Pty Ltd*	Australia	Ordinary	**100**	100
Qube (AU) Moorebank Unit Trust*	Australia	Ordinary	**100**	100
Qube (AU) Moorebank Intermodal Hold Trust*	Australia	Ordinary	**100**	100
Qube (AU) Moorebank Intermodal Trust*	Australia	Ordinary	**100**	100
Qube (AU) Moorebank Warehouse Hold Trust*	Australia	Ordinary	**100**	100
Qube (AU) Moorebank Warehouse Trust*	Australia	Ordinary	**100**	100
Qube (AU) Moorebank Warehouse Lot Hold Trust*	Australia	Ordinary	**100**	100

Name of entity	Country of incorporation	Class of shares/units	Equity holding 2019 (%)	2018 (%)
Qube (AU) Moorebank Terminals Assets Hold Trust*	Australia	Ordinary	**100**	100
Qube (AU) Moorebank Terminals Assets Trust*	Australia	Ordinary	**100**	100
Qube (AU) Moorebank Terminals Operations Hold Trust*	Australia	Ordinary	**100**	100
Qube (AU) Moorebank Terminals Operations Trust*	Australia	Ordinary	**100**	100
Beveridge Terminals Holdings Pty Ltd	Australia	Ordinary	**100**	-
Beveridge Terminals Holdings Trust	Australia	Ordinary	**100**	-
Beveridge Terminals Pty Ltd	Australia	Ordinary	**100**	-
Beveridge Terminals Trust	Australia	Ordinary	**100**	-
Beveridge Warehouse Holdings Pty Ltd	Australia	Ordinary	**100**	-
Beveridge Warehouse Holdings Trust	Australia	Ordinary	**100**	-
Beveridge Warehouse Pty Ltd	Australia	Ordinary	**100**	-
Beveridge Warehouse Trust	Australia	Ordinary	**100**	-
Beveridge Property Management Services Pty Ltd	Australia	Ordinary	**100**	-
Australian Automotive Terminals Pty Ltd*	Australia	Ordinary	**100**	100
Australian Amalgamated Terminals Pty Ltd*	Australia	Ordinary	**100**	100
AAT Port Kembla Pty Ltd*	Australia	Ordinary	**100**	100
Cargo Marshalling Services Pty Ltd*	Australia	Ordinary	**100**	100
Qube Operating Division:				
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
K-POTA Pty Ltd*	Australia	Ordinary	**100**	100
Qube Logistics (Aust) Pty Ltd*	Australia	Ordinary	**100**	100
Qube Ports (No 1) Pty Ltd*	Australia	Ordinary	**100**	100
Qube Bulk Pty Ltd*	Australia	Ordinary	**100**	100
Qube Energy Pty Ltd*	Australia	Ordinary	**100**	100
Markhaven Pty Ltd*	Australia	Ordinary	**100**	100
Qube Defence Logistics Pty Ltd*	Australia	Ordinary	**100**	100
Stonecrest Enterprises Pty Ltd*	Australia	Ordinary	**100**	100
Giacci Holdings Pty Ltd*	Australia	Ordinary	**100**	100
Giacci Port Services Pty Ltd*	Australia	Ordinary	**100**	100
Giacci Limestone Pty Ltd*	Australia	Ordinary	**100**	100
Giacci Group Operations Pty Ltd*	Australia	Ordinary	**100**	100
Giacci SA Pty Ltd*	Australia	Ordinary	**100**	100
Giacci Bros. Pty Ltd*	Australia	Ordinary	**100**	100
Giacci Management Services Pty Ltd*	Australia	Ordinary	**100**	100
Giacci NT Pty Ltd*	Australia	Ordinary	**100**	100
Giacci Contracting Pty Ltd*	Australia	Ordinary	**100**	100
Jamlewin Enterprises Pty Ltd*	Australia	Ordinary	**100**	100
Qube Learning Pty Ltd	Australia	Ordinary	**100**	100
W Qube Port of Dampier Pty Ltd*	Australia	Ordinary	**100**	100
Beaumont Transport Pty Ltd*	Australia	Ordinary	**100**	100
BBH Services Pty Ltd*	Australia	Ordinary	**100**	100
Latot Pty Ltd*	Australia	Ordinary	**100**	100
Norsea Qube Logistics Pty Ltd	Australia	Ordinary	**100**	100
Oztran Aust Pty Ltd*	Australia	Ordinary	**100**	100

Name of entity	Country of incorporation	Class of shares/units	Equity holding 2019 (%)	2018 (%)
Oztran Assets Pty Ltd*	Australia	Ordinary	**100**	100
Stanton Oztran Pty Ltd*	Australia	Ordinary	**100**	100
Australian Heavy Logistics Pty Ltd*	Australia	Ordinary	**100**	100
ISO Marshalling Pty Limited*	Australia	Ordinary	**100**	100
NZ Bidco Ltd	New Zealand	Ordinary	**100**	100
ISO Ltd	New Zealand	Ordinary	**100**	100
Pacific Shipping Services Ltd	New Zealand	Ordinary	**100**	-
Marshalling Solutions LLC	United States	Ordinary	**100**	100
Qube International Pte Ltd	Singapore	Ordinary	**100**	100
Continental Freight Employees Unit Trust	Australia	Ordinary	**100**	100
Qube Energy Sdn BHD	Malaysia	Ordinary	**100**	100
BOMC Pte Ltd	Singapore	Ordinary	**70**	70
BOMC Services Pte Ltd**	Singapore	Ordinary	**70**	70
PT Bintan Offshore Marine Centre**	Indonesia	Ordinary	**70**	70
Qube Pte Ltd	Singapore	Ordinary	**51**	-
Qube Logistics (Qld) Pty Ltd*	Australia	Ordinary	**100**	100
Qube Logistics (Global) Pty Ltd*	Australia	Ordinary	**100**	100
Qube Logistics (NZ) Limited	New Zealand	Ordinary	**100**	100
Qube Logistics (SB) Pty Ltd *	Australia	Ordinary	**100**	100
Qube Logistics (NSW) Pty Ltd*	Australia	Ordinary	**100**	100
Qube Logistics (QldT) Pty Ltd*	Australia	Ordinary	**100**	100
Qube Logistics (QldT1) Pty Ltd*	Australia	Ordinary	**100**	100
Qube Logistics (QldT2) Pty Ltd*	Australia	Ordinary	**100**	100
Qube Logistics (QldT3) Pty Ltd*	Australia	Ordinary	**100**	100
Qube Logistics (QldT4) Pty Ltd*	Australia	Ordinary	**100**	100
Qube Logistics (QldT5) Pty Ltd*	Australia	Ordinary	**100**	100
Qube Logistics (QldT6) Pty Ltd*	Australia	Ordinary	**100**	100
Qube Logistics (Vic) Pty Ltd*	Australia	Ordinary	**100**	100
Qube Logistics (WA) Pty Ltd*	Australia	Ordinary	**100**	100
Qube Logistics (WA1) Pty Ltd*	Australia	Ordinary	**100**	100
Qube Logistics (H&S) Pty Ltd*	Australia	Ordinary	**100**	100
Qube Logistics (Rail) Pty Ltd*	Australia	Ordinary	**100**	100
Qube Logistics (SA) Pty Ltd*	Australia	Ordinary	**100**	100
Qube Logistics (SA1) Pty Ltd*	Australia	Ordinary	**100**	100
Macarthur Intermodal Shipping Terminal Pty Ltd*	Australia	Ordinary	**100**	100
Independent Railways of Australia Pty Ltd*	Australia	Ordinary	**100**	100
Independent Railroad of Australia Pty Ltd*	Australia	Ordinary	**100**	100
Rail Equipment Leasing Pty Ltd*	Australia	Ordinary	**100**	100
Bowport All Roads Transport Pty Ltd*	Australia	Ordinary	**100**	100
Indy Equipment Pty Ltd*	Australia	Ordinary	**100**	100
Qube Logistics (WA2) Pty Ltd*	Australia	Ordinary	**100**	100
Qube Logistics (SL) Pty Ltd*	Australia	Ordinary	**100**	100
D&J Holding Co Pty Ltd*	Australia	Ordinary	**100**	100
D&J Subsidiary Co Pty Ltd*	Australia	Ordinary	**100**	100
Maritime Container Services Pty Ltd*	Australia	Ordinary	**100**	100
Australian Grain Packers Pty Ltd*	Australia	Ordinary	**100**	100
Australian Grain Handlers Pty Ltd	Australia	Ordinary	**100**	20

Name of entity	Country of incorporation	Class of shares/units	Equity holding 2019 (%)	Equity holding 2018 (%)
Lasso Logistics Pty Ltd	Australia	Ordinary	**100**	-
Crane and Haulage Partners Holdings Ltd	Cayman Islands	Ordinary	**100**	-
C&H Finance Pty Ltd	Australia	Ordinary	**100**	-
C&H Employee Services Pty Ltd	Australia	Ordinary	**100**	-
C&H Acquisition Pty Ltd	Australia	Ordinary	**100**	-
LCR Holdco Pty Ltd	Australia	Ordinary	**100**	-
LCR Finance Pty Ltd	Australia	Ordinary	**100**	-
LB Consolidated Pty Ltd	Australia	Ordinary	**100**	-
LCR Group Pty Ltd	Australia	Ordinary	**100**	-
LCR PNG Ltd	Papua New Guinea	Ordinary	**100**	-
LPE Pty Ltd	Australia	Ordinary	**100**	-
Canopus Pty Ltd	Australia	Ordinary	**100**	-
LCR Holdings Group Pty Ltd	Australia	Ordinary	**100**	-
LCR Finance Trust	Australia	Ordinary	**100**	-
LCR Properties Group Pty Ltd	Australia	Ordinary	**100**	-
LCR Properties Group Trust	Australia	Ordinary	**100**	-
LCR Mining Group Pty Ltd	Australia	Ordinary	**100**	-
LCR Mining Group Trust	Australia	Ordinary	**100**	-
LCR Haulage Group Pty Ltd	Australia	Ordinary	**100**	-
LCR Haulage Group Trust	Australia	Ordinary	**100**	-

* These subsidiaries have taken advantage of relief from the necessity to prepare financial reports in accordance with ASIC Corporations instrument 2016/785 issued by the Australian Securities and Investments Commission. For further information refer to note 35.

**Qube's economic interest in these entities is 70% due to its holding in BOMC Pte Ltd (holding company of the BOMC group)

ACCOUNTING POLICY

Principles of consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to note 22).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and balance sheet respectively.

Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Qube.

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss. If the ownership interest in an associate is reduced, but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

25. Non-controlling interests

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

	2019 $m	2018 $m
Interest in:		
Share capital	**-**	-
Reserves	**-**	-
Retained losses	**(1.2)**	(0.3)
	(1.2)	(0.3)

Retained losses in FY19 and FY18 are in relation to PT Bintan Offshore Marine Centre.

UNRECOGNISED ITEMS

The section provides information about items that are not recognised in the financial statements but could potentially have a significant impact on the Group's financial position and performance.

26. Contingencies

Contingent liabilities

Guarantees

The parent entity has provided unsecured bank guarantees amounting to $30.9 million (2018: $32.8 million).

27. Commitments

(a) Capital commitments

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

	2019	2018
	$m	$m
Payable:		
Within one year	**257.1**	268.1
Later than one year but not later than five years	**32.5**	67.2
Later than five years	**-**	-
	289.6	335.3

The above balance comprises capital expenditure required for contracted works and new items of plant and equipment.

Under its contractual commitments with MIC, Qube is required to construct an interstate rail terminal and an IMEX rail terminal and will also have to invest in enabling infrastructure such as roads, power and site subdivision to enable the development of warehousing on the site. At 30 June 2019, a total of approximately $461 million has been spent since financial close on development capex including on precinct infrastructure, rail terminals and warehousing.

The minimum remaining capex spend from FY20 onwards is estimated to be approximately $636 million of which $247 million is currently expected to be spent in FY20. The total minimum project capex only includes capex relating to warehouses for which tenants have been secured to date or are in final negotiation. Capex for the additional warehouses will be driven by tenant demand and whether or not new warehouses are funded by Qube.

Qube is also required to enter into leases and make ground lease rental payments to Precinct Land Trust (of which Qube owns around 34.37% and MIC owns 65.63%) with leases being executed and payments commencing 12 months after Qube has signed a binding lease agreement with a tenant (and payable only in respect of the land area to be utilised for that particular tenant). However, irrespective of whether or not Qube has secured tenants for the relevant area, it must pay ground rent on 50% of the total developable area 10 years after financial close (which occurred in January 2017) and on 100% of the total developable area 15 years after financial close. The net present value of the minimum expected lease payments assuming 50% of ground rent payable at year 10 and 100% at year 15 (after allowing for cpi escalation) is around $220 million, or around $145 million after adjusting for Qube's entitlement to 34.37% of the lease payments.

It is noted that Qube's financial analysis for the Moorebank project assumed that it would have developed most of the developable area within approximately 10 years from financial close.

(b) Lease commitments – Group as lessee

(i) Non-cancellable operating leases

The Group has non-cancellable operating leases in relation to plant, equipment and motor vehicles expiring within one to five years. The leases have varying terms including fully-maintained or non-maintained, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

It also has non-cancellable operating leases in relation to land, warehouses, rail terminals and offices expiring within one to forty 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.

	2019	2018
	$m	$m
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**90.3**	91.4
Later than one year but not later than five years	**265.1**	245.9
Later than five years	**508.8**	253.1
	864.2	590.4
Sub-lease payments		
Future minimum lease payments expected to be received in relation to non-cancellable sub-leases of operating leases	**44.6**	44.3

(ii) Finance leases

The Group leases property, plant and equipment and investment property under finance leases with terms of up to 99 years.

	2019	2018
	$m	$m
Commitments in relation to finance leases are payable as follows:		
Within one year	**2.2**	2.0
Later than one year but not later than five years	**6.5**	3.9
Later than five years	**40.6**	34.6
Minimum lease payments	**49.3**	40.5
Future finance charges	**(36.0)**	(30.7)
Total lease liabilities	**13.3**	9.8
The present value of finance lease liabilities is as follows (note 19):		
Current - within one year	**1.8**	1.7
Non-current - later than one year but not later than five years	**5.8**	3.5
Non-current - later than five years	**5.7**	4.6
Present value of minimum lease payments	**13.3**	9.8

There are no other outstanding contingent assets and liabilities or commitments as at 30 June 2019 (2018: Nil).

28. Events occurring after the reporting period

Matters subsequent to the end of the financial year

Post the end of the financial year, Qube announced that it was moving to compulsorily acquire the remaining shares in Chalmers, which would give Qube 100% ownership. This acquisition is expected to be completed in September 2019. Other than as noted above, no other matter or circumstances has arisen since 30 June 2019 that has significantly affected the Qube's operations, results or state of affairs, or may do so in future years.

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

OTHER NOTES

This section includes items requiring disclosure to comply with Australian Accounting Standards and other regulatory pronouncements but are not considered critical in understanding the financial performance or position of the Group, including relevant accounting policies applied, as well as other accounting policies applied which are not covered elsewhere in the notes to the financial statements.

29. Derivative Financial Instruments

The Group enters into derivative financial instruments in the normal course of business in order to hedge its interest rate and foreign currency risk exposure in accordance with the Group's financial risk management policies (refer to note 20). Derivatives are only used for economic hedging purposes and not as speculative investments. The following table shows the notional value of the derivative instruments held by the Group, the nature of the hedge relationship with the underlying debt instrument and their fair value as at the reporting date.

Derivative Instrument	**Nature of Hedge**	**Notional amount**	**Asset**	**Liability**
		$m	**$m**	**$m**
Year ended 30 June 2019				
Cross-currency interest rate swaps	Cash flow hedge	**189.6**	**24.1**	**-**
	Fair value hedge	**189.6**	**5.2**	**-**
Foreign exchange options	Cash flow hedge	**68.2**	**2.7**	**-**
Forward exchange contracts	Cash flow hedge	**15.6**	**0.2**	**-**
Interest rate derivatives	Not hedge accounted	**730.0**	**-**	**20.5**
Current			**1.0**	**-**
Non-current			**31.2**	**20.5**
Year ended 30 June 2018				
Cross-currency interest rate swaps	Cash flow hedge	189.6	12.6	-
	Fair value hedge	189.6	(11.1)	-
Forward exchange contracts	Cash flow hedge	34.3	0.4	
Interest rate derivatives	Not hedge accounted	290.0	-	1.1
Current			0.4	0.2
Non-current			1.5	0.9

Cross currency interest rate swap (CCIRS)
The Group's medium term notes create both an interest rate and a foreign currency risk exposure. The Group's policy is to minimise its exposure to both USD interest rate and exchange rate movements. Accordingly, the Group has entered into a series of CCIRS which cover 100% of the USPP principals outstanding and are timed to expire when each USPP loan matures. These swaps also swap the obligation to pay fixed USD interest to floating AUD interest. If the swaps held are no longer effective in hedging the interest rate and foreign currency risk exposure, management will reassess the value in continuing to hold the swap.

In accordance with the accounting policy, these CCIRS have been designated as fair value and cash flow hedges with movements in fair value recognised through profit or loss together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk for fair value hedges or in equity in the cash flow hedge reserve for cash flow hedges, whilst they are still in an effective hedge relationship.

Interest rate derivatives
Borrowings of the Group (excluding finance leases) currently bear an average interest rate of 3.9% on drawn debt and total facilities in place at year end, including margin, commitment and establishment fees. The Group manages cash flow interest rate risk by using interest rate swaps, interest rate callable swaps and interest rate collars.

Hedging instruments in place including forward starting hedges cover approximately 57.7% (2018: 37.9%) of the variable loan principal outstanding and have a weighted average minimum and maximum base rate of 1.89% and 2.58% respectively. Due to some forward starting hedges the current weighted average base rate of the hedges is 1.54%. Hedges with a notional principal totalling $345 million (FY18 $155 million) have forward start dates commencing in FY20, FY21 and FY22. Excluding these forward starts, hedging covered approximately 30.4% of the floating rate loan principal.

As the Group has not designated these derivatives as hedging instruments for accounting purposes, the changes in the fair value of are recognised immediately in profit or loss.

Forward exchange contracts and Foreign exchange options
The Group has exposure to movements in foreign currency exchange rates through anticipated purchases of parts and equipment. There has been no material hedge ineffectiveness during the period between designation of these forward exchange rate contracts and foreign exchange options and the reporting date. The movement in fair value has been deferred in the cash flow hedge reserve and will be released when the anticipated transactions occur.

ACCOUNTING POLICY

Derivatives that qualify for hedge accounting

Qube has entered into derivative financial instruments to hedge its exposure to fluctuations in interest and foreign exchange rates. At the inception, Qube designates and documents these derivative instruments into a hedging relationship with the applicable hedged items, noting its risk management objective and strategy for undertaking the hedge transaction.

Qube documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

Fair value hedges

A fair value hedge is a hedge of the exposure to changes in fair value of an asset or liability that is attributable to a particular risk.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria. This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

Cash flow hedge

A cash flow hedge is a hedge of the exposure to variability in cash flows attributable to a particular risk associated with an asset, liability or highly probable forecast transaction that could affect profit or loss.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the cash flow hedge reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within finance income or expense.

Changes in fair value of the foreign currency basis spread of a financial instrument when the foreign currency basis spread of a financial instrument is excluded from the designation of that financial instrument as the hedging instrument are included in the cost of hedging reserve.

When option contracts are used to hedge forecast transactions, the Group designates only the intrinsic value of the options as the hedging instrument. Gains or losses relating to the effective portion of the change in intrinsic value of the options are recognised in the cash flow hedge reserve within equity. The changes in the time value of the options that relate to the hedged item are recognised within OCI in the costs of hedging reserve within equity.

When the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously in the cash flow hedge reserve are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the hedging instrument matures or is sold, terminated or exercised, no longer qualifies for hedge accounting, or when Qube revokes designation. Any cumulative gain or loss recognised in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was recognised in equity is recognised immediately in profit or loss.

Derivatives that do not qualify for hedge accounting

Changes in the fair value of any derivatives that do not qualify for hedge accounting are recognised immediately in the profit or loss.

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

	2019 $m	2018 $m
(a) Net cash inflow from operating activities		
Profit for the year	**195.7**	199.0
Depreciation and amortisation	**120.0**	116.0
Non-cash employee benefits expense – share-based payments	**6.5**	9.7
Fair value adjustment to investment properties	**(155.5)**	(163.2)
Fair value losses/(gains) on financial instruments at fair value through profit or loss	**19.3**	0.4
Impairments of non-current assets	**14.0**	9.3
Profit on sale of property plant and equipment	**(3.2)**	(2.2)
Share of loss/(profit) of associates (net of dividends received)	**7.4**	4.5
Capitalised debt establishment costs and interest	**(14.1)**	(7.5)
Finance costs on finance lease	**0.4**	0.3
Acquisition earn out cost	**-**	3.8
Rental straight lining adjustment	**(1.0)**	(0.7)
Change in operating assets and liabilities, net of effects from purchase of controlled entities:		
Decrease/(Increase) in trade debtors and other receivables	**7.4**	(41.9)
Increase in inventories	**(1.5)**	(0.1)
Increase in deferred tax assets	**(6.7)**	(5.0)
(Decrease)/Increase in trade creditors	**(2.8)**	5.4
Increase in other operating liabilities	**9.8**	4.0
Increase/(Decrease) in provision for income taxes payable	**1.8**	22.4
Increase in deferred tax liabilities	**55.5**	44.4
Increase in other provisions	**5.8**	7.7
Net cash inflow from operating activities	**258.8**	206.3

(b) Non-cash investing and financing activities

	2019 $m	2018 $m
The following items were financed through the issue of Qube shares:		
Dividend reinvestment plan	**3.4**	3.4
	3.4	3.4

(c) Net debt reconciliation

The table below details changes in the Group's net debt arising from financing activities, including both cash and non-cash changes.

			Non-cash changes			
	Net debt at 1 July 2017	Financing cash flows	Acquisition of subsidiary	New finance leases**	Fair value adjustments*	**Net debt at 30 June 2018**
	$'m	$'m	$'m	$'m	$'m	**$'m**
Bank Loans	**352.0**	(30.0)	-	-	(1.4)	**320.6**
Other financiers	**150.0**	-	-	-	-	**150.0**
Medium term notes	**-**	189.6	-	-	1.9	**191.5**
Subordinated notes	**305.0**	**-**	-	-	-	**305.0**
Finance lease liabilities	**4.4**	(1.5)	4.6	2.3	-	**9.8**
Cash	**(190.8)**	86.6	-	-	0.3	**(103.9)**
Net debt	**620.6**	244.7	4.6	2.3	0.8	**873.0**

			Non-cash changes			
	Net debt at 1 July 2018	Financing cash flows	Acquisition of subsidiary	New finance leases**	Fair value adjustments*	**Net debt at 30 June 2019**
	$'m	$'m	$'m	$'m	$'m	**$'m**
Bank Loans	**320.6**	**498.4**	**-**	**-**	**1.5**	**820.5**
Other financiers	**150.0**	**-**	**-**	**-**	**-**	**150.0**
Medium term notes	**191.5**	**-**	**-**	**-**	**27.3**	**218.8**
Subordinated notes	**305.0**	**-**	**-**	**-**	**-**	**305.0**
Finance lease liabilities	**9.8**	**(1.7)**	**3.7**	**1.5**	**-**	**13.3**
Cash	**(103.9)**	**(35.4)**	**-**	**-**	**(0.6)**	**(139.9)**
Net debt	**873.0**	**461.3**	**3.7**	**1.5**	**28.2**	**1,367.7**

*Includes adjustments in relation to foreign exchange.
** Includes interest capitalised to finance leases (Not due for payment at year-end).

31. Remuneration of auditors

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

	2019 $'000	2018 $'000
(a) PwC Australia		
(i) Audit and other assurance services		
- Audit and review of financial statements	**705.6**	705.6
- Audit of other subsidiary financial statements	**-**	-
Total remuneration for audit and other assurance services	**705.6**	705.6
(ii) Taxation services		
- Tax compliance services	**165.2**	137.1
- Tax advisory services	**177.7**	90.2
Total remuneration for taxation services	**342.9**	227.3
(iii) Other services		
- Due diligence services	**-**	131.0
- Other services	**162.4**	235.2
Total remuneration for other services	**162.4**	366.2
Total remuneration of PwC Australia	**1,210.9**	1,299.1
(b) Non-PwC audit firms		
(i) Audit and other assurance services – audit and review of financial statements	**45.0**	49.5
(ii) Taxation services – tax compliance services	**-**	-
(iii) Other assurance services – other services	**-**	-
Total remuneration of non-PwC audit firms	**45.0**	49.5
Total auditors' remuneration	**1,255.9**	1,348.6

32. Related party transactions

(a) Parent entity

The ultimate parent entity and ultimate controlling party of the Group is Qube Holdings Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in note 24.

(c) Key management personnel

Disclosure relating to key management personnel are set out in note 33.

(d) Transactions with other related parties

The main services that have occurred relate to stevedoring services provided to Wallenius Wilhelmsen and terminal access fees paid to Patrick, in each case on normal commercial terms.

The following transactions occurred with related parties:

	2019	2018
	$m	$m
Stevedoring services		
received from other related entities and associates	**47.4**	40.6
paid to associates	**16.8**	13.7
Logistics, fuel services and management fees		
received from associates and other related parties	**0.9**	0.8
paid to associates and other related parties	**0.7**	0.5
Rental income		
received from associates	**5.6**	4.5
Dividend income		
received from associates	**18.4**	9.1

(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:

	2019	2018
	$m	$m
Current receivables (provision of services)		
Associates and other related parties	**4.2**	4.6
Current payables (payment for services)		
Associates and other related parties	**1.8**	3.7

(f) Loans to related parties

Loans to other associated entities totalled $315.8 million (2018:$ 337.0 million) during the year. Included in this total is $ 300.2 million (2018: $328.8 million) in shareholder loans provided to Patrick and $19.4 million (2018: $8.2 million) in shareholder loans to Prixcar. Refer to note 7 for further information in relation to the loan with Patrick. Other loans to associates have been classified within other assets on the Balance Sheet.

Loan repayments of $28.6 million (2018: $17.2 million) were received from associated entities during the year. The 2018 loan repayments included a cancellation of a $26 million promissory note to Patrick of which $15.6 million was applied against the loan with Patrick with the balance reducing Qube's investment in Patrick.

The Shareholder loan with Prixcar has been impaired by $3.8 million (2018: $nil). No impairment issues were noted in relation to Patrick.

(g) Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

33. Key management personnel disclosures

(a) Key management personnel compensation	**2019 $'000**	2018 $'000
Short-term employee benefits	**7,116.1**	6,501.9
Post-employment benefits	**120.5**	106.7
Long-term benefits	**68.8**	125.4
Share-based payments	**3,333.6**	3,243.1
	10,639.0	9,977.1

Detailed remuneration disclosures are provided in the Remuneration Report.

(b) Equity instrument disclosures relating to key management personnel

The numbers of ordinary shares in the Company held during the financial year by each director of Qube Holdings Limited and other key management personnel of the Group, including their personally related parties, are set out below.

2019	**Opening balance**	**Received as part of remuneration**	**Other changes**	**Closing balance**
Directors of Qube Holdings Limited	**13,016,669**	**570,379**	**(1,329,324)**	**12,257,724**
Other key management personnel of the Group	**2,299,631**	**1,057,731**	**(506,601)**	**2,850,761**
2018				
Directors of Qube Holdings Limited	17,854,365	163,304	(5,001,000)	13,016,669
Other key management personnel of the Group	2,252,196	134,534	(87,099)	2,299,631

(c) Loans to key management personnel

Aggregates of loans made to directors of Qube Holdings Limited and other key management personnel of the Group, including their personally related parties, are set out below.

	Opening balance $'000	**Loans granted $'000**	**Loans repaid $'000**	**Interest paid and payable $'000**	**Interest not charged $'000**	**Closing balance $'000**	**Number in Group at the end of the year**
2019	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2018	4,693.1	-	(4,693.1)	85.7	-	-	-

34. Share-based payments

(a) Share Appreciation Rights

During FY19 Qube issued Share Appreciation Rights (SARs) to incentivise and retain key executives to achieve share value based objectives that are subject to performance conditions tied directly to shareholder wealth creation.

The key terms and conditions for the FY19 grant are described below:

Participation	The Managing Director, other KMP and other executives who can directly influence the performance of Qube.
Valuation date/Grant date	13 September 2018
Issue price	$2.68
Instrument	Share appreciation rights (SARs) SARs will entitle the holder to receive a certain number of Qube shares subject to satisfaction of the Service condition. The number of shares the holder will receive is determined by multiplying the number of SARs awarded by the appreciation in the Qube share price divided by the VWAP of Qube shares calculated over the 15 trading days before the Vesting Date and the subsequent 15 trading days (Vesting price). The appreciation in the Qube share price will be determined by subtracting the initial price (being $2.68) from the Vesting price. If the Vesting price is lower than the Initial price, the SARs will lapse and no shares will be issued.
Performance condition	None.
Service condition	Eligible executives must continue to be employed by a Qube Group member until the Vesting date.
Exercise price	Nil
Performance period	3 years to on or around 13 September 2021 (with a further trading restriction (holding lock) period of 2 years from the Vesting date).
Vesting date	the date of release of the audited financial statements for Qube in respect of the financial year ended 30 June 2021, presently expected to be in late August 2021.
Dividends	Dividends will not be paid on SARs.
Termination	If the participant resigns during the vesting period, the SARs are forfeited. In the event of termination for redundancy etc. (i.e. good leaver) the SARs are reduced pro rata to the date of termination.

Set out below is a summary of SARs granted under the scheme:

Grant date	Final vesting date	Original Issue price ($)	Opening balance (number)	Granted (number)	Vested/ transferable (number)	Forfeited (number)	Closing balance (number)	Vested and transferable at the end of the year (number)
13 Sep 18	13 Sep 21	2.68	-	19,987,161	-	-	19,987,161	-
29 Sep 17	28 Sep 20	2.58	16,412,296	-	-	-	16,412,296	-
24 Nov 16	23 Aug 19	2.56	15,590,126	-	-	-	15,590,126	-

Fair value of Rights granted

The fair value at grant date is independently determined in accordance with AASB 2 Share-based Payment using either a Black & Scholes Merton or a Monte Carlo simulation based model.

The model inputs for SARs expensed during the year ended 30 June 2019 included:

Vesting date	13 Sept 2021	28 Sep 2020	23 Aug 2019
Grant date	13 Sep 2018	29 Sep 2017	24 Nov 2016
Share price at grant date ($)	$2.63	$2.47	$2.36
Initial price ($)	$2.68	$2.58	$2.56
Time to vesting date (years)	3.0	2.9	2.7
Volatility (%)	23%	28%	28%
Risk free rate (%)	2.01%	2.11%	1.89%
Dividend yield (%)	2.2%	2.2%	2.5%

(b) Performance Rights and Options

During FY14-FY16, Qube granted Performance Rights and Options to incentivise and retain key executives. Qube also granted a Moorebank specific Long-Term Incentives (LTIs) in the form of Performance Rights and Options. All LTI's issued under these plans, except for the FY15 and FY16 EPS LTI's issued to certain senior executives, have either vested or lapsed. No further grants are expected under these schemes.

The key terms and conditions for the LTIs that remain on foot are described below:

Participation	The Managing Director, other KMP and other executives who can directly influence the performance of Qube.
Instrument	Performance Right or Option (representing an entitlement to one ordinary Qube share) on achievement of certain performance conditions.
Performance condition	25% of Performance Rights and Options are subject to a Total Shareholder Return Hurdle (TSR Performance Rights and Options) and 75% are subject to an Earnings Per Share Hurdle (EPS Performance Rights and Options).
Exercise price	Nil Options - 20 day VWAP up to and including one day prior to issue.
Performance period/vesting date	3 years after grant date (with retesting annually for another two years for any EPS Performance Rights and Options that have not vested over the extended period).
Expiry date	TSR Performance Rights: 3 years after grant date. EPS Performance Rights: 3 years after grant date (with retesting for another 2 years).
Dividends	The holder is entitled to an amount equal to the dividends that would have been paid on the vested Performance Rights (as if they held Qube shares) for the period from the Grant Date to the Vesting Date. This amount is settled in Qube shares. No amount is payable for Performance Rights that do not vest.
TSR Hurdle	All TSR hurdle performance rights and options have either vested or lapsed.
EPS Hurdle	The EPS Performance Rights will vest depending upon Qube's EPS performance during the relevant performance period. For both the FY14 and FY15 grants under the plan the maximum vesting opportunity was a CAGR of 9% (the FY16 grant was 6%) in EPS. If Qube's CAGR in EPS for the relevant performance period (based on the respective 30 June reported financial results) is: • less than the minimum EPS target, no EPS Performance Rights will vest; • equal to, or greater than, the EPS target, 100% of the EPS Performance Rights will vest; or • greater than the minimum EPS target but less than the EPS target, the percentage of EPS Performance Rights that vest will be pro-rated on a straight-line basis between 0% and 100%. If any of the EPS Performance Rights have not vested at the end of three years, they will be carried forward to the following year and retested based on a four year period. Any EPS Performance Rights that remain unvested then will be carried forward and retested on the basis of a five year period. Any unvested EPS Performance Rights will lapse at the end of the five years.

Set out below are summaries of Performance Rights and Options granted under the schemes:

Grant date	Final vesting date	Original Issue price ($)	Opening balance (number)	Exercised (number)	Forfeited (number)	Closing balance (number)	Vested and transferable at the end of the year (number)
9 Sept 2013	9 Sept 2018	2.39	2,197,864	(2,099,546)	(98,318)	-	-
5 Sept 2014	5 Sept 2019	2.39	3,022,646	(553,818)	(142,927)	2,325,901	-
3 Sept 2015	3 Sept 2020	2.24	1,727,392	(302,384)	(593,994)	831,104	-
3 Sept 2015	3 Sept 2020	0.44*	12,773,927	(2,224,666)	(3,454,374)	7,094,887	379,667
3 Sept 2015	3 Sept 2020	2.24	1,281,805	(1,001,541)	(280,264)	-	-
3 Sept 2015	3 Sept 2020	0.44*	10,964,371	(7,819,577)	(1,370,545)	1,774,249	1,774,249

* Options

Fair value of Plan Shares granted

The fair value at grant date is independently determined taking into account the following:

EPS Performance Rights

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

EPS Options

For the EPS Options the Black-Scholes-Merton model was used to estimate the value at the valuation date. Consistent with the requirements of AASB 2, the development or application of an estimate indicating the likelihood of achieving the non-market EPS were not included.

(c) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	2019	2018
	$m	$m
Equity-based compensation – expensed		
Share appreciation rights	**4.3**	2.6
Performance Rights	**0.9**	3.7
Options	**1.3**	2.7
Executive long-term incentive plan (ELTIP)	**-**	0.7
	6.5	9.7

Note the FY19 expense above includes a $1.6 million (FY18 $3.3 million) additional expense to adjust for actual and expected service and vesting outcomes for the ELTIP and FY14-16 LTI plans.

35. Deed of cross guarantee

The parent entity and the companies noted in note 24 are parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and director's report under ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 issued by the Australian Securities and Investments Commission. The above companies represent a 'closed group' for the purposes of the Class Order, and as there are no other parties to the deed of cross guarantee that are controlled by the parent entity, they also represent the 'extended closed group'.

(a) Consolidated income statement, statement of comprehensive income and summary of movements in consolidated retained earnings for the year ended 30 June 2019 of the closed group

Consolidated income statement	**2019**	2018
	$m	$m
Revenue from continuing operations		
Revenue from sales and services	**1,520.8**	1,444.1
Other income	**171.7**	190.9
	1,692.5	1,635.0
Direct transport and logistics costs	**(385.2)**	(398.8)
Repairs and maintenance costs	**(80.0)**	(72.3)
Employee benefits expense	**(584.6)**	(561.5)
Fuel, oil and electricity costs	**(111.5)**	(92.7)
Occupancy and property costs	**(87.9)**	(82.9)
Depreciation and amortisation expense	**(107.3)**	(103.9)
Professional fees	**(10.9)**	(5.4)
Impairment of non-current assets	**(14.0)**	(9.3)
Other expenses	**(15.4)**	(18.4)
Total expenses	**(1,396.8)**	(1,345.2)
Finance income	**28.8**	26.0
Finance costs	**(58.0)**	(39.5)
Net finance costs	**(29.2)**	(13.5)
Share of net profit of associates accounted for using the equity method	**11.0**	4.6
Profit before income tax	**277.5**	280.9
Income tax expense	**(85.5)**	(84.3)
Profit for the year	**192.0**	196.6
Other comprehensive income net of tax:		
Change in the fair value of cash flow hedges and cost of hedging	**(0.4)**	-
Share of other comprehensive income of joint venture	**(3.6)**	1.0
Total comprehensive income for the year	**188.0**	197.6
Total comprehensive income attributable to:		
Owners of Qube	**188.0**	197.6
Non-controlling interests	**-**	-
	188.0	197.6
Summary of movements in consolidated retained earnings		
Retained earnings at the beginning of the financial year	**265.2**	107.4
Profit for the year	**192.0**	196.6
Dividends provided for or paid	**(133.3)**	(84.3)
Entities joining the closed group	**1.3**	45.5
Retained earnings at the end of the financial year	**325.2**	265.2

(b) Consolidated balance sheet as at 30 June 2019 of the closed group

	2019 $m	2018 $m
ASSETS		
Current assets		
Cash and cash equivalents	**106.5**	82.8
Trade and other receivables	**297.0**	292.6
Inventories	**4.2**	2.2
Derivative financial instruments	**1.0**	0.4
Total current assets	**408.7**	378.0
Non-current assets		
Loans and receivables	**300.2**	328.8
Investments in equity accounted associates	**678.9**	716.8
Property, plant and equipment	**1,138.3**	928.1
Investment properties	**1,031.6**	701.6
Intangible assets	**805.9**	812.7
Other financial assets	**242.1**	98.3
Derivative financial instruments	**31.2**	1.5
Other	**22.4**	20.6
Total non-current assets	**4,250.6**	3,608.4
Total assets	**4,659.3**	3,986.4
LIABILITIES		
Current liabilities		
Trade and other payables	**144.5**	133.3
Borrowings	**50.9**	0.2
Current tax payable	**17.2**	14.6
Derivative financial instruments	**-**	0.2
Provisions	**84.9**	75.4
Total current liabilities	**297.5**	223.7
Non-current liabilities		
Trade and other payables	**0.5**	0.4
Borrowings	**1,396.2**	926.4
Deferred tax liability	**111.0**	62.7
Derivative financial instruments	**20.5**	0.9
Provisions	**9.5**	9.7
Total non-current liabilities	**1,537.7**	1000.1
Total liabilities	**1,835.2**	1,223.8
Net assets	**2,824.1**	2,762.6
EQUITY		
Contributed equity	**2,487.3**	2,475.6
Reserves	**11.6**	21.8
Retained earnings	**325.2**	265.2
Total equity	**2,824.1**	2,762.6

36. Parent entity financial information

(a) Summary financial information

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

	2019	2018
	$m	$m
Balance sheet		
Current assets	**49.3**	32.2
Total assets	**4,178.7**	3,634.8
Current liabilities	**66.7**	16.6
Total liabilities	**1,475.5**	938.8
Shareholders' equity		
Issued capital	**2,618.7**	2,615.3
Reserves – share-based payments	**(4.0)**	(2.9)
Retained earnings	**88.5**	83.6
	2,703.2	2,696.0
Profit for the year	**142.9**	53.0
Total comprehensive income	**142.5**	53.0

(b) Guarantees entered into by the parent entity

There are cross guarantees given by the parent entity and the companies noted in note 24. No deficiencies of assets exist in any of these companies. No liability was recognised by the parent entity or the consolidated entity in relation to this guarantee given the low likelihood of it being called.

ACCOUNTING POLICY

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

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

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

(ii) Tax consolidation legislation

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

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

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

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

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

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

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

37. Summary of other accounting policies

(a) Other Income

(i) Asset sales

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

(ii) Interest income

Interest income is recognised in the statement of comprehensive income for all debt instruments using the effective interest method. Interest income on assets held at fair value through profit or loss is included in the statement of comprehensive income.

The effective interest rate method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, Qube estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

(iii) Dividends

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

(b) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which it operates (the ‘functional currency’). The consolidated financial statements are presented in Australian dollars, which is Qube's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

(iii) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

Income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

All resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(c) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(d) Adoption of standards

(i) New and amended standards adopted by the Group

The following new or amended standards became applicable for the current reporting period and the group had to change its accounting policies as a result of adopting the following standards:

- AASB 9 *Financial Instruments*
- AASB 15 *Revenue from Contracts with Customers*.
- *AASB 2016-5 Amendments to Australian Accounting Standards - Classification and Measurement of Share-based Payment Transactions*
- AASB 2017-1 *Amendments to Australian Accounting Standards - Transfers to Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments*
- Interpretation 22 *Foreign Currency Transactions and Advance Consideration.*

The impact of the adoption of AASB 9 and AASB 15 and the new accounting policies are disclosed below. Most of the other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Changes in accounting policies

This note explains the impact of the adoption of AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts* with Customers on the group's financial statements and discloses the new accounting policies that have been applied from 1 July 2018, where they are different to those applied in prior periods.

AASB 9 Financial Instruments

AASB 9 replaces the provisions of AASB 139 that relate to the recognition, classification and measurement of financial assets and financial liabilities derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of AASB 9 *Financial Instruments* from 1 July 2018 resulted in changes in accounting policies. No adjustments to the amounts recognised in the financial statements have been recorded. The new accounting policies are set out below. In accordance with the transitional provisions, comparative figures have not been restated.

Classification and measurement of financial instruments

Whilst no changes have been made to the classification and measurement of financial liabilities, AASB 9 removes the following classification of financial assets – held to maturity, loans and receivables and available for sale. It requires financial assets, debt and equity investments to be classified between the following measurement categories:

- Amortised cost;
- Fair value through profit or loss (FVTPL); or
- Fair value through other comprehensive income (FVOCI).

The classification depends on the business model for managing the financial asset and the contractual terms of the cash flows.

The following table illustrates the measurement requirements of AASB 9:

	Initial recognition	Subsequent measurement
Amortised Costs	Measured at fair value plus transaction costs directly attributable to the acquisition of the asset.	Measured at amortised cost using the effective interest rate method, and reduced by any impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss.
FVTPL	Measured at fair value. Any transaction costs of acquisition are recognised in the profit or loss.	These assets are subsequently measured at fair value. Net gains or losses, including any interest or dividend income, are recognised in profit or loss.
FVOCI	Measured at fair value plus transaction costs directly attributable to the acquisition of the asset.	These assets are subsequently measured at fair value. Net gains and losses are recognised in OCI and are never reclassified to profit or loss.

There has been no impact as a result of these changes to the Group's financial statements for the year ended 30 June 2019.

Impairment

AASB 9 replaces the incurred loss model of AASB 139 with an expected credit loss (ECL) model. The ECL model applies to financial assets measured at amortised cost and debt instruments at amortised cost. The group was required to revise its impairment methodology under AASB 9 for each of these classes of assets.

Trade receivables

The group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The result of the assessment is, that there is no material impact of the new impairment model as required by AASB 9.The loss allowances decreased by $2.4 million to $6.1 million for trade receivables during the year ended 30 June 2019. The decrease would have been the same under the incurred loss model of AASB 139. Trade receivables are written off when there is no reasonable expectation of recovery.

Loans and receivables

The group assesses on a forward-looking basis the expected credit losses associated with its loans and receivables carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Significant estimates and judgements

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the groups past history, existing market conditions as well as forward-looking estimates at the end of each reporting period.

Hedging

The new hedge accounting rules have aligned the accounting for hedging instruments more closely with the Group's risk management practices. It is expected that more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. The Group has confirmed that its current hedge relationships will qualify as continuing hedges upon the adoption of AASB 9.

When foreign exchange options are used to hedge forecast transactions, the Group designates only the intrinsic value of the options as the hedging instrument. Under AASB 139 the changes in the fair value of time value of option were recognised immediately in profit or loss. Under AASB 9, the changes in the time value of the options that relate to the hedged item are recognised in other comprehensive income and accumulated in the cost of hedging reserve within equity. The amounts accumulated in equity are removed from equity and included in the initial cost of the related asset when it is recognised.

In line with expectations as noted within the Group financial report for the year ended 30 June 2018 there has been no impact to Retained earnings. Accounting policy notes and disclosure have been updated where required.

AASB 15 Revenue from contracts with customers

As of 1 July 2018 the Group has adopted AASB 15 *Revenue from Contracts with Customers*. AASB 15 applies to all revenues arising from contracts with customers unless the contracts are within the scope of other standards, such as AASB 16 Leases. The standard outlines the application principles to measure and recognise revenue with the core principle being that entities should recognise revenue at an amount that reflects the consideration it expects to be entitled to in exchange for fulfilling its performance obligations to a customer.

Apart from providing more extensive disclosures for the Group's revenue transactions, the application of AASB 15 has not had a significant impact on the financial position and/or financial performance of the Group. This is in line with expectations as the revenue cycles within the Group are predominantly short term, high volume and low value in nature. For further information on revenue and other income, refer to note 2 and note 3.

(e) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2019 reporting period and have not been early adopted by the Group. There are no standards, other than AASB 16 Leases, that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions. The Group's assessment of the impact of AASB 16 Leases is set out below.

(i) AASB 16 Leases

AASB 16 will result in almost all leases being recognised on balance sheet, as the distinction between operating and finance leases is removed. The new standard is required to be applied for the financial year commencing on 1 July 2019.

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

- Recognise all right of use assets and lease liabilities on balance sheet, with the exception of short term (under 12 months) and low value leases (under $5,000). The liability is initially measured at the present value of future lease payments for the lease term. This includes variable lease payments that depend on an index or rate but excludes other variable lease payments. The right of use asset reflects the lease liability, initial direct costs, any lease payments made before the commencement date of the lease, less any lease incentives and, where applicable, provision for dismantling and restoration.

- Recognise depreciation of right of use assets and interest on lease liabilities in the income statement over the lease term.

- Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest portion (which the Group presents in operating activities) in the cash flow statement.

This standard will have a material impact on the Group's earnings and shareholders' funds at transition and in future years. At a high level the impact of the new standard in the initial part of a lease is to reduce net profit as the depreciation and finance expenses exceed the rental expense (i.e. the cash payment is lower than the accounting expense). This effect reverses in the latter stages of the lease as the finance costs become lower (i.e. the cash payment is higher than the accounting expense).

This will also have the additional impact of increasing EBITDA in future years as the rental expense will no longer be included within EBITDA.

It must be implemented retrospectively, either with the restatement of comparatives or with the cumulative impact of application recognised as at 1 July 2019 under the modified retrospective approach, which is the Group's chosen method of implementation.

AASB 16 contains a number of practical expedients, one of which permits the classification of existing contracts as leases under current accounting standards to be carried over to AASB 16. Under the modified retrospective approach which the Group intends to adopt, the analysis is undertaken on a lease-by-lease basis, with the option of either the right of use of an asset deemed to be equivalent to the liability at transition or calculated retrospectively as at inception of the lease.

Where Qube acquires a company with existing leases through a business combination, Qube must undertake a similar calculation as at the date of the completion of acquisition (rather than from the commencement of the underlying lease).

Under AASB 16, the present value of the Group's operating lease commitments as defined under the new standard, excluding low value leases and short term leases, will be shown as right of use assets within property, plant and equipment or investment property and as lease liabilities (both current and non-current) on the balance sheet.

As at the reporting date, the present value of the Group's non-cancellable operating lease commitments is approximately $864.2 million. Of these commitments, approximately $2.5 million relates to short-term leases which will be recognised on a straight-line basis as expense in profit or loss.

For the remaining longer-term lease commitments, on 1 July 2019, the Group expects to recognise right-of-use assets of approximately $554.7 million, lease liabilities of approximately $601.7 million, lease receivables of approximately $7.1 million and deferred tax assets of approximately $11.9 million. The Group also expects to recognise a reduction in its equity accounted investments of approximately $29.6 million to account for the impact of the new standard on the Group's interest in Patrick.

Overall net assets on transition will reduce by approximately $57.6 million which includes the expected impact for the Group's share of Patrick's transitional adjustments. Net current assets will be approximately $78.8 million lower due to the presentation of a portion of the liability as a current liability.

The Group expects that statutory net profit after tax will decrease by approximately $19.2 million for FY20 as a result of adopting the new rules. This also includes the statutory impact from Patrick which is expected to contribute approximately $14.5 million of the reduction.

The expected impact to the Group FY20 statutory results is based off the operating lease commitments in place as at 1 July 2019, which have a term of longer than 12 months and are greater than $5,000 in total. Adjusted EBITDA used to measure segment results is expected to increase by approximately $85.8 million, as the operating lease payments were included in EBITDA, but the amortisation of the right-of-use assets and interest on the lease liability are excluded from this measure.

The introduction of AASB 16 is not expected to impact the Group's underlying earnings, cashflow or compliance with covenants.

Directors' declaration on the Financial Statements

In the directors' opinion:

(a) the financial statements and notes set out on pages 52 to 127 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 2019 and of its performance for the financial year ended on that date; and

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

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in note 24 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 35.

Note 1 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the chief executive officer and chief financial officer required by 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the directors.

Allan Davies
Director

Sydney
21 August 2019

Independent auditor's report to the members

Independent auditor's report

To the members of Qube Holdings Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Qube Holdings Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended

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

What we have audited

The Group financial report comprises:

- the consolidated balance sheet as at 30 June 2019
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

Independence

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

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Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.

Materiality

For the purpose of our audit we used overall Group materiality of $8.6 million, which represents approximately 5% of the Group's adjusted profit before tax.

We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.

We chose adjusted profit before tax of the Group as, in our view, it is a metric against which the performance of the Group is commonly measured. Profit before tax is adjusted for fair value movements in investment property, derivatives and foreign exchange movements because they are significant non-cash items.

We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

Audit Scope

Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.

The Group operates across Australia and New Zealand, with its key operating segments being Operations, Infrastructure and Property and a 50% interest in Patrick Terminals. These divisions are supported by a corporate function in Sydney. Our work was performed mainly in Sydney, and we visited a number of the Group's significant operations in developing our plan.

We decided the nature, timing and extent of work that needed to be performed by us and component auditors operating under our instruction. We then structured our audit approach as follows:

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– We performed audit procedures over the financial information of Qube Operations and Infrastructure and Property given their financial significance. The operational structure is shown in note 2 of the financial report, Segment information.

– We sent specific instructions to component auditors, instructing them to perform audit procedures over specific areas of financial information of Patrick and ISO NZ Pty Limited.

– We performed further audit procedures at a Group level, including over the consolidation of the Group's reporting units and the preparation of the financial report.

In cases where the work was performed by component auditors, we decided on the level of involvement required from us to be able to conclude whether sufficient appropriate audit evidence had been obtained. Our involvement included written instructions to and reporting from component auditors, discussions with component auditors to understand their audit approach and clarify findings and further discussions with component management, where required.

Our team included experts in treasury and taxation and valuations.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matters to the Audit and Risk Committee.

Key audit matter	***How our audit addressed the key audit matter***
Impairment assessment of goodwill ***(Refer to note 10 - $744.2m)*** Goodwill is not amortised and Australian Accounting Standards require that it is tested at least annually for impairment or more frequently if impairment indicators exist. The Group performed impairment assessments relating to goodwill by preparing a discounted cash flow model to support the carrying value. Goodwill has been allocated to Operating Division and Infrastructure and Property segments. We consider this a key audit matter given the significant judgement and estimates involved in assessing whether goodwill should be impaired, in particular the sensitivity involved in forecasting key inputs and assumptions such as discount rates and EBITDA margins.	In considering the impairment tests prepared by the Group, amongst other procedures, we: • Tested the mathematical accuracy of the discounted cash flow model supporting the carrying value of goodwill. • Compared the key budget assumptions (such as revenue and expenses) used in the model to the Board approved budget. • Evaluated the Group's ability to forecast future results for the business by comparing budgets with reported actual results for previous financial year. • Assessed the reasonableness of the discount rate and terminal growth rate assumptions by comparing it to market data, comparable companies and

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	industry research, with the assistance of PwC valuation experts • Considered whether the methodology used by the Group was in accordance with the requirements of Australian Accounting Standards.
Impairment assessment of equity accounted investments ***(Refer to note 23 - $678.9m)*** The Group is required to assess the value of equity accounted investments at each reporting date. Valuations of assets are generally performed using discounted cash flow models prepared by the Group. Equity accounted investments predominantly comprise the Group's interest in the PTH No. 1 Pty Ltd (Patrick) business. The Group has performed impairment assessments of its equity accounted investments by comparing their carrying value at year end with the recoverable amount of each investment, determined using value in use through the use of discounted cash flow models. This was a key audit matter given the significant judgement and estimates involved in assessing whether investments should be impaired, in particular the sensitivity involved in determining the key assumptions of discount rates, EBITDA margins, terminal growth rates or terminal multiples.	In considering the impairment tests prepared by the Group, amongst other procedures, we: • Met with relevant members of management and discussed the specifics of the investments, including amongst other things, current year trading performance, trading performance against budget, long term outlook and capital expenditure requirements. • Tested the mathematical accuracy on a sample basis of the discounted cash flow model's calculations. • Compared a sample of the key budget assumptions (such as revenue and expenses) used in the models to Board approved budgets for the investments. • Evaluated the equity accounted investment's ability to forecast future results for the investments by comparing budgets with reported actual results for previous period where applicable. • Assessed the reasonableness of management's discount rate assumptions and terminal growth rates by comparing it to market data, comparable companies and industry research with the assistance of PwC valuation expert. • Considered whether the methodology used was in accordance with the requirements of Australian Accounting Standards.

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Fair value of investment properties ***(Refer to note 9 - $1,031.6m)*** Investment properties are measured at the fair value of each property. External valuations are obtained on a routine basis by the Group each year. The fair values of investment properties are dependent on the valuation methodology adopted and the inputs into the valuation model and can be impacted by factors such as prevailing market conditions, the individual nature, condition and location of each property and the expected future income for each property. This was a key audit matter because of the: • relative size of the investment property balance in the consolidated balance sheet • quantum of revaluation gains that directly impact the consolidated statement of comprehensive income through the fair value gain • Inherent subjectivity of the key assumptions due to the assumptions in the valuation methodology	For a sample of properties we compared the fair values of those properties to the external valuation reports and assessed the competency, qualifications, experience and objectivity of the relevant valuer. When inspecting the valuation report, we also considered other factors such as caveats or limitations identified in the report that may have influenced the outcomes. We met with management and discussed the specifics of each property, including, amongst other things, property status, lease commitments, planned capital expenditure and vacancy rates. We tested a sample of capitalised costs (including capitalised interest) by comparing the amounts and details to relevant supporting evidence. For properties under development we compared key inputs in the valuation to underlying support either provided by management or from external quantity surveyors for the remaining forecast costs of development. We evaluated the Group's ability to forecast future expected costs by comparing prior year estimates against a sample of actual costs incurred in the period. We assessed the reasonableness of the capitalisation rate, discount rate and market rents used in the valuations against market data for comparable properties. We considered the appropriateness of the land value per square metre adopted by the external valuer with reference to recent comparable market transactions.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon. Prior to the date of this auditor's report, the other information we obtained included the Chairman's Message, Managing Director's Report, Directors' Report, Shareholder Information and Corporate Directory. We expect the remaining other information to be made available to us after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express an opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the other information not yet received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action to take.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

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A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 20 to 49 of the directors' report for the year ended 30 June 2019.

In our opinion, the remuneration report of Qube Holdings Limited for the year ended 30 June 2019 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of *the Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

Jane Reilly
Partner

Sydney
21 August 2019

Shareholder Information

Top 20 Shareholders

As at 13 August 2019, the top 20 Shareholders of Qube were as follows:

Rank	Name	Number of shares	% of capital
1.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	473,018,752	29.45
2.	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	156,674,678	9.75
3.	CITICORP NOMINEES PTY LIMITED	113,161,398	7.05
4.	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	69,945,335	4.35
5.	PATTERSON CHENEY INVESTMENTS PTY LTD	57,840,030	3.60
6.	TAVERNERS NO 10 PTY LTD	56,966,720	3.55
7.	NATIONAL NOMINEES LIMITED	47,114,610	2.93
8.	AUSTRALIAN FOUNDATION INVESTMENT COMPANY LIMITED	34,961,910	2.18
9.	BNP PARIBAS NOMS PTY LTD <DRP>	28,408,356	1.77
10.	MR PETER GIACCI <P L GIACCI FAMILY A/C>	13,817,420	0.86
11.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	8,234,828	0.51
12.	LADDARA PTY LTD	6,386,265	0.40
13.	MILTON CORPORATION LIMITED	6,113,243	0.38
14.	MR MAURICE ALAN JAMES	4,984,012	0.31
15.	BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD DRP	4,614,967	0.29
16.	NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	4,579,118	0.29
17.	MIRRABOOKA INVESTMENTS LIMITED	4,409,107	0.27
18.	AMP LIFE LIMITED	4,283,152	0.27
19.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	4,243,903	0.26
20.	CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	4,124,605	0.26
	Total	**1,103,882,409**	**68.72**

Substantial Shareholders

As at 13 August 2019, Qube had received notification regarding the following substantial holders:

Substantial shareholder	Number of shares (as at notice date)	Notice date	% of capital (as at notice date)
Perpetual Limited and its Subsidiaries	118,540,417	6 March 2019	7.38%
Cooper Investors Pty Limited	90,454,194	12 April 2017	6.21%
Canada Pension Plan Investment Board (and its controlled entities)	143,243,753	2 August 2016	9.89%

Unmarketable Parcels

As at 13 August 2019, 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 $3.08 per share	163	515	11,746

Distribution Schedule

As at 13 August 2019, the distribution of holdings of Qube shares was as follows:

Range	Total holders	Shares	% of capital
1 – 1,000	2,679	1,262,983	0.08
1,001 – 5,000	8,394	25,323,174	1.58
5,001 – 10,000	5,995	44,818,071	2.79
10,001 – 100,000	9,285	245,227,978	15.27
100,001 and over	602	1,289,619,887	80.29
Total	**26,955**	**1,606,252,093**	**100.00**

Voting Rights

Each ordinary share carries with it one vote.

Restricted Securities

Qube does not have any restricted securities.

Unquoted Securities

1,774,249 unlisted options that have vested to 3 holders.

Current On-Market Buy-Backs

There are no current on-market buy-backs of shares in Qube.

Qube Subordinated Notes

On 5 October 2016, Qube issued 3,050,010 subordinated notes which commenced trading on the ASX on 6 October 2016 under ASX code ‘QUBHA’.

Corporate Governance Statement

Qube’s 2019 Corporate Governance Statement and Appendix 4G may be accessed via Qube’s website at:
http://qube.com.au/investor/reports-presentations/

Corporate Directory

Directors

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

Secretaries

William Hara
Adam Jacobs

Principal Registered Office in Australia

Level 27, 45 Clarence Street
Sydney NSW 2000
T: (02) 9080 1900

Security Exchange Listing

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

Website Address

www.qube.com.au

Share Registry

Computershare Investor Services Pty Limited
Level 3, 60 Carrington Street
Sydney NSW 2000
T: (Australia) 1300 850 505

Qube Holdings Limited

ABN 14 149 723 053

www.qube.com.au